PORT OF SAN DIEGO, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2023

PORT of SAN DIEGO
Waterfront of Opportunity

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FISCAL YEARS ENDED JUNE 30, 2023

Elba Gomez
Vice President, Administration/CAO/Acting Treasurer

John Jayasinghe
Director, Financial Services

Prepared By:
Mike Arons – Department Manager, Financial Services
Merv Nocum – Department Manager, Financial Services
Tona Martinez – Department Manager, Financial Services
Joy Houde – Accounting Supervisor
Derek Westerfeld – Accounting Supervisor
Ryan Rios – Senior Accountant
Martin Reynoso – Senior Accountant
Swee Tan – Senior Financial Analyst
Roger Manucdoc – Senior Financial Analyst
Amy Wang – Senior Financial Analyst
Brianne Page – Public Information Officer
Danny Palomino – Creative Brand Manager
Cuong Tu – Graphic Designer

PORT of SAN DIEGO
Waterfront of Opportunity

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

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INTRODUCTORY SECTION
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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.

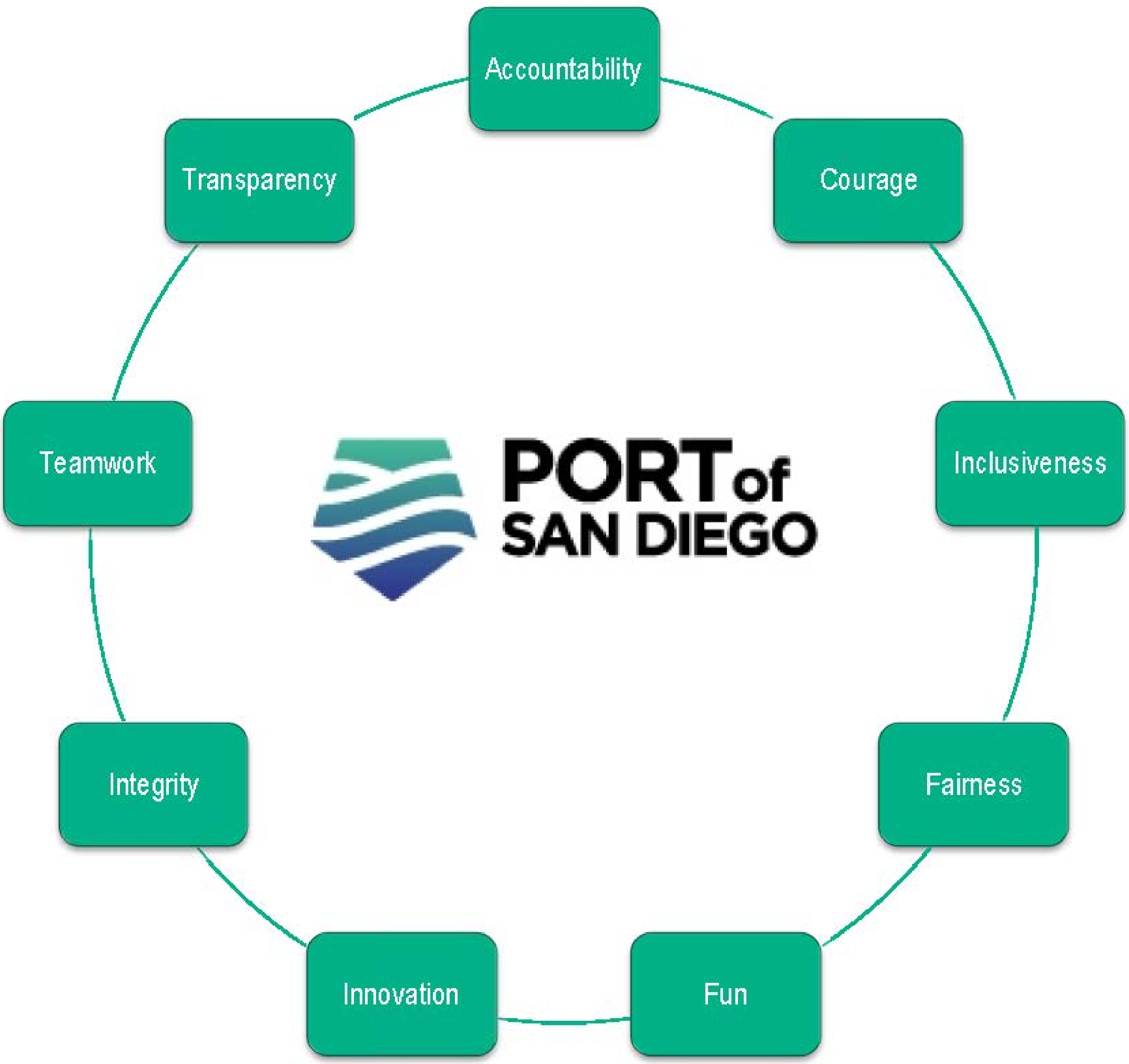
MISSION

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



PORT of SAN DIEGO

November 30, 2023

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 year ended June 30, 2023. 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 and changes in net position 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, 2023. 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 - 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

Recent data indicate that the U.S. economy continues to expand at a solid rate. Real GDP grew at an annualized rate of 2.1% in Q2-2023, and we estimate that this sequential rate of economic growth strengthened to more than 4% in the third quarter. Although the Bureau of Economic Analysis (BEA) will not publish the "advance" estimate of Q3 GDP growth until shortly after issuance of this report, the uptick in employment growth—nonfarm payrolls rose at an average monthly rate of 266K in Q3 relative to the average monthly rate of 201K in the second quarter is consistent with an acceleration in real GDP. Moreover, the drivers of spending growth appear to have been broad based in the third quarter. Monthly data indicate that real consumer spending grew at a robust annualized clip of nearly 4% in Q3. Although we estimate that real business spending on equipment may have edged down a bit, other areas of investment spending appear to have grown modestly. Real net exports likely made a positive contribution to real GDP growth during the quarter. (Source: Wells Fargo Economic Outlook October 13, 2023).

San Diego County's economy has continued to recover, particularly for many District activities and tenants. Cruise calls increased from 99 in fiscal year 2022 to 144 in fiscal year 2023 and increased from 172,000 passengers to 531,000 passengers. Concession revenues increased among tourism based industries including hotels, restaurants, marinas, sportfishing, and others. The unemployment rate in San Diego County was 4.3% in Aug 2023, up from 3.9% in July 2023, and above the year-ago estimate of 3.5%. This compares with an unadjusted unemployment rate of 5.1% for California and 3.8% for the nation during the same period (Source: EDD San Diego County data, October 2023).

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.

Operating Reserves

The District continues to maintain a healthy level of operating reserves to weather significant economic downturns more effectively and manage the consequences of unexpected emergencies. Operating reserves generate investment income, provide a margin of safety and stability to protect the District from exposure to catastrophic events and economic impacts, and provide flexibility to pursue emergent opportunities. 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 2024 adopted budget is $76.2 million and the operating reserve balance as of June 30, 2023 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.

Five-Year Financial Forecast

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

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

- Revenues and other sources exceed 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.

Balanced Capital Program

In November 2022, the Board of Port Commissioners (BPC) initiated a new program called the Balanced Capital Program (BCP), which replaced the Capital Improvements Program (CIP). The intent of the BCP is to distribute the Port's capital investments in a balanced and equitable manner throughout the Tidelands.

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

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 spanning approximately 6,000 acres of land and water and designates specific areas of San Diego Bay for maritime uses such as cargo and cruise; recreational uses such as marinas and parks; development of hotels, restaurants, and other visitor-serving amenities; and for environmental purposes such as habitats for birds and turtles. The plan is similar to what is known as a General Plan in a city or county. 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 FY 2023, District staff continued preparing the Final Program Environmental Impact Report (EIR), including preparing responses to public comments on a Draft Program EIR, which was previously released for public review and input. In FY 2024, District staff anticipates seeking BPC approval of the Draft Port Master Plan Update (PMPU) and Final EIR and begin processing the PMPU with the California Coastal Commission. Throughout the entire effort, public and stakeholder involvement has been instrumental in helping to shape and improve the plan. 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.

Tidelands Trust Land Use Plan

The District is creating a Trust Lands Use Plan (TLUP) that will provide goals, policies, and information on allowable uses and activities within approximately 8,000 additional acres of water area within San Diego Bay and approximately five acres of land area granted to the District on January 1, 2020, by the California State Lands Commission pursuant to Senate Bill 507 (SB 507). The TLUP only addresses the newly granted area and does not address the approximately 6,000 acres of submerged lands and tidelands included in the District's jurisdiction prior to 2020. As part of the District's commitment to transparency, the District has been seeking input from the public and stakeholders to help identify current uses within the TLUP area that should be preserved, protected, and maintained; to proactively address potentially competing uses/activities; and to see where there may be opportunities to improve, enhance and/or expand some uses. It's important that any expanded or new uses do not conflict with priority uses that already exist on and around the bay like water recreation, cargo and other large vessel movement via the federal navigation channel, commercial fishing, public safety, national security, environmental conservation, and more. In early fiscal year 2024, the District released a Discussion Draft of the TLUP for a 30-day public review period and received 22 comments. Staff then incorporated revisions based on the comments into the Draft TLUP and the BPC directed staff to begin environmental review of the draft plan per the California Environmental Quality Act (CEQA) and submit a draft of the TLUP to State Lands. That submittal was acknowledged by State Lands in October 2023, which satisfies a legislative requirement of SB 507 to submit a TLUP to State Lands before January 1, 2024. Once the CEQA process is complete, District staff will process the Draft TLUP as a Port Master Plan Amendment (PMPA) with the California Coastal Commission. Once the PMPA is certified by the California Coastal Commission, District staff will submit the TLUP PMPA to State Lands for their approval. District staff anticipates final approval of the TLUP in 2025. District staff is actively coordinating with State Lands and this coordination will continue as next steps of the TLUP progress. There will be additional public review and input opportunities throughout each of these steps. The State Lands Commission recognized that the District is in the best position to manage the additional area and will ensure consistent oversight as it has done with the land and water in its jurisdiction since 1962.

Information Technology Department

In fiscal year 2023, the District's Information Technology (IT) teams completed several public safety projects including moving the Airport Police Substation from Terminal One to Terminal Two, equipping our backup Emergency Communications Center with new 911 consoles, and refreshing mobile computing devices for all police vehicles along with a new priority and emergency-resilient cellular network to support those mobile devices. IT improved its embedded infrastructure with upgrades to several systems including the Port's wireless facilities, datacenter network switches, server hardware, conference room audio visual, staff iPhones, and increasing video archive storage capacities. On the application side of the house, IT made several improvements to its Enterprise Resource Planning (ERP) systems including upgrading the Real Estate, Budget Control and General Ledger systems in preparation for a large ERP upgrade, adding a new Grants system, and deprecating a legacy HR employee portal and migrating to the latest version including new Time Entry and Time Approval applications. The Business Intelligence unit partnered with the Executive Leadership Group to design and create 10 corporate Key Performance Indicators (KPIs) and built an ERP-integrated personnel budget forecast tool. And finally, a number of enhancements and new applications were added to the Geographical Information System (GIS) including enhancements to the Situational Awareness Application supporting Big Bay Boom and Wonderfront, created a new Tree Inventory application, and provided new aerial support for drone mapping.

People of the Port Career Fair

The District hosted its first ever People of the Port Career Fair to help people in the region find their next career opportunities. In partnership with District tenants, nearly 40 different businesses from various industries on the San Diego Bay waterfront participated and engaged with applicants looking for good paying and rewarding jobs. The District and tenants also partnered with the San Diego Community College District to share information on how colleges can update their curriculums to help meet hiring needs in the region. The District intends to make this an annual event to help provide people in the region with a good quality of life.

Maritime

Cargo

The District received approximately 2.5 million metric tons of cargo in fiscal year 2023, including 1.8 million metric tons of commercial breakbulk, dry bulk, military cargo and refrigerated cargo. New business was secured for the next four years from Saga Welco with a mix of project cargo such as steel coils, pipes, and h-beams. 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, and military-support cargo for the region. In addition, due to designation as a strategic port, the District had a 102% increase from military cargo operations throughput in fiscal year 2023 and is projecting a 31% growth in fiscal year 2024.

At the District's National City Marine Terminal (NCMT), terminal operator Pasha Automotive Services processed 362,600 imported autos for fiscal year 2023, a 5% increase from the previous year as the auto industry continues to face worldwide supply chain challenges post-pandemic, economic uncertainties, and foreign conflict.

Coming in fiscal year 2024 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.

The District continues to see strong performance in the bulk sector with bauxite, soda ash, and raw sugar growth.

Cruise

The District had its biggest cruise season since 2010 with about 140 calls, representing a 45 percent increase from the previous season. The District's primary cruise line customers are Holland America, Princess Cruises, Celebrity Cruises, and Disney Cruise Line. Looking ahead to fiscal year 2024, there are currently 101 calls on the schedule.

Additionally in fiscal year 2023, progress continued on phase one of structural rehabilitation and stormwater infrastructure upgrades on the pier, referred to as the Curtain Wall Repairs and Backfilling at B Street Pier Project. The phase one budget is approximately $14.1 million with phase two budgeted at nearly $2.5 million. Once complete, the upgrades constitute a significant step toward supporting potential future cruise ship terminal improvements.

California Port Data Partnership

Five California ports signed a Memorandum of Understanding (MOU) to launch the California Port Data Partnership. The historic MOU is an agreement among the ports of San Diego, Los Angeles, Long Beach, Hueneme, and Oakland to jointly advance computerized and cloud-based data interoperability with a common goal of supporting improved freight system resilience, goods movement efficiency, emissions reduction, and economic competitiveness. The agreement will serve as the basis of cooperation for $27 million in grant funds from the Governor's Office of Business and Economic Development for port data system development. Essentially, it aims to create a greener, more transparent, and more efficient supply chain.

Maritime Industrial Impact Fund

The BPC voted to increase annual funding for the District's Maritime Industrial Impact Fund (MIIF) from .5% to 2% of the District's annual gross maritime industrial revenue. The fund has supported numerous efforts in communities adjacent to the District's maritime industry and terminals, such as youth programs, bicycle infrastructure, air quality improvements, noise reduction efforts, and more. Established by the BPC in 2010 as Board of Port Commissioners Policy 773, the MIIF was originally funded with $500,000. In 2017, the BPC updated the policy to commit one-half of one percent (.5%) of the District's annual gross maritime industrial revenue to the program. Since 2017, the District has directed more than $1.7 million from the MIIF to reduce and mitigate maritime-related impacts for those in Barrio Logan and West National City. At the new rate, it's estimated that more than $4.8 million will be directed into the MIIF over the next six fiscal years. Impacts covered under MIIF include diminished air quality; visual impacts; excessive noise; heavy movement of vehicles or equipment through adjacent residential or commercial areas; or disproportionate degradation or use of public infrastructure, such as roads, streets, or sidewalks. Port member cities and public entities may propose projects for MIIF consideration. Proposed projects must show a nexus between maritime operations on tidelands and off-tidelands impacts that a specific project is expected to mitigate.

Waterfront Development

Chula Vista Bayfront

In fiscal year 2023, Mortenson | McCarthy Joint Venture in partnership with RIDA Development and HKS Architecture made tremendous progress on the centerpiece and catalyst project of the Chula Vista Bayfront – the Gaylord Pacific Resort and Convention Center. 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 summer 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.

Additionally, the BPC approved an approximately $15.5 million construction contract for 3-D Enterprises for the future Sweetwater Park. The brand-new public amenity will be built just north of Gaylord Pacific and is envisioned as a natural habitat-oriented recreational open space to showcase the unique natural wildlife assets of San Diego Bay, encouraging passive activities to complement the adjacent Sweetwater Marsh National Wildlife Refuge. The park is anticipated to open in late 2024.

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.

National City Bayfront

As part of efforts to improve public amenities and recreational and maritime uses on the National City Bayfront, the BPC certified the Environmental Impact Report (EIR) for the National City Bayfront Projects and approved a Port Master Plan Amendment (PMPA) for what's known as the National City Balanced Plan. The EIR analyzed the Balanced Plan and four proposed projects and programmatic components located in the City of National City.

Set in motion in 2015, the National City Balanced Plan seeks to expand Pepper Park, realign Marina Way, improve visual corridors and public access corridors for pedestrians and cyclists, and create more contiguous commercial recreation and maritime uses. The PMPA now goes to the California Coastal Commission for consideration. Once the PMPA is certified by Coastal, the District and City can implement the Balanced Plan.

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. Collaboration and outreach have been integral to developing the Balanced Plan. The District has been working closely with the City of National City, as well as businesses and the community.

In fiscal year 2024, the District will begin making significant improvements within the existing footprint of the approximately 5.2-acre Pepper Park. Existing park amenities include a boat launch ramp, picnic tables, restrooms, fishing pier, floating boat dock, playground equipment, lawn areas, and the National City Aquatic Center. As a result of outreach conducted from 2016 to 2022, improvements will include a new "pirate themed" playground; the addition of a splash pad, perched beach, overlook/terrace, and hillside play area; as well as an additional picnic area, a new entry plaza, and new landscaping and hardscaping throughout the park. A future 2.5-acre park expansion is contingent upon the availability of additional funding, as well as certification of the Balanced Plan PMPA by the California Coastal Commission.

Seaport Village Revitalization and Central Embarcadero Redevelopment

The District's revitalization of Seaport Village continues to attract the attention of major regional players in the food and beverage space – particularly among renowned casual dining and contemporary full-service restaurants. In fiscal year 2023, the BPC approved a ten-year lease with Cork and Batter, which will join the exciting lineup of new tenants at Seaport Village including Malibu Farm, Crack Taco, Louisiana Charlie's, BEACHCITY San Diego, Eclectique Boutique, and Mike Hess Brewing, among others. Seaport Village is now home to 63 tenants at 97% occupancy, with just five vacancies. The popular waterfront shopping, dining and entertainment center along the Central Embarcadero features specialty retail, full-service and fast-casual restaurants, walk-up café's, and a specialty market, among other new and exciting offerings. Since the District took ownership of Seaport Village in 2018, the BPC has approved investment spending of approximately $10.9 million for sitewide enhancements, activations, deferred maintenance, and tenant improvements.

Meanwhile, the District continues to work with 1HWY1, the developer selected to redevelop the Central Embarcadero, including Seaport Village, Tuna Harbor, Embarcadero Marina Park North, and Ruocco Park. In fiscal year 2023, the BPC authorized staff to begin the environmental review process for the Seaport San Diego project proposed by 1HWY1, which includes drafting an Environmental Impact Report (EIR) that may take approximately 24 months or longer to complete. 1HWY1 is proposing a is proposing a mix of uses including extensive plazas, parks and promenades; piers and marinas; hospitality, retail and restaurants; commercial fishing uses; multiple visitor attractions; an urban beach; and educational uses. The proposed project covers approximately 39 acres of land and 63 acres of water.

Navy Pier

In fiscal year 2023, the District and the USS Midway Museum agreed to work together to build a park on Navy Pier. The project calls for demolition of an old Navy warehouse known as the Head House that sits at the entrance of the pier, completion of pile improvements and pier reinforcements, and building a park. The total estimated cost is over $64 million with the District contributing nearly $12 million and the Midway contributing nearly $53 million. The park will generally include amenities that reflect San Diego's military history as well as pedestrian walkways, landscaping, benches, signage, restrooms, and parking. Head House demolition is anticipated to begin in FY 2024. The California Coastal Commission voted unanimously to issue a Coastal Development Permit (CDP) to the District and the Midway for the project. The CDP approval is the culmination of a years-long collaborative effort of the District, the Midway, and Coastal Commission staff.

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.

Maritime Museum

The BPC advanced a redevelopment project proposed by the Maritime Museum Association of San Diego (Maritime Museum) to the environmental review phase. The Maritime Museum is a California not-for-profit organization that has operated on the North Embarcadero of San Diego Bay for 75 years and is home to one of the most extensive collections of historic vessels in the world, including the Star of India, the Berkeley, the Californian, and others. The Museum is seeking to redevelop its entire premises with new facilities housed in a two-story, approximately 14,000-square-foot structure with plans to include galleries, an educational theater, a café for ticketholders and the public, a museum store, public access terraces, a dock and dine for recreational boaters, administrative offices, and back-of-house functions. The Museum has teamed up with Tucker Sadler Architects to design the project. The estimated cost is $28 million with funding to come from various sources including state grants, private financing, and private fundraising.

Topgolf

The BPC advanced a Topgolf venue proposed for East Harbor Island to the environmental review phase. Topgolf operates golf-themed restaurant, entertainment, and party venues across the country. Topgolf venues feature high-tech gaming, outdoor hitting bays, chef-driven menus, hand-crafted cocktails, music, corporate and social event spaces, and more. For the East Harbor Island location, Topgolf is proposing a three-story venue housing over 100 hitting bays with an event/stage area, outdoor patios, additional games and entertainment, and more. Topgolf will also contribute toward the public infrastructure around the site such as parks and promenades. Environmental review will be performed in accordance with the California Environmental Quality Act (CEQA) and then a CEQA document will be drafted and publicly reviewed. The earliest construction could begin would be 2025 but would likely be later. The proposed Topgolf venue is part of the District's efforts to redevelop an approximately 55-acre area of East Harbor Island.

Public Safety

Harbor Police Department

Cross-trained to prevent and address crime on tidelands 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 Magda Fernandez continues to focus on her priorities of community engagement, officer wellness, and recruiting and retention. Notably, through innovative recruiting strategies combined with effective retention programs, Chief Fernandez has managed to increase her staffing by hiring 21 sworn officers and five civilian staff over the previous 12 months. Additionally, the department continues to provide the highest quality public service while focusing on community engagement with partners such as the District tenants, the airport authority, and Perkins K-8 School. The department will continue to focus on recruiting efforts, especially in the administrative professional ranks, and will work on finalizing the Harbor Police Strategy to Task Plan that will guide the department for the next several years.

