SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
# STAFF REPORT

**Item No.**
**8**

Meeting Date: **DECEMBER 13, 2012**

## Subject:

**The Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2012**

## Recommendation:

The Audit Committee recommends that the Board receive the information.

## Background/Justification:

The Comprehensive Annual Financial Report (CAFR) is used as a preferred financial reporting document for governmental agencies. It is prepared as a more thorough report when compared to the audited financial statements. The CAFR includes three major sections: the introductory section, which provides general information on the Airport's organization structure; the financial section, which includes the Airport's audited financial statements, and the statistical section, which provides data trends.

During a meeting of the Audit Committee on November 19, 2012, the Authority's CFO/Treasurer presented the CAFR to the Committee. By a subsequent unanimous vote, the Audit Committee recommended that the report be forwarded to the Board. The CAFR for the Fiscal Year Ended June 30, 2012, is submitted as Attachment A.

## Fiscal Impact:

None

## Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

☐ Community Strategy ☐ Customer Strategy ☐ Employee Strategy ☒ Financial Strategy ☒ Operations Strategy

**Environmental Review:**

1. This Board action, as an administrative action, is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act (CEQA), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA, Cal. Pub. Res. Code §21065.

2. This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

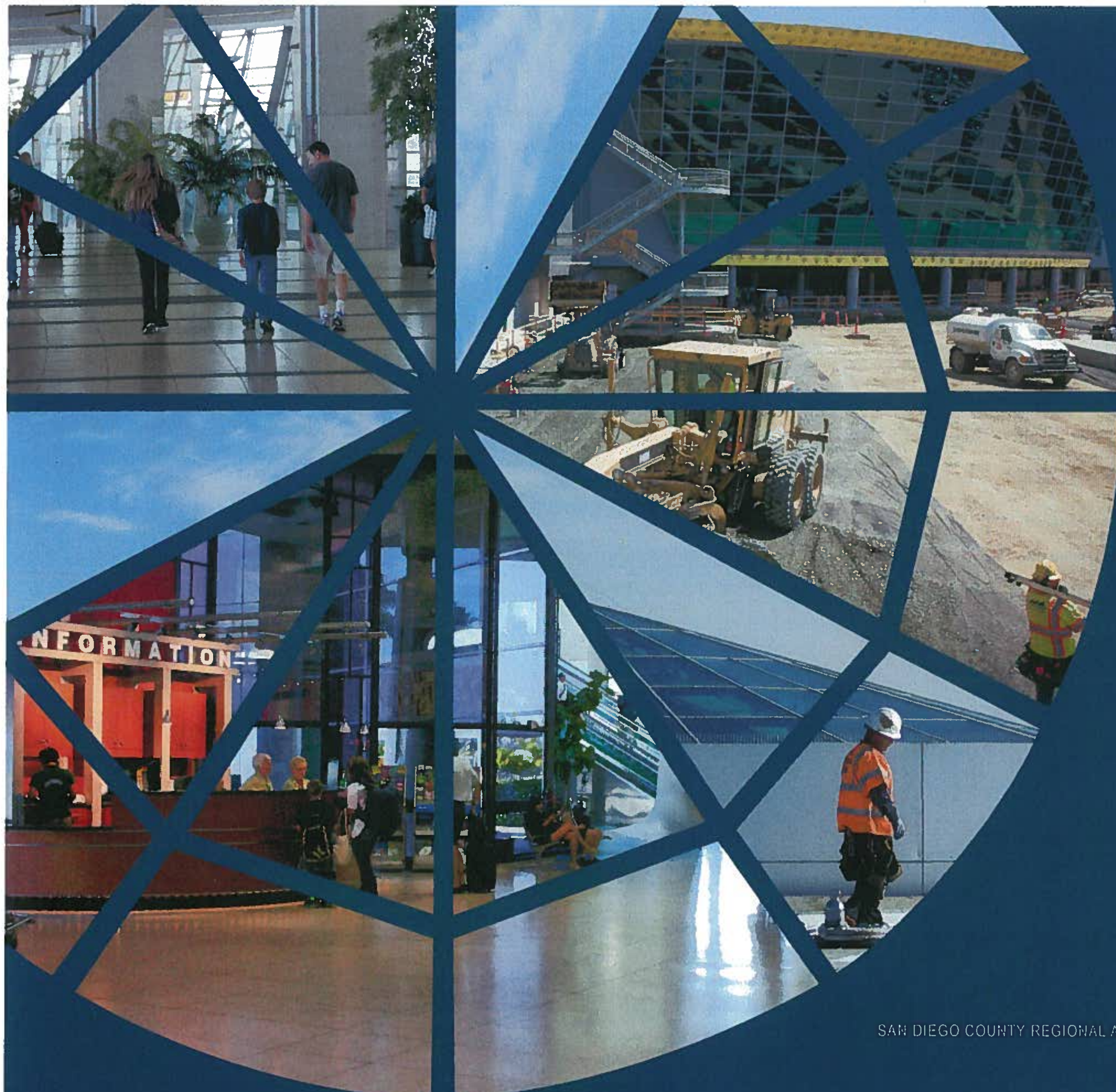
**Equal Opportunity Program:**

Not applicable

**Prepared by:**

MARK A. BURCHYETT
CHIEF AUDITOR

ATTACHMENT A



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
San Diego, California

# COMPREHENSIVE ANNUAL FINANCIAL *Report*

FISCAL YEAR ENDED JUNE 30, 2012

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
San Diego, California

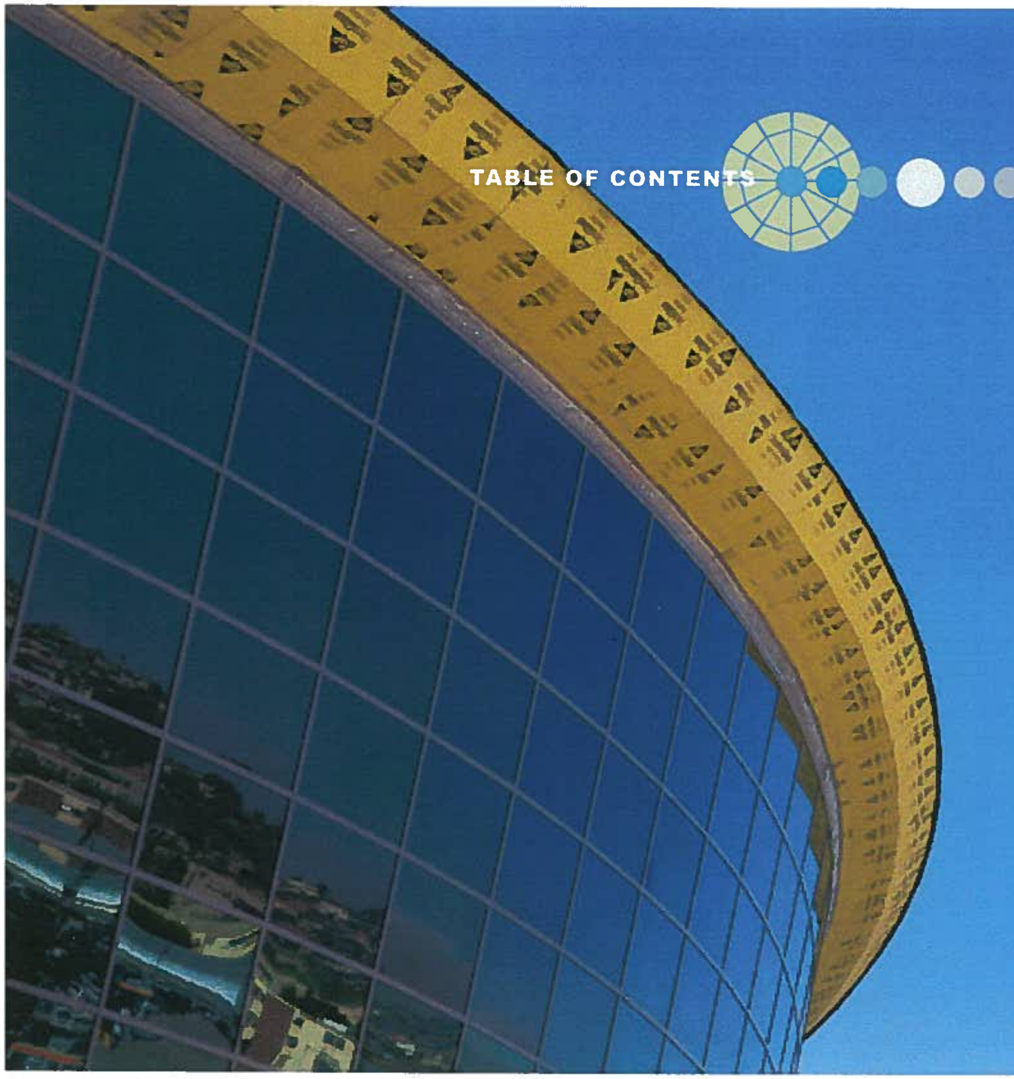
# COMPREHENSIVE ANNUAL FINANCIAL *Report*

FISCAL YEAR ENDED JUNE 30, 2012

PREPARED BY
Finance Division of the
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
San Diego, California

Vernon D. Evans
CPA, CIA, CMA, CFE, CGFM
Vice President, Finance/CFO

Kathryn J. Kiefer
Director of Accounting



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San Diego County Regional Airport Authority
COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the fiscal year ended June 30, 2012

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## STATISTICAL SECTION (UNAUDITED)



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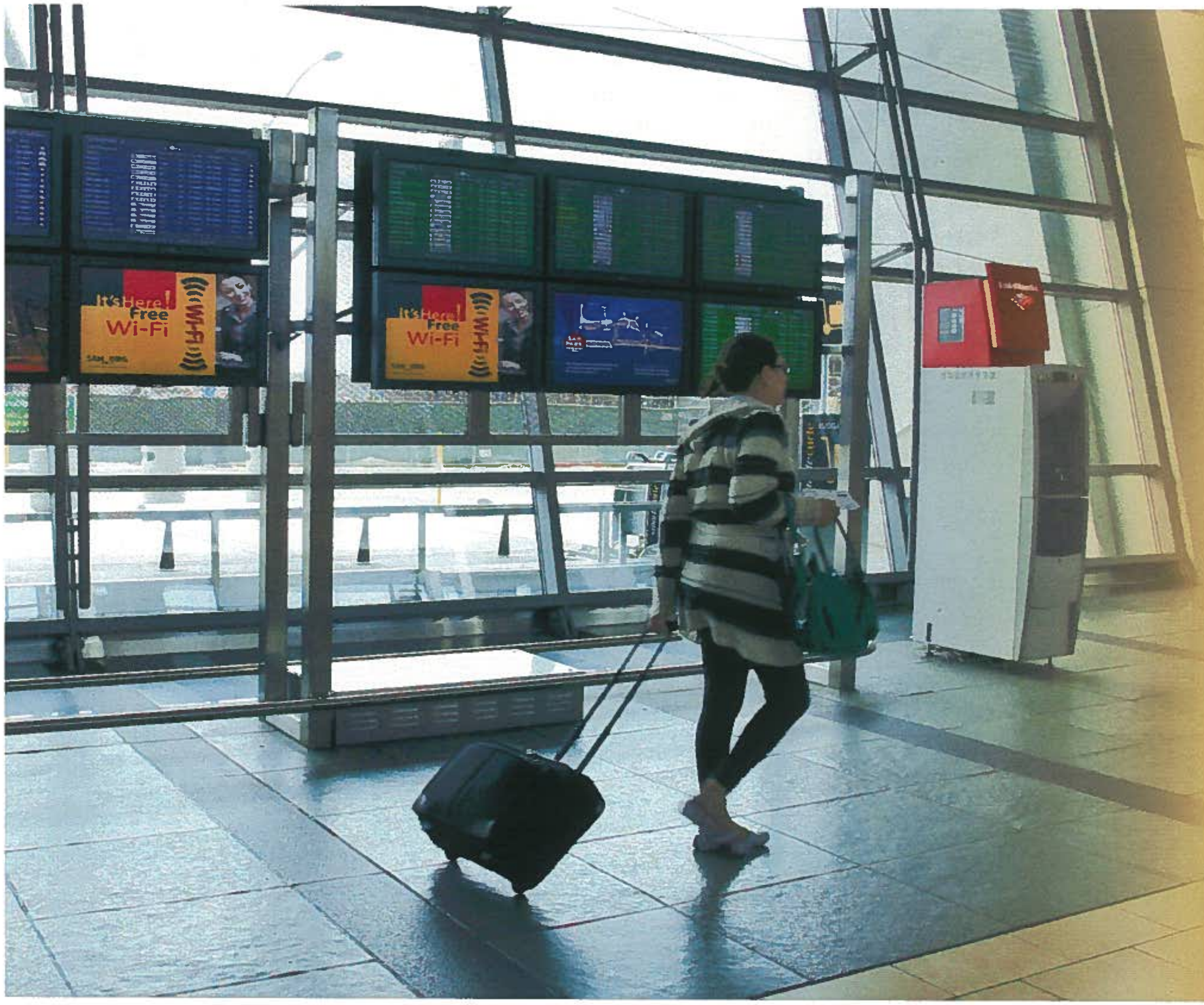


# INTRODUCTORY SECTION



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## AUTHORITY OVERVIEW

The San Diego County Regional Airport Authority was established by state law in 2003 to operate San Diego International Airport and address the region's long-term air transportation needs. A 12-member appointed Board representing all areas of the County governs the Airport Authority.

