



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Communication

Date: February 14, 2013

To: Board Members

Via: Thella F. Bowens, President/CEO

From: Vernon D. Evans, Vice President, Finance/Treasurer

Subject: Accept the Unaudited Financial Statements for the Six Months Ended December 31, 2012:

RECOMMENDATION: The Finance Committee recommends that the Board accept the report.

San Diego County Regional Airport Authority



Review of the Unaudited Financial Statements for the Six Months Ended December 31, 2012

Presented by:

Vernon D. Evans, CPA

Vice President, Finance / Treasurer & CFO

Kathy Kiefer

Director, Accounting

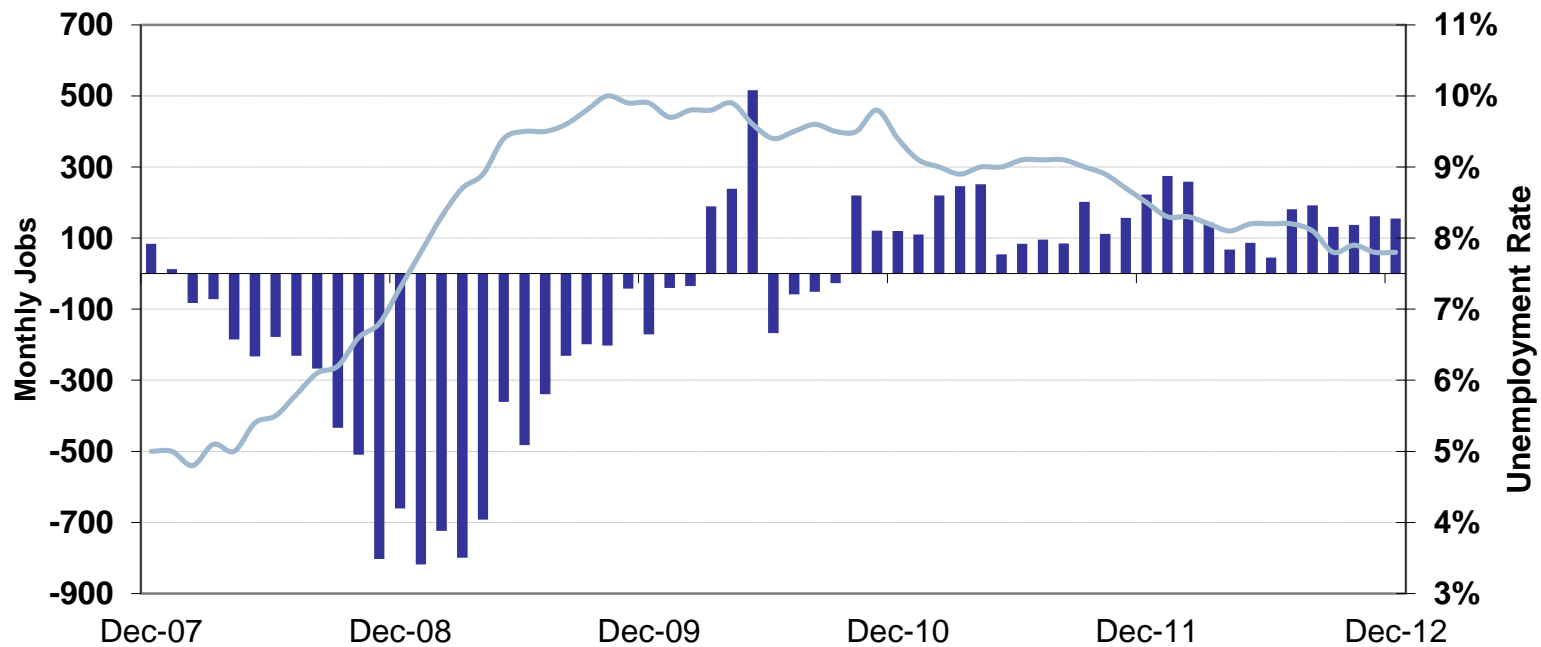
February 14, 2013



Job Growth Remains Consistent

- U.S. job creation continues at a moderate pace.
- The December employment report came in line with expectation with 155,000 new jobs created, and the unemployment rate was unchanged at 7.8%.

Change in Non-Farm Payrolls/ Unemployment Rate
December 2007 – December 2012



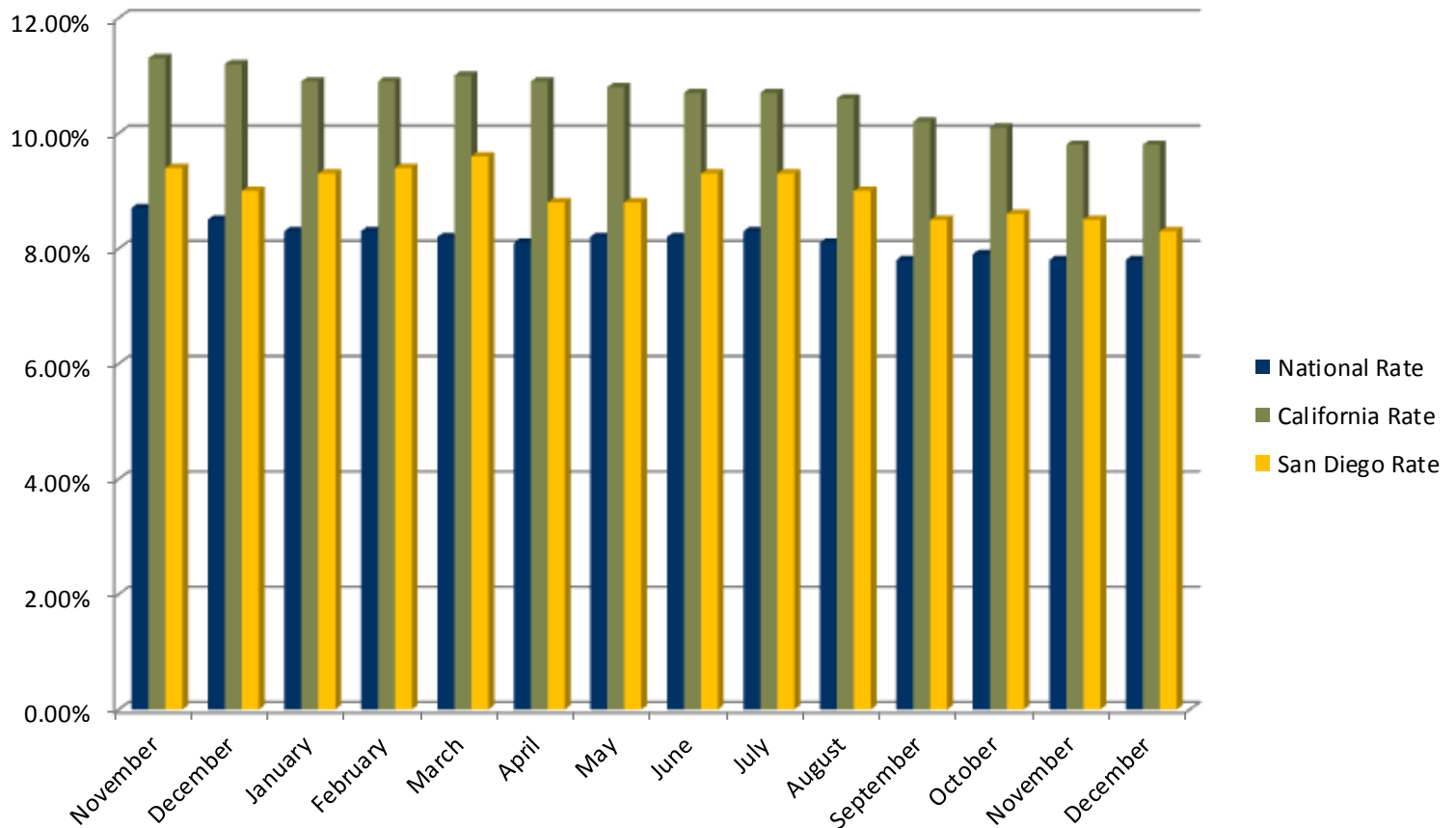


Unemployment Rates Continue To Decrease



The Federal unemployment rate increased to 7.8% for the month of December, 2012, and the National U-6 rate remained at 14.4%. In California, the State preliminary unemployment rate for November decreased to 9.8%, and the State U-6 rate remained at 19.6%. Locally, San Diego's preliminary unemployment rate for the month of November is 8.3%, a decrease of 0.3%.