Experiences

Imperial Beach Pier Enhancements

The District largely completed a second phase of enhancements on the iconic Imperial Beach Pier, which included a mid-pier shade canopy structure with an artistic shark and water design, surf destination arrows at the end of the pier marking the distance and direction to legendary surf spots, activity placards displaying different fun sayings or slogans associated with types of activities to be enjoyed on or near the pier – fishing, surfing, lounging, and beaching. Earlier enhancements included fresh paint to the pier structures and railings and graphic murals in bright colors that reflect the city's unique Southern California beach vibe. In fiscal year 2024, a $3 million third phase is anticipated to begin and will include the installation of a new pier deck extension, shade-canopy, structural support, additional lighting, and utility improvements. Additionally, a $1.5 million utility piping and pile replacement project will be completed.

Sweetwater Park Art

Also in fiscal year 2023, the District's Arts Culture and Design Committee voted unanimously to recommend approval of artist Roberto Salas's "Rigors of Flight," concept proposal for a 24-foot tall furcula, or wish bone, which is found in most birds and is essential to their ability to fly. As part of the Chula Vista Bayfront project, the artwork is planned to be located on a scenic overlook in Sweetwater Park, which is currently under construction. Mr. Salas was selected through a competitive process, involving more than 64 qualified applicants. Mr. Salas is an award-winning international artist, teacher, lecturer, and artist-in-residence with numerous ties to the San Diego region, including graduating from UCSD with a Master of Fine Arts degree and successful completion of several public art commissions in the San Diego area.

Tidelands Activation Program

The District revamped its Tideland Activation Program (TAP) to increase event sponsorship opportunities and to provide a better balance of public access and support for public events at bayfront parks and venues. TAP is a program through which the District actively supports events that engage the community and inspire visitors to enjoy the San Diego Bay waterfront. A new, fourth category – Expanded Access Events – has been added to the program to enable the District to hold free community events in under-activated member city parks to better balance the number of special events held in these communities. The other three categories are Business Negotiated Events, which supports production of prominent events with national recognition and/or positive direct or indirect economic benefit; Civic Events, which allocates an equal amount of sponsorship to each Port member city to support special events of their choosing; and Community Events, which supports production of events put on by eligible non-profits with free admission and are open to all ages.

In fiscal year 2023, the District continued support for several large-scale waterfront events that draw people to the bay and drive revenue to tenants including the Big Bay Boom, the 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. The District also anticipates the return of the Wonderfront Music & Arts Festival sometime in the spring of 2024. This festival, according to the San Diego Tourism Marketing Department, yielded an estimated $1.8 million in hotel revenues in 2022.

Vending & Expressive Activity Regulations

In an effort to enhance the public's use and enjoyment of the District's parks and public spaces, the District created reasonable time, place, and manner regulations on expressive activity and commercial vending in Port District Code Section 8.05 (SDUPD Code Sect. 8.05). The District's Parks & Recreation department administers the commercial vending permits under SDUPD Code Sect. 8.05, and the Harbor Police Community Service Officers (CSOs) are responsible for enforcement.

Rady Shell at Jacobs Park

The District passed new regulations regarding the public promenade that encircles The Rady Shell at Jacobs Park, which is operated by the San Diego Symphony. The promenade is normally open to the public during park hours, including during performances. The public is allowed to walk around the promenade, sit inside the venue during most rehearsals, and sit and listen to performances from Embarcadero Marina Park South adjacent to The Shell for free. As of mid-April, regulations that apply during performances changed. The public is not permitted to congregate, stand, or stop on the promenade; bring large items such as folding chairs, ice chests/coolers, tables, shade structures, etc. onto the promenade or rocks/riprap surrounding the venue; or sit/stand on the rocks/riprap surrounding the venue. The Harbor Police Department may cite people for non-compliance.

Oversized Vehicle Regulations

The District amended its parking regulations to address rising complaints from the community about an influx of oversized vehicles, which include various sizes of recreational vehicles and vans. Changes included updating and clarifying the definition of an oversized vehicle, expanding oversized vehicle rules to include all District areas around the San Diego Bay waterfront, and designating where oversized vehicles will and will not be permitted to park. The District's regulations formerly applied only to Shelter Island. The updates are designed to preserve and expand public access by addressing accessibility, public health, safety, and visual impacts and were developed through a four-month community outreach process.

Environment

Maritime Clean Air Strategy

In FY 2023, the District made significant advancements in meeting its clean air goals as identified in the Maritime Clean Air Strategy. Approved in 2021, the MCAS is the most ambitious clean air strategy of its kind in the state, if not in the entire country. With its "Health Equity for All" vision, the policy document aims to improve air quality and community health while also supporting modern and efficient maritime operations and jobs. The District has invested approximately $60 million into electrification and infrastructure projects. In fiscal year 2023, completed initiatives included:

- Health Risk Assessment (HRA) – an HRA was completed that provided data and information on health risks associated with marine terminal activities.
- Urban greening – 20 new trees were planted at Cesar Chavez Park, increasing tree canopy coverage in the Portside Community of Barrio Logan.
- Shore power at B Street Cruise Ship Terminals – dual shore power became operational in January allowing for two cruise ships to simultaneously plug into shore power while in port rather than running their diesel engines. The first shore power system has been in operation since 2010.
- Heavy-duty zero emission truck transition plan – the District launched a Zero Emission Truck Technical Assistance Program.
- Port EV Fleet Transition – Three electric trucks and four electric cargo vans were added to the District's fleet.

Additional MCAS-related projects that are in progress include:

- Cruise Ship Terminals Shore Power Enhancement – to enable vessels to establish connections from the starboard side, an alternative connection point is being added on the ease side of B Street Pier's southern berth, increasing shore power capabilities for cruise.
- Tenth Avenue Marine Terminal Electrification Infrastructure and Microgrid – the next phase of electrical modernization and increasing energy resiliency is underway.
- Crowley eTug – the eWolf tugboat will be the first-of-its-kind harbor craft demonstrating technological feasibility and the first electric tug in the United States.
- Zero Emission Trucks – assist District truck operators with acquiring zero emission trucks.
- Zero Emission Truck Stop – recommendations will be brought to the BPC on next steps to implement a ZE Truck Stop to support ZE charging for trucks calling to and from the District's marine terminals.
- Harbor Drive 2.0 – proposed modern roadway, including an intelligent transportation system and managed lanes for more efficient movement of trucks, passenger vehicles, bikes, and pedestrians.
- Port Fleet EV Transition – BPC approved purchase of ten additional electric vehicles.
- National City Marine Terminal Shore Power – with a budget of up to $8.5 million, the first phase of shore power infrastructure will begin construction with anticipated completion by 2025.

- National City Marine Terminal Bonnet System – this at-berth emission capture and control system will support emissions reduction for roll-on/roll-off vessels that are not yet equipped to connect to shore power. The $11.5 million bonnet system project contract was approved by the BPC in May 2022.

U.S. Navy LCFS Agreement

To further reduce greenhouse gas emissions and improve air quality and public health on and around the San Diego Bay Working Waterfront, Navy Region Southwest and the District formed a first-of-its-kind partnership that gives the U.S. Navy access to participate in California's Low Carbon Fuel Standard (LCFS) market. The groundbreaking federal/state initiative will provide millions of dollars for further electrification efforts for both Naval Base San Diego and the District. Navy and District officials formalized the collaboration by signing an Intergovernmental Support Agreement. The Navy's participation in the LCFS market is the first ever participation by the Department of Defense in this type of carbon reduction effort. The LCFS is a cap-and-trade-like program where the producers of fossil fuels must either increase the use of plant-based carbon (e.g., ethanol and soybean oil) or buy credits to meet the requirement. One LCFS credit generated is equivalent to one metric ton of carbon dioxide reduced. Creation of credits can be achieved utilizing alternative low carbon fuels or electrification. The Navy will generate LCFS credits while ships are plugged into shore power. The credits are monetized through the services of a qualified and experienced broker. The District utilizes the brokerage services of Anew EV, LLC (formerly Bluesource). As the local participant in the state's LCFS program managed by the California Air Resources Board (CARB), the District will register, generate, and sell the credits from Navy shore power, and then utilize the proceeds from the sale to provide Naval Base San Diego with energy and utility improvement projects. In exchange, the District will keep a specified portion of the Navy's LCFS revenues and pay from its share for District personnel who will manage project design and construction of Navy identified projects at Naval Base San Diego and in District operations. If this partnership – which is being conducted as a pilot program through 2030 – is successful, it could be duplicated between other U.S. ports and naval bases.

Tijuana River Valley Pollution

Litigation against the United States Section of the International Boundary and Water Commission (USIBWC) for failing to prevent transboundary sewage flows into the Tijuana River Valley came to a close with final resolution of Plaintiffs' claims for attorneys' fees and costs. In April 2022, the District, along with the Cities of Imperial Beach, Chula Vista, and San Diego as well as the California State Lands Commission, the San Diego Regional Water Quality Control Board, and the Surfrider Foundation announced a historic settlement with USIBWC in which the federal agency agreed to implement several substantive interim measures to mitigate the effects of raw sewage and toxic chemicals polluting San Diego area communities and beaches in and downstream from the Tijuana River Valley and to both improve situational awareness and the flow of information from USIBWC to stakeholders. For their part, Plaintiffs dismissed their Clean Water Act and Resources Conservation and Recovery Act claims against USIBWC. the U.S. Environmental Protection Agency (EPA) proceeds with spending $300 million in funding as part of the United States-Mexico-Canada Agreement Implementation Act (USMCA), which were allocated during the course of this litigation to design, construct, and operate the Comprehensive Infrastructure Solution to address chronic transboundary flows. The expansion of the South Bay International Treatment Plant (SBIWTP) is a core component of the Comprehensive Infrastructure Solution and is vital to efforts to successfully address transboundary sewage flows.

Eelgrass Study

In fiscal year 2023, the District released the results of its first study on carbon storage in eelgrass beds. The study, conducted between October 2021 and June 2022, found that the bay's eelgrass beds contain 170,000 metric tons of carbon dioxide (CO_2), which is equivalent to the same amount of CO_2 emitted by more than 37,000 cars annually. The study also revealed that as much as 73 percent of the bay's carbon is stored in the sediments of the South Bay. San Diego Bay has nearly 2,600 acres of eelgrass, which amounts to 50% of all the eelgrass in Southern California and about 17% of eelgrass in the state. This first of its kind study in California was funded through the Maritime Environmental and Technical Assistance (META) Program in the U.S. Department of Transportation's Maritime Administration. The program supports and promotes emerging technologies to improve environmental sustainability in the maritime industry. Creating or restoring eelgrass habitat could lead to more carbon storage, which could potentially support the District's greenhouse gas emissions reduction efforts. In addition to storing carbon, eelgrass also helps improve water quality, provides protection from waves that erode shorelines, and is a vital habitat and food source for many animals in and around the bay. Through the META program, MARAD has committed $175,000 to a second year of research, and a third partner, the U.S. Navy, has joined the effort, allowing the team to study carbon sequestration and storage in the Navy's eelgrass restoration areas. As the study moves into its second year, the District, the Navy, and MARAD hope to shed more light on this little studied coastal ecosystem, and its big potential to support local and regional carbon sequestration efforts.

Blue Economy Incubator

The District has invested $1.7 million across its Blue Economy Incubator portfolio, of which portfolio partners leveraged over $1.2 million in additional research and development funds and has received $160,000 in royalty payments that can be reinvested in supporting new pilot projects through the Blue Economy Incubator.

Additionally, two aquaculture projects received national recognition as part of NBC's Today Show Earth Week coverage in April. Co-host Al Roker featured the District's shellfish nursery with San Diego Bay Aquaculture and Sunken Seaweed, a local startup demonstrating the feasibility and benefits of seaweed aquaculture in San Diego Bay. During the story, Al sampled a dish prepared by a local chef made with seaweed and farm-raised abalone. The coverage is anticipated to generate increased interest in and applications for the Blue Economy Incubator. Also in FY 2023, the District added five years onto its agreement with Sunken Seaweed and is investing an additional $100,000 in the project in exchange for an increase in revenue share and an extended revenue share period. Sunken Seaweed, led by two marine ecologists, is growing culinary seaweeds including dulse, sea lettuce, ogo, and other larger kelp varieties. They are also exploring a range of products including fertilizers, human food supplements, and livestock feed additives.

The District's BEI also expanded its partnership with the Naval Undersea Warfare Center (NUWC), Division Keyport partnered to promote cooperative activities with small business firms and educational institutions to help drive blue economy innovation in the San Diego region. First established in 2018, this partnership has been expanded to support the NavalX Southern California Tech Bridge, which was established to engage and leverage the region's collective programs, partners, capabilities, and funding streams that bring the most value to Naval and other partner community missions. Expanding on this partnership is offering a unique opportunity to enable further collaboration, accelerate the pace of discovery, learning and experimentation; and foster regional workforce capacity for innovation and agility. Through this partnership, both the District and the Navy will benefit from pipeline sharing and support their respective innovation goals.

On another front, the District is part of a newly formed and growing West Coast blue economy coordination group seeking to build capacity and support collaboration among maritime and ocean innovation stakeholders in the region. The group currently consists of representatives from Alaska Ocean Cluster, Port of Seattle, Washington Maritime Blue, Alta Sea, Scripps Institute of Oceanography, TMA Blue Tech, and the NavalX Southern California Tech Bridge and together they are considering the critical elements to a sustainable ocean economy – such as research, workforce development, and support for the global blue economy ecosystem.

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.

Wetland Mitigation Bank at Pond 20

District staff are working to finalize an application for a Port Master Plan Amendment (PMPA) to the California Coastal Commission for the Wetland Mitigation Bank at Pond 20. The PMPA along with a Coastal Development Permit will allow work to begin on the proposed 76.5-acre wetland mitigation bank on the southern portion of a parcel in south San Diego Bay known as Pond 20. The former salt evaporation pond is currently vacant, isolated from tidal influence, and provides little habitat value due to its salt-encrusted surface and invasive plants. Environmental benefits include supporting valuable ecosystem services such as protection from storm surges and erosion, increased biodiversity, improved water quality, increased carbon sequestration capacity, and more. Once the mitigation bank begins to generate net revenue, the funds will be specifically directed into the Pond 20 Economic Development Fund for future economic development and public improvement projects in the adjacent Imperial Beach and San Diego communities.

Environmental Education

The District is working 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.

Awards Received by the District

- 2023 – Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (ACFR) for fiscal year 2022 from the Government Finance Officers Association of the United States and Canada (GFOA)
- 2023 – Award of Distinction, Special or Community Event – Recurring or Series, DEI Drives Port of San Diego Community Input for Pepper Park Project, CAPIO – California Association of Public Information Officers2022 – Platinum Award, Excellence in Public Safety and Critical Incident Response, ASTORS Awards, American Security Today
- 2022 – Platinum Award, San Diego Association of Governments (SANDAG) Diamond Awards Program for Sustainable Transportation
- 2022 – Best in Show in the Silver Excellence Awards Category for DEI Drives Pepper Park Community Input Project, Public Relations Society of America, Bernays Awards, San Diego/Imperial Counties Chapter
- 2022 – Silver Excellence Award for Diversity, Equity & Inclusion in Communications for DEI Drives Pepper Park Community Input Project, Bernays Awards, Public Relations Society of America, San Diego/Imperial Counties Chapter
- 2022 – Vice Chair Rafael Castellanos named among the Top 50 Latino Leaders of Influence by the San Diego Business Journal
- 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 nine 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, 2022. 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,

Randa Coniglio
Acting President/CEO

Elba Gomez
Vice President, Administration/CAO/Acting 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, 2022.

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

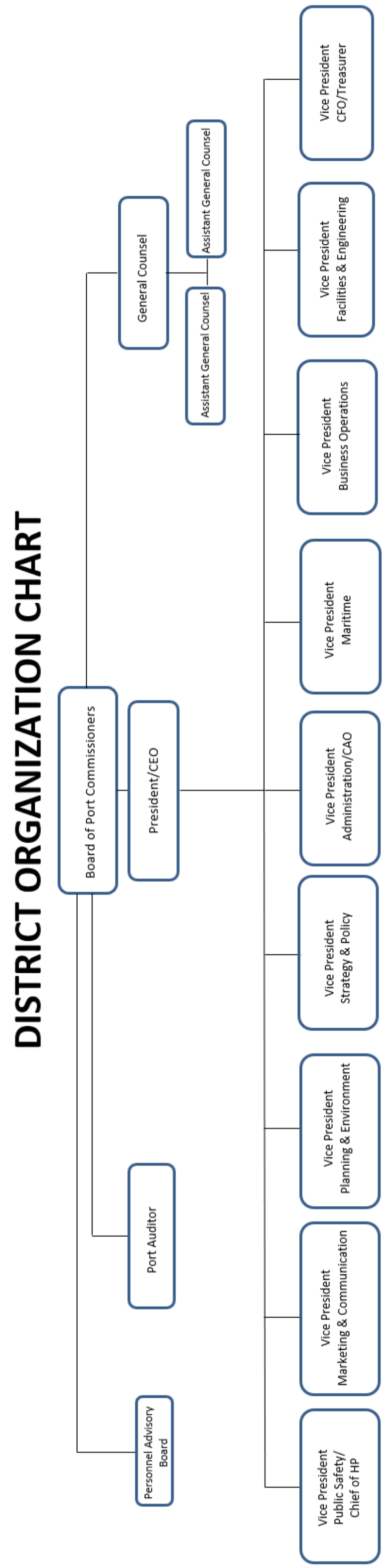
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

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 statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the years 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, 2023 and 2022, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 audits. 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 to the financial statements, San Diego Unified Port District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No.96, *Subscription-Based Information Technology Arrangements*, effective July 1, 2021. The financial statements have been retroactively restated in accordance with the requirements of the new accounting 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, *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, *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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of changes in preservation of benefits (POB) liability and related ratios, schedule of employer pension contributions, and schedule of changes in other postemployment benefits (OPEB) liability and related ratios 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 basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do 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 basic 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 30, 2023, 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 30, 2023

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 year ended June 30, 2023. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities, and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to the basic financial statements.

Financial Highlights – year ended June 30, 2023

- As of June 30, 2023, the assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $529.7 million.
- Operating revenues for the District were $203.0 million for fiscal year 2023 compared to $167.0 million for fiscal year 2022.
- Operating expenses, including depreciation and amortization, for the District were $174.8 million for fiscal year 2023 compared to $164.6 million for fiscal year 2022.
- Nonoperating revenues for the District were $85.0 million for fiscal year 2023 compared to $69.8 million for fiscal year 2022.
- Nonoperating expenses for the District were $6.9 million for fiscal year 2023 compared to $3.2 million for fiscal year 2022.
- Revenues from capital grants and contributions totaled $6.2 million for fiscal year 2023 compared to $3.1 million for fiscal year 2022.
- The District's total net position increased by $112.5 million during fiscal year 2023 compared to a $72.1 million increase in fiscal year 2022.

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 $417.2 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 $164.6 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 $72.1 million during fiscal year 2022 compared to a $18.0 million decrease in fiscal year 2021.

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 $529.7 million at the end of fiscal year 2023, compared to $417.2 million at the end of fiscal year 2022 and $345.1 million at the end of fiscal year 2021.

The District's financial position at June 30, 2023, 2022 (as restated), and 2021 (as restated) is summarized as follows:

Condensed Statements of Net Position
(Expressed in thousands)

	2023	2022 (As Restated)	2021 (As Restated)
Current assets	$ 224,055	$ 151,196	$ 124,252
Noncurrent assets and restricted assets	1,276,969	1,251,795	1,200,158
Capital assets, net	614,220	600,827	575,911
Total assets	2,115,244	2,003,818	1,900,321
Deferred outflows of resources	44,426	52,445	71,280
Current liabilities	115,267	65,054	32,581
Noncurrent liabilities	301,877	282,256	395,157
Total liabilities	417,144	347,310	427,738
Deferred inflows of resources	1,212,843	1,291,722	1,198,746
Net investment in capital assets	587,370	569,940	547,899
Restricted	4,160	3,422	7,269
Unrestricted	(61,848)	(156,131)	(210,052)
Total net position	$ 529,682	$ 417,231	$ 345,116

As of June 30, 2023, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $529.7 million compared to $417.2 million as of June 30, 2022 (as restated) and $345.1 million as of June 30, 2021 (as restated). The largest portion of the District's net position represents its net investment in capital assets. The District uses these capital assets to generate regional economic growth and to provide public safety services and recreational opportunities to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, the funds required to repay this debt are to be provided annually from operations. Refer to Note 11(a)(i) to the basic financial statements for additional information on the District's Balanced Capital Program (formerly known as the Capital Improvement Program) commitments.

The unrestricted net (deficit) position was $(61.8) million as of June 30, 2023, $(156.1) million as of June 30, 2022 (as restated), and $(210.1) million as of June 30, 2021 (as restated). The negative unrestricted balances reported are primarily due to 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). The total net position of $417.2 million was restated by $689 thousand from $416.5 million reported in the District's fiscal year 2022 audited financial statements, resulting from implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). See note 10 to the basic financial statements for more information regarding the restatement.

Capital Assets

The District's net book value of capital assets was $614.2 million as of June 30, 2023, $600.8 million as of June 30, 2022, (as restated) and $575.9 million as of June 30, 2021. The funds used for capital improvements are derived from several sources, including the District's unrestricted funds, federal and state grants, stimulus funds, capital contributions from external sources, long-term debt, and current revenue sources.