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY
P.O. BOX 82776, SAN DIEGO, CA 92138-2776
619.400.2400 WWW.SAN.ORG

October 16, 2012

To the Public:

The Comprehensive Annual Financial Report (the "CAFR") of the San Diego County Regional Airport Authority ("SDCRAA" or the "Airport Authority") for the fiscal year ended June 30, 2012 is submitted herewith. The Airport Authority's Accounting Department prepared this report. Responsibility for the accuracy, completeness and fairness of the presented data, including all disclosures, rests with the Airport Authority. To the best of our knowledge and belief, this report fairly presents and fully discloses the Airport Authority's financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America (referred to as "GAAP"). The independent auditor's report on the financial statements is included on page 1.

GAAP requires that management provide a narrative overview and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A, which can be found immediately following the report of the independent auditor in the Financial Section of this report.

**PROFILE OF THE AIRPORT AUTHORITY AND ORGANIZATIONAL STRUCTURE**

The Airport Authority was established pursuant to California State Act AB 93, which was signed into California State law in October 2001. The Act established the Airport Authority effective January 1, 2003, as a local agency of regional government with jurisdiction throughout the County of San Diego (the "County"). The Airport Authority is vested with five principal responsibilities: (1) the operation of San Diego International Airport ("SDIA" or the "Airport"), (2) the planning and operation of any future airport that could be developed as a supplement to or replacement for SDIA, (3) the development of a comprehensive land use plan for the entire County, (4) to serve as the region's Airport Land Use Commission, and (5) to prepare a Regional Aviation Strategic Plan.

The Airport Authority is governed by an appointed Board of Directors of nine members representing all areas of San Diego County and three additional members serving as non-voting, ex-officio Board members. Three Board members serve as the Executive Committee, consisting of one Board member from each of the following defined jurisdictions: the city of San Diego, the county of San Diego, and one Board member from among the east county cities, south county cities, or north county inland cities. The Board members serve three-year terms in accordance with California Senate Bill 10.

The management and operations of the Airport Authority are carried out by a staff headed by the President/Chief Executive Officer, who is appointed by and reports directly to the Airport Authority Board members.

SAN DIEGO INTERNATIONAL AIRPORT



**ECONOMIC CONDITION**

The Air Trade Area for the airport includes San Diego County and portions of neighboring Orange and Riverside Counties and Baja California del Norte, Mexico. The U.S. Census Bureau estimates that as of July 1, 2010, San Diego County is the second most populous county in California, just behind Los Angeles County, and the fifth largest county in the United States, with a population of 3.1 million. The county's population has grown at an average rate of 0.5% in the past five years. The majority of the County's population is concentrated in the western portion. The largest cities in the County are San Diego (45%), Chula Vista (8%), Oceanside (6%), Escondido (5%), El Cajon (3%), Vista (3%) and Encinitas (2%). The combined San Diego/Tijuana metropolitan population exceeds five million inhabitants.

Typically, San Diego County has enjoyed a stable economic climate during the past seven years, with unemployment rates lower than those of the State of California. The recession continues to affect San Diego County, though slightly less than compared to the rest of the state. There also appears to be a slight improvement in comparing 2012 to 2011. In June 2012, the County's unemployment rate was 9.3% compared to June 2011, at 10.4%. This compares with an unadjusted unemployment rate of 10.7% in 2012 and 12.4% in 2011 for California and 8.2% in 2012 compared to 9.1% for the nation as of June 2011. The region's economy is diversified and provides an attractive mix of leisure and business sectors. The County is home to more than 150 publicly traded companies.

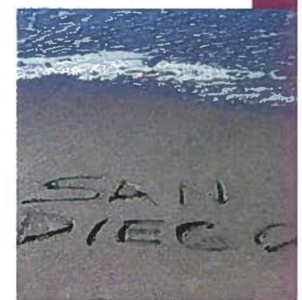
Fiscal year 2012 experienced a 1.6% increase in enplanements due to the gradual improvement in the economy. Passenger enplanements totaled 8.58 million, compared to 8.44 million in fiscal year 2011. See the Management's Discussion and Analysis section in the Financial Section of this report for further discussion of the current year activity.

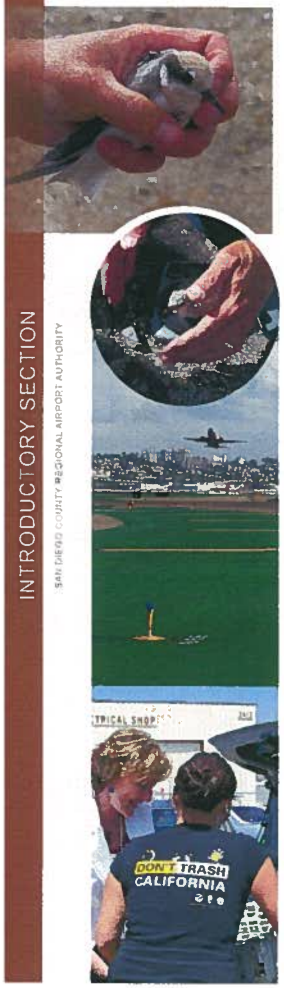
**MAJOR INITIATIVES AND ACCOMPLISHMENTS**

*Expanding Flight Services* – During fiscal year 2012, San Diego increased its international service when the Mexican carrier Volaris began nonstop service between San Diego and two important destinations in Mexico: Mexico City and Guadalajara.

Additionally in fiscal 2013, Japan Airlines (JAL) will launch new nonstop service between Tokyo and San Diego beginning December 2, 2012. JAL will fly four times weekly using the new Boeing 787-8 Dreamliner. This is the first nonstop service between San Diego and Asia, connecting San Diego to destinations throughout Asia, including Hong Kong, Singapore, Manila and Taipei.

Additional domestic service during fiscal year 2012 included US Airways nonstop flights to Washington's Reagan National; United Express flights to Mammoth Lakes, California; Spirit Airlines service to Las Vegas; and Alaska Airlines service to Honolulu.






__*Airport Authority Hosted the 20th Annual Airports Council International-North America (ACI-NA)*__ – In October 2011 at the San Diego Convention Center, the Airport Authority welcomed nearly 3,000 international leaders in aviation to attend the ACI-NA conference that contributed nearly $2 million to the regional economy. The ACI-NA Annual Conference is the largest gathering of airport professionals in the world. The four-day conference attendees represented more than 300 airports throughout the U.S. and Canada. ACI-NA represents local, regional and state governing bodies that own and operate commercial airports in the U.S. and Canada. ACI-NA's members enplane more that 95 percent of the domestic and virtually all of the international airline passenger and cargo traffic in North America. The mission of ACI-NA is to advocate policies and provide services that strengthen the ability of commercial airports to service their passengers, customers and communities. ACI-NA is the largest of the five worldwide regions of ACI.

__*Sustainability*__ – SDIA is one of the first airports in the country to develop a sustainability policy, pledging to be a role model for sustainability in the industry. As a direct expression of that commitment, the Airport Authority staff became involved in developing the industry reporting guidelines for the Global Reporting Initiative (GRI). The Airport Authority launched its first comprehensive sustainability report in February 2012. The report complies with the rigorous international standards of the GRI, and SDIA is the first airport in the country to issue such a report.

In addition to the more traditional environmental topics, the sustainability report covers issues that relate to the community and sustainable business practices—everything from wildlife management to customer service initiatives. The annual report can be found at http://sustain.san.org. The Airport Authority will continue to report on an annual basis; moving forward, additional topics and performance indicators will be reported.

Further evidence of the Airport Authority's commitment to sustainability was demonstrated when the Airport Authority won an award for energy efficiency for an airfield lighting project. The American Society of Civil Engineers (ASCE) recognized the Airport Authority for its efforts in sustainable technology. The Airport Authority was awarded the statewide Region 9 Outstanding Energy Project Award for its successful installation of energy-efficient airfield signage, taxiway lights and runway guard lights.

Over the course of the project, the Airport Authority replaced 119 less energy-efficient airfield signs and 410 taxiway edge lights with a new generation of energy-efficient Light-Emitting Diodes (LEDs). SDIA was the first commercial airport in the nation to install and utilize energy-efficient LEDs throughout the airfield. The new lights help to prevent runway incursions, reduce the Airport Authority's carbon footprint, lower operating and maintenance costs, and improve operational safety.

Another example of its commitment to sustainability is the first "green" taxis that have come to SDIA. The Airport Authority vehicle rebate program has provided rebates and incentives for hybrid cabs. Approximately 30 hybrid vehicles are readied for this program, including the first commercial use of the new Prius V in the nation. It is estimated that taxi operators switching to hybrids will save $1,000 to $1,500 per month on miles driven. The program is the result of a unique public-private partnership among the Airport Authority, California Center for Sustainable Energy, a local Toyota dealership, taxi operators and the San Diego Metropolitan Transit System. The Airport Vehicle Rebate Program provides a combination of vehicle rebates, reduced taxi permit fees and a special financing and maintenance package.

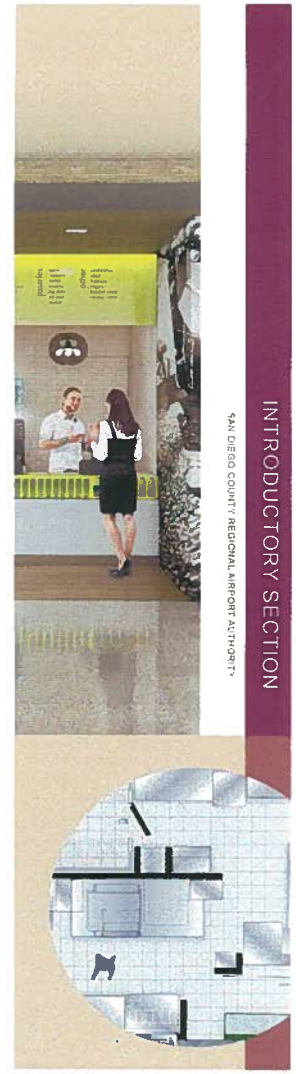
__*Airport Authority to Build Receiving and Distribution Center*__ – In July 2011, the Airport Authority Board approved the selection of companies to both build and operate a Receiving and Distribution Center (RDC) for SDIA. When complete, the RDC will eliminate the need for box truck and semi-truck deliveries to the terminals. The RDC is a key component of the Airport Authority's new concession development program. The 21,000 square-foot facility will be located on the north side of the airport with primary access from Pacific Highway and Washington Street. Utilizing state-of-the-art technology that integrates the entire terminal complex, products will be received, vetted and consolidated into environmentally friendly delivery trucks that will use the service road on the airfield to distribute items to the secure side of the terminals. This procedure is expected to remove 50 to 70 truck trips per day on Harbor Drive and Laurel Street. When completed, the RDC will add more dock space, increase safety by keeping unnecessary vehicles off the airfield and accommodate future Transportation Security Administration screening of incoming goods. The new center will also be built to the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) standards; the Airport Authority is seeking at least Silver certification. Construction began in fiscal year 2012.