Unemployment Rates



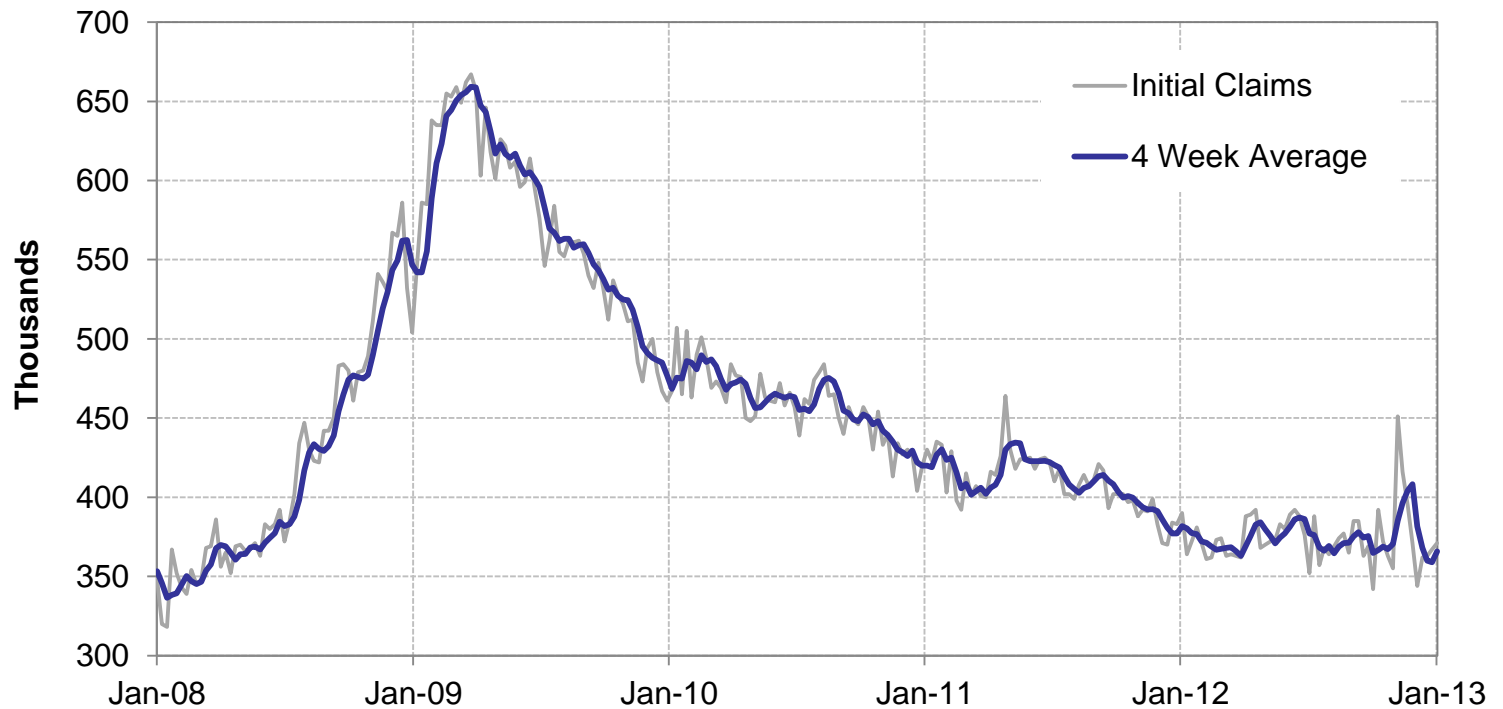


Initial Jobless Up To Start The Year



- For the week ending January 5th, initial claims for unemployment were up by 4,000 to 371,000. The 4-week moving average, which helps smooth out some of the weekly volatility, was up 6,750 from the prior week to a 4-week average of 365,750.
- Although claims declined sharply in late 2011 / early 2012, further progress in reducing claims has stalled for over the past eight months now. The 4-week average is still well above the 350,000 level that many economist think is needed to indicate strong job growth.