Capital Assets
(Expressed in thousands)

	2023	2022 (As Restated)	2021
Nondepreciable assets:			
Land	$ 314,759	$ 314,506	$ 277,151
Construction-in-progress	70,318	42,226	44,818
Depreciable/amortizable assets:			
Land improvements	7,650	7,650	7,650
Buildings and structures	650,086	644,050	638,515
Machinery and equipment	89,032	85,475	84,018
Roads and parking lots	128,644	128,377	128,363
Intangible	32,066	28,595	17,433
Total assets	1,292,555	1,250,879	1,197,948
Accumulated depreciation/amortization	(678,335)	(650,052)	(622,037)
Capital assets, net	$ 614,220	$ 600,827	$ 575,911

Capital Assets – Fiscal year 2023 compared to 2022:

The District invested a total of $41.9 million in construction-in-progress during fiscal year 2023 (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 2023 for some of the major capital projects:

$9.0 million, Curtain Wall Repairs and Backfilling at B Street Pier
$6.4 million, Structural Pile Repairs to Navy Pier
$4.7 million, Electrical Improvements Phase 3 at TAMT
$2.0 million, Bonnet System
$1.8 million, SAP Digital Transformation, Phase 1
$1.4 million, Imperial Beach Pier Improvements
$1.4 million, Seaport Tenant Improvements
$1.3 million, Pavement Improvements at Shelter Island
$1.3 million, Microgrid Infrastructure at TAMT
$1.1 million, Hardware, TWIC, Wi-Fi Upgrade and Monitoring Tools
$11.6 million, all others

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

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, 2023, 2022 (as restated), and 2021 (as restated) are presented below:

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

	2023	2022 (As Restated)	2021 (As Restated)
Operating revenues:			
Real Estate	$ 112,426	$ 91,445	$ 56,881
Guest Experiences - Parking	18,291	14,908	7,947
Maritime	50,991	39,697	33,530
Harbor Police	18,039	17,922	19,898
Other operating revenues	3,240	3,067	3,809
Total operating revenues	202,987	167,039	122,065
Operating expenses:			
Direct expenses			
Real Estate	30,350	29,277	27,567
Guest Experiences - Parking	7,048	5,691	4,358
Maritime	21,904	18,902	15,366
Harbor Police	46,177	42,777	42,273
Other operating expenses	(6,161)	(856)	28,104
Depreciation and amortization	28,283	28,332	27,226
General and administrative expenses	47,237	40,484	37,759
Total operating expenses	174,838	164,607	182,653
Income/(loss) from operations	28,149	2,432	(60,588)
Nonoperating revenues	84,970	69,780	44,417
Nonoperating expenses	6,901	3,237	3,100
Nonoperating income/(loss)	78,069	66,543	41,317
Capital grants and contributions	6,234	3,139	1,223
Change in net position	112,452	72,114	(18,048)
Beginning net position	417,230	345,116	363,164
Ending net position	$ 529,682	$ 417,230	$ 345,116

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. The total net position of $417.2 million was restated by $689 thousand from $416.5 million reported in the District's fiscal year 2022 audited financial statements, resulting from implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). See note 1(s) 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, 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 2023 compared to 2022:

(Expressed in thousands)	2023	2022 (As Restated)	$ Change Increase (Decrease)	% Change
Real Estate	$ 112,426	$ 91,445	$ 20,981	22.9 %
Guest Experiences - Parking	18,291	14,908	3,383	22.7 %
Maritime	50,991	39,697	11,294	28.5 %
Harbor Police	18,039	17,922	117	0.7 %
Other operating revenues	3,240	3,067	173	5.6 %
Total operating revenues	$ 202,987	$ 167,039	$ 35,948	21.5 %

- Real Estate operating revenues of $112.4 million increased $21.0 million from $91.4 million. The increase was primarily due to increases in concessions and parking revenue as COVID-19 pandemic restrictions being lifted during the winter of 2023. Businesses on the tidelands continue to rebound in fiscal year 2023 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.

- Guest Experiences - Parking operating revenues of $18.3 million increased $3.4 million from $14.9 million. The increase was primarily due to an increased volume of visitors utilizing parking for venues on or near District tidelands, including the new Rady Shell concert venue in Embarcadero Marina Park South, the Convention Center, and Petco Park baseball stadium. Additionally, parking meters and parking concessions also saw revenue increase due to increased visitation to the North Embarcadero area and Airport parking.

- Maritime operating revenues of $51.0 million increased $11.3 million from $39.7 million. The increase was primarily due to increased cruise and cargo operations as well as negotiated higher fixed rent revenue from National Distribution Center.

- Harbor Police operating revenues of $18.0 million increased $117 thousand from $17.9 million. The increase was primarily due to a slight increase in billable hours for airport police services.

- Other operating revenues of $3.2 million increased $173 thousand from $3.1 million. The increase was primarily due to an increase in cost recovery billings.

Operating Revenues – Fiscal year 2022 compared to 2021:

(Expressed in thousands)	2022 (As Restated)	2021 (As Restated)	$ Change Increase (Decrease)	% Change
Real Estate	$ 91,445	$ 56,881	$ 34,564	60.8 %
Guest Experiences - Parking	14,908	7,947	6,961	87.6 %
Maritime	39,697	33,530	6,167	18.4 %
Harbor Police	17,922	19,898	(1,976)	(9.9)%
Other operating revenues	3,067	3,809	(742)	(19.5)%
Total operating revenues	$ 167,039	$ 122,065	$ 44,974	36.8 %

- Real Estate operating revenues of $91.4 million increased $34.6 million from $56.9 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 $39.7 million increased $6.2 million from $33.5 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.

Operating Expenses - Fiscal year 2023 compared to 2022:

(Expressed in thousands)	2023	2022 (As Restated)	$ Change Increase (Decrease)	% Change
Direct expenses				
Real Estate	$ 30,350	$ 29,277	$ 1,073	3.7 %
Guest Experiences - Parking	7,048	5,691	1,357	23.8 %
Maritime	21,904	18,902	3,002	15.9 %
Harbor Police	46,177	42,777	3,400	7.9 %
Other operating expenses/(credits)	(6,161)	(856)	(5,305)	619.7 %
Depreciation and amortization	28,283	28,332	(49)	(0.2)%
General and administrative expenses	47,237	40,484	6,753	16.7 %
Total operating expenses	$ 174,838	$ 164,607	$ 10,231	6.2 %

- Real Estate operating expenses of $30.4 million increased $1.1 million from $29.3 million, primarily due to an increase in common area maintenance and marketing costs for Seaport Village and increased security services provided.

- Guest Experiences - Parking operating expenses of $7.0 million increased $1.4 million from $5.7 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 $21.9 million, increased $3.0 million from $18.9 million. The increase was primarily due to increased cruise and automobile cargo operations resulting in higher cruise security and operator retention fees.

- Harbor Police operating expenses of $46.2 million, increased $3.4 million from $42.8 million. The increase was primarily due to negotiated salary and benefit increases, grant funded expenses, professional services, equipment & systems, and training expenses.

- Other operating expenses of $(6.2) million, decreased $5.3 million from $(0.9) million. The decrease was primarily due to accounting adjustment for Subscription-Based Information Technology Arrangements (SBITA) per GASB Statement No. 96, and actuarial adjustments for pension expenses per GASB Statement No. 68, Preservation of Benefits (POB) expenses per GASB Statement No. 73, and Other Postemployment Benefit (OPEB) expenses per GASB Statement No. 75.

- Total depreciation and amortization expenses of $28.3 million decreased $49 thousand from $28.3 million.

- G&A expenses of $47.2 million increased by $6.8 million from $40.5 million, due to increases in both personnel and non-personnel operating expenses spurred by a return to business from the COVID-19 pandemic.

Operating Expenses - Fiscal year 2022 compared to 2021:

(Expressed in thousands)	2022 (As Restated)	2021 (As Restated)	$ 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 / (credits)	(856)	28,104	(28,960)	(103.0)%
Depreciation and amortization	28,332	27,226	1,106	4.1 %
General and administrative expenses	40,484	37,759	2,725	7.2 %
Total operating expenses	$ 164,607	$ 182,653	$ (18,046)	(9.9)%

- Real Estate operating expenses of $29.3 million 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 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, 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, increased $504 thousand from $42.3 million. The increase was primarily due to increased retirement cost, group health insurance, payroll taxes, and professional services.

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

- Total depreciation and amortization expenses of $28.3 million increased $1.1 million from $27.2 million.

- G&A expenses of $40.5 million decreased by $2.7 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.

Nonoperating Revenues, Expenses, and Capital Grants and Contributions - Fiscal year 2023 compared to 2022:

(Expressed in thousands)	2023	2022 (As Restated)	$ Change Increase (Decrease)	% Change
Nonoperating revenues	$ 84,970	$ 69,780	$ 15,190	21.8 %
Nonoperating expenses	$ 6,901	$ 3,237	$ 3,664	113.2 %
Capital grants and contributions	$ 6,234	$ 3,139	$ 3,095	98.6 %

- The District's nonoperating revenues of $85.0 million, excluding capital grants and contributions, increased $15.2 million from $69.8 million. The increase was primarily due to a legal settlement with San Diego Gas & Electric and increased interest income; partially offset by a reduction in reimbursements of expenditures from the ERP and interest income from leases.

- Nonoperating expenses of $6.9 million increased $3.7 million from $3.2 million. The increase is primarily due to a write-off of prior year capital projects and a contracted payment to Chula Vista Bayfront under the terms of the Joint Powers Agreement.

- Capital grants and contributions of $6.2 million increased $3.1 million from $3.1 million. The increase was primarily due to reimbursements for the electrification of TAMT and the purchase of a barge-based emissions control and capture system to comply with clean air Engineering-Maritime (CARB) regulations and reduce emissions from regulated non-shore power capable vessels at berth.

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

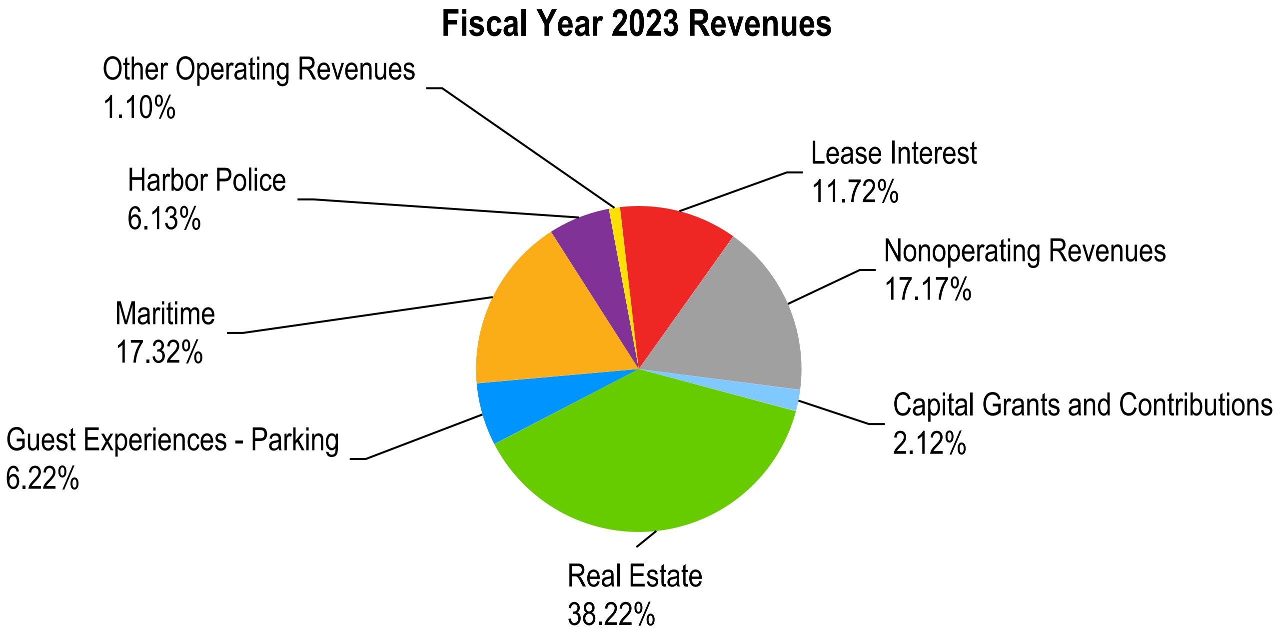
(Expressed in thousands)	2022 (As Restated)	2021 (As Restated)	$ Change Increase (Decrease)	% Change
Nonoperating revenues	$ 69,780	$ 44,417	$ 25,363	57.1 %
Nonoperating expenses	$ 3,237	$ 3,100	$ 137	4.4 %
Capital grants and contributions	$ 3,139	$ 1,223	$ 1,916	156.7 %

- 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.

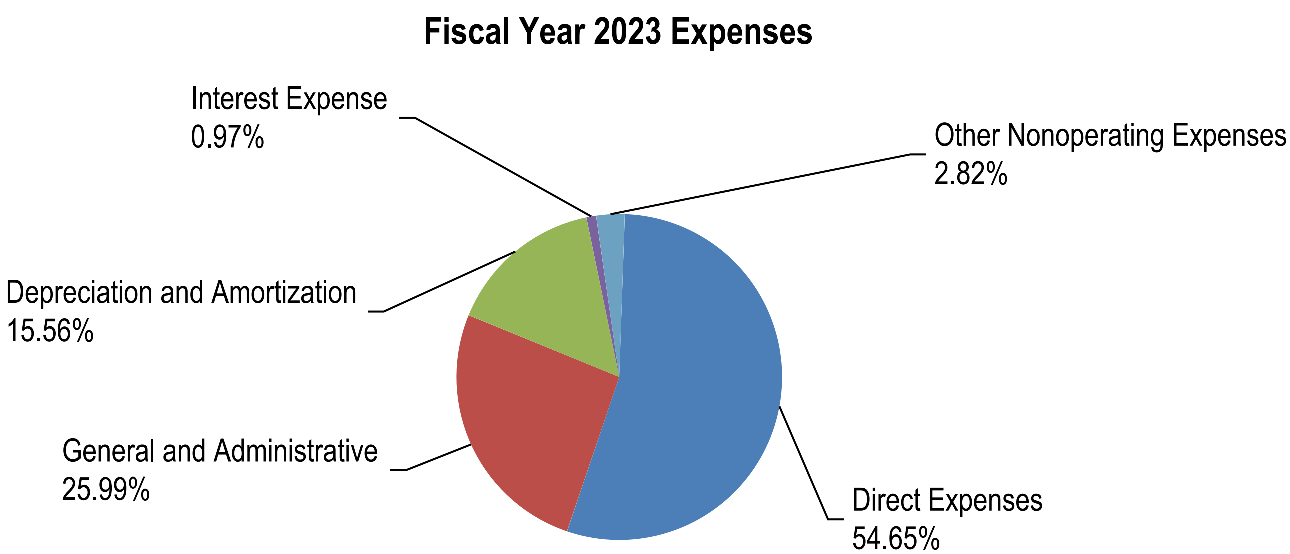
- Nonoperating expenses of $3.2 million increased $137 thousand from $3.1 million. The increase is primarily due to write-off of prior year capital projects, offset by savings in interest expense.

- 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.

The following charts show the total District revenues and expenses as percentages by major categories for fiscal year 2023:



Total Revenues	**$294,190,507**



Total Expenses	**$181,738,053**

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.

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 at the time of amendment are anticipated over the remaining approximate 9-year life of the note. All other terms of the note 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. 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.

Following is a summary of the District's outstanding notes and bonds payable as of June 30, 2023 and June 30, 2022:

(Expressed in thousands)	June 30, 2022	Increases	Decreases	June 30, 2023	Amounts Due Within One Year
Notes:					
SDCRAA promissory note	$ 24,837	$ —	$ (2,541)	$ 22,296	$ 2,634
Revenue bonds:					
Series A 2013 bonds payable	21,115	—	(2,200)	18,915	2,315
Series A 2013 bonds premium	582	—	(180)	402	—
Total notes and bonds	$ 46,534	$ —	$ (4,921)	$ 41,613	$ 4,949

	June 30, 2021	Increases	Decreases	June 30, 2022	Amounts due within one year
Notes:					
SDCRAA promissory note	$ 27,209	$ —	$ (2,372)	$ 24,837	$ 2,541
Revenue bonds:					
Series A 2013 bonds payable	23,210	—	(2,095)	21,115	2,200
Series A 2013 bonds premium	802	—	(220)	582	—
Total notes and bonds	$ 51,221	$ —	$ (4,687)	$ 46,534	$ 4,741

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, 2023 and June 30, 2022

ASSETS	2023	2022 (As Restated)
Current assets:		
Unrestricted:		
Cash and cash equivalents	$ 99,971,109	$ 56,539,632
Investments	37,153,039	39,461,795
Accounts receivable, net of allowance	29,024,012	24,604,788
Lease receivable	27,383,267	22,750,468
Other current assets	30,523,953	7,839,429
Total unrestricted current assets	224,055,380	151,196,112
Total current assets	224,055,380	151,196,112
Noncurrent assets:		
Restricted assets:		
Restricted cash and investments:		
Terminal Facility Improvement Fund	2,395,402	—
Mitigation Fees Fund	6,563,500	6,563,500
County Sweetwater Park Fund	7,067,412	6,900,272
Chula Vista Bayfront Development RIDA	419,137	707,032
Stimulus Fund	58,856,893	32,385,518
Deposits and other miscellaneous	14,432,046	9,962,796
Escrow accounts:		
South Bay Power Plant remediation and other miscellaneous	1,429,530	1,396,712
Workers' compensation collateral	4,524,173	4,395,222
Series 2013 Bonds:		
Debt service reserve funds held by trustee	2,656,524	2,579,135
Total restricted assets	98,344,617	64,890,187
Other noncurrent assets:		
Cash and investments designated for specific capital projects and commitments	306,699	1,004,349
Lease receivable, net of current portion	1,178,312,324	1,185,895,163
Other noncurrent assets	5,421	5,421
Total other noncurrent assets	1,178,624,444	1,186,904,933
Capital assets:		
Nondepreciable assets:		
Land	314,758,973	314,505,688
Construction-in-progress	70,318,068	42,226,100
Depreciable assets:		
Land improvements	7,650,334	7,650,334
Building and structures	650,086,326	644,050,080
Machinery and equipment	89,032,135	85,475,327
Roads and parking lots	128,643,649	128,376,611
Intangible assets	32,065,049	28,594,396
Total capital assets	1,292,554,534	1,250,878,536
Less accumulated depreciation and amortization	(678,334,938)	(650,051,753)
Capital assets, net	614,219,596	600,826,783
Total noncurrent assets	1,891,188,657	1,852,621,903
Total assets	2,115,244,037	2,003,818,015
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to bond refunding	73,324	85,377
Deferred outflows related to pensions	21,713,478	22,790,093
Deferred outflows related to OPEB	22,639,481	29,569,283
Total deferred outflows of resources	44,426,283	52,444,753

Continued

See accompanying notes to the basic financial statements.

SAN DIEGO UNIFIED PORT DISTRICT
Statements of Net Position (Continued)
June 30, 2023 and June 30, 2022

LIABILITIES		**2023**		**2022 (As Restated)**
Current liabilities:				
Accounts payable	$	31,657,509	$	19,250,481
Accrued liabilities		5,651,605		4,333,270
Current portion of accrued leave		6,040,303		6,740,161
Deposits, ERP funds, and other short-term liabilities		65,103,370		27,922,272
Accrued interest payable, Series 2013 Bonds		307,463		344,129
Notes payable, current portion		2,634,469		2,540,692
Bonds payable, current portion		2,315,000		2,200,000
Short-Term Liability SBITA		1,557,537		1,723,192
Total current liabilities		115,267,256		65,054,197
Noncurrent liabilities:				
Liabilities - payable from restricted assets:				
Mitigation, remediation fees, and County park funds		14,760,442		14,560,484
Other long-term liabilities:				
Notes payable to SDCRAA, net of current portion		19,661,455		22,295,923
Bonds payable, net of current portion		17,002,472		19,497,176
Unearned revenue - ERP funds and other		158,740		10,108,609
Unearned revenue - NEVP credits		5,108,813		5,434,440
Other long-term liabilities		4,813,384		4,977,632
Accrued leave, net of current portion		2,620,288		1,033,002
Net pension liability		121,100,991		82,457,261
Net POB liability		2,849,215		4,733,462
Total OPEB liability		112,469,792		114,268,856
Long-Term Liability SBITA		1,331,703		2,889,239
Total other long-term liabilities		287,116,853		267,695,600
Total noncurrent liabilities		301,877,295		282,256,084
Total liabilities		417,144,551		347,310,281
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions		5,767,451		56,565,136
Deferred inflows related to leases		1,160,455,888		1,177,820,970
Deferred inflows related to OPEB		46,619,829		57,336,232
Total deferred inflows of resources		1,212,843,168		1,291,722,338
NET POSITION				
Net investment in capital assets		587,370,249		569,939,589
Restricted for other projects and grants		4,159,929		3,421,684
Unrestricted (Deficit)		(61,847,576)		(156,131,125)
Total net position	$	529,682,602	$	417,230,148

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, 2023 and June 30, 2022

	2023	2022 (As Restated)
Operating revenues:		
Real Estate	$ 112,426,055	$ 91,444,955
Guest Experiences - Parking	18,291,223	14,908,148
Maritime	50,990,742	39,697,775
Harbor Police	18,038,783	17,921,684
Other operating revenues	3,240,139	3,066,662
Total operating revenues	202,986,942	167,039,224
Operating expenses:		
Direct expenses:		
Real Estate	30,349,745	29,276,409
Guest Experiences - Parking	7,047,772	5,690,974
Maritime	21,903,690	18,902,324
Harbor Police	46,176,576	42,777,223
Other operating expenses / (credits)	(6,160,930)	(855,708)
Depreciation and amortization	28,283,185	28,332,234
General and administrative expenses	47,236,800	40,483,426
Total operating expenses	174,836,838	164,606,882
Income/(Loss) from operations	28,150,104	2,432,342
Nonoperating revenues/(expenses):		
Interest income	5,182,969	522,335
Interest income from leases	34,468,936	35,853,572
Stimulus fund revenue	22,483,835	29,005,229
Net change in the fair value of investments	488,116	(432,021)
Interest expense	(1,768,183)	(2,087,006)
Financial assistance	(2,408,740)	(623,000)
Other nonoperating expenses	(2,724,291)	(526,339)
Other nonoperating revenues	22,346,066	4,830,403
Nonoperating revenues/(expenses), net	78,068,708	66,543,173
Income/(Loss) before capital grants and contributions	106,218,812	68,975,515
Capital grants and contributions	6,233,642	3,138,429
Change in net position	112,452,454	72,113,944
Net position, beginning of year	417,230,148	345,116,203
Net position, end of year	$ 529,682,602	$ 417,230,147

See accompanying notes to the basic financial statements.