This is the first time in the Airport Authority's history that its financial team utilized a third-party developer for construction of an airport facility. AFCO CRDC SAN LLC, owned by Aviation Facilities Company, Inc., will finance and build the facility, and Bradford Airport Logistics, Ltd. will operate the center upon completion. By applying the third-party developer concept, the Airport Authority will be able to acquire an essential facility without using its bonding capacity, which is necessary for The Green Build.

The cost to build is approximately $8.4 million, and it is expected to be operational by December 2012.

__*The Green Build Construction Reached Halfway Point*__ – In 2009 the Airport Authority Board authorized design, construction and funding for The Green Build Terminal 2 West expansion program. The program will enhance the travelers' experience and the airport's safety and efficiency. This is the largest expansion in SDIA's 82-year history. The Board decision included approval of the budget for The Green Build at approximately $1 billion. The expansion of Terminal 2 West will include:

- 10 new gates at Terminal 2 West
- Taxiway improvements to enhance the flow of aircraft traffic
- New, expanded dining and shopping options







INTRODUCTORY SECTION
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

- More comfortable holding areas at the gates
- More and improved security checkpoints
- A dual-level roadway at Terminal 2, featuring an arrivals curb on Level One and a departures curb on Level Two, to relieve current curbside congestion, and smart curb technology that allows travelers to check in for their flight even before entering the terminal
- Additional parking for remain-overnight aircraft to eliminate the need for aircraft to taxi across the runway
- Public art integrated throughout the terminal expansion and outside area

The project is on schedule and within budget, moving toward a summer 2013 opening date.

Construction crews are working on the dual-level roadway, which will relieve curb-front congestion in front of the existing Terminal 2 when completed. Concrete decks have been poured, and two new pedestrian bridges are installed, reaching from the roadway to the terminal.

The completion of the installation of the floor-to-ceiling windows in the concession area called Sunset Cove created a spectacular glass architectural feature of the Terminal 2 expansion. Sunset Cove will be home to a wide variety of new dining options when open in the summer of 2013. The wall of windows features a dramatic view of the airfield.

The Green Build will help meet near-term demand at SDIA and make the travel experience more comfortable and enjoyable for all airport users. At peak construction, The Green Build has provided nearly 1,000 construction-related jobs. Sustainability and environmental sensitivity are hallmarks of the program. The project has incorporated sustainable construction and design principles with the goal of meeting LEED Silver certification standards.

Public information about the airport improvements is available at www.san.org/greenbuild.

*Quieter Home Program* – The Quieter Home Program is an ongoing program that provides acoustical attenuation to homes located in SDIA's noise impacted area. To date, the Quieter Home Program has sound-attenuated over 2,400 homes. In fiscal year 2012, the Airport Authority was awarded an additional $9 million of grants to continue funding the program. Also in 2012, the program celebrated the completion of 2,000 homes with a milestone celebration in the community. More information can be found at www.quieterhome.org.

*Airport Land Use Compatibility Plan* – The Airport Authority Board serves as the Airport Land Use Commission (ALUC) for San Diego County. By state law, ALUCs have two specific duties:



- To prepare and adopt Airport Land Use Compatibility Plans (ALUCP) for the County's 16 public-use and military airports
- To review certain land use actions of local agencies and airport plans for consistency with their respective airport compatibility plans

The ALUCPs provide guidance to local jurisdictions and property owners about the types of new land uses that are appropriate around airports. These plans also promote the safety and general welfare of people, property and aircraft on the ground and in the air in the vicinity of the airports, and they protect airports from encroachment by new incompatible land uses that could restrict their operations.

In 2010 the Airport Authority adopted ALUCPs for five urban airports in San Diego County, which was the culmination of a four-year public process. That same year, the SDCRAA, in its role as the Airport Land Use Commission (ALUC) for San Diego County, initiated the planning and public involvement phases of updating the ALUCP for SDIA. This included a public workshop in January 2011 and related public involvement. In fiscal year 2012, staff is developing a draft plan for review by the ALUC. After an extensive environmental review process, it is anticipated that a final plan will be adopted in late 2013.

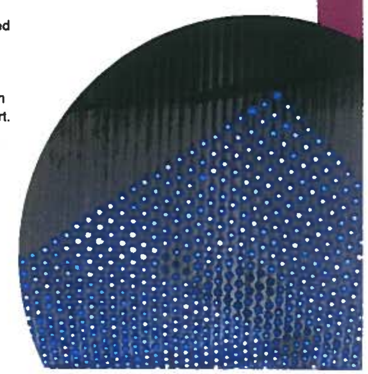
*Public Art* – The Airport Art Program provides enhanced customer service by presenting artwork and programming that engage travelers in innovative and memorable experiences. It has grown to promote creative programs that directly impact customer service by enhancing airport facilities and also airport operations. Through the exhibition and production of art from individual artists and cultural institutions, the program contributes to the airport's mission to promote regional prosperity. This positions the airport to serve not only the traveling public, but also the greater San Diego region by way of directly supporting cultural tourism through the three art program components: Temporary and Rotating Exhibits, Performing Art and Public Art.

In fiscal year 2012, the International magazine *Passenger Terminal World* named SDIA one of the Most Noteworthy Airports in its annual Showcase edition. Singled out for its art program, the magazine noted that SDIA has an "impressive" program that has "transformed the visual and passenger experience in the terminals." SDIA was one of only three U.S. airports to make the list.

The airport will bring even more color to its terminals as part of The Green Build expansion program. When completed in 2013, The Green Build will contain more than $6 million in art.

## FINANCIAL INFORMATION

The Board sets the policy that provides for appropriate internal controls and provides oversight to ensure that the assets of the Airport Authority are protected from loss, theft or



misuse, and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with GAAP. Internal controls are designed to provide reasonable but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

## INDEPENDENT AUDIT

The financial records of the Airport Authority are audited annually by independent public accountants. McGladrey LLP performed the audit for the current fiscal year ended June 30, 2012. Their report on the financial statements is presented in this report.

## AWARDS AND ACKNOWLEDGEMENTS

The Airport Authority has been the recipient of numerous awards. A few of the recognitions presented to the Airport Authority during the fiscal year ended June 30, 2012, were as follows:

*The Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting* – This recognition is for the CAFR for the fiscal year ended June 30, 2011. This was the ninth year in a row that the Airport Authority has received this award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

*The GFOA Distinguished Budget Presentation Award* – The achievement of this award is based on a governmental entity's preparation and issuance of budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's recommended practices on budgeting. This is the seventh year that the Airport Authority has received this award.

*Airport Authority President/CEO, Thella F. Bowens, Named Chair of International Aviation Industry Association* – Thella Bowens assumed one of the aviation industry's leading roles worldwide. She has led ACI-NA as advocate for its member airports before government, industry and the public. Prior to taking on the associations' primary leadership role, Ms. Bowens served three three-year terms on the Board of ACI-NA. Her term as Chair was one year. Ms. Bowens has served as President/CEO of the Airport Authority, the owner and operator of SDIA, since 2003. Ms. Bowens is a member of the boards of ACI World, the San Diego World Trade Center, the San Diego Regional Economic Development Corporation,



the San Diego Regional Chamber of Commerce, and the American Association of Airport Executives Policy Review Committee.

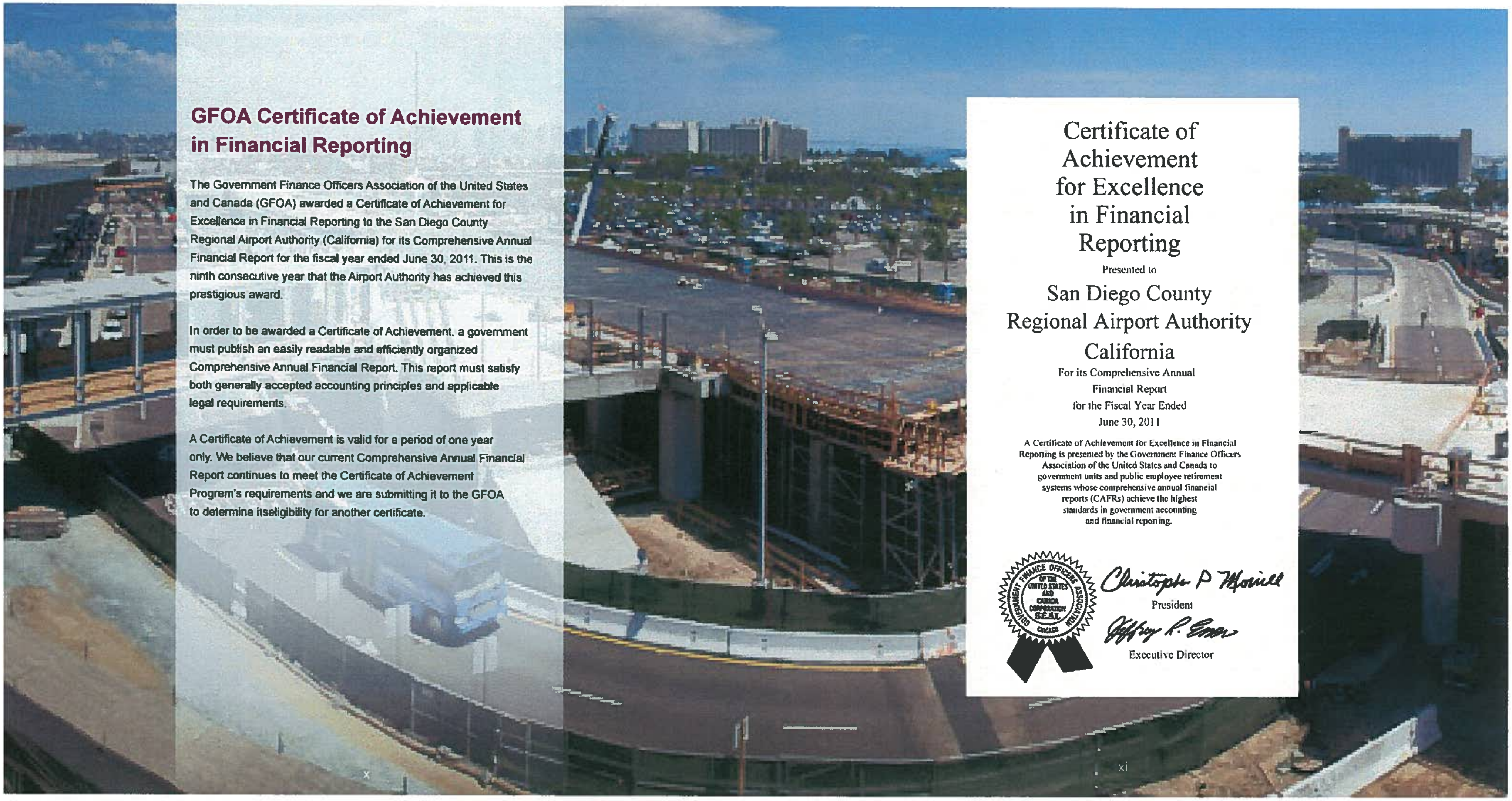
*Airport Authority Received Advocate of the Year Award* – The Airport Authority received the Procurement Advocate of the Year Award during fiscal year 2012 from the San Diego County Hispanic Chamber of Commerce. The Procurement Advocate of the Year Award recognizes outstanding organizations that have shown a commitment to working with local minority and Hispanic-ownad businesses within San Diego County. The Airport Authority was selected to receive the award for its commitment to outreach and partner with local, small and disadvantaged businesses for the new concessions program. Of the 16 packages solicited by the Airport Authority for new concessions, 34 percent of the contracts were awarded to historically under-utilized businesses, which include businesses owned by women and minorities.

The preparation of the CAFR was made possible by the dedicated service and efforts of the Airport Authority's Accounting Department. We sincerely appreciate everyone's efforts in preparing this report.