4-Week Moving Average - Initial Jobless Claims
January 2008 – January 2013



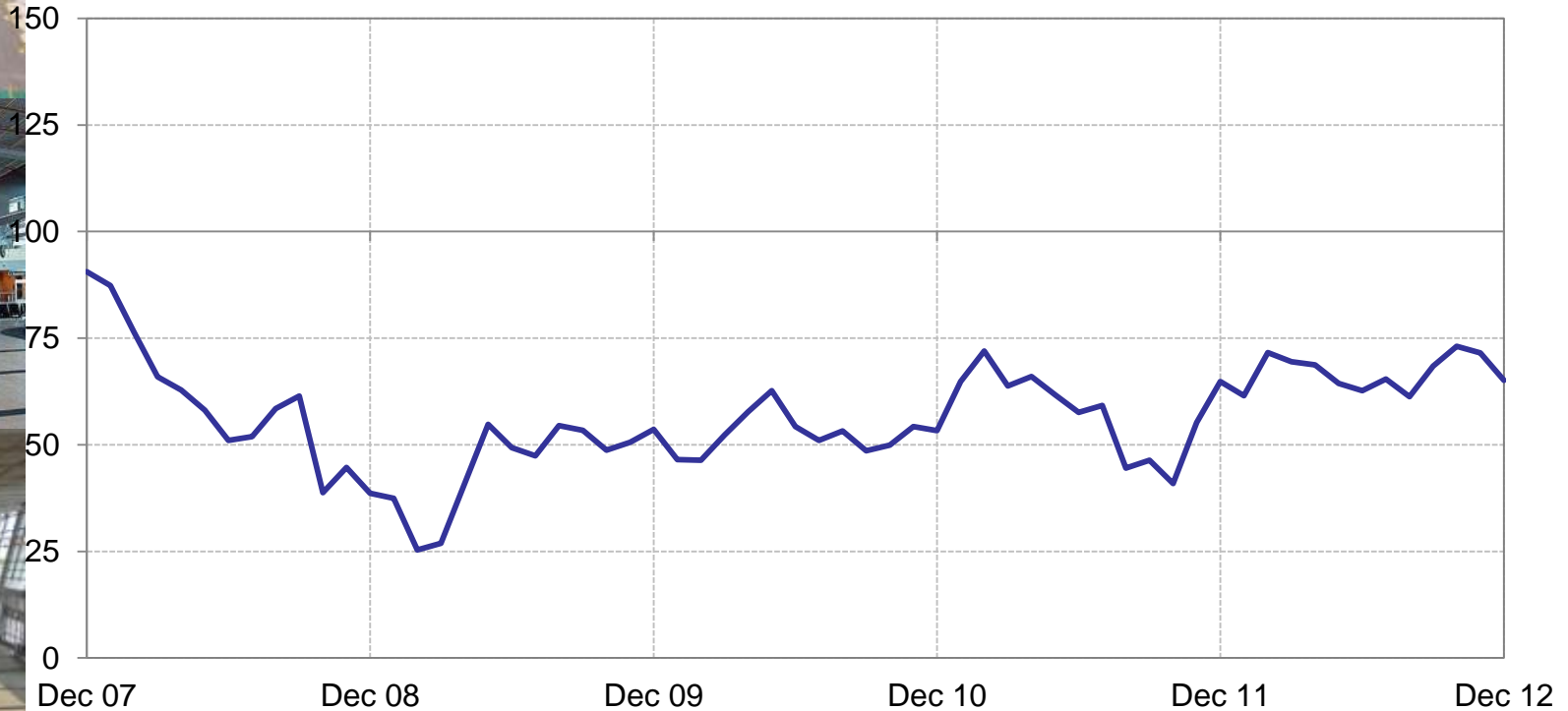


Consumer Confidence Falls



- The Consumer Confidence Index, which fell slightly in November to 71.5, fell sharply in December to 65.1.
- The report suggested that while consumers' assessment of current conditions had improved slightly their outlook regarding future conditions had worsened significantly. The uncertainty regarding the fiscal cliff, which was unresolved at the time of the survey, weighed heavily on consumers expectations regarding future conditions.

Consumer Confidence Index
December 2007 – December 2012





Existing Home Sales Trending Upward



- Existing home sales in November increased by 5.9% to 5.04 million units. The upward trend in sales along with price improvements and decreases in inventory, suggest that the housing market has hit bottom and has been making a comeback.
- Existing home sales continue to receive a boost from the Fed's accommodative policy which continues to help keep downward pressure on mortgage rates.

U.S. Existing Home Sales (MoM)
November 2002 – November 2012





Oil Prices Trending Higher



- Oil closed at \$93.20 on January 7th. Average crude oil prices (WTI spot) over the past 30 days have trended upward, increasing 2.7%, compared to the prior 30 days. Supply concerns and a weaker dollar have helped push oil prices higher.

West Texas Intermediate Oil Price Per Barrel (WTI Spot)
January 1, 2008 – January 7, 2013





Jet Fuel Prices Are Relatively Unchanged



- Jet fuel closed at \$3.03 on January 7th. Although volatile on a day to day basis, average U.S. Gulf Coast Kerosene-Type Jet Fuel Spot Prices over the past 30 days are basically unchanged dropping 0.3% compared to the prior 30 days.

U.S. Gulf Coast Kerosene-Type Jet Fuel Spot Price FOB
January 1, 2008 – January 7, 2013



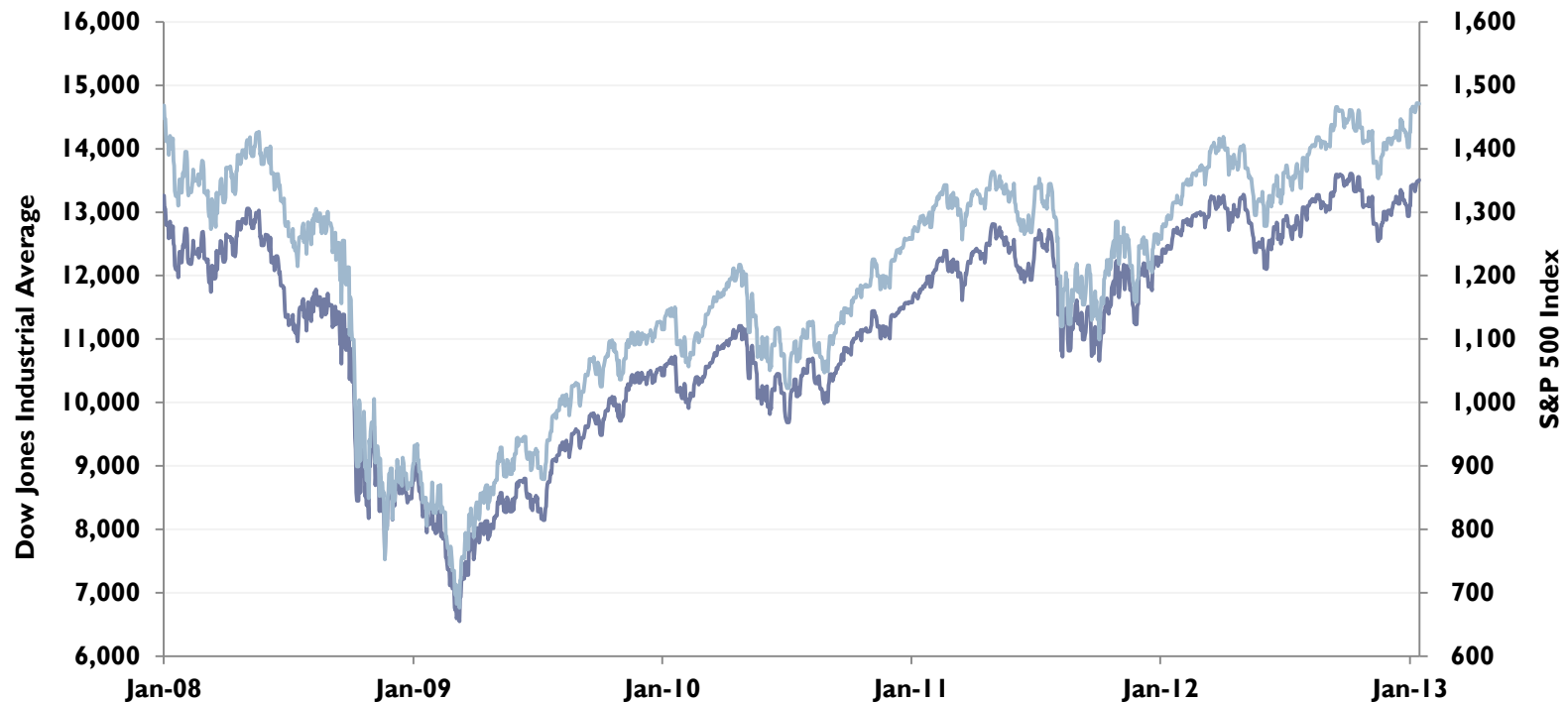


Equity Markets Up To Start 2013



- After falling sharply in late December on uncertainty surrounding the fiscal cliff negotiations, the equity markets have rebounded. The DJIA and S&P are both up over 3% for the first two weeks of the new year.
- However, uncertainty regarding the debt ceiling negotiations and unresolved spending issues following the fiscal cliff could cause disruptions in the equity markets in coming weeks.

Dow Jones Industrial and S&P 500 Indices
January 1, 2008 – February 14, 2013





5-Year Treasury Yields Up To Start Year



- Although 2-Year Treasury yields remain range bound, longer-term yields have increased following the release of the December Federal Reserve minutes, which suggest the Federal Reserve's aggressive quantitative easing program might end sooner than expected.