SAN DIEGO UNIFIED PORT DISTRICT
Statements of Cash Flow
Fiscal Years Ended June 30, 2023 and June 30, 2022

	2023	2022 (As Restated)
Cash flows from operating activities:		
Payments from customers	$ 160,190,280	$ 146,433,085
Payments to suppliers	(54,407,387)	(41,529,687)
Payments to employees	(125,967,926)	(107,669,187)
Other receipts	3,896,435	4,195,263
Net cash provided by (used) operating activities	(16,288,598)	1,429,474
Cash flows from noncapital financing activities:		
Maintenance Fund	1,432	495,191
Settlement income	13,240,881	—
Financial assistance	(2,408,740)	(623,000)
Note payments	(2,540,692)	(2,372,252)
Net cash used in noncapital financing activities	8,292,881	(2,500,061)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(44,474,576)	(46,217,940)
Proceeds on sale of capital assets	6,014	11,534
Federal/state grants received	28,484,900	3,046,022
Stimulus funds received	58,856,894	61,390,747
County Sweetwater Park Fund	—	6,900,272
Contributions for capital assets	232,577	92,407
Terminal Facility Improvement fees	2,458,401	—
Lease interest	34,468,936	35,853,572
Payment of bond principal	(2,200,000)	(2,095,000)
Interest paid	(1,681,876)	(2,255,244)
Net cash provided by capital and related financing activities	76,151,270	56,726,370
Cash flows from investing activities:		
Net Proceeds (Purchase) of short-term investments	(452,833)	(39,461,795)
Maturity of short-term investments	2,761,589	—
Interest received from investment securities	5,484,790	90,507
Net cash provided (used) by investing activities	7,793,546	(39,371,288)
Net increase (decrease) in cash and cash equivalents	75,949,099	16,284,495
Cash and cash equivalents, beginning of year	114,063,099	97,778,604
Cash and cash equivalents, end of year	$ 190,012,198	$ 114,063,099
Cash and cash equivalents components:		
Current cash and cash equivalents – unrestricted	$ 99,971,109	$ 56,539,632
Stimulus funds – restricted	58,856,893	32,385,518
Chula Vista Bayfront Development RIDA – restricted	419,137	707,032
Mitigation fees – restricted	6,563,500	6,563,500
County Sweetwater Park Fund – restricted	7,067,412	6,900,272
Terminal Facility Improvement Fund – restricted	2,395,402	—
Deposits and other miscellaneous – restricted	14,432,046	9,962,796
Cash and investments designated for specific capital projects and commitments	306,699	1,004,349
Total cash and cash equivalents	$ 190,012,198	$ 114,063,099

See accompanying notes to the basic financial statements.

SAN DIEGO UNIFIED PORT DISTRICT

Statements of Cash Flow (Continued)

Fiscal Years Ended June 30, 2023 and June 30, 2022

	2023	2022
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:		
Gain/(Loss) from operations	$ 28,150,104	$ 1,657,188
Adjustments to reconcile loss from operations to net cash provided (used) by operating activities:		
Depreciation and amortization expenses	28,283,185	27,432,238
(Gain)/Loss on disposal of assets	—	(6,732)
Other activities	3,889,848	4,292,530
Changes in assets, deferred outflows, liabilities, and deferred inflows:		
Accounts receivable	(4,419,224)	(979,067)
Other current assets	4,714,955	19,375,629
Other restricted assets	(128,951)	(1,415)
Deferred outflows of resources	8,018,470	18,835,009
Accounts payable	15,084,300	10,725,212
Accrued liabilities	629,553	(2,771,948)
Other long-term liabilities	24,358,028	(128,044,946)
Deposits and other short-term liabilities	(21,540,258)	(804,409)
Deferred inflows of resources	(103,328,608)	51,720,185
Net cash provided (used) by operating activities	$ (16,288,598)	$ 1,429,474

Supplemental disclosure of noncash investing, capital, and financing activities:	2023	2022
Changes to capital assets included in accounts payable	$ 178,982	$ (1,337,890)
Net change in the fair value of investments	(488,116)	(432,021)
Construction-in-progress write-offs - prior year costs	2,619,596	517,253
Bond issue premium 2013 Series A (amortization)	179,704	219,903

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 certain 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 amounts billed to 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 $(605) thousand as of June 30, 2023, and $(619) thousand as of June 30, 2022. 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 $150 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 Board of Port Commissioners (BPC) may designate funds, which they do not consider to be available for general operations. In November 2022, the BPC initiated a new program called the Balanced Capital Program (BCP), which replaced the Capital Improvements Program (CIP). At June 30, 2023, the District has designated funds primarily for the unpaid contractual portion of some Balanced Capital Program (BCP) projects that are currently in progress totaling $307 thousand compared to $1.0 million as of June 30, 2022. 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 BCP projects funded from existing cash resources total $21.0 million excluding projects funded by grants, donations, and contributions (see Note 11(a)i.) compared to $9.8 million in fiscal year 2022.
- Designations for other specific projects and activities (non-CIP) including Art Works, Environmental Fund, Maritime Industrial Impact Fund, and NEVP Maintenance Fund totaling $5.8 million compared to $5.0 million in fiscal year 2022.
- 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 $76.2 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, 2023 and 2022.

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) Subscription-Based Information Technology Arrangements

Subscription-based Information Technology Arrangement (SBITA) is defined as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in a combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which the District has a noncancellable right to use the underlying IT assets. The subscription term includes periods covered by an option to extend (if it is reasonably certain that the District will exercise that option).

The District has long term subscription-based IT arrangements that have been accounted for in accordance with the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. Resulting in a subscription asset – an intangible asset – and a corresponding subscription liability.

At the commencement of SBITA, the District measures the subscription asset and liability at the present value of payments expected to be paid over the course of the agreement term. Subsequently, the subscription asset is amortized over the period of IT agreement term. The subscription liability is reduced by the principal payment paid over the period of the IT agreement term.

Key estimates and judgements related to SBITA with various vendors are as follows:

- The District recognizes subscription assets and liabilities with an initial, individual net present value of $100 thousand or more.
- The District uses a blended incremental borrowing rate as the discount rate for SBITAs when the rate is not stated in the agreement and implicit rate is not determinable.
- The IT arrangements includes the noncancellable period of the lease and the option to extend, if we are reasonably certain the District will exercise the option.

- Projected SBITA expenses included in our initial measurement are composed of fixed payments required per IT agreements as well as any variable payments that are fixed in substance. All other variable payments are excluded.

The District monitors changes in circumstance that would require a remeasurement of the subscription assets and liability, if certain changes occur that are expected to significantly affect the amount of subscription assets and liability.

(k) 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 re-acquisition 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.

(l) 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)

(m) 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.

(n) 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, terminal facility improvement fee, dividends from investments, and low carbon fuel standard credits.

(o) 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.

(p) 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.

(q) 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 fair 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.

(r) 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.

(s) New Governmental Accounting Standards

The District implemented the following new governmental accounting standards effective for the fiscal year ended June 30, 2023:

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the fiscal year ended June 30, 2023. The following table shows the adjustments to the restated financial statements for fiscal year 2022 due to the adoption of the standard:

Impact from GASB 96 adoption			
		2022	
	As originally presented	**Adjustment**	**As restated**
Statement of Net Position:			
Capital assets, net	595,502,948	5,323,835	600,826,783
Total current liablities	63,308,175	1,746,022	65,054,197
Total noncurrent liabilities	279,366,845	2,889,239	282,256,084
Total net position	416,541,575	688,573	417,230,148
Statements of Revenues, Expenses and Changes in Net Position:			
Total operating expenses	165,382,036	(775,154)	164,606,882
Nonoperating revenues (expenses), net	66,629,755	(86,582)	66,543,173
Change in net position	71,425,372	688,573	72,113,945
Statement of Cash Flow:			
Net cash provided by operating activities	1,429,474	86,582	1,516,056
Net cash provided by capital and related financing activities	56,726,370	(86,582)	56,639,788

- GASB Statement No. 94, *Public-Private and Public-Public Partnership Partnerships and Availability Payment Arrangements*, the primary objective of this Statement is to improve financial reporting by addressing issues related to these arrangements. Establishing the definition of Public-Public Partnership (PPP) and Availability Payment Arrangements (APA) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions will provide more relevant and reliable information for financial statement users and create greater consistency.

(t) Upcoming Governmental Accounting Standards

The following GASB Statements have been issued but are not yet effective for the fiscal year ended June 30, 2023. The District is assessing what financial statement impact, if any, these Statements will have:

- 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 ending June 30, 2024.

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

Summary of cash and investments:	2023	2022
Cash and cash equivalents	$ 99,971,109	$ 56,539,632
Investments	37,153,039	39,461,795
Restricted cash and investments:		
Mitigation Fees Fund	6,563,500	6,563,500
North Embarcadero Visionary Plan Maintenance Fund	2,716,641	2,432,047
Refundable Security Deposits and Other Miscellaneous	6,180,679	6,846,249
Chula Vista Bayfront Development RIDA	419,137	707,032
Stimulus Fund	58,856,893	32,385,518
Low Carbon Fuel Standard (LCFS) Fund	4,770,159	—
Terminal Facility Improvement Fee	2,395,402	—
County Sweetwater Park Fund	7,067,412	6,900,272
Other	764,567	684,500
Total restricted cash and investments	89,734,390	56,519,118
Designated cash and investments:		
Designated for specific capital projects and commitments	306,699	1,004,349
Total cash and investments	$ 227,165,237	$ 153,524,894

Cash and investments consist of the following:	2023	2022
Cash on hand, current	$ 2,500	$ 2,500
Deposits with financial institutions	79,750,778	9,163,796
Investments	147,411,959	144,358,598
Total cash and investments	$ 227,165,237	$ 153,524,894

Investments Authorized by California Government Code and the District Investment Policy

California Government Code § 53600 et seq. and the BPC's Policy No. 115 (BPC 115), "Guidelines for Prudent Investments" and the BPC Policy No. 115-A "Local Depository Inactive Deposit Program", 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 2023 and fiscal year 2022 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" Rating1	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" rating2	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, 2023 and 2022.

Information pertaining to the portfolio's overall sensitivity to interest rate risk as of June 30, 2023 and 2022, is provided in the following tables:

District Investments		**Remaining Days to Maturity**		
Investment Type	**Fair Value as of June 30, 2023**	**120 Days or Less**	**121 to 360**	**361 to 720**
U.S. Treasury Obligations	$ 27,387,520	$ 5,967,840	$ 15,648,580	$ 5,771,100
U.S. Agency Obligations	9,923,340	5,935,900	3,987,440	—
Local Agency Investment Fund (LAIF)	75,000,000	75,000,000	—	—
Joint Powers Authority Pool (JPA)	18,394,762	18,394,762	—	—
Money Market Accounts	16,706,337	16,706,337	—	—
Totals:	$ 147,411,959	$ 122,004,839	$ 19,636,020	$ 5,771,100

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

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, 2023 and 2022, for each investment type.

			Actual Rating			
Investment Type	**Fair Value as of June 30, 2023**	**Minimum Rating**	**AAA**	**AA+**	**AAf /S1+**	**Not Rated**
U.S. Treasury Obligations	$ 27,387,520	n/a	$ —	$ 27,387,520	$ —	$ —
U.S. Agency Obligations	9,923,340	n/a	—	9,923,340	—	—
Local Agency Investment Fund (LAIF)	75,000,000	n/a	—	—	—	75,000,000
Joint Powers Authority Pool (JPA)	18,394,762	n/a	18,394,762	—	—	—
Money Market Accounts	16,706,337	n/a	16,706,337	—	—	—
Totals:	$ 147,411,959		$35,101,099	$ 37,310,860	$ —	$ 75,000,000

			Actual Rating			
Investment Type	**Fair Value as of June 30, 2022**	**Minimum Rating**	**AAA**	**AA+**	**AAf /S1+**	**Not Rated**
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

On August 2, 2023, Fitch Ratings downgraded the U.S. credit rating to AA+ from AAA, citing fiscal deterioration over the next three years and repeated debt ceiling negotiations that threaten the government's ability to pay its obligations. Funds held in trustee and fiscal agent accounts as of June 30, 2023 and 2022, 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, 2023 and 2022, grouped by issuer, are identified in the tables below.

Issuer	Investment Type	Fair Value as of June 30, 2023	Percentage of Portfolio
United States of America	U.S. Treasury Obligations	27,387,520	18.58 %
Federal Home Loan Bank	U.S. Agency Obligations	9,923,340	6.73 %
Local Agency Investment Fund	Local Agency Investment Fund (LAIF)	75,000,000	50.88 %
CalTRUST Short-Term Fund	Joint Powers Authority Pool (JPA)	18,394,762	12.48 %
Money Market Accounts	U.S. Treasury Obligations	16,706,337	11.33 %
Totals:		$ 147,411,959	100.00 %

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 %

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 2023 and fiscal year 2022 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, 2023 and 2022 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, 2023 and 2022 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 account 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 similar applies. Of the total $93.4 million on deposit as of June 30, 2023, $75 million was held in the District's general LAIF account and $18.4M million in the CalTRUST short-term fund, and 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.

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, 2023 and 2022, 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, 2023 and 2022.

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 $4.5 million as of June 30, 2023 and $4.4 million as of 2022, 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, 2023 and 2022.

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 $2.6 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, 2023 and 2022.

Fair Value Measurement and Hierarchy

The District categorizes its fair value measurements for the investment portfolio within the fair value hierarchy established by generally accepted accounting principles. 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). 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, 2023 and 2022:

Asset Type:

- U.S. Treasury Securities of $27.4 million and $39.5 million as of June 30, 2023 and 2022, respectively, 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 and pricing models and methodologies such as benchmark curves, benchmarking of like securities and bid, mean, and ask evaluations.

- U.S. Agency Obligations of $9.9 million and $0 as of June 30, 2023 and 2022, respectively, are classified as Level 2 of the fair value hierarchy. These investments are typically traded in the secondary market and are valued by a pricing service using available market information with processes such as matrix pricing and option adjusted spread pricing models and methodologies.

(3) Capital Assets

Following is a summary of the capital assets activity for the fiscal years ended June 30, 2023 and June 30, 2022:

Capital Assets
(Expressed in thousands)

	June 30, 2022 (As Restated)	Increases	Decreases	Transfers	June 30, 2023
Nondepreciable assets:					
Land	$ 314,506	$ —	$ —	$ 253	$ 314,759
Construction-in-progress	42,226	41,880	(2,620)	(11,168)	70,318
Depreciable/amortizable assets:					
Land improvements	7,650	—	—	—	7,650
Buildings and structures	644,050	—	—	6,036	650,086
Machinery and equipment	85,475	2,416	—	1,141	89,032
Roads and parking lots	128,377	—	—	267	128,644
Intangible	28,595	—	—	3,471	32,066
Total assets	1,250,879	44,296	(2,620)	—	1,292,555
Accumulated depreciation/amortization:					
Land improvements	(7,384)	(22)	—	—	(7,406)
Buildings and structures	(462,127)	(18,689)	—	—	(480,816)
Machinery and equipment	(65,186)	(3,603)	—	—	(68,789)
Roads and parking lots	(99,918)	(2,705)	—	—	(102,623)
Intangible	(15,437)	(3,264)	—	—	(18,701)
Total accumulated depreciation/ amortization	(650,052)	(28,283)	—	—	(678,335)
Capital assets, net	$ 600,827	$ 16,013	$ (2,620)	$ —	$ 614,220

Capital Assets
(Expressed in thousands)

	June 30, 2021	Increases	Decreases	Transfers	June 30, 2022 (As Restated)
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	6,224	—	4,938	28,595
Total assets	1,197,948	53,779	(848)	—	1,250,879
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)	(2,609)	—	—	(15,437)
Total accumulated depreciation/ amortization	(622,037)	(28,332)	317	—	(650,052)
Capital assets, net	$ 575,911	$ 25,447	$ (531)	$ —	$ 600,827

The District recognized depreciation/amortization expenses of $28.3 million and $28.3 million for the years ended June 30, 2023 and 2022, respectively.

Intangible assets $28.6 million was restated by $6.2 million from $22.4 million and Intangible accumulated amortization $(15.4) million was restated by $(900) thousand from $14.5 million reported in the District's fiscal year 2022 audited financial statements, resulting from implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96). See note 10 for more information regarding the restatement.

(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, 2023 and 2022:

	June 30, 2022	Increases	Decreases	June 30, 2023	Amounts Due Within One Year
Notes:					
SDCRAA promissory note	$ 24,836,615	$ —	$ (2,540,692)	$ 22,295,923	$ 2,634,469
Revenue bonds:					
Series A 2013 bonds payable	21,115,000	—	(2,200,000)	18,915,000	2,315,000
Series A 2013 bonds premium	582,176	—	(179,704)	402,472	—
Total notes and bonds[1]	46,533,791	—	(4,920,396)	41,613,395	4,949,469
Other noncurrent liabilities:					
Unearned revenue - Other	157,309	2,049	(617)	158,741	—
Unearned revenue - NEVP maintenance credits	5,434,440	—	(325,627)	5,108,813	—
Stimulus Funds	9,951,300	—	(9,951,300)	—	—
Accrued leave	7,773,163	6,927,735	(6,040,306)	8,660,591	6,040,303
County Sweetwater Park Fund	6,900,272	167,140	—	7,067,412	—
SBPP remediation	1,096,711	32,819	—	1,129,530	—
Mitigation fees	6,563,500	—	—	6,563,500	—
Other long-term liabilities	4,977,632	—	(164,248)	4,813,384	—
Total other noncurrent liabilities	42,854,327	7,129,743	(16,482,098)	33,501,971	6,040,303
Total long-term liabilities	$ 89,388,118	$ 7,129,743	$ (21,402,494)	$ 75,115,366	$ 10,989,772

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

	June 30, 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**

The District's required debt service payments for the notes and bonds as of June 30, 2023, excluding the bond premium, are as follows:

Years Ending June 30	Principal	Interest	Total Debt Service
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	5,627,084	952,820	6,579,904
2028-2031	20,075,129	1,365,522	21,440,652
Total	$ 41,210,924	$ 6,551,595	$ 47,762,518

(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 estimating a savings of approximately $2.6 million. All other terms of the note have remained the same.

(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, 2023, total approximately $18.9 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, 2023, totaled approximately $237.6 million. This represents approximately 85.6% of total District revenues and 1,062.5% of the remaining Series A 2013 Bonds' principal and interest requirements compared to approximately $183.7 million for the year ended June 30, 2022. Net pledged revenues for the year ended June 30, 2023 , totaled approximately $75.7 million, which represents 2,382.2% of the 2013 Bonds' annual principal and interest requirements of $3.2 million. 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 approximately $3.2 million.

Event of Default Provisions

The District's outstanding note from SDCRAA of approximately $22.3 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 $18.9 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: The District accounts for recognized revenue on the 50.0% Civic San Diego (CSD) 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 to the Joint Exercise of Powers Agreement (JPA) with CSD, to design and fund phases of the North Embarcadero Visionary Plan (NEVP). Unearned revenue - NEVP credits as of June 30, 2023, is approximately $5.1 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, 2023, is approximately $8.7 million and is based on current compensation rates.

(f) County Sweetwater Park Funds

As mentioned in Note 11(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 $25 million 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 $6.9 million 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 $7.1 million including accumulated interest of $167k 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 (SBPP) 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, 2023 and 2022, 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 Fund

In fiscal year 2016, the District recorded a $3.0 million fee under a memorandum of agreement (MOA) 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 lower cost overnight visitor 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 into a Memorandum of Understanding 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.

At present, the District does not have an active project for the intended use of these funds. Pursuant to the MOA, the Executive Director of the California Coastal Commission must provide a 30-day notice to the District requiring the transfer of the funds to another entity.

(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, 2023, 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	9.65%	0%[1]	6.49%
Required employer contribution rates	83.48%	12.88%	5.56%

[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	12.71%	12.80%	15.95%
Required employer contribution rates	112.67%	34.82%	16.37%

[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, 2022, the following employees were covered by the benefit terms of the Plan:

	General	Safety
Inactive employees or beneficiaries currently receiving benefits	497	168
Inactive employees entitled to but not yet receiving benefits	220	51
Active employees	239	112
Total	956	331

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 2023 and 2022, determined by the June 30, 2021 and June 30, 2020 actuarial valuations, respectively, are as follows:

	2023	2022
General Members	7.29%	7.15%
Safety Members	14.05%	13.80%

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 2023 and 2022, the District paid employee contribution offsets of $1.6 million and $1.6 million, respectively. Employees hired after January 1, 2009, other than safety, are not eligible to participate in the defined benefit plan until the completion of five years of service and do not have any offset.