Respectfully submitted,

Thella F. Bowens
President/Chief Executive Officer

Vernon D. Evans, CPA
Vice President, Finance/Treasurer



## GFOA Certificate of Achievement 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 County Regional Airport Authority (California) for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This is the ninth consecutive year that the Airport Authority has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual 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 Comprehensive Annual 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.



Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego County Regional Airport Authority California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Government Finance Officers Association of the United States and Canada Corporation Seal Chicago

Christopher P Morrill
President

Jeffrey R. Emer
Executive Director

# AUTHORITY BOARD MEMBERS AND EXECUTIVE STAFF

As of June 30, 2012

## Airport Authority Board

### Executive Committee

Robert H. Gleason - Chair
Jim Panknin - Vice Chair
Greg Cox

### General Members

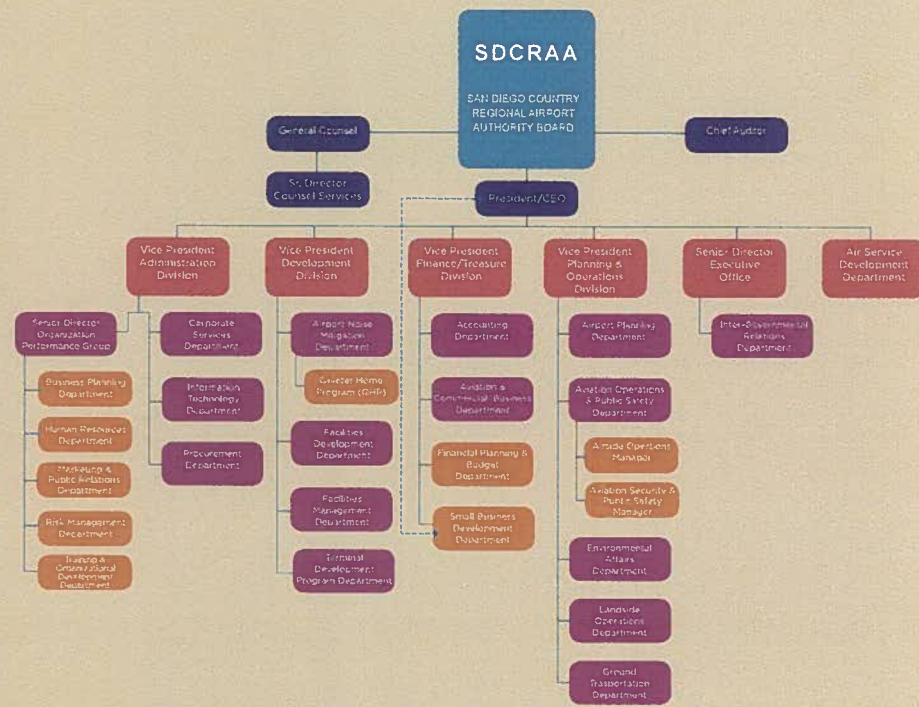
Bruce R. Boland
Jim Desmond
Lloyd B. Hubbs
Paul Robinson
Tom Smisek
Anthony Young

### Ex-Officio Members

Laurie Berman
Pedro Reyes

### Executive Staff

Thella F. Bowens, President and CEO
Mark Burchyett, Chief Auditor
Bryan Enarson, Vice President, Development Division
Vernon D. Evans, Vice President, CFO/Treasurer, Finance Division
Matt Harris, Senior Director, Executive Office
Jeff Lindeman, Senior Director, Organizational Performance & Development
Breton K. Lobner, General Counsel
Angela Shafer-Payne, Vice President, Planning and Operations Division
Jeffrey Woodson, Vice President, Administration Division



# FINACIAL SECTION

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements:

- Balance Sheets
- Statements of Revenues, Expenses and Changes in Authority Net Assets
- Statements of Cash Flows
- Notes to Financial Statements

McGladrey

## Independent Auditor's Report

To the Members of the Board
San Diego County Regional Airport Authority
San Diego, CA

We have audited the accompanying basic financial statements of the San Diego County Regional Airport Authority (the Airport Authority) as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

U.S. GAAP requires that the Management Discussion and Analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport Authority's basic financial statements. The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

McGladrey LLP

San Diego, CA
October 16, 2012

FINANCIAL SECTION

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

# Management's Discussion and Analysis

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD JULY 1, 2011 TO JUNE 30, 2012**

***INTRODUCTION***

The San Diego County Regional Airport Authority (the Airport Authority) was established on January 1, 2002 as an independent agency. On January 1, 2003, the operations and assets of the San Diego International Airport (SDIA) transferred from the San Diego Unified Port District (the District) to the Airport Authority. The Airport Authority adopted a June 30 fiscal year-end and produced its first audited financial statements for the six months ended June 30, 2003.

The Airport Authority is a self-sustaining entity receiving most of its revenues through airline user charges and rents from the concessionaires operating at or near SDIA. Since the Airport Authority is not funded by tax revenues, accounts are maintained in an enterprise fund on the accrual basis of accounting. Under accrual accounting, revenues are recognized as soon as they are earned, and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows. Users of SDIA's facilities provide most of the revenues to operate, maintain and acquire necessary services and facilities.

***SAN DIEGO INTERNATIONAL AIRPORT***

***History of Ownership***

The public policy decision to transfer responsibility for SDIA from the District to the newly created Airport Authority emanated from recommendations made by the San Diego Regional Efficiency Commission (the Commission). The Commission was established to evaluate regional governance in San Diego County and report to the California State Legislature on measures to improve it.

Because of the significant regional consequences of airport development and operations, the Commission concluded that a regional decision-making process should address the future development of airport facilities in San Diego County. In October 2001, the enabling legislation, Assembly Bill 93 (AB 93) established the composition and jurisdiction of the Airport Authority's governing body in a manner that is designed to reflect the collective interests of the entire San Diego region.

The policymakers recognized the complexity of transferring a commercial airport to a newly created entity. To ensure a smooth transition, the Airport Authority was vested with the responsibility to develop and execute an Airport Transition Plan with the complete support and cooperation of the District, the Federal Aviation Administration (FAA) and the State of California.

***Legislative Background***

AB 93 was signed into California State law in October 2001. The Act established the Airport Authority on January 1, 2002 as a local agency of regional government, with jurisdiction throughout the County of San Diego. Subsequent legislative changes to AB 93 were introduced and passed in California Senate Bill 1896 (the Act). The amendment addresses several points pertaining to the transfer of aviation employees, date of transfer, property leases, property acquisition and purchase of services from the District.



C001163

## ACCOUNTING DEPARTMENT

From Left to Right
Janie Gilmore
Jackie Van Dyne
Joan Ward
Garth Myres
Thuy Hoang-Ton
Liz Stewart
Kathy Kiefer
Vernon Evans
Marnie Dale
Maureen Farrell-Jacobs
Teresa Almano

FINANCIAL SECTION

On January 1, 2008, Senate Bill 10 (SB 10), the San Diego County Regional Airport Authority Reform Act, was enacted into law, expanding the responsibilities of the Airport Authority. The Airport Authority is vested with five principal responsibilities:

(1) Operation of SDIA.

(2) Planning and operation of any future airport that could be developed as a supplement or replacement to SDIA.

(3) Development of comprehensive airport land use plans for the airports in the county.

(4) Serving as the region's Airport Land Use Commission.

(5) Additionally, with SB 10, a Regional Aviation Strategic Plan, which was completed in fiscal year 2011.

***Transfer of Assets and Liabilities/Joint Audit***

The Airport Authority and the District collaboratively developed a financial Memorandum of Understanding (MOU) outlining the essential aspects of the Airport Transfer, including the timely transfer and identification of assets and liabilities relating specifically to the transfer of SDIA's asset and operations transfer on January 1, 2003. The MOU addresses the transfer process, litigation matters, utility obligations and treatment of employees.

The Airport Authority and the District commissioned a joint audit in accordance with the Act. Independent auditors, McGladrey LLP, issued an independent auditor's report, dated June 13, 2003, on the Airport Authority's balance sheet as of January 1, 2003. In addition, they issued an independent auditor's report, dated October 17, 2003, on the Airport Authority's finances for the first six months of operation ended June 30, 2003.

***Airport Activities Highlights***

The Airport Authority experienced growth in all areas in fiscal year 2012 after two years of decline in fiscal years 2011 and 2010. This was common with almost all commercial airports across the country due to the downturn in the economy.

The changes in SDIA's major activities for the current and prior three fiscal years are as follows:

| | FY 2010 | FY 2011 | FY 2012 |
|---|---|---|---|
| Enplaned Passengers | 8,453,886 | 8,441,120 | 8,582,069 |
| % increase (decrease) | (1.0) % | (0.2) % | 1.7 % |
| Total Passengers | 16,917,595 | 16,868,732 | 17,149,969 |
| % increase (decrease) | (0.9) % | (0.3) % | 1.7 % |
| Aircraft Operations | 194,508 | 186,181 | 186,196 |
| % increase (decrease) | (5.9) % | (4.3) % | 0.0 % |
| Freight and Mail (in tons) | 125,513 | 129,961 | 132,493 |
| % increase (decrease) | 3.9 % | 3.5 % | 1.9 % |
| Landed Weight (in thousands) | 10,993 | 10,606 | 10,820 |
| % increase (decrease) | (3.4) % | (2.6) % | 2.0 % |



***Airport Activities Highlights (Continued)***

SDIA is a destination airport and is not a hub for any airlines. Further, there is a balanced mixture of SDIA travelers, comprising approximately 50 percent leisure and 50 percent business. These factors generally add to the stability of SDIA enplanements in comparison to most airports. In fiscal year 2010, enplanements declined slightly by 1 percent and by only 0.2 percent in 2011, and increased in fiscal year 2012 by 1.7 percent.

Overall, it appears that the declines in aircraft operations are reversing at SDIA. Freight and mail increased by 1.9 percent and landed weight increased by 2.0 percent in fiscal year 2012. Most of these gradual increases are attributed to a slow economic improvement.

***Statement of Revenues, Expenses and Change in Net Assets (in thousands)***

The metric Change in Net Assets is an indicator of whether the Airport Authority's overall financial condition has improved or deteriorated during the fiscal year. Net assets consistently increased from a healthy 9.2 percent in 2010 to 8.3 percent in 2011 and to another healthy increase of 9.6 percent for the year ended June 30, 2012. Following is a summary of the statements of revenues, expenses and change in net assets (in thousands):

| | FY2010 | FY2011 | FY2012 |
|---|---|---|---|
| Operating revenues | $ 133,695 | $ 144,007 | $ 153,550 |
| Operating expenses | (159,712) | (166,979) | (163,701) |
| Nonoperating revenues, net | 45,937 | 43,419 | 47,608 |
| Capital grant contributions | 27,350 | 26,355 | 20,834 |
| Increase in net assets | 47,270 | 46,802 | 58,290 |
| Net assets, beginning of year | 513,182 | 560,452 | 607,254 |
| Net assets, end of year | $ 560,452 | $ 607,254 | $ 665,544 |

Detailed descriptions of the components of operating revenues and expenses, and nonoperating revenues and expenses are described in the sections that follow.