2- and 5-Year U.S. Treasury Yields
January 1, 2012 – January 11, 2013



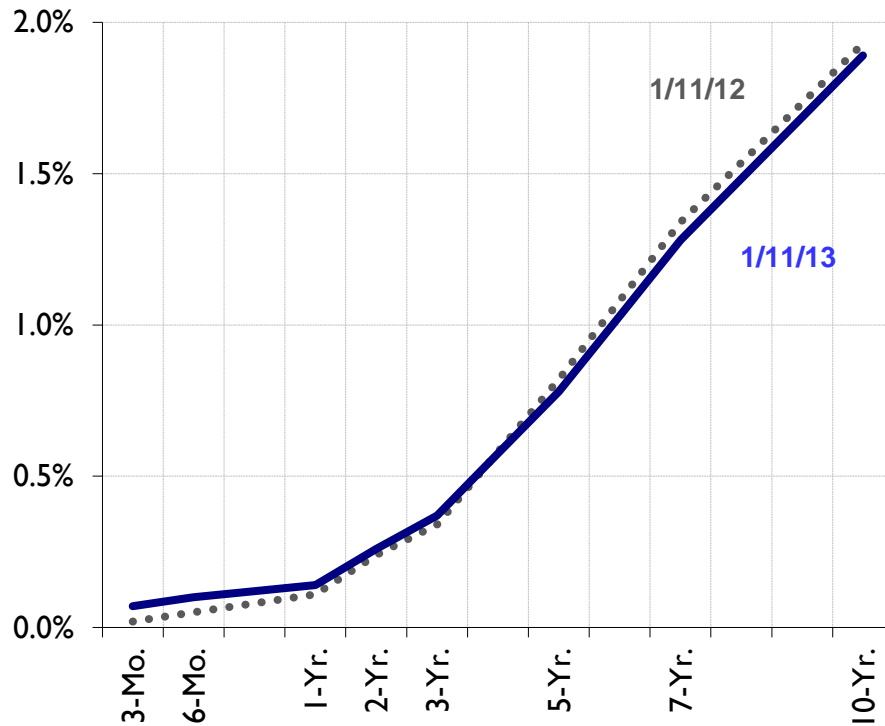


Yield Curve Relatively Unchanged



- Although volatile on a daily basis, the Treasury yield curve is relatively unchanged compared to a year ago.

U.S. Treasury Yield Curve
January 11, 2012 versus January 11, 2013



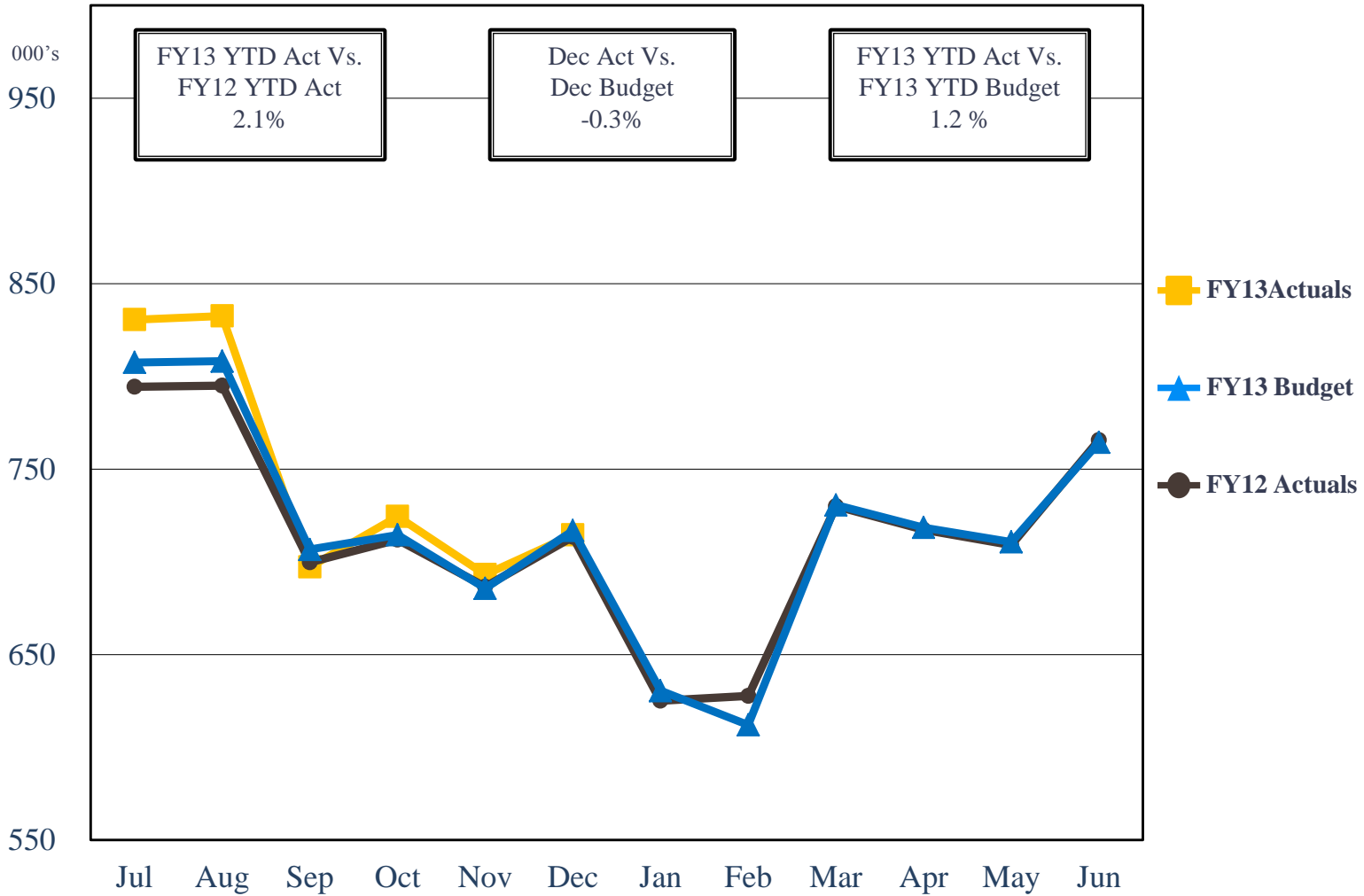
	1/11/12	1/11/13	Change
3 Month	0.02%	0.07%	0.05%
6 Month	0.05%	0.10%	0.05%
1 year	0.11%	0.14%	0.03%
2 year	0.24%	0.26%	0.02%
3 year	0.34%	0.37%	0.03%
5 year	0.82%	0.78%	-0.04%
10 year	1.93%	1.89%	-0.04%