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

For fiscal years 2023 and 2022, the contributions made by the District to the Plan are as follows:

	2023	2022
Contributions - employer	$ 19,200,000	$ 22,100,000
Contributions - employee (paid by employer)	$ 1,596,607	$ 1,596,607

Based on the June 30, 2021 and June 30, 2020 actuarial valuations, the fiscal years 2023 and 2022 employer's actuarially determined weighted contribution rates expressed as a percentage of compensation are as follows:

	2023	2022
General Members	45.56%	55.91%
Safety Members	52.97%	62.69%

Net Pension Liability

The District's net pension liability as of June 30, 2023, is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability reported as of June 30, 2023 is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021, updated to June 30, 2022, 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, 2022	June 30, 2021
Valuation Date	June 30, 2021	June 29, 2020
Measurement Date	June 30, 2022	June 30, 2021
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, 2022 and the June 30, 2021 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 2023 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 measurement dates of June 30, 2022 and June 30, 2021. 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, 2022**

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return	Long-Term Expected Nominal Rates of Return
Domestic Equity	19.0%	4.9%	7.5%
International Equity	12.0%	5.5%	8.0%
Global Equity	8.0%	5.3%	7.8%
Domestic Fixed Income	22.0%	1.0%	3.5%
Emerging Market Debt	5.0%	4.4%	6.9%
Real Estate	11.0%	3.2%	5.7%
Private Equity & Infrastructure	13.0%	7.5%	10.1%
Opportunity Fund	10.0%	4.6%	7.1%
Total	100.0%		

**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%		

Changes in the Net Pension Liability

Changes in the Net Pension Liability as of the measurement date June 30, 2022, were as follows:

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability/(Asset)**
Balance at June 30, 2022	$ 654,848,077	$ 572,390,816	$ 82,457,261
Changes for the year:			
Service cost	9,207,195	—	9,207,195
Interest	41,748,843	—	41,748,843
Changes of benefits	—	—	—
Differences between expected and actual experience	4,484,956	—	4,484,956
Changes of assumptions	—	—	—
Contributions- employer	—	22,248,546	(22,248,546)
Contributions - employee (paid by employer)	—	1,596,607	(1,596,607)
Contributions - employee	—	2,136,389	(2,136,389)
Net investment income	—	(8,340,841)	8,340,841
Benefit payments	(34,725,277)	(34,725,277)	—
Administrative expenses	—	(843,437)	843,437
Net changes	20,715,717	(17,928,013)	38,643,730
Balance at June 30, 2023	$ 675,563,794	$ 554,462,803	$ 121,100,991

Source: *SDCERS GASB 67/68 Report with a measurement date of June 30, 2022*

During the measurement year, the net pension liability (NPL) increased by approximately $38.6 million. The service cost and interest cost increased the NPL by approximately $51.0 million, while contributions and investment income, less administrative expenses, decreased the NPL by approximately $16.8 million. There were no changes in benefits or assumptions during the year, but there were actuarial liability experience losses during the year of approximately $4.5 million. The total pension liability (TPL) as of June 30, 2022 was based upon the same membership data, actuarial methods, and plan provisions as were used in the actuarial valuation as of June 30, 2021.

Changes in the Net Pension Liability as of 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, 2020	$ 638,111,191	$ 460,424,944	$ 177,686,247
Changes in 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, 2021	$ 654,848,077	$ 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.

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, 2022 and June 30, 2021, 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, 2023	**1% Decrease 5.50%**	**Discount Rate 6.50%**	**1% Increase 7.50%**
Net Pension Liability	$206,450,182	$121,100,991	$51,103,065

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

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, 2023 and June 30, 2022, the District recognized pension expense of $7.0 million and $9.2 million, respectively. At June 30, 2023 and June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made subsequent to measurement date	$ 19,200,000	$ —	$ 22,100,000	$ —
Difference between expected and actual experience	2,242,478	—	—	1,611,321
Changes in assumptions	—	—	—	—
Net differences between projected and actual earnings on pension plan investments	—	4,929,638	—	54,953,815
Total	$ 21,442,478	$ 4,929,638	$ 22,100,000	$ 56,565,136

Deferred outflows of resources related to contributions subsequent to the measurement date in the amount of $19.2 million at June 30, 2023 will be recognized as a reduction of the net pension liability during the fiscal year ending June 30, 2024. The deferred outflows and deferred inflows of resources related to pensions at June 30, 2023 will be recognized as pension expense as follows:

Year Ending June 30	Pension Expense
2023	$ (413,826)
2024	(2,774,908)
2025	(8,692,249)
2026	9,193,823

Payable to the Pension Plan

The District had no outstanding annually determined contributions payable to the pension plan for the year ended June 30, 2023.

(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 2023 and 2022, the District paid $271 thousand and $374 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 2023 was $265 thousand, increased from $245 thousand for calendar year 2022. 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, 2023, is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 updated to June 30, 2022, 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, 2023	**As of June 30, 2022**
Valuation date	June 30, 2021	June 30, 2020
Measurement date	June 30, 2022	June 30, 2021
Actuarial cost method	Entry-Age Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial assumptions:		
Discount rate	3.54%	2.16%
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, 2022 were as follows:

POB Plan	**Increase (Decrease)** **Total Pension Liability**
Balance at June 30, 2022	$ 4,733,462
Changes in the year:	
Service cost	55,108
Interest on the total pension liability	98,939
Differences between expected and actual experience	(1,172,260)
Changes in assumptions	(503,366)
Benefit payments	(362,668)
Net changes	(1,884,247)
Balance at June 30, 2023	$ 2,849,215

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

During the measurement year ended June 30, 2022, the TPL decreased $1.9 million, primarily due to experience gains decreasing the TPL by $1.2 million, while benefit payments decreased the TPL by $363 thousand. Assumptions were changed (discount rate based on the municipal bond rate), which decreased the TPL by $503 thousand. The actuarial experience losses during the year of $1.2 million were mostly due to higher than expected 415(b) limits, which resulted in smaller POB benefits.

The TPL as of June 30, 2022 is based upon the same data, actuarial methods, and plan provisions as were used in the actuarial valuation as of June 30, 2021, and which are summarized in the Actuarial Valuation Report for SDCERS - San Diego Unified Port District as of June 30, 2021. The TPL as of June 30, 2022 is based on a roll-forward of the TPL as of June 30, 2021, but also incorporates a discount rate of 3.54%, based on the June 30, 2022 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, 2022 and June 30, 2021 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, 2023	**1% Decrease 2.54%**	**Discount Rate 3.54%**	**1% Increase 4.54%**
Total Pension Liability	$3,196,278	$2,849,215	$2,575,703

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

For the fiscal years ended June 30, 2023 and June 30, 2022, the District recognized POB Plan pension (credit)/ expense of ($368) thousand and $970 thousand, respectively, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023 POB Plan		2022 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	$ 271,000	$ —	$ 374,049	$ —
Difference between expected and actual experience	—	586,130	298,114	—
Changes in assumptions	—	251,683	17,930	—
Total	$ 271,000	$ 837,813	$ 690,093	$ —

Deferred inflows of resources related to contributions subsequent to measurement date in the amount of $271 thousand at June 30, 2023 will be recognized as a decrease to the pension liability during the fiscal year ending June 30, 2024. The deferred outflows and deferred inflows of resources related to pensions at June 30, 2023 will be recognized as pension expense at June 30, 2024 as follows:

Year Ending June 30	**Pension Expense**
2024	$ (837,813)

(c) Summary of Pension Amounts

A summary of the pension amounts for the District pension plans at June 30, 2023 is presented below:

	SDCERS	POB	Total
Net pension liability	$ 121,100,991	$ 2,849,215	$ 123,950,206
Deferred outflows - pensions	21,442,478	271,000	21,713,478
Deferred inflows - pensions	4,929,638	837,813	5,767,451
Pension expenses (credit)	7,014,300	(367,222)	6,647,078

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

(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, 2023, 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 reporting dates of June 30, 2023 and June 30, 2022 were $112.5 million and $114.3 million, respectively. The District recognized the following OPEB expense and contributions for fiscal year 2023 and fiscal year 2022:

	2023	2022
OPEB Expense/(credit)	$ (1,905,126)	$ (1,262,550)
Contributions - employee (paid by employer)	$ 3,680,539	$ 3,690,942

The contribution requirements of the District and Plan members (if any) are established by the District's Board. For the years ended June 30, 2023 and June 30, 2022, 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, 2023, using an annual valuation date of July 1, 2021, based on GASB Statement No. 75, rolled forward to June 30, 2023 using standard update procedures.

Changes in the total OPEB liability as of the measurement date of June 30, 2023 were as follows:

	Total OPEB Liability
Balance at June 30, 2022	$ 114,268,856
Changes recognized for measurement period:	
Service cost	1,865,840
Interest	2,438,829
Differences between expected and actual experience	(268,769)
Changes in assumptions	(2,154,425)
Benefit payments	(3,680,539)
Net Changes	(1,799,064)
Balance at June 30, 2023	$ 112,469,792

For the prior fiscal year, 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

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, 2023 and updated to determine the June 30, 2022 total OPEB liability, based on the following actuarial cost method and assumptions:

	June 30, 2023	June 30, 2022
Actuarial Cost Method:	Entry Age	Entry Age
Actuarial Assumptions:		
Discount Rate	3.65%*	3.54%*
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 ended June 30, 2023 and June 30, 2022:

	June 30, 2023			June 30, 2022		
	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	$ 131,747,114	$ 112,469,792	$ 97,140,159	$ 133,854,538	$ 114,268,856	$ 98,694,011

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 ended June 30, 2023 and June 30, 2022:

Health Care Cost Trend Rates	Total OPEB Liability June 30, 2023	Total OPEB Liability June 30, 2022
1% Decrease (6.0% decreasing to 4.0%)	$ 95,453,112	$ 96,979,978
Current Healthcare Cost Trend Rates (7.0% decreasing to 5.0%)	112,469,792	114,268,856
1% Increase (8.0% decreasing to 6.0%)	133,940,275	136,082,781

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 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, 2023, 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, 2022	$ 57,336,232	$ 29,569,283
Differences between expected and actual experience	(5,748,486)	—
Changes in assumptions	(4,967,917)	(6,929,802)
Balance at June 30, 2023	$ 46,619,829	$ 22,639,481

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

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

Year Ending June 30	OPEB Expense
2024	$ (6,209,793)
2025	(5,480,758)
2026	(6,245,906)
2027	(5,640,027)
2028	(403,864)

(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, 2023, were as follows:

Self-Insured Retentions/Deductibles

June 30, 2023

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
Automobile physical damage (new vehicles only)	5,000
Crime/public employee dishonesty	5,000
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, 2023 and 2022, the escrow account amount was $4.5 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, 2023 and 2022, the District recorded accrued liabilities of $5.7 million and $5.9 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, 2023 and 2022 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
2022	$ 5,734,690	$ 1,332,773	$ (1,121,148)	$ 5,946,315
2023	$ 5,946,315	$ 646,609	$ (900,487)	$ 5,692,437

(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 at June 30, 2023 and 2022, 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.

As of June 30, 2023 and 2022, the District's lease receivables were valued at $1.2 billion and $1.2 billion, respectively, and the deferred inflow of resources associated with these leases that will be recognized as revenue over the various lease terms was $1.2 billion and $1.2 billion, respectively. Operating revenues for the year ended June 30, 2023 and 2022, were adjusted in accordance with GASB 87 by $17.3 million and $17.1 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 with annual lease payments totaling $41.9 million and $41.8 million, respectively, in 2023 and 2022, 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
2024	$ 27,413,955	$ 41,183,529
2025	25,987,844	40,251,176
2026	24,014,102	39,450,572
2027	23,162,175	38,682,827
2028	23,331,000	38,016,267
2029-2033	105,221,193	178,430,200
2034-2038	106,130,474	161,028,533
2039-2043	120,615,641	141,700,380
2044-2048	118,963,809	121,192,513
2049-2053	133,342,872	99,021,436
2054-2058	151,481,625	74,238,507
2059-2063	144,753,428	47,316,229
2064-2068	112,201,961	25,108,451
2069-2073	45,975,329	10,853,308
2074-2078	29,436,307	5,063,536
2079-2082	13,663,877	767,722
Total	$ 1,205,695,591	$ 1,062,305,189

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 from regulated leases of $14.4 million and $13.8 million, respectively, as of June 30, 2023 and 2022. 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
2024	$	13,864,898
2025		13,456,334
2026		13,011,185
2027		12,217,144
2028		10,431,987
2029-2033		44,457,474
2034-2038		34,309,631
2039-2043		22,280,062
2044-2048		14,242,463
2049-2052		7,877,930
Total	$	186,149,106

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 $155.2 million and $156.6 million, respectively, and the leaseback amount was $3.4 million and $3.4 million, respectively, as of June 30, 2023 and 2022. The net amount of the agreement is included in the lease receivable.

(10) Subscription-Based Information Technology Arrangements (SBITA)

The District has entered into subscription-based Information Technology (IT) arrangements with various vendors to access and utilize software applications and related services. These arrangements are considered service contracts that provide the District with access to IT resources, such as cloud computing or software-as-a-service (SaaS) solutions.

As of June 30, 2023, and 2022, the District recognized total subscription assets of $6.2 million. As of June 30, 2023, and 2022, the District recognized total subscription liabilities of $2.9 million and $4.6 million, respectively. Additionally, as of June 30, 2023, and 2022, the District recorded accumulated amortization is $(2.4) million and $(900) thousand, respectively.

The District did not have any variable payments or other payments, such as termination penalties, in the reporting period that were not previously included in the measurement of the subscription liability. Additionally, there was no loss associated with an impairment during the years ended June 30, 2023, and 2022.

The payments for the subscription liability are expected to be paid in the subsequent years are as follows:

Year Ending June 30	Principal	Interest
2024	$ 1,555,279	$ 85,415
2025	697,556	42,906
2026	677,762	21,063
Total	$ 2,930,597	$ 149,384

(11) Commitments and Contingencies

(a) Commitments

As of June 30, 2023, the District had significant commitments for capital expenditures and other matters as described below:

i. Balanced Capital Program (BCP): In November 2022, the Board of Port Commissioners (BPC) initiated a new program called the Balanced Capital Program (BCP), which replaced the Capital Improvements Program (CIP). The intent of the BCP is to distribute the Port's capital investments in a balanced and equitable manner throughout the Tidelands. As of June 30, 2023, the remaining balance in BCP was $21.0 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 $9.7 million for fiscal year 2023 compared to $9.3 million for fiscal year 2022. 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 respectively for fiscal years 2023 and 2022.

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 2024 aggregate baseline amounts total approximately $11.6 million.

(b) Contingencies

As of June 30, 2023, 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. Permit fees for this matter for fiscal year 2023 were approximately $81k.

(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. In May 2023, the Navy filed a lawsuit against the City of San Diego for environmental cost recovery. In June 2023, the City of San Diego filed counterclaims against the Navy. In July, the City filed a third-party complaint against the District and Airport Authority for environmental cost recovery. In September 2023, the Navy filed an amended complaint asserting environmental cost recovery claims against the District and Airport Authority. In October 2023, the District and Airport Authority asserted counter and cross claims against the City and the Navy. 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 2023 were approximately $150k.

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 owners SLPR, LLC, the Goodfellow Family Trust, and the Arendsee Family Trust. The complaint alleges that dredging in the San Diego Bay performed by the District and the Army Corps of Engineers compromised the integrity of plaintiffs' Coronado bay front properties. The District denies liability. 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). In July 2023, the parties entered into a settlement agreement wherein plaintiffs will seek to implement a shoreline project on District property adjacent to their homes and, if successful, will dismiss their claims against the District with prejudice. In August 2023, the court approved a three-year litigation stay to allow plaintiffs to pursue their project and thereby potentially resolve their dispute. While there is a chance that litigation will resume at the end of the stay, 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, 2023 and June 30, 2022 for these claims and lawsuits.

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Required Supplementary Information (Unaudited)

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Schedule of Changes in Net Pension 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**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**
Total Pension Liability									
Service cost	$ 9,207,195	$ 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)	41,748,843	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	4,484,956	(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	(34,725,277)	(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	$20,715,717	$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	654,848,077	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	$675,563,794	$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	$22,248,546	$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)	1,596,607	1,742,459	1,924,925	2,037,292	2,104,470	2,287,740	2,422,241	—	—
Contributions - member	2,136,389	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	(8,340,841)	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	(34,725,277)	(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	(843,437)	(759,991)	(721,104)	(669,312)	(658,939)	(665,330)	(686,932)	(691,003)	(728,497)
Net change in plan fiduciary net position	$(17,928,013)	$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	572,390,816	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	$554,462,803	$572,390,816	$460,424,944	$465,373,059	$443,811,83	$413,126,105	$367,955,93	$369,793,79	$362,000,61
Net pension liability - ending	$121,100,991	$82,457,261	$177,686,247	$130,486,786	$130,290,71	$126,486,965	$132,639,26	$80,591,608	$67,007,825
Plan fiduciary net position as a percentage of the total pension liability	82.07 %	87.41 %	72.15 %	78.10 %	77.31 %	76.56 %	73.50 %	82.11 %	84.38 %
Covered payroll	$37,599,227	$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	322.08 %	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 2022.

SAN DIEGO UNIFIED PORT DISTRICT

Required Supplementary Information (Unaudited)

Fiscal Years Ended June 30, 2023 and June 30, 2022

Schedule of Changes in Preservation of Benefits (POB) 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**	**June 30, 2017**	**June 30, 2016**
Total Pension Liability - POB							
Service cost	$ 55,108	$ 110,973	$ 48,055	$ 43,749	$ 30,958	$ 77,315	$ 9,503
Interest (includes interest on service cost)	98,939	90,345	113,716	94,791	95,628	58,000	72,730
Differences between actual and expected experience	(1,172,260)	596,228	232,449	786,756	(39,843)	1,031,798	—
Changes in assumptions	(503,366)	35,860	673,697	120,913	(71,515)	(256,209)	296,607
Benefit payments, including refunds of member contributions	(362,668)	(264,136)	(255,688)	(241,645)	(245,183)	(258,709)	(273,568)
Net change in total pension liability	(1,884,247)	569,270	812,229	804,564	(229,955)	652,195	105,272
Total pension liability - beginning	4,733,462	4,164,192	3,351,963	2,547,399	2,777,354	2,125,159	2,019,887
Total pension liability - ending	$ 2,849,215	$ 4,733,462	$ 4,164,192	$ 3,351,963	$ 2,547,399	$ 2,777,354	$ 2,125,159
Covered payroll	$37,599,227	$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	7.58 %	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 increased from 2.16% to 3.54% in the 2022 valuation. The discount rates were based on the June 24, 20201 and June 30, 2022 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, 2022

Schedule of Employer Pension Contributions

Last Ten Fiscal Years

(Expressed in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution (ADC)	$19,200	$22,100	$19,700	$19,300	$17,900	$17,700	$14,600	$14,400	$14,300	$13,900
Contributions in relation to the actuarially determined contribution	19,200	22,100	19,700	19,300	17,900	17,700	14,600	14,400	14,300	13,900
Contribution deficiency/ (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$39,939	$37,599	$37,311	$36,810	$35,733	$34,388	$33,685	$33,512	$33,273	$34,528
Contributions as a percentage of covered payroll	48.07%	58.78%	52.80%	52.43%	50.09%	51.47%	43.34%	42.97%	42.98%	40.26%

Notes to Schedule:

Valuation date (ADC):	June 30, 2021
Valuation date (Covered Payroll):	June 30, 2022
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:	For General members, 2010 SOA Public General Employees and Healthy Retirees Amount-Weighted Mortality Tables, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019. For Safety members, 2010 SOA Public Safety Healthy Employees and Retirees Amount-Weighted Mortality Tables, without adjustment, with generational mortality improvements projected from 2010 using a variation of Projection Scale MP-2019.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2023, can be found in the SDCERS Actuarial Valuation Report as of June 30, 2022.

Source: SDCERS Actuarial Valuation Report as of June 30, 2022

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

	Measurement Date					
	June 30, 2023	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Total OPEB Liability						
Service cost	$ 1,865,840	$ 1,445,878	$ 1,234,058	$ 1,172,234	$ 1,949,107	$ 1,882,229
Interest	2,438,829	3,097,501	3,187,382	5,124,007	5,247,236	4,951,528
Differences between actual and expected experience	(268,769)	(9,168,868)	(1,037,839)	(27,870,600)	(173,499)	(1,158,603)
Changes in assumptions	(2,154,425)	(23,468,881)	2,462,109	—	5,529,476	(3,944,626)
Benefit payments	(3,680,539)	(3,690,942)	(3,438,496)	(4,505,777)	(3,616,196)	(3,356,377)
Net change in total OPEB liability	(1,799,064)	(31,785,312)	2,407,214	(26,080,136)	8,936,124	(1,625,849)
Total OPEB liability - beginning	114,268,856	146,054,168	143,646,954	145,227,974	136,291,850	137,917,699
Total OPEB liability - ending	$112,469,792	$114,268,856	$146,054,168	$119,147,838	$145,227,974	$136,291,850
Covered-Employee payroll **	$52,630,769	$50,850,985	$56,852,785	$54,930,227	$50,200,904	$50,200,904
Total OPEB liability as a percentage of covered payroll	213.70 %	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 $2million change presented in the most recent fiscal year was driven by a change in discount rate from 2.10% to 3.65%.

*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, 2023.

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)

PORT of SAN DIEGO
Waterfront of Opportunity

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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.