***FINANCIAL HIGHLIGHTS***

***Operating Revenues (in thousands)***

| | | | From 2011 to 2012 | |
|---|---|---|---|---|
| | FY 2011 | FY 2012 | Increase (Decrease) | % Change |
| Airline revenue: | | | | |
| Landing fees | $ 18,578 | $ 18,419 | $ (159) | (0.8) % |
| Aircraft parking fees | 2,921 | 3,135 | 214 | 7.2 % |
| Building rentals | 26,980 | 30,633 | 3,653 | 13.5 % |
| Security surcharge | 14,887 | 18,649 | 3,762 | 25.3 % |
| Other aviation revenue | 1,597 | 1,595 | (2) | (0.1) % |
| Total airline revenue | 64,863 | 72,431 | 7,468 | 11.5 % |
| Non-airline terminal rent | 869 | 907 | 38 | 4.4 % |
| Concession revenue | 37,103 | 40,427 | 3,324 | 9.0 % |
| Parking and ground transportation revenue | 31,645 | 31,470 | (175) | (0.6) % |
| Ground rentals | 7,787 | 7,136 | (651) | (8.5) % |
| Other operating revenue | 1,640 | 1,179 | (461) | (28.1) % |
| Total operating revenue | $ 144,007 | $ 153,550 | $ 9,543 | 6.6 % |

| | FY 2010 | FY 2011 | From 2010 to 2011 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Airline revenue | | | | |
| Landing fees | $ 18,672 | $ 18,578 | $ (94) | (0.5) % |
| Aircraft parking fees | 3,406 | 2,921 | (485) | (14.2) % |
| Building rentals | 22,971 | 26,980 | 4,009 | 17.5 % |
| Security surcharge | 11,900 | 14,887 | 2,987 | 25.1 % |
| Other aviation revenue | 1,585 | 1,597 | 12 | 0.8 % |
| Total airline revenue | 58,534 | 64,963 | 6,429 | 11.0 % |
| Non-airline terminal rent | 864 | 869 | 5 | 0.6 % |
| Concession revenue | 36,249 | 37,103 | 854 | 2.4 % |
| Parking and ground transportation revenue | 30,296 | 31,645 | 1,349 | 4.5 % |
| Ground rentals | 5,923 | 7,787 | 1,864 | 31.5 % |
| Other operating revenue | 1,829 | 1,640 | (189) | (10.3) % |
| Total operating revenue | $ 133,695 | $ 144,007 | $ 10,312 | 7.7 % |

*Fiscal year 2012 compared to 2011.* The increase in total airline revenue is primarily due to the revenue billed to the airlines on a progressive cost recovery system, which was slightly higher in fiscal year 2012, in comparison to 2011, due to the graduated rate increase from 55 percent to 60 percent for building rentals and 70 percent to 85 percent for security surcharge. The decrease in landing fees is due to rebates given to airlines for new routes, primarily Volaris. Aircraft parking fees are slightly higher primarily due to the increased costs associated with the airfield. Concession revenue increased by $3.3 million due to slightly higher enplanements and higher per-enplanement sales. Parking revenues decreased slightly by $175 thousand in 2012 due to the temporary closing of Terminal 2 parking to facilitate the construction of the Green Build. Ground rentals revenue was less in 2012 by $651 thousand due to the finalization of new lease agreements with FedEx, Southwest and UPS, which provided over one year of retroactive billing in fiscal year 2011. Other operating revenue was also less by $461 thousand due to the completion of the planning grant revenue for the Regional Aviation Strategic Plan in 2011.

*Fiscal year 2011 compared to 2010.* Airline revenue billed to the airlines on a progressive cost recovery system was slightly higher in fiscal year 2011, in comparison to 2010, by approximately $6.4 million due to the graduated rate increase from 50 percent to 55 percent for building rentals and 55 percent to 70 percent for the security surcharge. Parking revenues increased by approximately $1.3 million for 2011 due to rate increases for short-term parking effective July 2010 and rate increases for long-term parking in two locations in April 2011. Ground rentals increased by $1.9 million due to new lease agreements with FedEx, Southwest and UPS.



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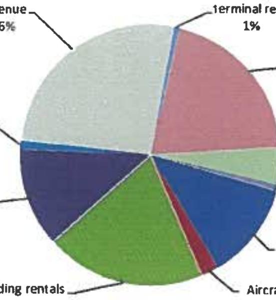
San Diego County Regional Airport Authority Fiscal Year Ended June 30, 2012
Operating Revenues




***Operating Expenses (in thousands)***

| | FY 2011 | FY 2012 | From 2011 to 2012 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Salaries and benefits | $ 38,267 | $ 37,237 | $ (1,030) | (2.7) % |
| Contractual services | 26,113 | 26,906 | 793 | 3.0 % |
| Safety and security | 21,344 | 22,625 | 1,281 | 6.0 % |
| Space rental | 10,907 | 11,415 | 508 | - |
| Utilities | 6,413 | 6,674 | 261 | 4.1 % |
| Maintenance | 8,174 | 6,497 | 323 | 3.9 % |
| Equipment and systems | 570 | 403 | (167) | (29.3) % |
| Materials and supplies | 344 | 304 | (40) | (11.5) % |
| Insurance | 1,066 | 764 | (302) | (28.3) % |
| Employee development and support | 1,041 | 916 | (125) | (12.0) % |
| Business development | 2,275 | 2,093 | (182) | (8.0) % |
| Equipment rentals and repairs | 1,327 | 1,335 | 8 | 0.6 % |
| Total operating expenses before depreciation and amortization | 117,841 | 119,169 | 1,328 | 1.1 % |
| Depreciation and amortization | 49,138 | 44,532 | (4,606) | (9.4) % |
| Total operating expenses | $ 166,979 | $ 163,701 | $ (3,278) | (2.0) % |

*Operating Expenses (in thousands) (Continued)*

| | FY 2010 | FY 2011 | From 2010 to 2011 Increase (Decrease) | % Change |
|---|---|---|---|---|
| Salaries and benefits | $ 35,386 | $ 38,267 | $ 2,881 | 8.1 % |
| Contractual services | 27,999 | 26,113 | (1,886) | (6.7) % |
| Safety and security | 20,131 | 21,344 | 1,213 | 6.0 % |
| Space rental | 10,906 | 10,907 | 1 | 0.0 % |
| Utilities | 6,871 | 6,413 | (458) | (6.7) % |
| Maintenance | 9,231 | 8,174 | (1,057) | (11.5) % |
| Equipment and systems | 891 | 570 | (321) | (36.0) % |
| Materials and supplies | 413 | 344 | (69) | (16.7) % |
| Insurance | 1,166 | 1,066 | (100) | (8.6) % |
| Employee development and support | 990 | 1,041 | 51 | 5.1 % |
| Business development | 2,033 | 2,275 | 242 | 11.9 % |
| Equipment rentals and repairs | 1,271 | 1,327 | 56 | 4.4 % |
| Total operating expenses before depreciation and amortization | 117,288 | 117,841 | 553 | 0.5 % |
| Depreciation and amortization | 42,424 | 49,138 | 6,714 | 15.8 % |
| Total operating expenses | $ 159,712 | $ 166,979 | $ 7,267 | 4.5 % |

*Fiscal year 2012 compared to 2011*. Fiscal year 2012 operating expenses before depreciation and amortization expense increased by $t.3 million, or 1.1 percent, from $117.8 million to $t t9.2 million when compared to 2011. Contributing to this increase were the following: increased contractual services, $793 thousand, primarily due to higher parking management expenses; safety and security, $1.3 million, due to increased Harbor Police salaries and benefits expense and a proposed overhead allocation plan; space rentel, $508 thousand, due to the 2011 completed amortized deferred rent benefit; utilities, $261 thousand, higher usage due to expansion and rate increases; and maintenance, $323 thousand, due to increasing support of aging systems and equipment such as elevators, HVAC and escalators.

Offsetting this increase were the following decreases: salaries and benefits, $1 million, primarily due to the pension plan rate reduction from 16.6 percent in fiscal year 2011 to 14.54 percent in 2012; equipment and systems, $167 thousand, due to five-year replacement schedule; insurance, $302 thousand, due to lower liability policy; employee development and support, $t25 thousand, due to reduced travel and seminars; and business development, $182 thousand, due to lower advertising and marketing expensas compared to 20t t, which included expenses associated with British Airways flight.

Total operating expenses decreased $2.2 million from $166.9 million to $164.8 million, or 1.3 percent, primarily due to a reduction in depreciation and amortization expenses of $3.5 million. In fiscal year 2012, the reduced depreciation expensa was primarily due to fully depreciated assets of approximately $54 million, which included aircraft fuel storage, fira life safety system and runway joint sealants.

*Fiscal year 2011 compared to 2010:* Fiscal year 20t1 operating expenses before depreciation and amortization expense are only slightly higher, growing $553 thousand, 0.5 percent, from $117.3 million to $1t7.8 million when compared to 20t0. Contributing to this increase were the following: increased salaries and benefits expense, $2.9 million, primarily due to increased costs of medical and retirement benefits; increased security and safety, $1.2 million, due to utilization of emergency services reflecting the increased costs of salaries and benefits; and business development, $242 thousand, due to marketing and promotions for the new British Airways daily international flight.



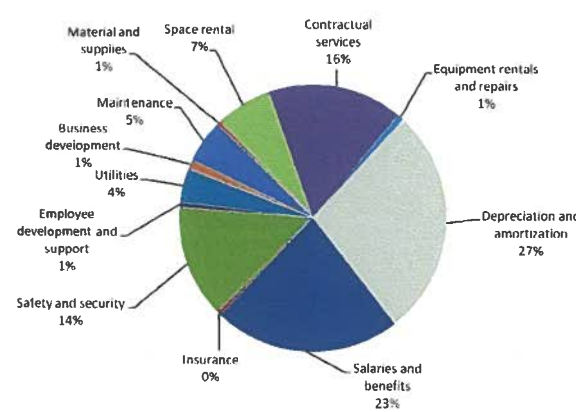


*Operating Expenses (in thousands) (Continued)*

This small increase is due to continued cost containment and also reflects a decrease in contractual services by $t.9 million primarily due to the decreased service consultants for airport planning; decreased utilities by $458 thousand due to the implementation of energy end efficiency modifications to existing equipment; decreased maintenance by $1.1 million due to decreased elevator and escaletors expenses; decreased equipment and systems by $32t thousand due to repiacement schedule of computers and small equipment replaced in 20 t0; and decreased insurance expense by $t00 thousand due to negotiated premium savings.

Total operating expenses increased $7.3 million from $t59.7 million to $t67.0 million, or 4.5 percent, primerily due to deprecietion end emortization expense of $6.7 million. In fiscal year 20t t, $51.3 million of capital projects were completed and placed in service. They consisted of $32 million in Taxiway C improvements, $5 million in airfield signs, $4 million in parking improvements, $2 million in roadway access improvements, $t million in waterline fire suppression improvements and many smaller projects.

**San Diego County Regional Airport Authority Fiscal Year Ended June 30, 2012**
**Operating Expenses**






***Nonoperating Revenues and Expenses (in thousands)***

| | | | | | | | From 2011 to 2012 | |
|---|---|---|---|---|---|---|---|---|
| | | FY 2011 | | FY 2012 | | Increase (Decrease) | | % Change |
| Passenger facility charges | $ | 33,998 | $ | 34,639 | $ | 641 | | 1.9 % |
| Customer facility charges | | 10,986 | | 11,487 | | 500 | | 4.7 % |
| Quieter Home Program, net | | (3,359) | | (3,531) | | (173) | | (5.1) % |
| Joint Studies Program | | (129) | | (73) | | 56 | | 43.9 % |
| Interest income | | 10,100 | | 10,487 | | 387 | | 3.7 % |
| Interest expense | | (8,084) | | (2,378) | | 5,715 | | 51.5 % |
| Other nonoperating income (expenses) | | (93) | | (3,032) | | (2,939) | | (3,160.0) % |
| Nonoperating revenues, net | $ | 43,419 | $ | 47,608 | $ | 4,188 | | 5.5 % |

| | | | | | | | From 2010 to 2011 | |
|---|---|---|---|---|---|---|---|---|
| | | FY 2010 | | FY 2011 | | Increase (Decrease) | | % Change |
| Passenger facility charges | $ | 34,049 | $ | 33,998 | $ | (51) | | (0.1) % |
| Customer facility charges | | 10,783 | | 10,986 | | 204 | | 1.9 % |
| Quieter Home Program, net | | (1,829) | | (3,359) | | (1,729) | | (106.1) % |
| Joint Studies Program | | (245) | | (129) | | 117 | | 47.7 % |
| Interest income | | 6,667 | | 10,100 | | 3,434 | | 51.5 % |
| Interest expense | | (2,684) | | (8,084) | | (5,401) | | (201.3) % |
| Other nonoperating income (expenses) | | (1,004) | | (93) | | 911 | | 98.9 % |
| Nonoperating revenues, net | $ | 45,937 | $ | 43,419 | $ | (2,515) | | (5.5) % |

**Passenger Facility Charges (PFC):** PFCs were established by Congress in 1990 as part of the Aviation Safety and Capacity Expansion Act of 1990. The Airport Authority collects a $4.50 PFC from revenue from enplaned passengers to pay for the cost to design and construct eligible Airport capital projects or to repay debt service issued to build such projects. PFCs are collected by the air carriers when passengers purchase their tickets and are remitted to the Airport Authority the month following collection, less a $0.11 administration fee.