Unaudited Financial Statements
For the Six Months Ended
December 31, 2012



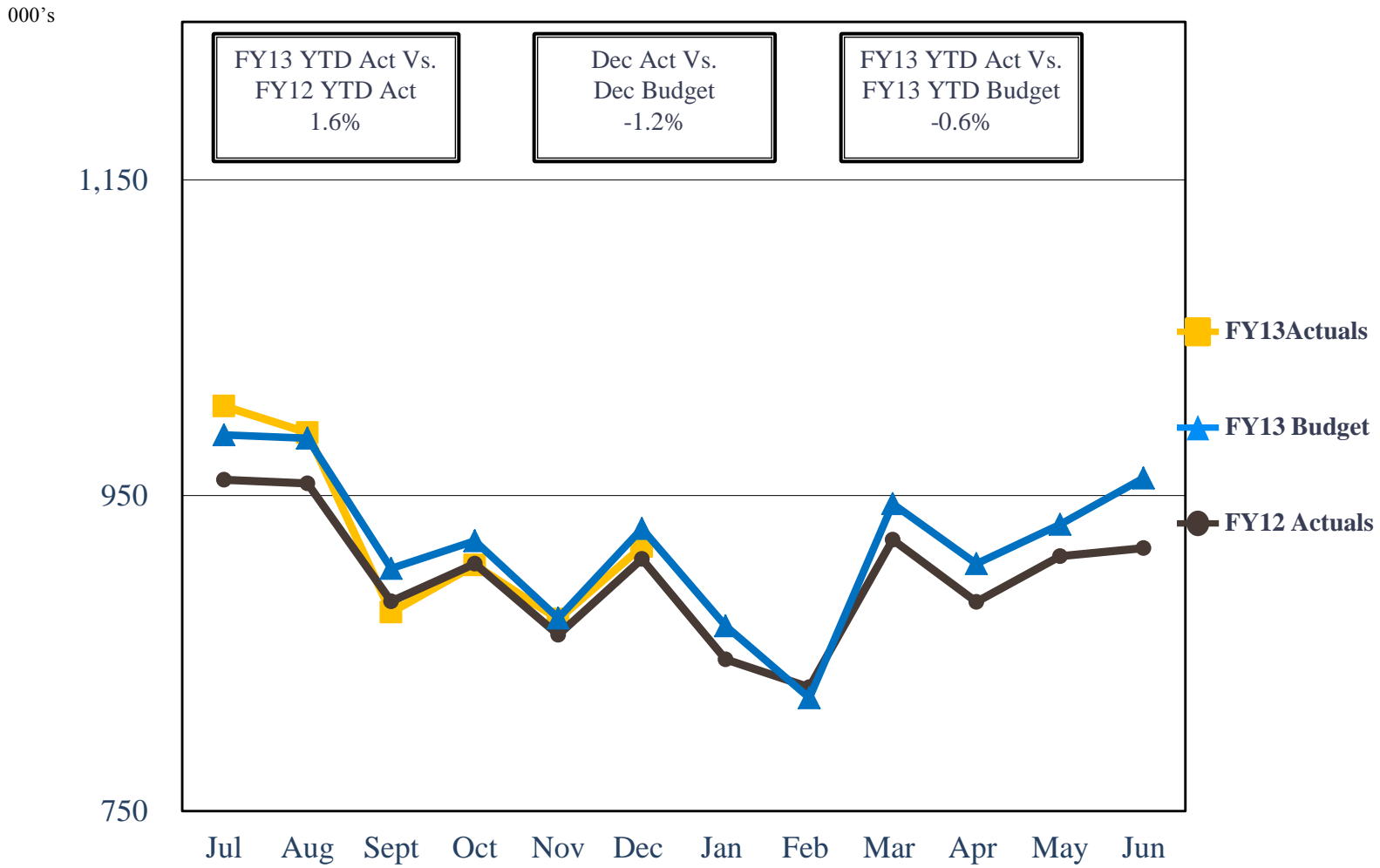


Enplanements





Gross Landing Weight Units (000 lbs)





Car Rental License Fees



(000's)