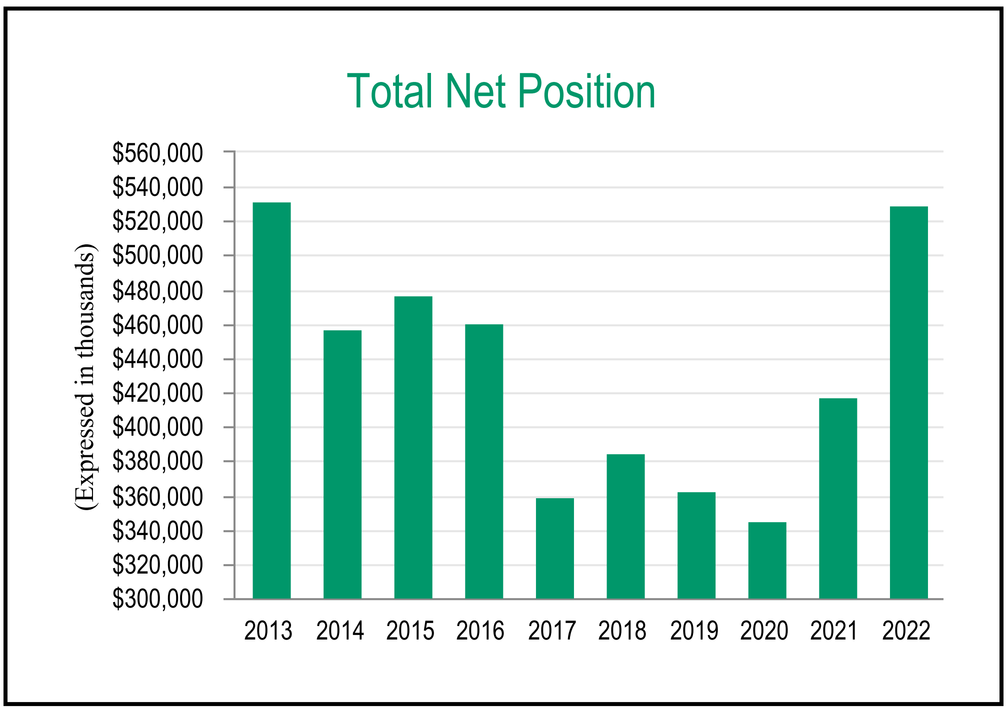
Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports and underlying records for the relevant year.

Net Position – Last Ten Fiscal Years

(Expressed in thousands)

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted (Deficit)	Total Net Position
2014	490,021	4,122	37,870	532,013
2015[1]	507,624	4,787	(55,020)	457,391
2016	504,229	7,357	(34,217)	477,369
2017[2]	502,478	8,326	(49,488)	461,316
2018[3]	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[4]	547,899	7,269	(210,052)	345,116
2022[5]	569,940	3,422	(156,131)	417,231
2023	587,370	4,160	(61,848)	529,682

[1]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.
[2]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.
[3]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.
[4]In 2022, the District implemented GASB Statement No. 87, *Leases,* by restating the financial statements for 2021.
[5]In 2023, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* by restating the financial statements for 2022.



Changes in Net Position – Last Ten Fiscal Years

(Expressed in thousands)

	2014	2015[1]	2016	2017[2]	2018[3]	2019	2020	2021	2022[4]	2023[5]
Operating revenues:										
Real Estate	$ 89,282	$ 95,940	$ 102,747	$ 96,430	$ 97,720	$ 107,234	$ 92,134	$ 78,171	$ 91,445	$ 112,426
Guest Experiences - Parking	—	—	—	15,227	16,583	17,058	13,338	7,947	14,908	18,291
Maritime	34,480	35,265	37,365	39,214	39,304	38,650	37,760	33,785	39,698	50,991
Harbor Police	17,203	14,729	16,835	16,085	16,192	17,069	16,159	19,898	17,922	18,039
Other operating revenues	4,807	3,631	3,340	3,409	3,094	3,820	3,106	3,809	3,067	3,240
GASB 87 adjustment	—	—	—	—	—	—	—	(21,545)	—	—
Total operating revenues	145,772	149,565	160,287	170,365	172,893	183,831	162,497	122,065	167,040	202,987
Operating expenses:										
Direct expenses:										
Real Estate	31,280	27,782	27,623	26,400	28,609	28,787	31,773	27,567	29,276	30,350
Guest Experiences - Parking	—	—	—	6,184	6,193	5,267	4,522	4,358	5,691	7,048
Maritime	21,573	18,002	18,334	17,208	17,557	17,401	17,829	15,366	18,902	21,904
Harbor Police	32,623	31,081	35,007	39,201	40,128	40,331	43,619	42,273	42,777	46,177
Other operating expenses	5,151	9,685	8,267	35,858	37,743	29,359	22,490	28,104	(856)	(6,161)
Depreciation and amortization	19,597	21,218	22,721	23,447	23,686	26,412	27,551	27,226	28,332	28,283
General and administrative expenses	30,729	31,561	33,949	40,040	44,118	48,469	46,396	37,759	40,483	47,237
Total operating expenses	140,953	139,329	145,901	188,338	198,034	196,026	194,180	182,653	164,605	174,838
Income/(loss) from operations	4,819	10,236	14,386	(17,973)	(25,141)	(12,195)	(31,683)	(60,588)	2,435	28,149
Nonoperating revenues/(expenses):										
Interest income	694	700	759	1,346	1,875	2,932	2,744	560	522	5,183
Interest income from leases - GASB 87	—	—	—	—	—	—	—	39,921	35,854	34,469
Stimulus Fund revenue	—	—	—	—	—	—	—	—	29,005	22,484
Settlement income (expense)	356	593	1,425	1,925	5,928	602	(8,391)	(94)	—	—
Net inc/(dec) in the fair value of invest.	166	(37)	92	(389)	(136)	761	(42)	(134)	(432)	488
Interest expense	(3,998)	(3,816)	(3,518)	(3,398)	(3,162)	(2,911)	(2,697)	(2,463)	(2,087)	(1,768)
Financial assistance other	—	—	(10)	(579)	(122)	(50)	(772)	(421)	(623)	(2,409)
Convention Center expansion support	(4,500)	—	—	—	—	—	—	—	—	—
Other nonoperating expenses	(96)	(11,706)	(433)	(782)	(56)	(95)	(768)	(123)	(526)	(2,724)
Other nonoperating revenues	1,281	8,359	5,615	3,085	2,947	8,176	9,904	4,071	4,830	22,346
Nonoperating income/(loss)	(6,097)	(5,907)	3,930	1,208	7,274	9,415	(22)	41,317	66,543	78,069
Capital grants and contributions	9,564	4,781	1,662	2,458	8,685	28,168	9,733	1,223	3,138	6,234
Change in net position	8,286	9,110	19,978	(14,307)	(9,182)	25,388	(21,972)	(18,048)	72,116	112,452
Beginning net position	523,727	532,013	457,391	477,369	461,316	359,750	385,138	363,164	345,116	417,230
Restatement[1 - 3]	—	(83,732)	—	(1,746)	(92,384)	—	—	—	—	—
Ending net position	$532,013	$ 457,391	$ 477,369	$ 461,316	$ 359,750	$ 385,138	$ 363,166	$ 345,116	$ 417,232	$ 529,682

[1] 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.

[2] 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.

[3] 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.

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

[5] In 2023, the District implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements, by restating the financial statements for 2022.

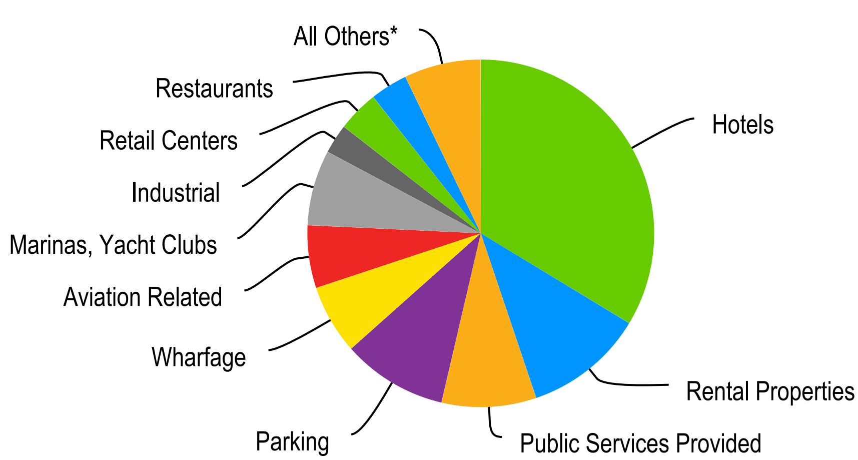
Operating Revenues by Segment – Last Ten Fiscal Years

(Expressed in thousands)

Segment	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Hotels[1]	$ 37,700	$ 40,739	$ 45,198	$ 53,818	$ 54,505	$ 57,154	$ 44,085	$ 31,325	$49,999.94	$ 68,337
Rental Properties	17,101	16,900	18,321	20,961	19,646	19,282	19,526	19,121	20,188	22,659
Public Services Provided[2]	15,309	13,427	15,610	15,534	15,712	16,515	15,635	19,473	17,797	17,909
Parking	10,082	12,151	13,431	13,806	14,937	17,394	13,907	8,599	17,350	19,889
Wharfage	11,535	12,078	12,223	11,564	11,856	10,930	9,692	10,520	11,089	13,118
Aviation Related	10,575	10,469	10,420	10,184	10,182	10,181	10,178	10,285	11,905	11,865
Marinas, Yacht Clubs[3]	8,529	9,482	10,245	11,229	11,701	12,555	11,968	12,950	14,913	14,244
Industrial	5,919	5,579	4,452	4,541	4,776	4,979	5,122	5,286	4,948	5,572
Retail Centers	3,815	3,928	4,009	4,114	4,170	5,854	5,111	4,008	7,090	7,814
Restaurants[4]	2,888	3,097	3,332	3,568	3,647	3,864	3,888	3,512	5,839	7,071
Dockage	1,920	2,083	2,393	2,152	2,460	2,660	2,861	2,123	3,059	4,191
Passenger Fees	1,133	1,167	1,264	1,390	1,702	2,205	1,580	—	1,183	5,331
Citations	794	1,144	1,009	1,027	1,029	990	856	763	749	984
Passenger Security Charges	999	1,006	804	997	999	1,151	1,573	63	1,146	2,599
Piers & Floats	97	111	150	187	214	225	220	269	—	—
Grant Revenue[5]	959	—	—	—	—	—	—	—	—	—
GASB 87 adjustment[6]	—	—	—	—	—	—	—	—	(17,054)	(17,767)
Other	16,417	16,204	17,426	15,293	15,357	17,892	16,295	15,313	16,836	19,172
Total	$145,772	$149,565	$160,287	$170,365	$172,893	$183,831	$162,497	$143,610	$167,039	$202,987

[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)

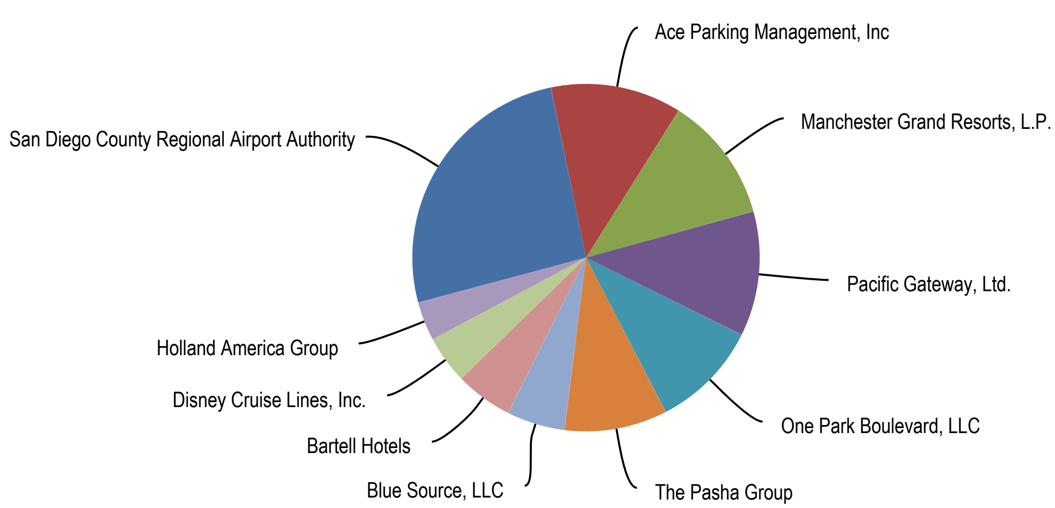
Customer	2014	%
San Diego County Regional Airport Authority[1]	$ 27,559	17.5 %
The Pasha Group	11,229	7.1 %
Manchester Grand Resorts, L.P.	10,902	6.9 %
Pacific Gateway, Ltd.	9,016	5.7 %
Ace Parking Management, Inc	7,982	5.1 %
Host San Diego Hotel, LLC	6,872	4.4 %
Bartell Hotels	3,469	2.2 %
National Steel and Shipbuilding Company	3,217	2.0 %
One Park Boulevard, LLC	3,069	1.9 %
Seaport Village Operating Co., LLC	2,526	1.6 %
Total Ten Largest Customers	85,841	54.4 %
Other	71,992	45.6 %
Total Revenues	$ 157,833	100.0 %

[1]Includes reimbursements for airport police services.

Customer	2023	%
San Diego County Regional Airport Authority[1]	$ 32,498	11.1 %
Ace Parking Management, Inc	15,296	5.2 %
Manchester Grand Resorts, L.P.	14,709	5.0 %
Pacific Gateway, Ltd.	14,575	5.0 %
One Park Boulevard, LLC	12,608	4.3 %
The Pasha Group	12,022	4.1 %
Blue Source, LLC	6,770	2.3 %
Bartell Hotels	6,717	2.3 %
Disney Cruise Lines, Inc.	5,570	1.9 %
Holland America Group	4,549	1.5 %
Total Ten Largest Customers	125,314	42.6 %
Other[2]	168,728	57.4 %
Total Revenues	$ 294,042	100.0 %

[2]Includes Economic Recovery stimulus funding, GASB 87 adjustments, and Legal settlements

Ten Largest Customers - Current Fiscal Year

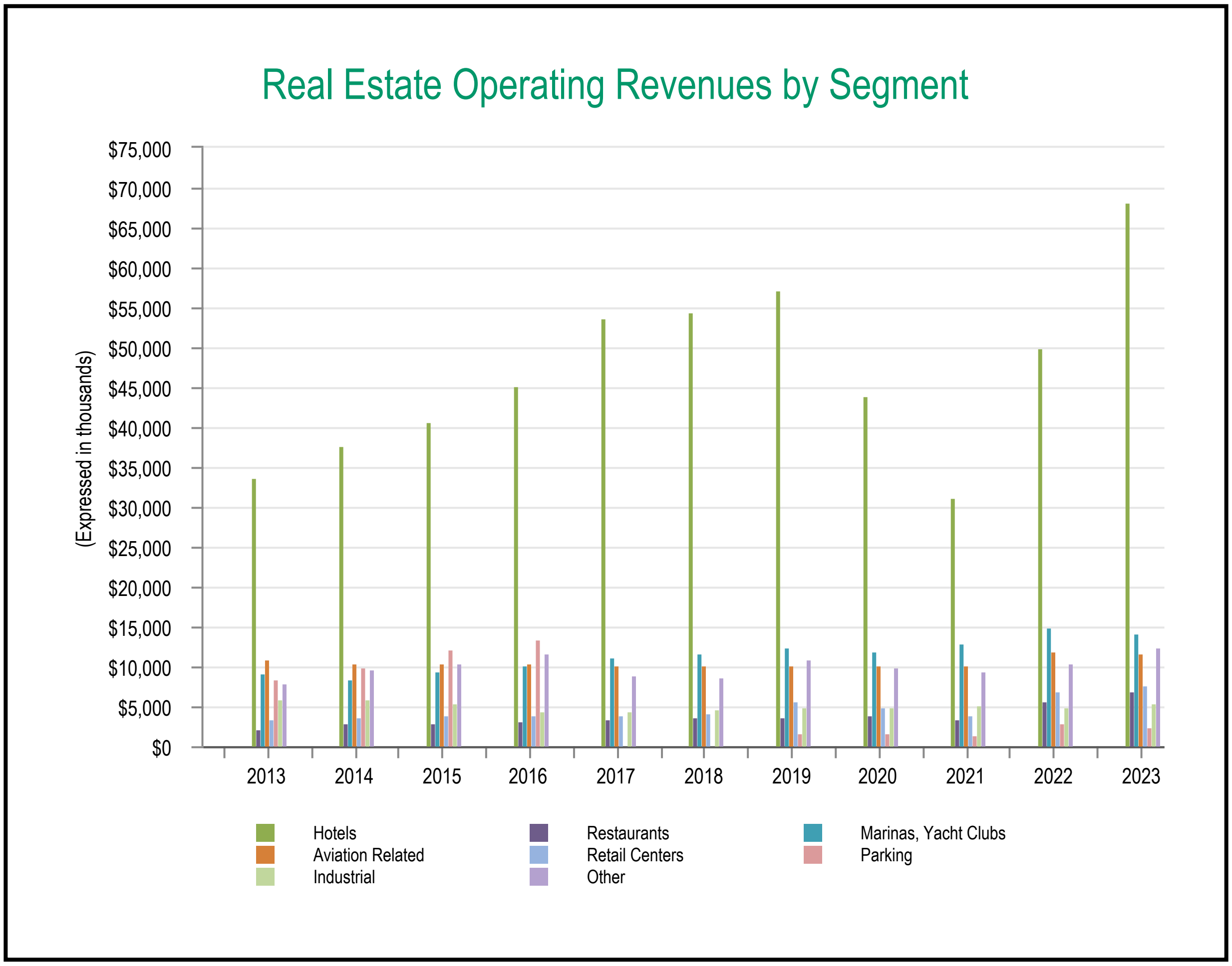


Real Estate Operating Revenues by Segment – Last Ten Fiscal Years

(Expressed in thousands)

Segment	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Hotels[1]	$ 37,700	$ 40,739	$ 45,198	$ 53,818	$ 54,505	$ 57,154	$ 44,085	$ 31,325	$ 50,000	$ 68,337
Restaurants[2,3]	2,888	3,097	3,332	3,568	3,647	3,864	3,888	3,512	5,839	7,071
Marinas, Yacht Clubs[3]	8,529	9,482	10,245	11,229	11,701	12,555	11,968	12,950	14,913	14,244
Aviation Related	10,575	10,469	10,420	10,184	10,182	10,181	10,178	10,285	11,905	11,865
Retail Centers	3,815	3,928	4,009	4,114	4,170	5,854	5,111	4,008	7,090	7,814
Parking[4]	10,082	12,151	13,431	—	—	1,640	1,742	1,401	3,112	2,489
Industrial	5,919	5,579	4,452	4,541	4,776	4,979	5,122	5,286	4,948	5,572
Other	9,774	10,495	11,660	8,976	8,739	11,007	10,040	9,404	10,490	12,544
Total	$ 89,282	$ 95,940	$102,747	$ 96,430	$ 97,720	$107,234	$ 92,134	$ 78,171	$108,297	$129,936

[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.