**Customer Facility Charges (CFC):** In May 2009, the Airport Authority began collecting a $10 fee per contract CFC on rental cars, which is authorized under Section 1936 of the California Civil Code and approved by legislation under Senate Bill 1510. The revenues collected will be used to plan and construct a consolidated rental car facility and improved transportation system. The rental car agencies remit to the Airport Authority collection of the fee monthly.

**Quieter Home Program:** This program includes sound attenuation construction improvements at all eligible single-family and multifamily dwellings with six or fewer units located in the Year 2000 65 dB Community Noise Equivalent Level contour. The project is eligible for the Airport Improvement Program (AIP). From inception to June 30, 2012, the Airport Authority has spent $133.0 million and received reimbursement for $107.1 million.



***Nonoperating Revenues and Expenses (in thousands) (Continued)***

**Interest income:** Interest income is derived from interest earned by the Airport Authority on investments, commercial paper reserves, bond reserves and notes receivable from the District. Also included in interest income are the Series C Bonds that were issued as Build America Bonds and include a cash subsidy from the U.S. Treasury equal to 35 percent of the interest payable. The interest subsidy for the fiscal years ended June 30, 2012 and 2011 was $4.9 million and $3.7 million, respectively.

**Interest expense:** Interest expense includes interest paid and accrued on the 2005 and 2010 Series Bonds and Commercial Paper Series A, B and C. This is netted with the capitalization of bond interest to the construction in progress assets that the debt finances. The capitalized interest in the fiscal years ended June 30, 2012 and 2011 was $31.6 million and $7.6 million, respectively.

**Other nonoperating income (expenses):** Other nonoperating income (expenses) includes proceeds and expenses for legal settlements, gain (loss) on the sale of assets, unrealized gain (loss) on investments, and other miscellaneous revenue and expenses.

***Capital Grant Contributions***

The Airport Authority receives AIP entitlement and discretionary grants through the FAA and other federal and state organizations. These funds are recognized as revenue as the work is completed on the eligible projects. Variances relate to the amount of work completed on eligible projects during the fiscal year.

*Fiscal year 2012 compared to 2011:* Nonoperating revenue (net) increased by $4.2 million or 5.5 percent. This is primarily due to the net effect of debt interest expense and capitalization of interest expense, $5.7 million. Additionally, the increased PFC, $641 thousand, increased CFCs, $500 thousand, due from increased enplanements. Interest income also has contributed to the increase by $387 thousand due to a full year of Build America Bond interest subsidy in fiscal year 2012.

Offsetting the increase is primarily the other nonoperating income (expenses) net by $2.9 million. In 2012 $3.6 million in net book value of assets was written off due to the construction of the Green Build. These assets were parking lots, sidewalks and partial roadways that will be replaced upon completion in fiscal year 2013. The Quieter Home Program also contributed to the decrease by $206 thousand, due to the timing of when invoices were paid to become eligible for FAA grant reimbursement.

*Fiscal year 2011 compared to 2010:* Nonoperating revenue (net) decreased by $2.5 million or 5.5 percent. This is primarily due to the Quieter Home Program, which decreased $1.7 million due to the timing of when invoices were paid to become eligible for FAA grant reimbursement. Interest expense increased $5.4 million due to the $573 million 2010 bond issuance in October 2010. Offsetting the decrease was the $203 thousand increase in CFCs, $116 thousand decrease in Joint Studies, $3.4 million increase in interest income on the Build America Bonds rebate on the 2010 Series B bonds issued October 2010, and $911 thousand increase in other nonoperating expenses.



***Assets, Liabilities and Net Assets***

The balance sheets present the financial position of the Airport Authority at June 30, 2010, 2011 and 2012. The statements include all assets, liabilities and net assets of the Airport Authority. A summary comparison of the Airport Authority's assets, liabilities and net assets at June 30, 2010, 2011 and 2012 is as follows:

| *(in thousands)* | FY2010 | FY2011 | FY2012 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | $ 128,219 | $ 110,397 | $ 124,202 |
| Capital assets, net | 483,717 | 625,421 | 896,477 |
| Noncurrent assets | 212,207 | 610,823 | 411,392 |
| **Total assets** | $ 824,143 | $ 1,346,641 | $ 1,432,071 |
| | | | |
| **Liabilities** | | | |
| Current liabilities | $ 56,219 | $ 82,149 | $ 116,157 |
| Long-term liabilities | 207,472 | 657,238 | 650,369 |
| **Total liabilities** | 263,691 | 739,387 | 766,527 |
| | | | |
| **Net Assets** | | | |
| Invested in capital assets, net of related debt | 275,556 | 357,275 | 413,140 |
| Bond reserves, unapplied PFCs and other | 139,672 | 147,513 | 177,389 |
| Unrestricted | 145,224 | 102,466 | 75,015 |
| **Total net assets** | 560,452 | 607,254 | 665,544 |
| **Total liabilities and net assets** | $ 824,143 | $ 1,346,641 | $ 1,432,071 |

As of June 30, 2012, the Airport Authority's assets exceeded liabilities by $665 million, a $58 million increase over June 30, 2011 and, comparing 2011 to 2010, another $47 million increase over June 30, 2010. The largest portion of the Airport Authority's net assets represents its investment in capital assets, less the amount of associated debt outstanding. The Airport Authority uses these capital assets to provide services to its passengers and other users of SDIA; consequently, these assets cannot be sold or otherwise liquidated. Although the Airport Authority's investment in its capital assets is reported net of related debt, it is noted that the funds required to repay this debt must be provided annually from operations. The remaining unrestricted net assets of $75 million as of June 30, 2012, $102 million as of 2011 and $145 million as of 2010 may be used to meet any of the Airport Authority's ongoing obligations. As of June 30, 2012, 2011 and 2010, management has designated unrestricted funds in the amount of $16 million, $16 million and $21 million, respectively, for capital contract commitments funded by Airport Authority cash, earthquake insurance, net pension asset and operating contingency.

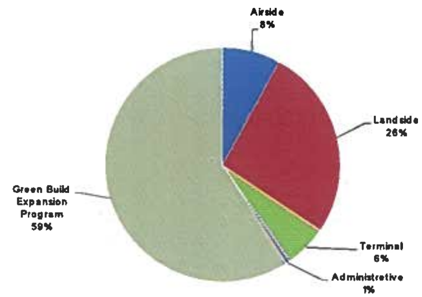
***Capital Asset and Capital Improvement Program***

The funds used for capital improvements or to expand SDIA's facilities are derived from several sources, including the FAA, Transportation Security Administration and AIP grants, PFCs, CFCs, debt and SDIA funds. In fiscal year 2012, SDIA's $1.5 billion capital improvement program (CIP) was funded under two debt options. A pay-as-you-go approach utilizing commercial paper for short-term and long-term funding needs included 2010 Airport Revenue Bonds to be used for the $864 million Terminal Development Program/ The Green Build. An additional airport revenue bond issuance is planned in fiscal year 2013 to complete the funding of The Green Build project. The Green Build is projected to be completed by 2013. The current CIP, which includes projects through 2017, consists of $115.9 million for airside projects, $385.8 million for landside projects, $88.3 million for terminal projects, and $6.2 million for administrative projects. The current SDIA CIP does not include noise reduction and related projects.





**Capital Improvement Program Projects by Type**




Additional information of the Airport Authority's capital assets can be found in Note 4 to the financial statements on pages 42-43 of this report.

***Capital Financing and Debt Management***

In October 2005, the Airport Authority sold $56.3 million of San Diego County Regional Airport Authority Airport Revenue Refunding Bonds Series 2005. This refunded the outstanding Series 1995 Airport Revenue Bonds that were issued by the District in 1995 through the California Maritime Infrastructure Authority for the expansion of Terminal 2. The Series 2005 Bonds were issued in the aggregate principal amount of $56.3 million and were structured as serial bonds that bear interest at rates ranging from 4.5 percent to 5.25 percent, maturing in fiscal years 2007 to 2021. Interest on the bonds is payable semiannually on January 1 and July 1 of each year.

The Series 2005 Bonds are payable solely from and secured by Pledged Revenues. Pledged Revenues are defined as all revenues and other cash receipts of the Airport Authority's airport operations, reduced by operation and maintenance expenses. Pledged Revenues do not include cash received from PFCs or federal grants.

As of June 30, 2012, $37.9 million in bonds were outstanding. The ratings of the Series 2005 Bonds as of June 30, 2012 and 2011 are rated A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. As senior lien bonds, the Series 2005 Bonds require that charges for services be set each fiscal year at rates sufficient to produce Pledged Revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2005 Bonds require the Airport Authority to maintain a reserve account with the bond Trustee and to reserve certain amounts in the Airport Authority's books.

***Capital Financing and Debt Management (Continued)***

On October 5, 2010, the Airport Authority issued $572.6 million of Subordinate Airport Revenue Bonds Series 2010 A, B and C. The bonds are rated A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively. The subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the subordinate Series 2010 Bonds through end including January 1, 2013, refund $142.2 million of the Airport Authority's outstanding commercial paper notes (CP Notes), fund the subordinate bond reserve fund and pay the costs of issuance of the subordinate Series 2010 Bonds.

The Series A and Series B Bonds were structured as serial bonds that bear interest at rates ranging from 2 percent to 5 percent and mature in fiscal years 2012 to 2041. The Series C Bonds were issued as Build America Bonds and include a cash subsidy payment from the U.S. Treasury equal to 35 percent of interest payable. The interest rate on the Series C bonds, net of subsidy, is 4.31 percent and the bonds mature in fiscal year 2041.

The subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate Trustee under the subordinate indenture. The subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues on parity with the Airport Authority's subordinate CP Notes. In addition, the Airport Authority has irrevocably committed a portion of the PFCs it has received and expects to receive through 2016. The amounts of irrevocably committed PFCs are $14.7 million for fiscal year 2013 and $19 million annually for fiscal years 2014 through 2016. As of June 30, 2012, the principal balance on the subordinate Series 2010 Bonds was $571.8 million.

As of June 30, 2012, $20.7 million in commercial paper was outstanding. The commercial paper program was established in 1997 to fund the then-approved CIP and related Terminal 2 expansion projects. The Airport Authority's outstanding commercial paper, Series A (non AMT), Series B (AMT) and Series C (taxable), is secured by a pledge of airport revenues, subordinated to the pledge of net airport revenues securing the payment of the Series 2005 Bonds. The authorized program provides for borrowings up to $250 million through September 1, 2027. Each commercial paper note matures at the end of a period not to exceed 270 days and can be continually rolled into another issuance until the earlier of September 10, 2014 or five days prior to the date. At that time, the total outstanding principal becomes due. The CP Notes require that the charges for services be set each year at rates sufficient to produce Pledged Revenues of at least 1.10 times the debt service on subordinate obligations, including the CP Notes, for that year.

Each series of notes are additionally secured by an irrevocable letter of credit issued by Lloyds TSB Bank plc and is rated A-1 by Standard & Poor's and P-1 by Moody's Investors Service. The letter of credit expires on September 10, 2014. Interest on the notes is paid at a rate based on the market for similar CP Notes.

Additional information of the Airport Authority's long-term debt can be found in Note 5 to the financial statements on pages 44-48 of this report.



The SDIA's PFC program was established in 1994 and currently authorizes the imposition of a $4.50 fee on enplaning passengers. There are currently three active applications that provide collection authority through November 1, 2037.

FAA entitlement and discretionary grants are awarded on a federal fiscal year running October 1 through September 30. The Airport Authority has received approximately $14.0 million in grant awards for the federal fiscal year ended September 30, 2012 and $19.4 million in 2011. Grant awards are recognized as income/contributions as eligible expenses are incurred.

***REQUEST FOR INFORMATION***

This financial report is designed to provide a general overview of the Airport Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Accounting Department, P.O. Box 82776, San Diego, CA 92138. The Accounting Department can also be reached at (619) 400-2807. A copy of the financial report is available at www.san.org.