3,200

3,000

2,800

2,600

2,400

2,200

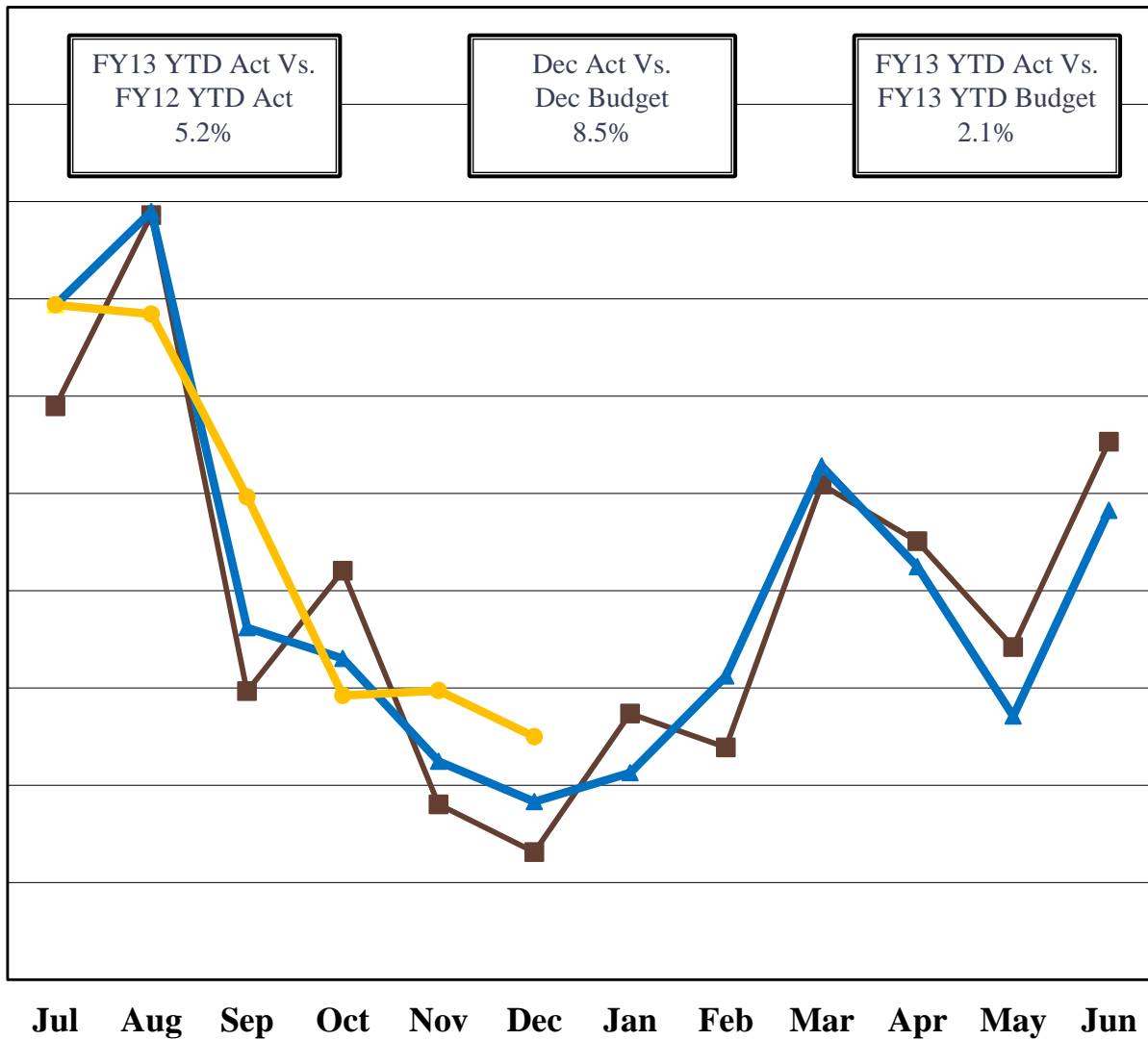
2,000

1,800

1,600

1,400

1,200



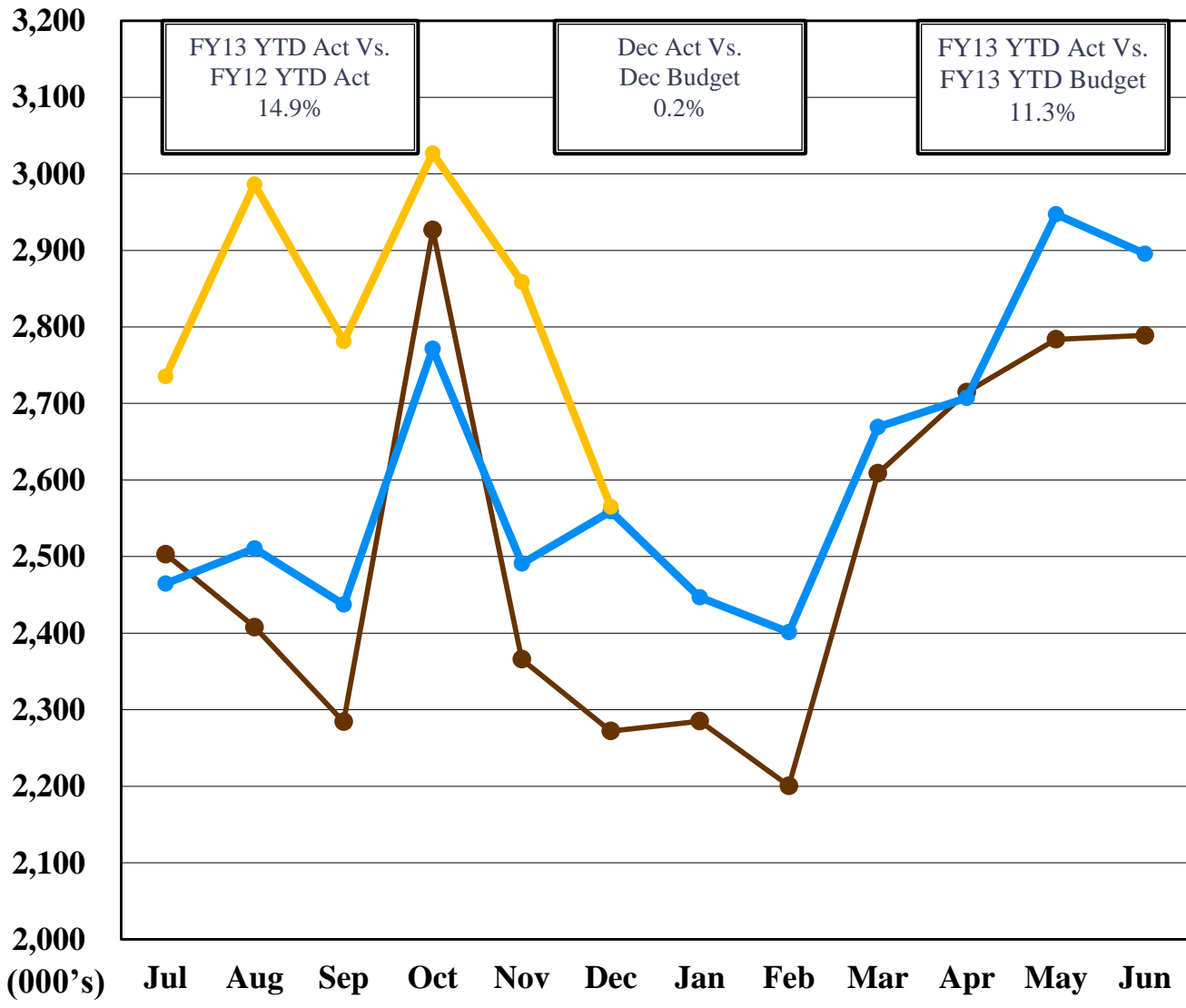
FY13 Actuals

FY13 Budget

FY12 Actuals



Parking Revenue



Revenues & Expenses (Unaudited)
For the Month Ended
December 31, 2012



Operating Revenues

for the Month Ended December 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 1,765	\$ 1,719	\$ (46)	(3)%	\$ 1,677
Aircraft parking fees	275	265	(10)	(4)%	277
Building rentals	3,592	3,638	46	1%	2,652
Security surcharge	1,719	1,732	13	1%	1,412
Other aviation revenue	132	131	(1)	(1)%	135
Total aviation revenue	\$ 7,483	\$ 7,485	\$ 2	-	\$ 6,153

Operating Revenues

for the Month Ended December 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 80	\$ 94	\$ 14	18%	\$ 77
Concession revenue:					
Terminal concession revenue:					
Food and beverage	495	392	(103)	(22)%	547
Gifts and news	208	156	(52)	(24)%	301
Other	472	458	(13)	(3)%	237
Total terminal concession revenue	1,175	1,006	(169)	(14)%	1,085
Car rental and license fee revenue:					
Rental car and license fees	1,566	1,700	134	9%	1,463
License fees-other	241	297	56	23%	240
Total rental car and license fees	1,807	1,997	190	11%	1,703
Total concession revenue	\$ 2,982	\$ 3,003	\$ 21	1%	\$ 2,788

Operating Revenues

for the Month Ended December 31, 2012 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
Short-term parking revenue	\$ 1,409	\$ 1,433	\$ 24	2%	\$ 877
Long-term parking revenue	1,150	1,132	(18)	(2)%	1,395
Total parking revenue	2,559	2,565	6	-	2,272
Ground transportation permits and citations	314	132	(182)	(58)%	105
Ground rentals	662	693	31	5%	569
Grant reimbursements	19	16	(3)	(16)%	14
Other operating revenue	34	54	20	59%	67
Subtotal	3,588	3,460	(128)	(4)%	3,027
Total operating revenues	\$ 14,133	\$ 14,042	\$ (91)	(1)%	\$ 12,045

Operating Expenses

for the Month Ended December 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 3,020	\$ 2,956	\$ 64	2%	\$ 4,004
Contractual services	2,433	2,151	282	12%	2,617
Safety and security	1,801	1,718	83	5%	2,313
Space rental	973	952	21	2%	952
Utilities	549	405	144	26%	457
Maintenance	934	935	(1)	-	666
Equipment and systems	39	12	27	69%	24
Materials and supplies	29	34	(5)	(17)%	21
Insurance	73	67	6	8%	64
Employee development and support	87	134	(47)	(54)%	80
Business development	351	199	152	43%	297
Equipment rental and repairs	150	126	24	16%	89
Total operating expenses	\$ 10,439	\$ 9,689	\$ 750	7%	\$ 11,584

Financial Summary

for the Month Ended December 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$ 14,133	\$14,042	\$ (91)	(1)%	\$ 12,045
Total operating expenses	10,439	9,689	750	7%	11,584
Income from operations	3,694	4,353	659	18%	461
Depreciation	3,312	3,312	-	-	3,802
Operating income (loss)	\$ 382	\$ 1,041	\$ 659	173%	\$ (3,341)

Nonoperating Revenues & Expenses for the Month Ended December 31, 2012 (Unaudited)