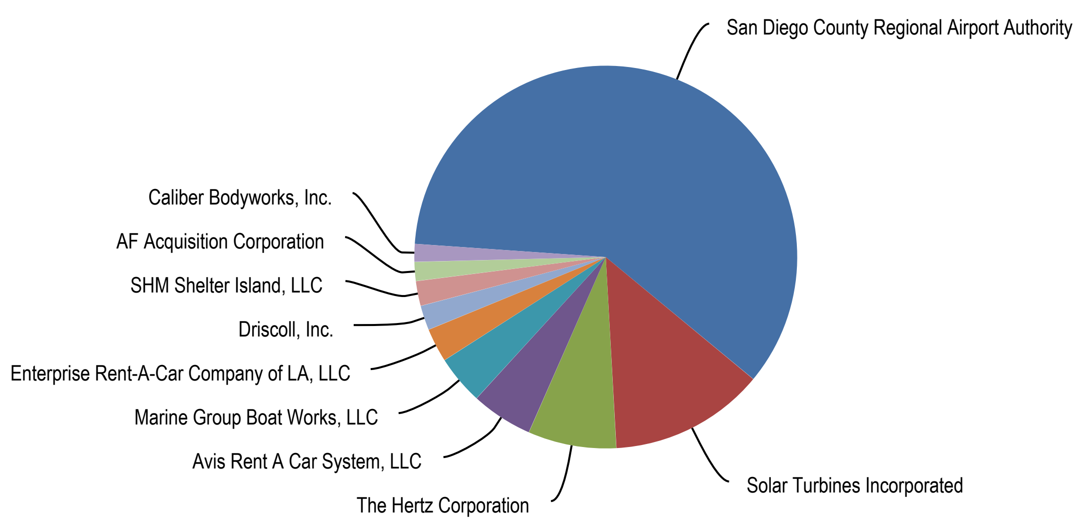


Real Estate Ten Largest Fixed Rent Tenants –
Current Fiscal Year and Nine Years Ago

(Expressed in thousands)

Tenant	2014	%	Tenant	2023	%
San Diego County Regional Airport Authority	$ 10,407	45.1 %	San Diego County Regional Airport Authority	$ 11,864	51.2 %
Solar Turbines Incorporated	2,063	8.9 %	Solar Turbines Incorporated	2,598	11.2 %
Dynegy South Bay, LLC	2,000	8.7 %	The Hertz Corporation	1,479	6.4 %
The Hertz Corporation	1,672	7.3 %	Avis Rent A Car System, LLC	1,033	4.5 %
Enterprise Rent-A-Car Company of LA, LLC	914	4.0 %	Marine Group Boat Works, LLC	822	3.5 %
Avis Rent A Car System, LLC	855	3.7 %	Enterprise Rent-A-Car Company of LA, LLC	566	2.4 %
Marine Group Boat Works, LLC	693	3.0 %	Driscoll, Inc.	415	1.8 %
BW-Budget-SDA, LLC	464	2.0 %	SHM Shelter Island, LLC	414	1.8 %
DTG Operations	358	1.6 %	AF Acquisition Corporation	321	1.4 %
Park & Go, Inc.	298	1.3 %	Caliber Bodyworks, Inc.	297	1.3 %
Total Ten Largest Fixed Rent Tenants	19,724	85.6 %	Total Ten Largest Fixed Rent Tenants	19,809	85.5 %
Other Fixed Rent	3,330	14.4 %	Other Fixed Rent	3,363	14.5 %
Total Real Estate Fixed Rent	$ 23,054	100.0 %	Total Real Estate Fixed Rent	$ 23,172	100.0 %

Real Estate Ten Largest Fixed Rent Tenants - Current Fiscal Year



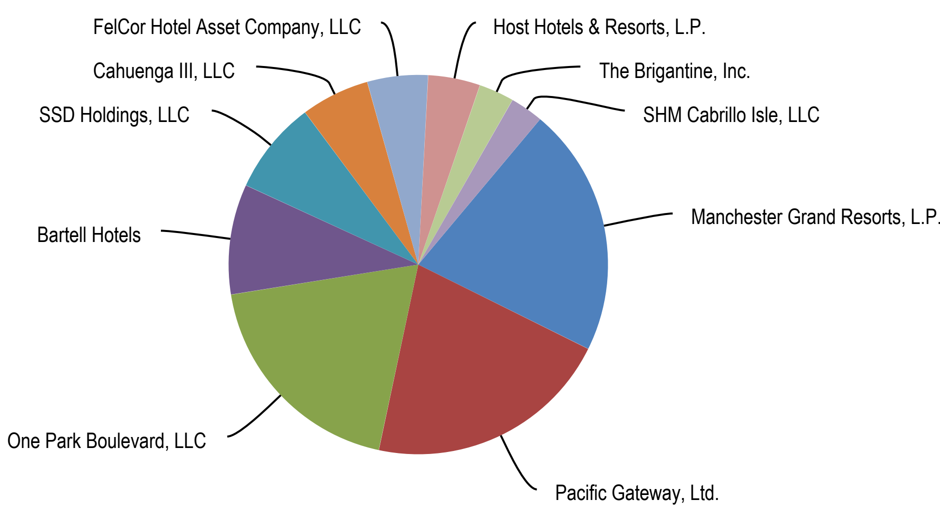
Real Estate Ten Largest Concession Rent Tenants -
Current Fiscal Year and Nine Years Ago

(Expressed in thousands)

Tenant	2014	%
Manchester Grand Resorts, L.P.	$ 10,891	19.3 %
Pacific Gateway, Ltd.	9,009	16.0 %
Host San Diego Hotel, LLC	5,100	9.1 %
One Park Boulevard, LLC	3,868	6.9 %
Bartell Hotels	3,426	6.1 %
Seaport Village Operating Co., LLC	2,424	4.3 %
FelCor Hotel Asset Company, LLC	2,034	3.6 %
Host Hotels & Resorts	1,760	3.1 %
Cahuenga Associates II	1,225	2.2 %
Sunroad Marina Partners, L.P.	1,071	1.9 %
Total Ten Largest Concession Rent Tenants	40,808	72.5 %
Other Concession Rent	15,486	27.5 %
Total Real Estate Concession Rent	$ 56,294	100.0 %

Tenant	2023	%
Manchester Grand Resorts, L.P.	$ 14,709	14.9 %
Pacific Gateway, Ltd.	14,568	14.8 %
One Park Boulevard, LLC	13,255	13.4 %
Bartell Hotels	6,508	6.6 %
SSD Holdings, LLC	5,518	5.6 %
Cahuenga III, LLC	4,052	4.1 %
FelCor Hotel Asset Company, LLC	3,591	3.6 %
Host Hotels & Resorts, L.P.	3,067	3.1 %
The Brigantine, Inc.	2,096	2.1 %
SHM Cabrillo Isle, LLC	1,953	2.0 %
Total Ten Largest Concession Rent Tenants	69,317	70.2 %
Other Concession Rent	29,365	29.8 %
Total Real Estate Concession Rent	$ 98,682	100.0 %

Real Estate Ten Largest Concession Rent Tenants - Current Fiscal Year

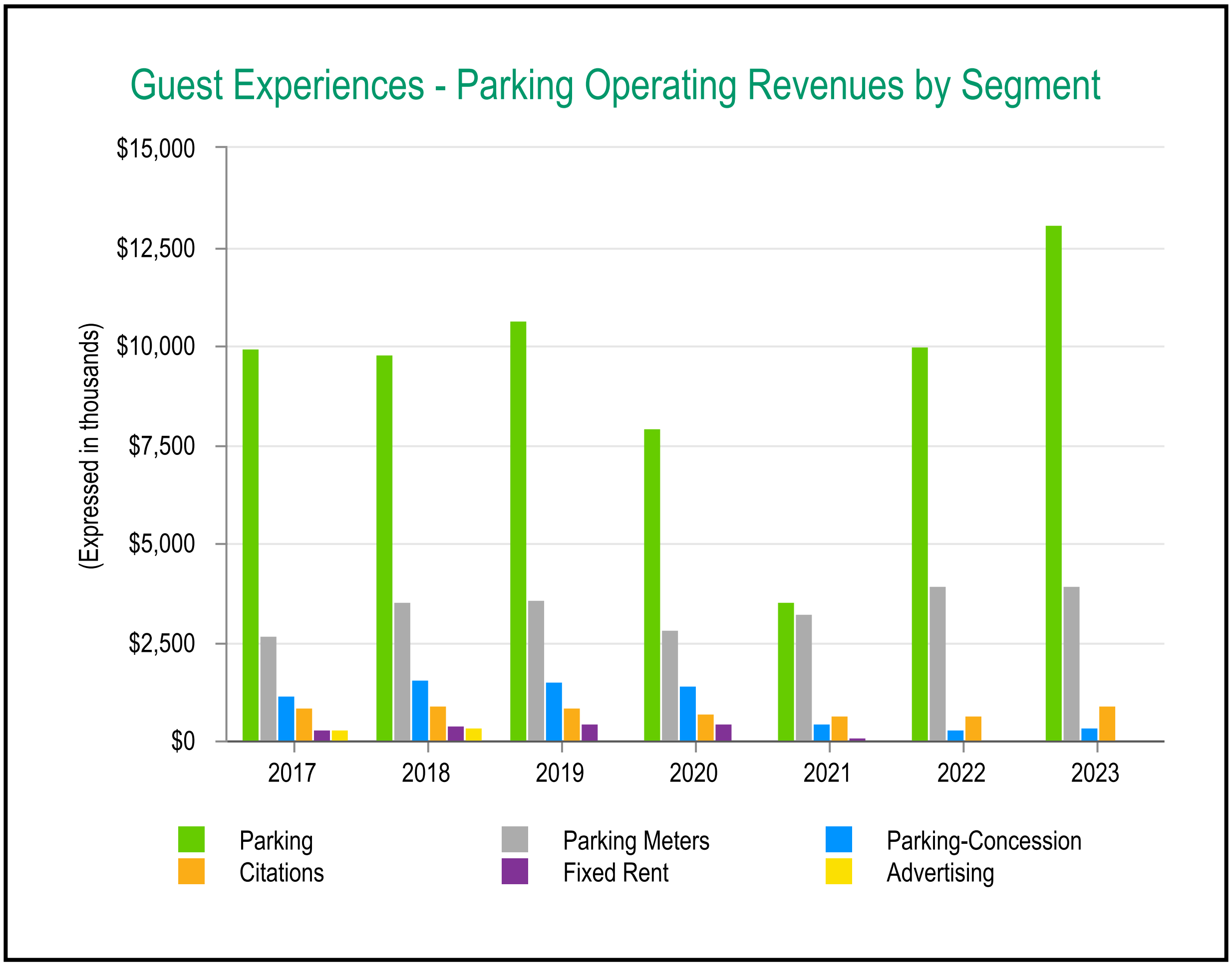


Guest Experiences - Parking Operating Revenues by Segment –

Last Ten Fiscal Years*

(Expressed in thousands)

Segment	2017	2018	2019	2020	2021	2022	2023
Parking	$ 9,960	$ 9,796	$ 10,648	$ 7,940	$ 3,513	$ 9,975	$ 13,102
Parking Meters	2,692	3,556	3,598	2,815	3,216	3,938	3,926
Parking-Concession[1]	1,154	1,585	1,508	1,410	469	324	371
Citations	852	892	849	721	660	671	892
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	$ 18,291



*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

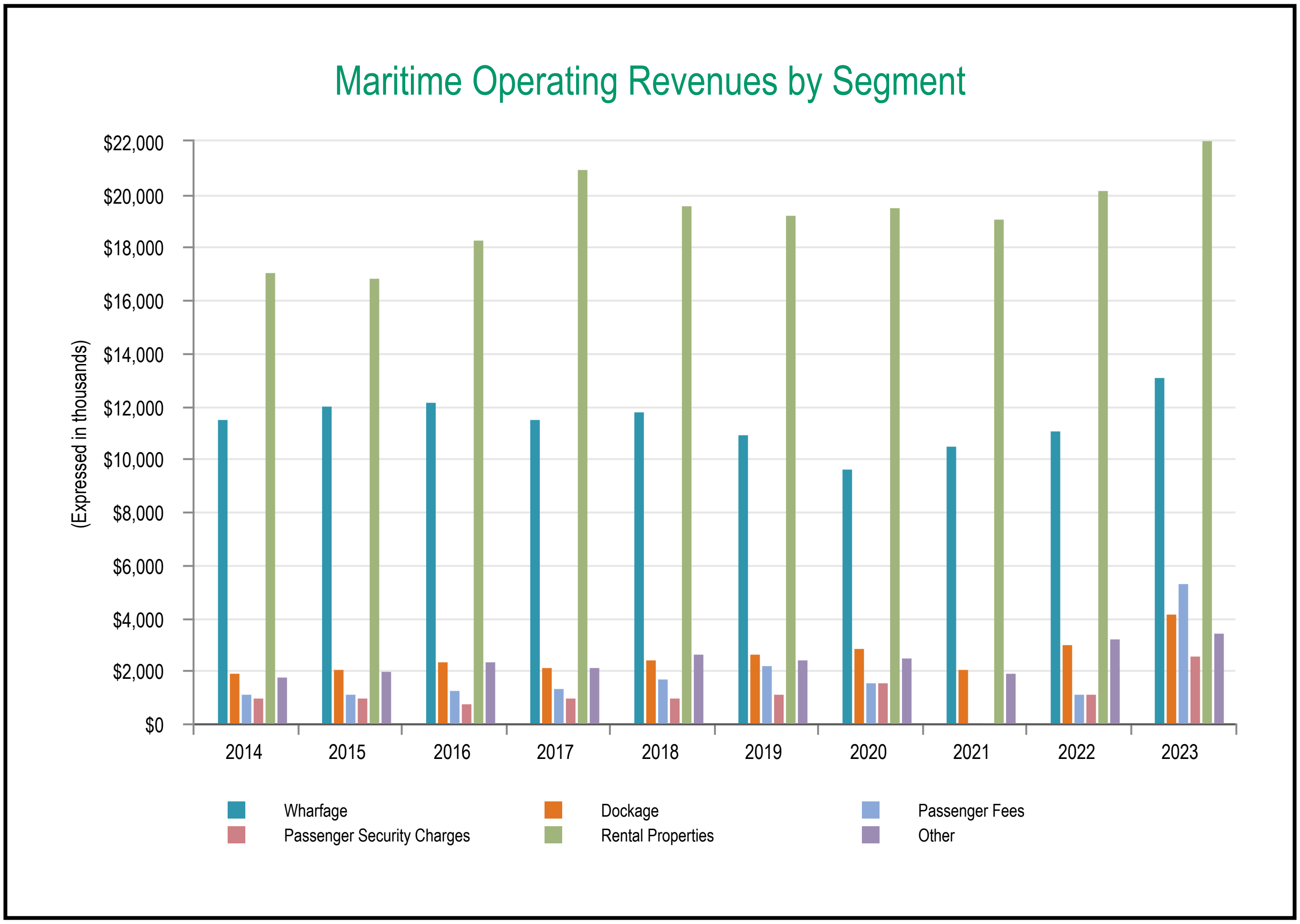
[2] Fixed rent tenants reduced in fiscal year 2022

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

Maritime Operating Revenues by Segment – Last Ten Fiscal Years

(Expressed in thousands)

Segment	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Wharfage	$11,535	$12,078	$12,223	$11,564	$11,856	$10,930	$9,692	$10,520	$11,089	$13,118
Dockage	1,920	2,083	2,393	2,152	2,460	2,660	2,861	2,123	3,059	4,191
Passenger Fees	1,133	1,167	1,264	1,390	1,702	2,205	1,580	—	1,183	5,331
Passenger Security Charges	999	1,006	804	997	999	1,151	1,573	63	1,146	2,599
Rental Properties	17,101	16,900	18,321	20,961	19,646	19,282	19,526	19,121	20,188	22,659
Other	1,792	2,031	2,361	2,151	2,641	2,422	2,528	1,958	3,235	3,428
Total	$34,480	$35,265	$37,366	$39,215	$39,304	$38,650	$37,760	$33,785	$39,900	$51,326



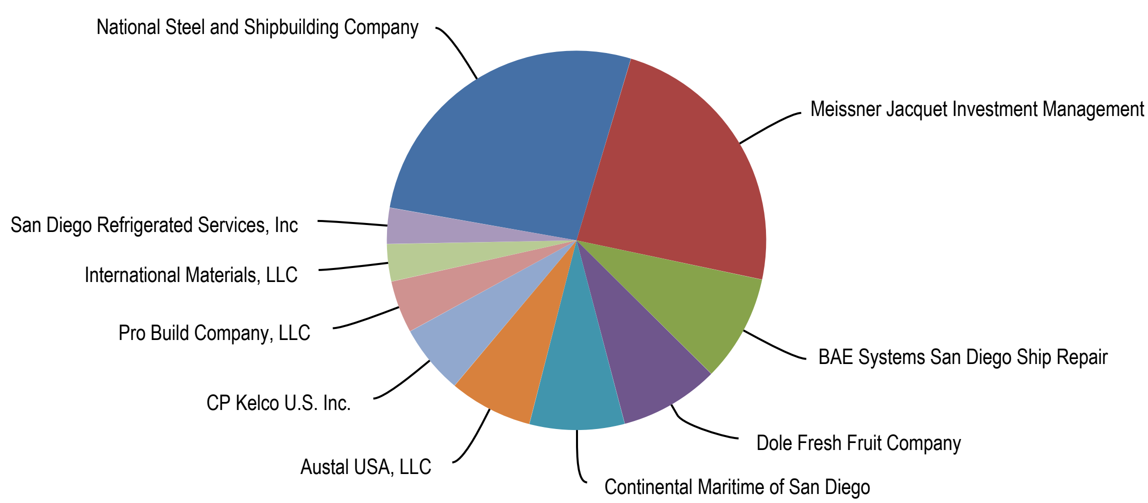
Maritime Ten Largest Fixed Rent Tenants – Current Fiscal Year and Nine Years Ago

(Expressed in thousands)

Tenant	2014	%
National Steel and Shipbuilding Company	$ 3,188	22.6 %
Meissner Jacquet Investment Management	2,050	14.5 %
Dole Fresh Fruit Company	1,485	10.5 %
Continental Maritime of San Diego	1,043	7.4 %
BAE Systems San Diego Ship Repair	929	6.6 %
CP Kelco U.S. Inc.	774	5.5 %
Marine Group Boat Works, LLC	691	4.9 %
Pro Build Company, LLC	599	4.2 %
Cemex Construction Materials Pacific	470	3.3 %
Searles Valley Minerals, Inc.	335	2.4 %
Total Ten Largest Fixed Rent Tenants	11,563	81.9 %
Other Fixed Rent	2,535	18.1 %
Total Maritime Fixed Rent	$ 14,098	100.0 %

Tenant	2023	%
National Steel and Shipbuilding Company	$ 4,622	23.9 %
Meissner Jacquet Investment Management	4,076	21.0 %
BAE Systems San Diego Ship Repair	1,567	8.0 %
Dole Fresh Fruit Company	1,461	7.5 %
Continental Maritime of San Diego	1,393	7.2 %
Austal USA, LLC	1,224	6.3 %
CP Kelco U.S. Inc.	1,019	5.3 %
Pro Build Company, LLC	770	4.0 %
International Materials, LLC	548	2.8 %
San Diego Refrigerated Services, Inc	530	2.7 %
Total Ten Largest Fixed Rent Tenants	17,210	88.8 %
Other Fixed Rent	2,166	11.2 %
Total Maritime Fixed Rent	$ 19,376	100.0 %

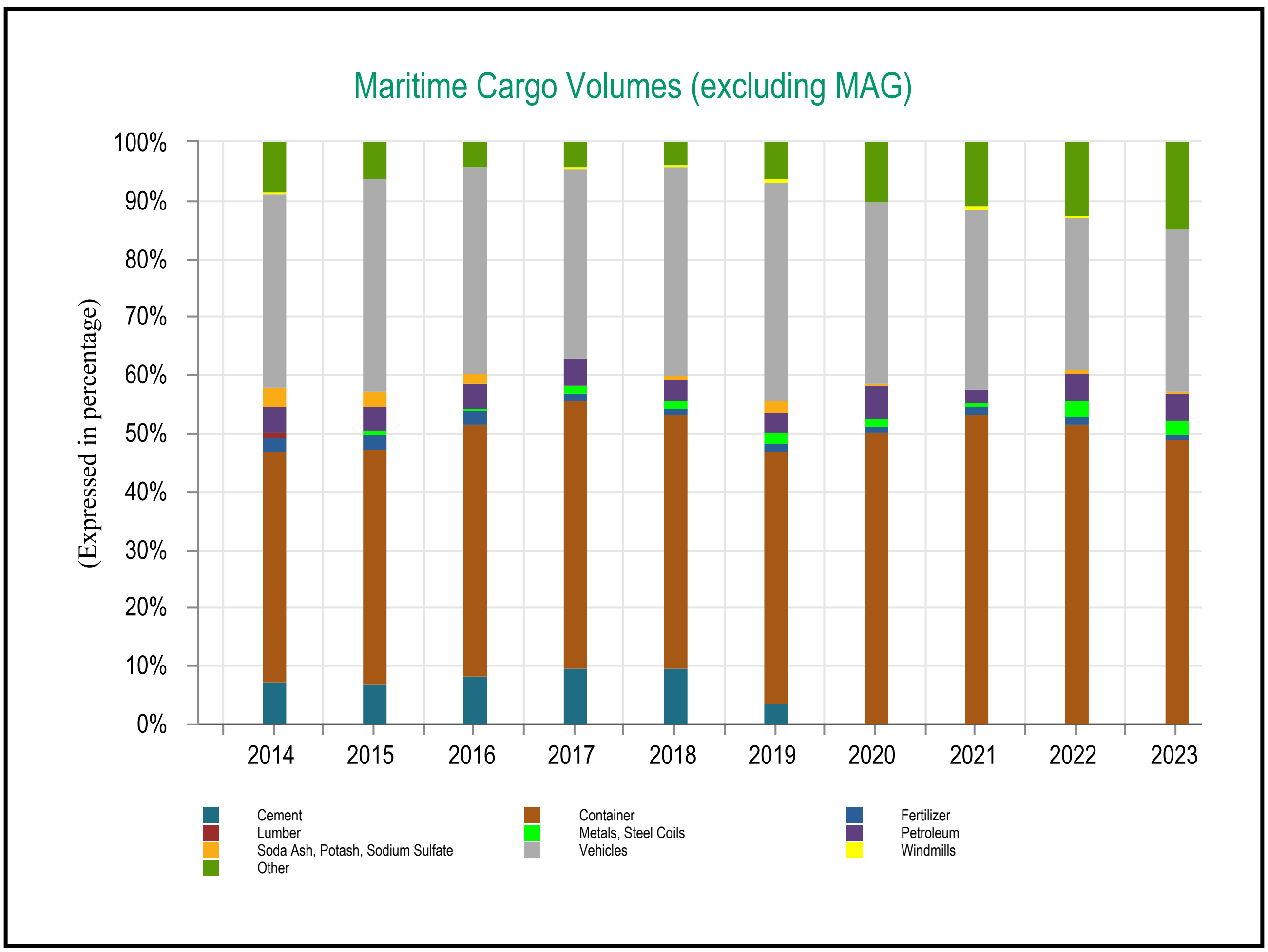
Maritime Ten Largest Fixed Rent Tenants - Current Fiscal Year



Maritime Cargo Volumes – Last Ten Fiscal Years

(Expressed in metric tons)