Thella F. Bowens
Chief Executive Officer/President

Vernon D. Evans
Chief Financial Officer/Vice President of Finance/Treasurer



# Basic Financial Statements:

**San Diego County Regional Airport Authority**

**Balance Sheets**
**June 30, 2012 and 2011**

| Assets | 2012 | 2011 |
|---|---|---|
| **Current Assets** | | |
| Unrestricted: | | |
| Cash and cash equivalents (Note 2) | $ 68,823,530 | $ 45,858,618 |
| Investments (Note 2) | 34,284,994 | 43,680,088 |
| Tenant lease receivables, net of allowance of 2012 $49.154 and 2011 $14,918 | 6,550,948 | 5,593,539 |
| Grants receivable | 3,867,809 | 3,984,567 |
| Notes receivable, current portion (Note 3) | 1,580,698 | 1,696,413 |
| Other current assets | 4,559,934 | 5,272,763 |
| Total unrestricted current assets | 119,667,913 | 106,085,988 |
| Restricted cash and cash equivalents with Trustee (Notes 2 and 5) | 4,533,756 | 4,311,160 |
| Total current assets | 124,201,669 | 110,397,148 |
| **Noncurrent Assets** | | |
| Capital assets (Note 4): | | |
| Land, land improvements and nondepreciable assets | 24,927,049 | 24,901,120 |
| Buildings and structures | 463,735,113 | 466,463,764 |
| Machinery and equipment | 47,676,803 | 46,246,697 |
| Runways, roads and parking lots | 269,535,431 | 273,449,104 |
| Construction in progress | 632,390,868 | 322,289,133 |
| | 1,438,265,264 | 1,133,349,816 |
| Less accumulated depreciation | (541,788,396) | (507,928,798) |
| Capital assets, net | 896,476,868 | 625,421,020 |
| Restricted assets (Notes 2 and 5): | | |
| Restricted cash, cash equivalents and investments, not with Trustee | 155,065,655 | 124,954,885 |
| Restricted investments with Trustee | 171,596,700 | 392,604,561 |
| Passenger facility charges receivable | 4,412,287 | 5,121,210 |
| Customer facility charges receivable | 1,089,227 | 1,029,040 |
| Other restricted assets | 6,058,740 | 8,239,213 |
| Total restricted assets | 338,222,609 | 529,948,909 |
| Investments, noncurrent (Note 2) | 10,410,555 | 16,827,172 |
| Notes receivable, long-term portion (Note 3) | 41,333,664 | 42,914,061 |
| Cash and investments designated for specific capital projects and other commitments (Notes 2 and 12) | 9,062,504 | 8,148,558 |
| Deferred costs, Bonds, net | 4,655,862 | 4,998,888 |
| Net pension asset and net OPEB asset (Notes 6 and 8) | 7,204,455 | 7,760,767 |
| Workers' Comp Security Deposits | 503,145 | 225,000 |
| | 73,170,185 | 80,874,446 |
| Total noncurrent assets | 1,307,869,662 | 1,238,244,375 |
| Total assets | $ 1,432,071,331 | $ 1,346,641,523 |

See Notes to Financial Statements.



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| Liabilities and Net Assets | 2012 | 2011 |
|---|---|---|
| **Current Liabilities** | | |
| Payable from unrestricted assets: | | |
| Accounts payable | $ 34,470,982 | $ 29,007,175 |
| Accrued liabilities (Note 8) | 56,280,383 | 28,695,759 |
| Compensated absences, current portion (Note 5) | 2,479,108 | 2,188,755 |
| Deposits and other current liabilities | 868,030 | 505,513 |
| Total payable from unrestricted assets | 94,098,503 | 60,397,202 |
| Payable from restricted assets: | | |
| Current portion of Series 2010 and 2005 Bonds and commercial paper (Note 5) | 5,215,000 | 4,760,000 |
| Accrued interest on bonds and commercial paper (Note 5) | 16,843,983 | 16,992,426 |
| Total payable from restricted assets | 22,058,983 | 21,752,426 |
| Total current liabilities | 116,157,486 | 82,149,628 |
| **Noncurrent Liabilities** | | |
| Deferred rent liability (Note 11) | - | - |
| Compensated absences, net of current portion (Note 5) | 453,877 | 484,683 |
| Tenant security deposits and other noncurrent liabilities | 948,558 | 1,170,513 |
| Commercial paper notes payable (Note 5) | 19,924,000 | 20,729,000 |
| Series 2010 and 2005 Bonds and bond premium, less current portion, net of deferred refunding costs (Note 5) | 629,042,982 | 634,853,456 |
| Total noncurrent liabilities | 650,369,417 | 657,237,652 |
| Total liabilities | 766,526,903 | 739,387,280 |
| Commitments and Contingencies (Notes 6, 7, 8, 9, 10, 11 and 12) | | |
| **Net Assets** | | |
| Invested in capital assets, net of related debt (Note 1) | 413,140,481 | 357,275,035 |
| Restricted net assets: | | |
| Bond reserves | 53,364,006 | 50,493,766 |
| Debt service, bond and commercial paper | 5,231,350 | 4,835,970 |
| Small business bond guarantee | 2,000,000 | 4,000,000 |
| Passenger facility charges | 78,782,164 | 59,940,505 |
| Customer facility charges | 31,952,386 | 22,003,359 |
| OCIP loss reserve | 6,058,740 | 6,239,213 |
| Total restricted net assets (Note 1) | 177,388,646 | 147,512,813 |
| Unrestricted net assets | 75,015,301 | 102,466,395 |
| Total net assets | 665,544,428 | 607,254,243 |
| Total liabilities and net assets | $ 1,432,071,331 | $ 1,346,641,523 |



**San Diego County Regional Airport Authority**

**Statements of Revenues, Expenses and Change in Net Assets**
**Years Ended June 30, 2012 and 2011**

| | 2012 | 2011 |
|---|---|---|
| Operating revenues: | | |
| Airline revenue: | | |
| Landing fees | $ 18,419,244 | $ 18,578,574 |
| Aircraft parking fees | 3,134,539 | 2,920,891 |
| Building rentals (Note 10) | 30,632,762 | 26,980,351 |
| Security surcharge | 18,649,147 | 14,886,586 |
| Other aviation revenue | 1,594,529 | 1,596,665 |
| Concession revenue | 40,427,308 | 37,103,485 |
| Parking and ground transportation revenue | 31,469,960 | 31,644,673 |
| Ground rentals (Note 10) | 8,043,563 | 8,656,005 |
| Other operating revenue | 1,178,908 | 1,639,621 |
| **Total operating revenues** | 153,549,960 | 144,006,851 |
| Operating expenses: | | |
| Salaries and benefits (Notes 6, 7 and 8) | 37,236,513 | 38,266,477 |
| Contractual services (Note 12) | 26,905,524 | 26,112,942 |
| Safety and security | 22,625,169 | 21,343,967 |
| Space rental (Note 11) | 11,414,838 | 10,906,405 |
| Utilities | 8,674,424 | 6,413,206 |
| Maintenance | 8,496,587 | 8,174,021 |
| Equipment and systems | 403,268 | 570,394 |
| Materials and supplies | 304,433 | 344,471 |
| Insurance | 764,239 | 1,066,326 |
| Employee development and support | 916,194 | 1,040,787 |
| Business development | 2,093,164 | 2,275,311 |
| Equipment rentals and repairs | 1,334,858 | 1,327,158 |
| **Total operating expenses before depreciation and amortization** | 119,169,211 | 117,841,465 |
| **Income from operations before depreciation and amortization** | 34,380,749 | 26,165,386 |
| Depreciation and amortization | 44,532,069 | 49,137,886 |
| **Operating (loss)** | (10,151,320) | (22,972,500) |

(Continued)



**San Diego County Regional Airport Authority**

**Statements of Revenues, Expenses and Change in Net Assets (Continued)**
**Years Ended June 30, 2012 and 2011**

| | 2012 | 2011 |
|---|---|---|
| Nonoperating revenues (expenses): | | |
| Passenger facility charges | $ 34,639,244 | $ 33,997,963 |
| Customer facility charges | 11,486,962 | 10,986,467 |
| Quieter Home Program grant revenue | 11,013,260 | 14,411,926 |
| Quieter Home Program expenses | (14,544,629) | (17,770,495) |
| Joint Studies Program | (72,835) | (129,191) |
| Interest income | 5,491,516 | 6,408,130 |
| Interest expense (Note 5) | (2,369,718) | (8,084,334) |
| Build America Bonds rebate | 4,995,921 | 3,691,431 |
| Other (expenses), net | (3,031,807) | (92,924) |
| **Nonoperating revenue, net** | 47,607,914 | 43,418,973 |
| **Income before capital grant contributions** | 37,456,594 | 20,446,473 |
| Capital grant contributions | 20,833,591 | 26,355,351 |
| **Change in net assets** | 58,290,185 | 46,801,824 |
| Net assets, beginning of year | 607,254,243 | 560,452,419 |
| Net assets, end of year | $ 665,544,428 | $ 607,254,243 |

See Notes to Financial Statements.

San Diego County Regional Airport Authority

**Statements of Cash Flows**
**Years Ended June 30, 2012 and 2011**

| | 2012 | 2011 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Receipts from customers | $ 151,351,150 | $ 146,473,362 |
| Payments to suppliers | (65,771,340) | (80,454,483) |
| Payments to employees | (36,498,212) | (36,728,904) |
| Pension contribution | - | - |
| Other receipts (payments) | (448,668) | (50,815) |
| Net cash provided by operating activities | 48,632,930 | 29,239,160 |
| **Cash Flows From Noncapital Financing Activities** | | |
| Settlement receipts (payments) | (158,546) | 101,477 |
| Quieter Home Program grant receipts | 11,303,456 | 14,781,355 |
| Quieter Home Program payments | (14,577,575) | (18,102,591) |
| Joint Studies Program payments | (39,889) | (84,068) |
| Net cash (used in) noncapital financing activities | (3,472,554) | (3,303,827) |
| **Cash Flows From Capital and Related Financing Activities** | | |
| Capital outlay | (301,336,594) | (166,861,753) |
| Proceeds on Build America Bonds | 4,995,921 | 3,691,431 |
| Proceeds on sale of capital assets | 444,764 | 3,820 |
| Federal grants received (excluding Quieter Home Program) | 20,660,153 | 25,867,627 |
| Proceeds from passenger facility charges | 35,348,167 | 33,892,271 |
| Proceeds from customer facility charges | 11,426,775 | 11,193,087 |
| Proceeds from issuance of commercial paper | - | - |
| Proceeds from issuance of bonds | - | 598,719,344 |
| Payment of principal on bonds end commercial paper | (4,760,000) | (146,026,000) |
| Payment to Trustee for debt service | (83,375) | (82,375) |
| Interest and debt fees paid | (2,518,161) | (8,154,709) |
| Cost of debt issuance | - | (4,424,462) |
| Net cash provided by (used in) capital and related financing activities | (235,822,350) | 347,818,281 |
| **Cash Flows From Investing Activities** | | |
| Sales of investments | 243,050,295 | 24,342,907 |
| Purchases of investments | (36,127,941) | (402,840,092) |
| Interest received on investments | 1,228,179 | 1,680,735 |
| Principal payments received on notes receivable | 1,696,112 | 1,612,791 |
| Interest received from notes receivable, commercial paper and bonds | 4,694,187 | 4,369,314 |
| Net cash provided by (used in) investing activities | 214,540,832 | (370,834,345) |
| Net increase in cash and cash equivalents | 23,878,858 | 2,919,269 |
| Cash and Cash Equivalents, beginning of year | 54,007,176 | 51,087,907 |
| Cash and Cash Equivalents, end of year | $ 77,886,034 | $ 54,007,176 |

(Continued)



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San Diego County Regional Airport Authority

**Statements of Cash Flows (Continued)**
**Years Ended June 30, 2012 and 2011**

| | 2012 | 2011 |
|---|---|---|
| **Reconciliation of Cash and Cash Equivalents to the Balance Sheets** | | |
| Cash and cash equivalents | $ 68,823,530 | $ 45,858,618 |
| Cash and investments designated for specific capital projects and other commitments | 9,062,504 | 8,148,558 |
| | $ 77,886,034 | $ 54,007,176 |
| **Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities** | | |
| Operating (loss) | $ (10,151,320) | $ (22,972,500) |
| Adjustments to reconcile operating (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 44,532,069 | 49,137,886 |
| Bad debt expense (recapture) | 34,236 | (44,423) |
| Changes in assets and liabilities: | | |
| Tenant lease receivables | (991,645) | 584,783 |
| Net pension asset | 556,313 | 556,313 |
| Other current assets | 567,080 | 2,475,298 |
| Accounts payable (on noncapital items) | 4,053,484 | 2,493,492 |
| Accrued liabilities (on noncapital items) | 9,959,129 | (2,694,519) |
| Postretirement benefits obligation | 29,867 | 31,736 |
| Deposits | 224,138 | 80,450 |
| Deferred rent liability and other | (530,107) | (587,863) |
| Tenant deposits | 90,139 | 36,671 |
| Compensated absences | 259,547 | 141,836 |
| Net cash provided by operating activities | $ 48,632,930 | $ 29,239,160 |
| **Supplemental Disclosure of Noncash Investing, Capital and Financing Activities** | | |
| Additions to capital assets included in accounts payable | $ 35,015,680 | $ 14,405,539 |
| Receivables, grants | $ 3,867,809 | $ 3,984,567 |
| Receivables, PFCs | $ 4,412,287 | $ 5,121,210 |
| Receivables, CFCs | $ 1,079,837 | $ 1,027,410 |
| Loss on investments | $ (102,606) | $ (292,730) |

See Notes to Financial Statements.