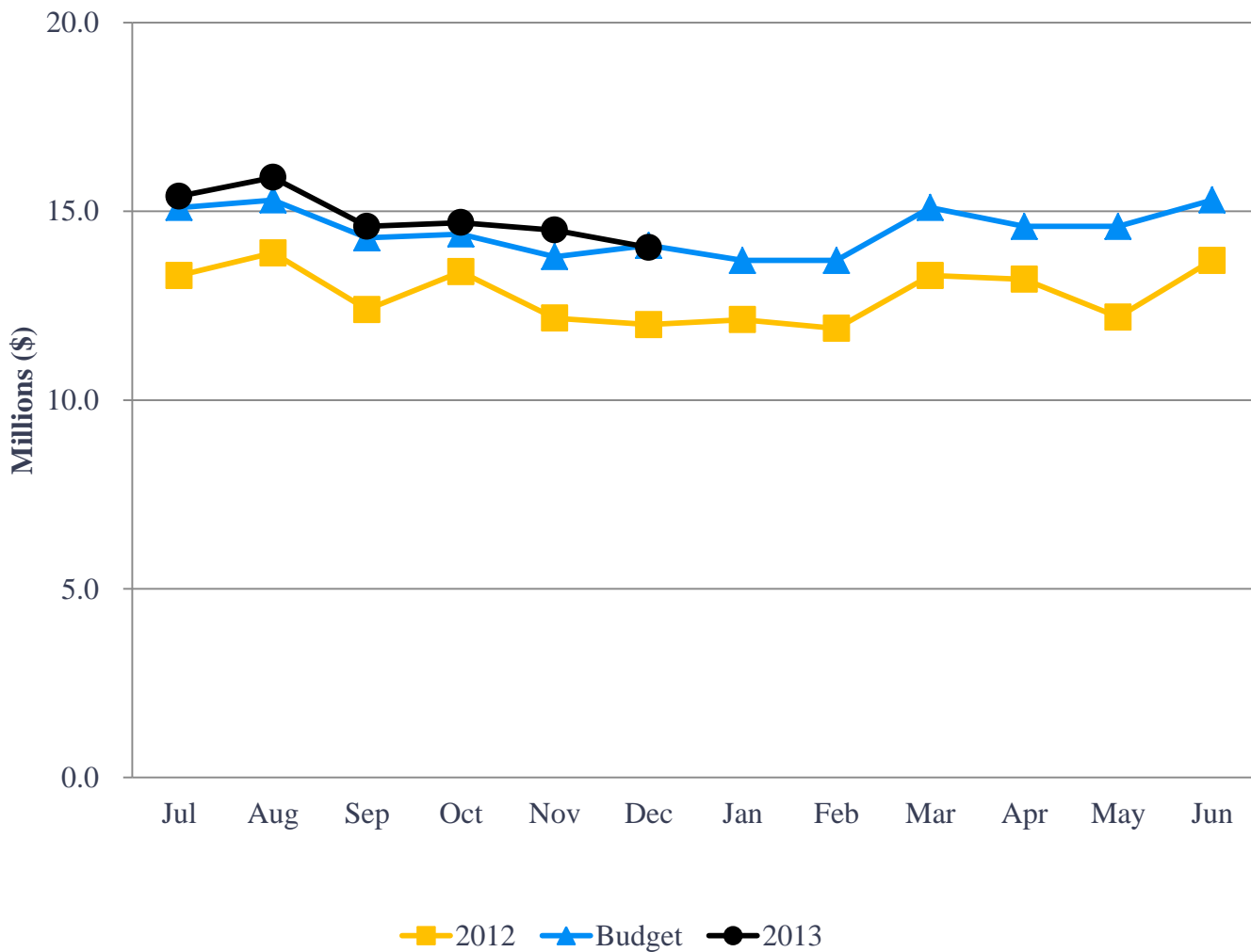
(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 2,527	\$ 2,666	\$ 139	6%	\$ 2,551
Customer facility charges (Rental Car Center)	759	1,330	571	75%	797
Quieter Home Program	(197)	(169)	28	14%	(169)
Interest income	373	400	27	7%	501
BAB interest rebate	416	416	0	-	416
Interest expense	(2,973)	(244)	2,729	92%	(369)
Bond amortization	91	91	0	-	91
Other nonoperating revenue (expenses)	(2)	510	512	-	(298)
Nonoperating revenue, net	995	5,000	4,005	403%	3,520
Income before grant contributions	1,377	6,041	4,664	339%	179
Capital grant contributions	2,258	2,068	(190)	(8)%	1,858
Net income	\$ 3,635	\$ 8,109	\$ 4,474	123%	\$ 2,037

Revenues & Expenses (Unaudited)
For the Six Months Ended
December 31, 2012








Monthly Operating Revenue, FY 2013 (Unaudited)



Operating Revenues

for the Six Months Ended December 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 10,743	\$ 10,682	\$ (61)	(1)%	\$ 10,048
Aircraft parking fees	1,650	1,629	(21)	(1)%	1,603
Building rentals	21,507	21,751	244	1%	16,158
Security surcharge	10,315	10,327	12	1%	8,419
Other aviation revenue	794	799	5	1%	798
Total aviation revenue	\$ 45,009	\$ 45,188	\$ 179	-	\$ 37,026

Operating Revenues

for the Six Months Ended December 31, 2012 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	%	Prior Year
				Change	
Terminal rent non-airline	\$ 480	\$ 483	\$ 3	-	\$ 447
Concession revenue:					
Terminal concession revenue:					
Food and beverage	3,437	3,375	(62)	(2)%	3,237
Gifts and news	1,745	1,843	98	6%	2,062
Other	1,742	1,687	(55)	(3)%	1,453
Total terminal concession revenue	6,924	6,905	(19)	-	6,752
Car rental and license fee revenue:					
Rental car license fees	12,367	12,628	261	2%	12,008
License fees-other	1,429	1,662	233	16%	1,414
Total rental car and license fees	13,796	14,290	494	4%	13,422
Total concession revenue	\$ 20,720	\$ 21,195	\$ 475	2%	\$ 20,174



Operating Revenues

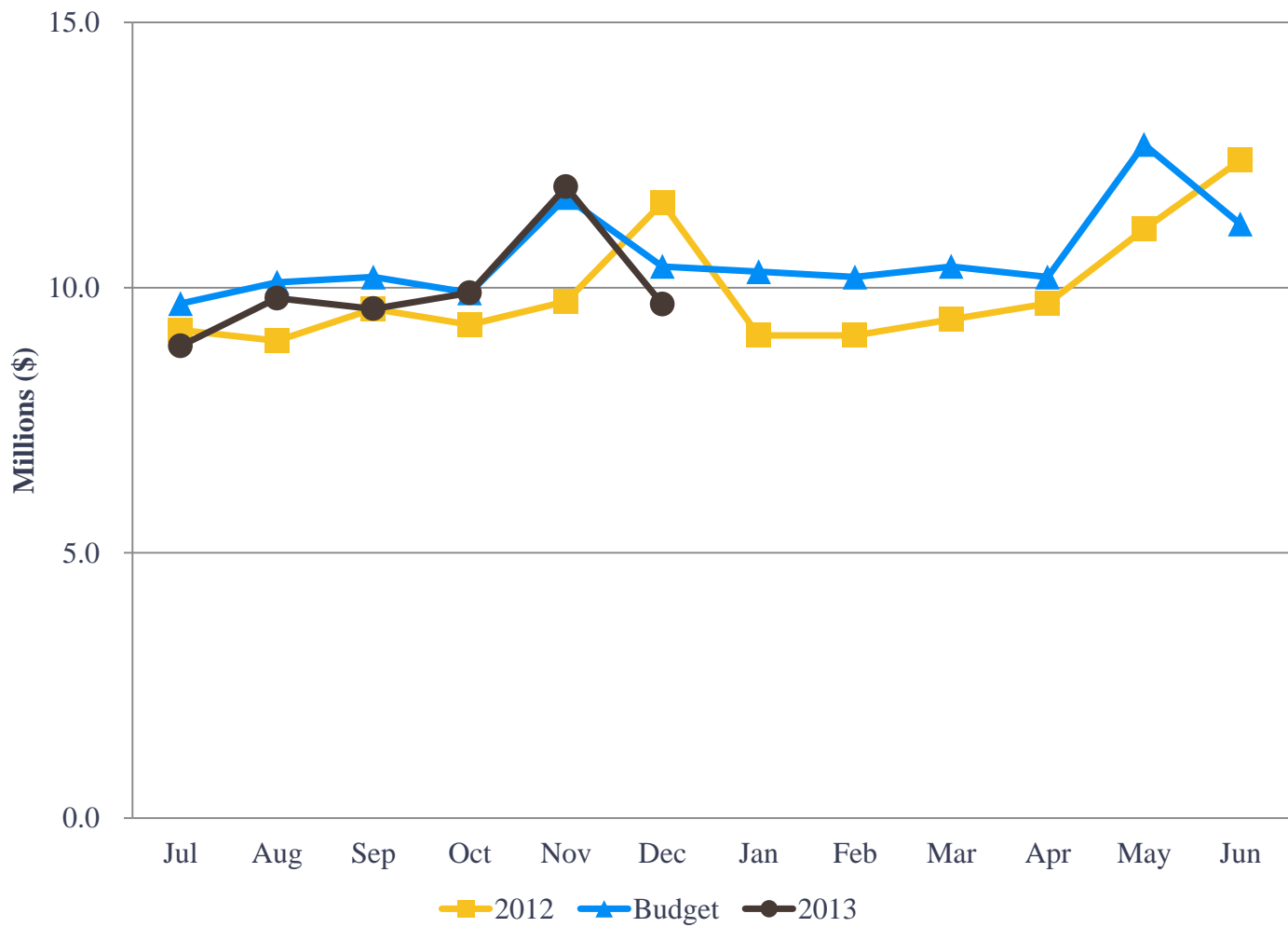
for the Six Months Ended December 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
Short-term parking revenue	\$ 7,087	\$ 8,723	\$ 1,636	23%	\$ 5,596
Long-term parking revenue	8,147	8,230	83	1%	9,163
Total parking revenue	15,234	16,953	1,719	11%	14,759
Ground transportation permits and citations	1,077	691	(386)	(36)%	756
Ground rentals	3,954	4,171	217	5%	3,364
Grant reimbursements	110	95	(15)	(14)%	206
Other operating revenue	346	421	75	22%	447
Subtotal	20,721	22,331	1,610	8%	19,532
Total operating revenues	\$ 86,930	\$ 89,197	\$ 2,267	3%	\$ 77,179