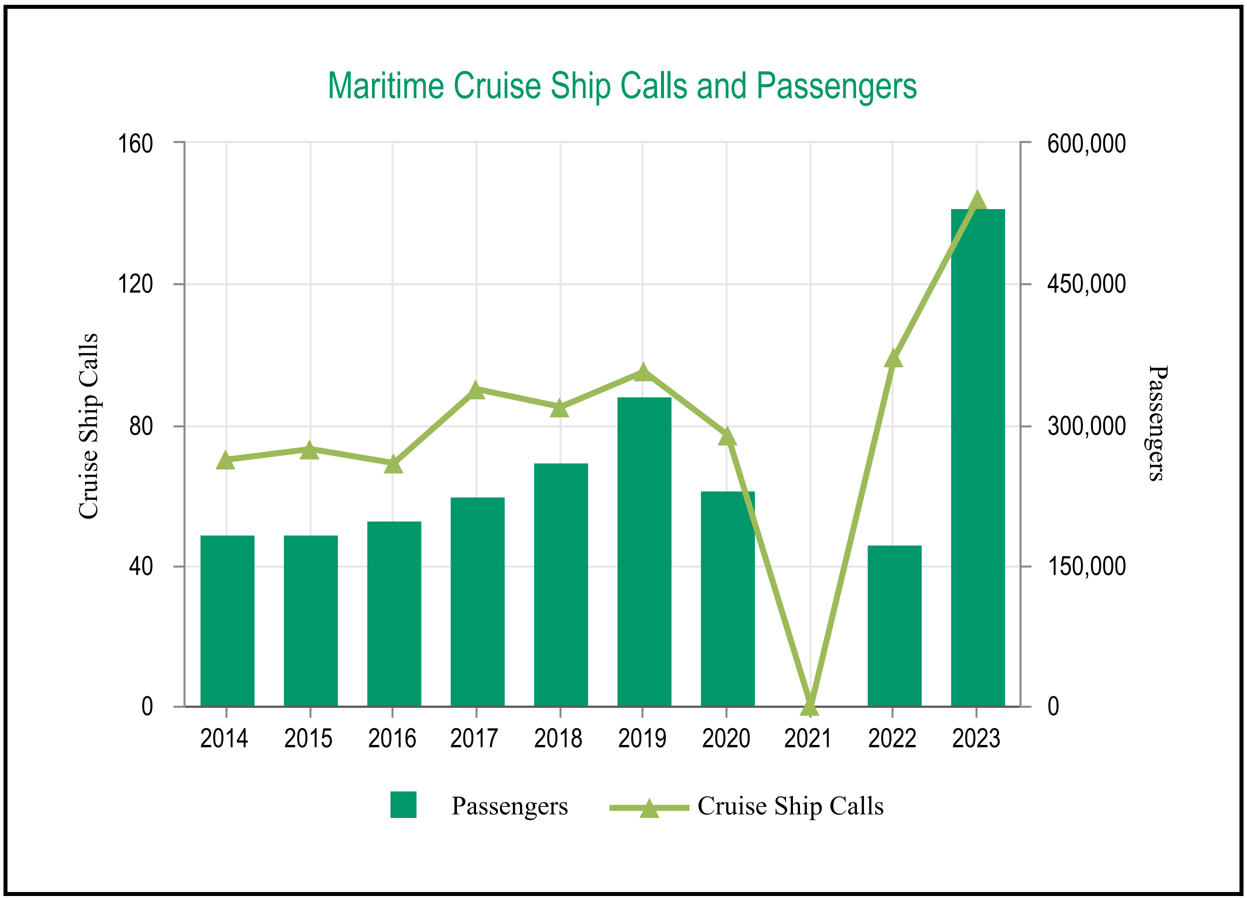
Cargo	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cement	121,218	123,646	158,709	176,772	181,708	73,096	—	—	—	—
Container	660,586	717,085	823,560	847,906	828,603	868,228	918,060	943,914	1,038,302	1,008,877
Fertilizer	41,304	50,279	42,244	29,175	18,333	28,519	21,736	22,899	23,849	20,977
Lumber	17,701	—	—	—	—	—	—	—	0	0
Metals, Steel Coils	—	13,253	6,811	19,604	23,217	36,911	26,049	11,815	57,720	46,919
Petroleum	74,003	71,582	84,044	86,919	75,990	66,418	100,000	44,994	89,311	101,445
Soda Ash, Potash, Sodium Sulfate	51,570	49,589	36,359	—	9,257	42,732	5,000	—	17,569	6,620
Vehicles	556,954	649,725	670,847	601,246	680,598	750,683	570,728	548,213	526,413	570,503
Windmills	3,942	627	37	8,235	7,201	13,688	3,840	11,309	7,031	612
Other	140,966	106,759	79,333	72,244	68,917	122,497	182,961	189,208	246,751	304,882
Total Cargo	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	2,060,835
Minimum Annual Guarantee (MAG)	996,412	953,280	971,669	947,903	1,116,645	624,811	420,466	425,466	425,466	402,277
Total Cargo with MAG	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	2,463,112



Maritime Cruise Ship Calls and Passengers – Last Ten Fiscal Years

Fiscal Year	Cruise Ship Calls	Passengers
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
2023	144	531,130

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

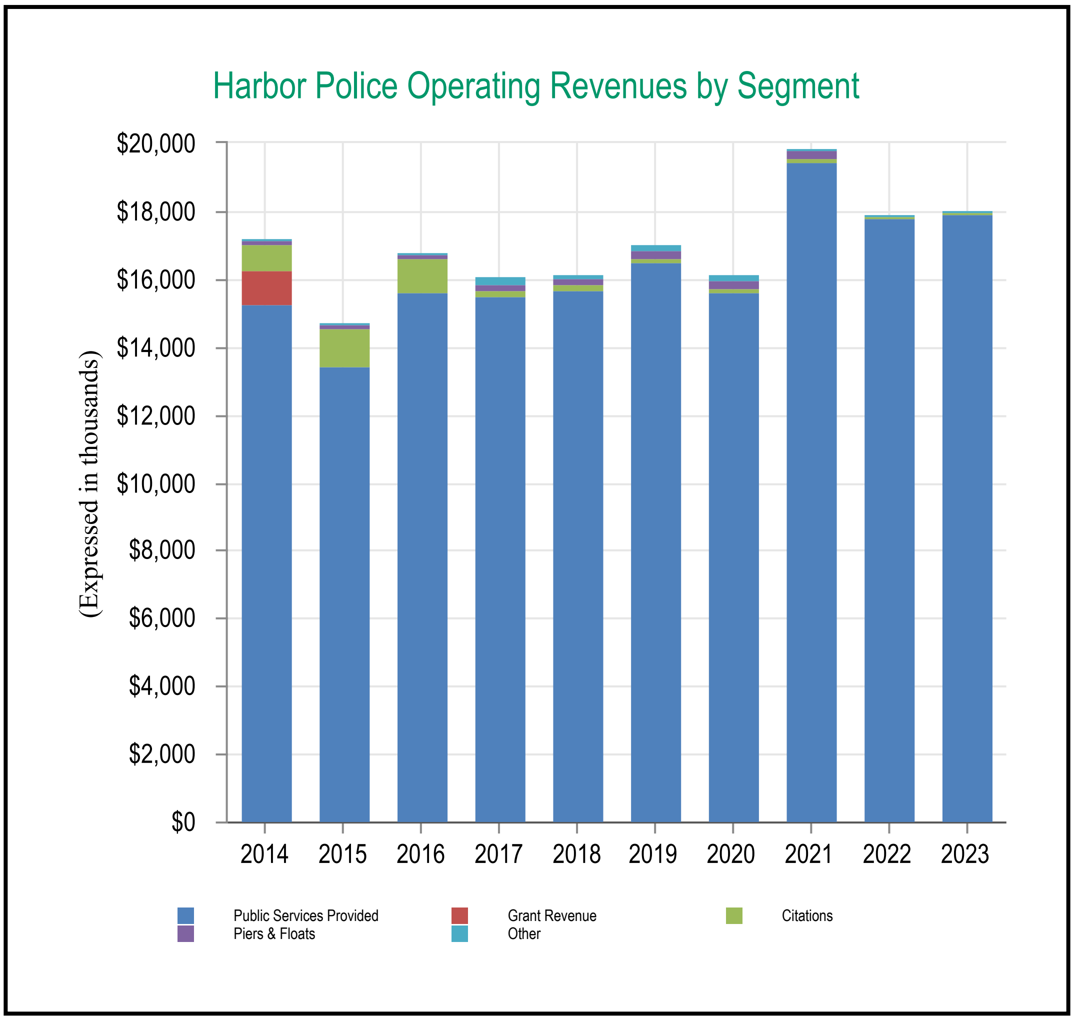


Harbor Police Operating Revenues by Segment - Last Ten Fiscal Years

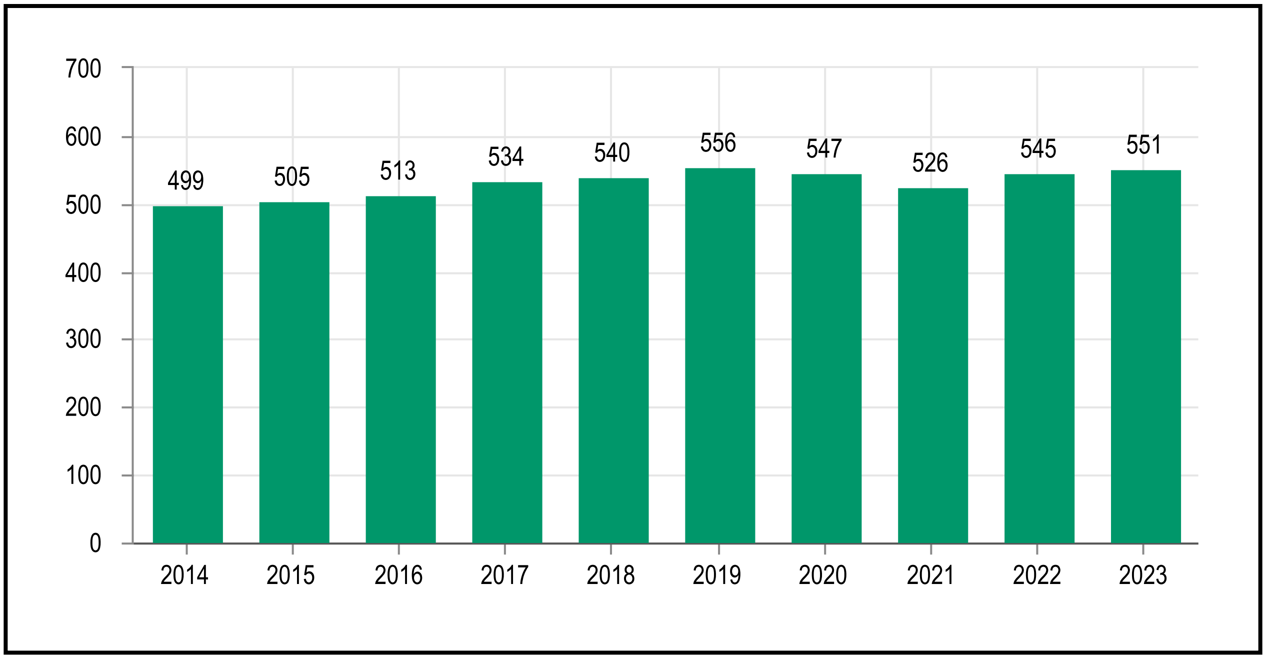
(Expressed in thousands)

Segment	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public Services Provided[1]	$ 15,309	$ 13,427	$ 15,610	$ 15,534	$ 15,712	$ 16,515	$ 15,635	$ 19,473	$ 17,797	$ 17,909
Grant Revenue[2]	959	—	—	—	—	—	—	—	—	—
Citations[3]	794	1,144	1,009	175	137	141	135	103	78	92
Piers & Floats[4]	97	111	150	187	214	225	220	269	—	—
Other	44	47	66	189	129	188	169	53	47	38
Total	$ 17,203	$ 14,729	$ 16,835	$ 16,085	$ 16,192	$ 17,069	$ 16,159	$ 19,898	$ 17,922	$ 18,039

[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	1,894
Convention Center Garage	1,889
Imperial Beach	71
Metered (throughout District)	405
Pay Stations (throughout District)	865
Unmetered (throughout District)	2,448
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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Pledged Revenues[1]	$ 145,141	$ 152,377	$ 163,551	$ 174,623	$ 181,457	$ 189,659	$ 165,809	$ 143,377	$ 183,711	$ 237,622
Operating and Maintenance Expenses[2]	(114,368)	(120,774)	(124,741)	(141,377)	(149,860)	(156,972)	(157,701)	(129,989)	(146,342)	(161,929)
Net Pledged Revenues - Senior Debt	$ 30,773	$ 31,603	$ 38,810	$ 33,246	$ 31,597	$ 32,687	$ 8,108	$ 13,388	$ 37,369	$ 75,693
Senior Debt Service[3]										
Principal	$ 1,840	$ 1,650	$ 1,650	$ 1,795	$ 1,880	$ 1,980	$ 2,040	$ 1,995	$ 2,095	$ 2,200
Interest	1,822	1,729	1,729	1,559	1,464	1,396	1,290	1,187	1,085	977
Total Senior Debt Service	$ 3,662	$ 3,379	$ 3,379	$ 3,354	$ 3,344	$ 3,376	$ 3,330	$ 3,182	$ 3,180	$ 3,177
Senior Debt Coverage Ratio	**8.40**	**9.35**	**9.35**	**9.91**	**9.45**	**9.68**	**2.43**	**4.21**	**11.75**	**23.82**

[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

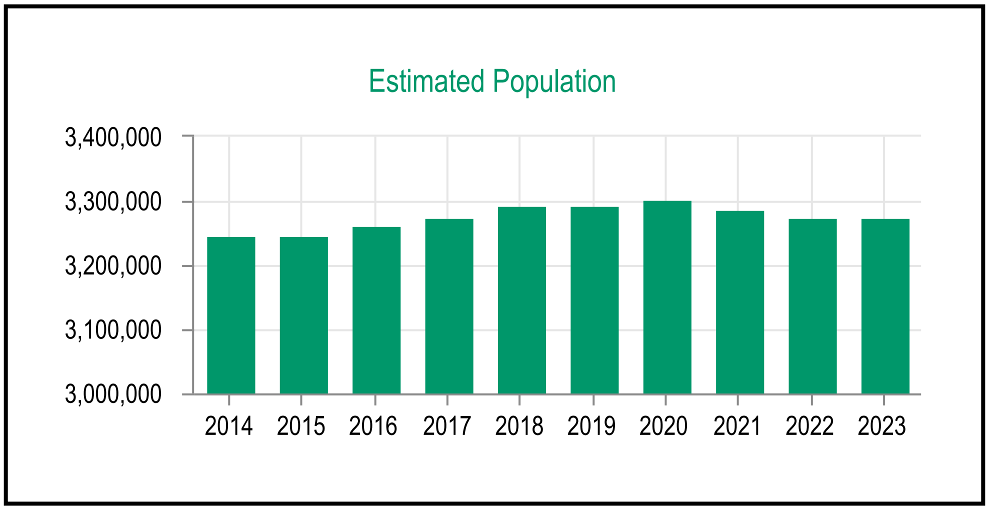
(Expressed in thousands)

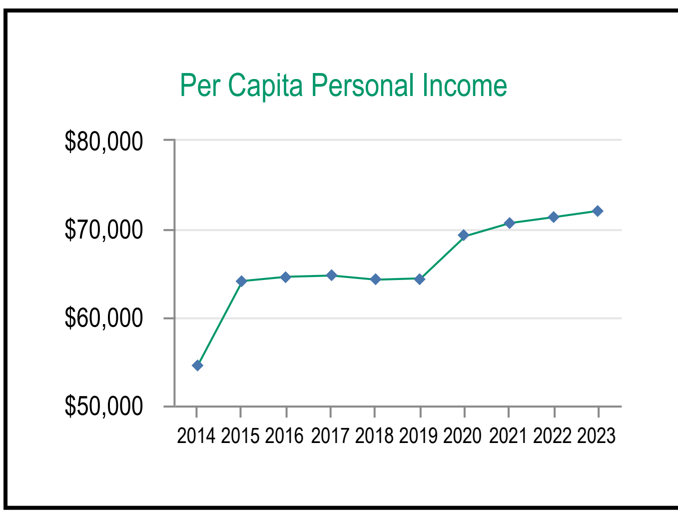
Year	Revenue Bonds	Notes[1]	Capital Leases	Total Debt	Percent of Personal Income[2]	Per Capita[2]
2014	39,061	48,243	—	87,304	0.05%	27
2015	37,156	46,033	—	83,189	0.04%	26
2016	35,153	40,344	—	75,497	0.04%	23
2017	33,067	37,953	—	71,020	0.04%	22
2018	30,884	35,603	—	66,487	0.03%	20
2019	28,592	32,784	—	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
2023	19,317	22,296	—	41,613	0.02%	13

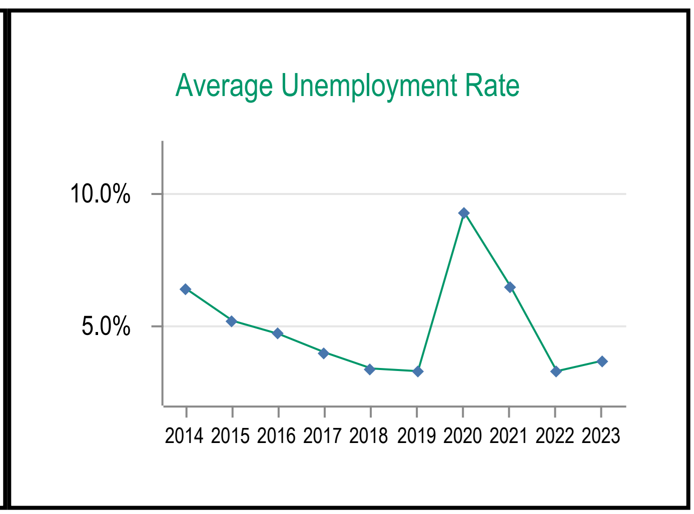
[1]Includes the San Diego County Regional Airport Authority (SDCRAA) and Civic San Diego (CSD) notes.
[2]Refer to the Demographic and Economic Statistics table for further detail on population and per capita information.

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

Calendar Year	Estimated Population	Personal Income (Billions)	Per Capita Personal Income	Average Unemployment Rate
2014	3,247,475	167.6	54,554	6.4 %
2015	3,248,371	176.0	64,115	5.2 %
2016	3,263,517	182.0	64,600	4.7 %
2017	3,276,113	189.0	64,734	4.0 %
2018	3,293,350	196.0	64,267	3.4 %
2019	3,294,272	203.0	64,419	3.3 %
2020	3,303,736	222.0	69,209	9.3 %
2021	3,288,455	232.0	70,683	6.5 %
2022	3,275,933	251.0	71,368	3.3 %
2023	3,273,729	262.0	72,083	3.7 %







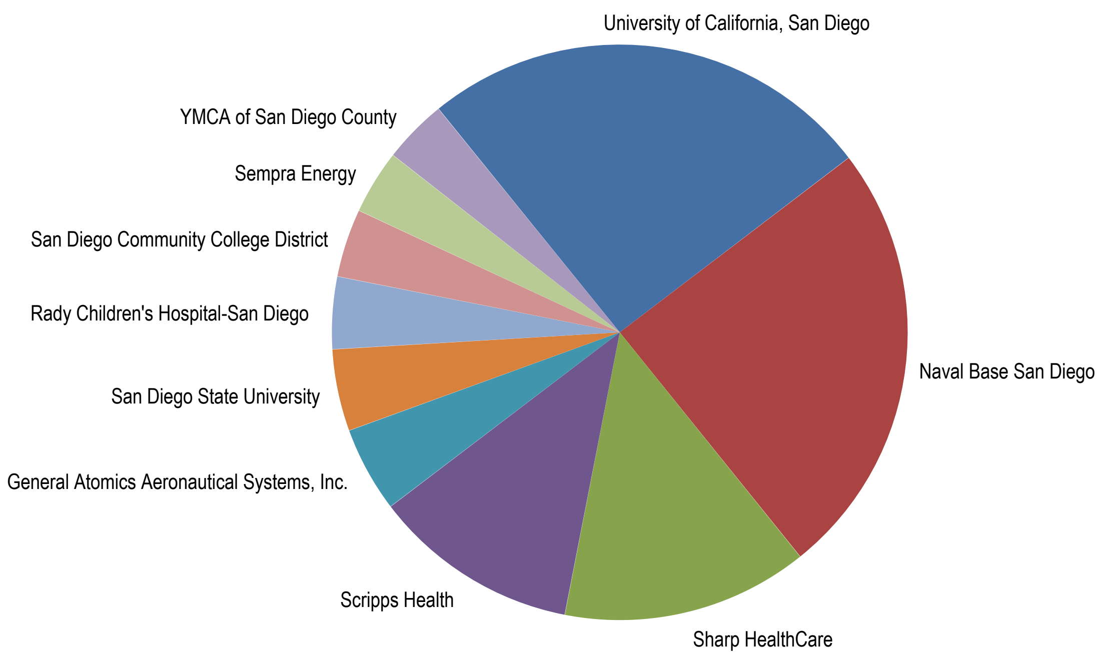
Source:
Caltrans Long-Term Socio-Economic Forecasts by County. San Diego County 2022 report.

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

2014 Employer	Local Employees	Rank	%
State of California	40,100	1	2.69%
University of California, San Diego	28,341	2	1.90%
County of San Diego	16,627	3	1.11%
Sharp HealthCare	16,477	4	1.10%
Scripps Health	13,717	5	0.92%
Qualcomm Inc.	13,700	6	0.92%
City of San Diego	10,584	7	0.71%
UC San Diego Health System	7,726	8	0.52%
Kaiser Permanente	7,549	9	0.51%
General Atomics	6,714	10	0.45%
Total Industry Employment in San Diego County (Year 2014): 1,491,600			

2023 Employer	Local Employees	Rank	%
University of California, San Diego	39,000	1	2.58%
County of San Diego	17,000	2	1.13%
Sharp HealthCare	16,000	3	1.06%
Qualcomm	13,000	4	0.86%
Scripps Health	12,000	5	0.79%
Kaiser Permanente	10,000	6	0.66%
General Dynmaics NASSSCO	9,000	7	0.60%
Northrup Grumman	8,000	8	0.53%
San Diego Unified School District	8,000	9	0.53%
University of San Diego	7,000	10	0.46%
Total Industry Employment in San Diego County (Year 2023): 1,510,300			

San Diego County Top Ten Principal Employers – Current Fiscal Year



Sources:
San Diego Business Journal Book of Lists
Total Industry Employment - California Employment Development, Labor Market Information

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