Monthly Operating Expenses, FY 2013 (Unaudited)



Operating Expenses

for the Six Months Ended December 31, 2012 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 19,268	\$ 18,576	\$ 692	4%	\$ 17,956
Contractual services	13,836	13,167	669	5%	13,658
Safety and security	11,169	11,203	(34)	-	10,999
Space rental	5,841	5,707	134	2%	5,708
Utilities	3,715	3,389	326	9%	3,615
Maintenance	4,342	4,461	(119)	(3)%	3,889
Equipment and systems	258	85	173	67%	70
Materials and supplies	189	155	34	18%	102
Insurance	436	406	30	7%	376
Employee development and support	500	497	3	1%	331
Business development	1,756	1,278	478	27%	905
Equipment rental and repairs	849	725	124	15%	788
Total operating expenses	\$ 62,159	\$ 59,649	\$ 2,510	4%	\$ 58,397



Financial Summary

for the Six Months Ended December 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$ 86,930	\$ 89,197	\$ 2,267	3%	\$ 77,179
Total operating expenses	62,159	59,649	2,510	4%	58,397
Income from operations	24,771	29,548	4,777	19%	18,782
Depreciation	20,511	20,521	(10)	-	23,511
Operating income (loss)	\$ 4,260	\$ 9,027	\$ 4,767	112%	\$ (4,729)

Nonoperating Revenues & Expenses

for the Six Months Ended December 31, 2012 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 16,665	\$ 17,057	\$ 392	2%	\$ 16,765
Customer facility charges (Rental Car Center)	5,418	6,371	953	18%	5,571
Quieter Home Program	(1,428)	(26)	1,402	98%	(932)
Interest income	2,239	2,253	14	1%	3,063
BAB interest rebate	2,498	2,498	0	-	2,498
Interest expense	(17,205)	(189)	17,016	99%	(2,124)
Bond amortization	532	541	9	2%	513
Other nonoperating revenue (expenses)	(10)	(235)	(225)	-	653
Nonoperating revenue, net	8,709	28,270	19,562	225%	26,007
Income before grant contributions	12,969	37,297	24,328	188%	21,278
Capital grant contributions	8,965	8,586	(379)	(4)%	13,342
Net income	\$ 21,934	\$ 45,883	\$ 23,948	109%	\$ 34,620



Balance Sheets (Unaudited)



(In thousands)

December

2012

2011

Current assets:

Cash and investments	\$ 91,441	\$ 93,843
Tenant lease receivable, net of allowance of 2012: \$72,147 and 2011: \$54,982	6,143	5,193
Grants receivable	5,164	7,710
Notes receivable-current portion	1,370	1,696
Prepaid expenses and other current assets	8,804	8,733
Total current assets	112,922	117,175

Cash designated for capital projects and other	\$ 9,089	\$ 8,278
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Balance Sheets (Unaudited)



(In thousands)

December

2012

2011

Restricted assets:

Cash and investments:

Bonds reserve	\$ 47,829	\$ 45,098
Passenger facility charges and interest unapplied	63,509	59,086
Customer facility charges and interest applied*	34,820	25,597
Commercial paper reserve	51	41
SBD bond guarantee	4,000	4,000
Bond proceeds held by trustee	86,770	305,816
Commercial paper interest held by trustee	13	13
Passenger facility charges receivable	4,683	4,187
Customer facility charges receivable*	1,105	864
Insurance claim reserve	5,944	6,239
Total restricted assets	\$ 248,724	\$ 450,941



Balance Sheets (Unaudited)



(In thousands)

December

2012

2011

Noncurrent assets:

Capital assets:

Land and land improvements	\$ 24,487	\$ 24,489
Runways, roads and parking lots	270,344	274,536
Buildings and structures	471,082	465,476
Machinery and equipment	13,065	11,179
Vehicles	5,389	5,423
Office furniture and equipment	31,279	30,938
Works of art	2,350	2,476
Construction-in-progress	780,043	455,046
Total capital assets	1,598,039	1,269,563
Less: accumulated depreciation	(561,069)	(531,439)
Total capital assets, net	\$ 1,036,970	\$ 738,124



Balance Sheets (Unaudited)



(In thousands)

December

Other assets:

Notes receivable - long-term portion

Investments - long-term portion

Deferred costs - bonds (net)

Net pension asset

Security deposit

Total other assets

Total noncurrent assets

TOTAL ASSETS

	2012		2011
	\$ 40,668	\$	42,084
	7,383		9,045
	4,202		4,809
	6,926		7,483
	617		500
	59,796		63,921
	1,096,766		802,045
	\$ 1,467,501	\$	1,378,439



Balance Sheets (Unaudited)



(In thousands)

December

2012

2011

Current liabilities:

Accounts payable and accrued liabilities

\$ 84,724 \$ 58,746

Deposits and other current liabilities

2,844 3,636

Total current liabilities

87,568 62,382

Current liabilities - payable from restricted assets:

Current portion of long-term debt

6,172 5,190

Accrued interest on bonds

and commercial paper

15,935 16,906

Total liabilities payable from restricted assets

\$ 22,107 \$ 22,096



Balance Sheets (Unaudited)



(In thousands)
December

Long-term liabilities - other:

Commercial paper notes payable

Other long-term liabilities

Long-term debt - bonds net of amortized premium

Total long-term liabilities

Total liabilities

	2012	2011
Commercial paper notes payable	\$ 44,191	\$ 20,729
Other long-term liabilities	9,351	1,618
Long-term debt - bonds net of amortized premium	592,857	629,740
Total long-term liabilities	646,399	652,087
Total liabilities	\$ 756,074	\$ 736,565



Balance Sheets (Unaudited)



(In thousands)

December

2012

2011

Authority net assets:

Invested in capital assets, net of related debt

\$ 476,800 \$ 386,730

Other restricted

168,107 156,409

Unrestricted:

Designated

16,015 15,761

Undesignated

50,505 82,975

Total net assets

711,427 641,875

TOTAL LIABILITIES AND NET ASSETS

\$ 1,467,501 \$ 1,378,439



Questions