## Note 1. Nature of Organization and Summary of Significant Accounting Policies

**Reporting entity:** The San Diego County Regional Airport Authority (the Airport Authority), an autonomous public agency, was established as a result of legislation, Assembly Bill 93 (2001), as modified by Senate Bill 1896 (2002), which together comprise the San Diego County Regional Airport Authority Act (the Act). The Act required, among other things, the transfer of the assets and operations of the San Diego International Airport (SDIA) from the San Diego Unified Port District (the District) to the Airport Authority. Effective January 1, 2003 (inception), the District transferred all airport operations and certain related assets and liabilities to the Airport Authority, pursuant to the Act and the Memorandum of Understanding (MOU) dated as of December 31, 2002, between the Airport Authority and the District, which implemented the Act.

Senate Bill 10, the San Diego County Regional Airport Authority Reform Act, was effective January 1, 2008. Responsibilities of the Airport Authority include, among other things, the operation, maintenance, development, management and regulation of SDIA and its facilities. In addition, the Airport Authority has the responsibility to plan or to expand the existing SDIA. Under one of the requirements of Senate Bill 10, the Airport Authority completed a Regional Aviation Strategic Plan, and by December 31, 2013, the Airport Authority will prepare and adopt an Airport Multimodal Accessibility Plan. In addition, the Airport Authority acts as the Airport Land Use Commission within San Diego County.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all organizations, agencies, boards, commissions and authorities for which the Airport Authority is financially accountable. The Airport Authority has also considered all other potential organizations for which the nature and significance of their relationships with the Airport Authority are such that exclusion would cause the Airport Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing the majority of an organization's governing body and (1) the ability of the Airport Authority to impose its will on that organization or (2) the potential for that organization to provide specific benefits to, or impose specific financial burdens on, the Airport Authority. Based on these criteria, there are no other organizations or agencies that should be included in these basic financial statements.

**Measurement focus and basis of accounting:** The accounting policies of the Airport Authority conform to accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to state and local government agencies, and as such, the Airport Authority is accounted for as a proprietary fund. The basic financial statements presented are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This measurement focus emphasizes the determination of the change in Airport Authority net assets. The Airport Authority generally follows private sector standards of accounting and financial reporting issued prior to December 1, 1989 to the extent that those standards do not conflict with or contradict guidance of the GASB. The Airport Authority also has the option of following subsequent private sector guidance for its activities subject to the same limitation. The Airport Authority has elected to follow the standards set by the GASB, as opposed to subsequently issued private sector guidance.

The financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related GASB pronouncements.



**Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

**Evaluation of long-lived assets:** The Airport Authority accounts for long-lived assets under GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The Airport Authority's capital assets include property, equipment and infrastructure assets. A capital asset is considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstances is outside the normal life cycle of the capital asset. The Airport Authority is required to evaluate prominent events or changes in circumstences affecting capital assets to determine whether impairment of a capital asset has occurred. Common indicators of impairment include evidence of physical damage where restoration efforts are needed to restore service utility, enactment or approval of laws or regulations setting standards that the capital asset would not be able to meet, technological development or evidence of obsolescence, a change in the manner or expected duration of use of a capital asset or construction stoppage. This Statement requires the Airport Authority to report the effects of capital asset impairments in its financial statements when they occur and to account for insurance recoveries in the same manner. The Airport Authority's management has determined that no impairment of capital assets currently exists.

**Use of estimates:** The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Investments:** Investments in the state and county investment pools are recorded at fair value based upon the Airport Authority's pro rata share of the fair value provided by the state and county investment pools for the entire respective pool. Guaranteed investment contracts are recorded at contract value. All other investments are stated at fair market value based on quoted market prices.

**Tenant lease receivables:** Tenant lease receivables are carried at the original invoice amount for fixed-rent tenants and at estimated invoice amount for concession (variable) tenants, less an estimate made for doubtful receivables for both fixed-rent and concession tenants, based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by evaluating individual tenant receivables and considering a tenant's financial condition and credit history and current economic conditions. Tenant lease receivables are written off when deemed uncollectible. Recoveries of tenant lease receivables previously written off are recorded when received.

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

- Externally imposed requirements by creditors (such as through debt covenants), grantors or contributors.
- Laws or regulations of other governments.
- Constitutional provisions or enabling legislation.

The Airport Authority's policy is to use restricted resources before unrestricted resources for expenses incurred, for which both restricted and unrestricted net assets are available.

**Designated assets:** The Airport Authority's management designates funds for capital projects and other specific commitments; these funds would otherwise be available for operations. At June 30, 2012 and 2011, management had designated funds for specific approved capital projects, unspent commercial paper draws and other commitments totaling $9,062,504 and $8,148,558, respectively.



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**Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

**Capital assets:** Capital assets are recorded at cost, except for property contributed by third parties, which is recorded at fair market value at the date of contribution, less an allowance for accumulated depreciation. The Airport Authority capitalizes incremental overhead costs and interest cost associated with the construction of capital assets.

Capital assets are defined by the Airport Authority as assets with an initial, individual cost of more then $5,000 and an initial useful life of one year or greater. Depreciation is computed by use of the straight-line method over the following estimated useful lives:

| | |
|---|---|
| Land improvements | 30 to 40 years |
| Runways, taxiways, roads and parking areas | 5 to 30 years |
| Buildings, structures and improvements | 5 to 30 years |
| Machinery and equipment | 3 to 10 years |

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as construction in process as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. For the fiscal years ended June 30, 2012 and 2011, the Airport Authority capitalized interest of $31,663,105 and $17,946,856, respectively.

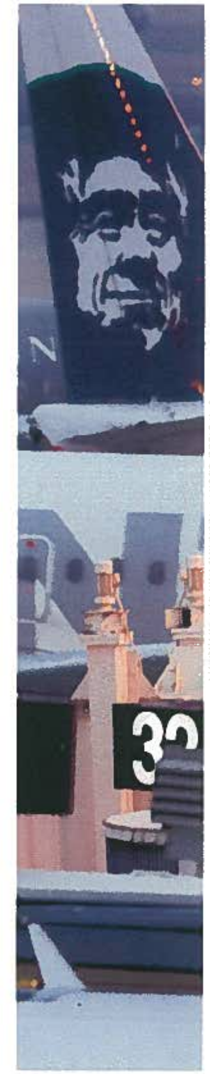
**Net pension asset:** The Airport Authority budgets for a 90 percent funding ratio with respect to its defined pension plan, which results in additional contributions to the plan over its annual required contribution (ARC). The difference between the Airport Authority's actual contributions and ARCs results in a net pension asset.

**Airport Improvement Program:** The District initially received approval from the Federal Aviation Administration (FAA) for Airport Improvement Program (AIP) grants. These grants transferred to the Airport Authority effective January 1, 2003. AIP grants are authorized and disbursed by the FAA under the Airway Improvement Act of 1982, as amended, which provides funding for airport planning and development projects at airports included in the National Plan of Integrated Airport Systems. As such, the AIP grants must be used to pay for the allowable costs of approved projects. Receipts from federal programs are subject to audit to determine if the funds were used in accordance with the applicable regulations. The Airport Authority believes that no significant liabilities to the Airport Authority would result from such an audit.

**Passenger facility charges:** The District initially received approval from the FAA to impose a passenger facility charge (PFC) at SDIA. The approval for the PFC was transferred by the FAA to the Airport Authority, effective January 1, 2003. The PFC program is authorized by the Aviation Safety and Capacity Expansion Act of 1990 (the Expansion Act). In accordance with the Expansion Act, the Airport Authority's AIP Passenger Entitlement Apportionment is reduced by certain percentages, dependent upon the level of PFCs received by the Airport Authority.

In accordance with the program, the PFC revenue must be used to pay allowable costs for approved capital projects. As of June 30, 2012 and 2011, accrued PFC receivables totaled $4,412,287 and $5,121,210, respectively, and there was $74,369,877 and $54,819,295, respectively, in PFC amounts collected but not yet applied for approved capital projects.







**Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

The current FAA-approved PFC charge per enplaned passenger is $4.50. Currently, impose and use authority of $1.2 billion from three active applications allows collection through November 1, 2037. The Airport Authority has formally closed five previously approved applications and withdrawn one pending application, which has been integrated into a ninth application to impose and use of approximately $32 million in PFC revenue. The latest application was approved by the FAA in July 2012.

**Customer facility charges:** The Airport Authority received approval in May 2009 from the State of California under Section 1936 of the California Civil Code to impose a $10 customer facility charge (CFC) per contract on rental cars at SDIA.

In accordance with the program, the CFC revenue must be used to pay allowable costs for approved capital projects. As of June 30, 2012 and 2011, accrued CFC receivables totaled $1,089,227 and $1,029,040, respectively. CFC amounts collected, including interest, but not yet applied for approved capital projects as of June 30, 2012 and 2011 totaled $30,863,159 and $20,974,319, respectively.

**Retentions payable:** The Airport Authority enters into construction contracts that may include retention provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the Airport Authority. The Airport Authority's policy is to record the retention payable only after completion of the work and acceptance of the contractor invoices have occurred. Retentions payable on completed contracts are included with accounts payable on the accompanying balance sheets. Amounts related to unpaid retentions on uncompleted contracts are included in accrued liabilities.

**Compensated absences:** All employees of the Airport Authority earn annual leave that is paid upon termination or retirement. Annual leave is accrued at current rates of compensation.

**Airport Authority net assets:** Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Invested in capital assets, net of related debt, excludes unspent debt proceeds.

Restricted net assets represent amounts that are restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the Airport Authority or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Invested in capital assets, net of related debt, as of June 30 is as follows:

| | 2012 | 2011 |
|---|---|---|
| Capital assets | $ 1,438,265,264 | $ 1,133,349,818 |
| Less accumulated depreciation | (541,788,395) | (507,928,798) |
| Less outstanding debt, net of unspent proceeds | (483,336,388) | (268,145,985) |
| Invested in capital assets, net | $ 413,140,481 | $ 357,275,035 |





**Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

Restricted net assets as of June 30 are as follows:

| | 2012 | 2011 |
|---|---|---|
| Bond reserves: | | |
| Operations and maintenance reserve | $ 31,821,881 | $ 29,773,617 |
| Operations and maintenance subaccount reserve | 10,607,294 | 9,924,539 |
| Revenue and replacement reserve | 5,400,000 | 5,400,000 |
| Bond reserve with Trustee | 5,534,831 | 5,395,610 |
| Debt service principal | 5,215,000 | 4,760,000 |
| Commercial paper reserve | 3,444 | 63,115 |
| Commercial paper held by Trustee | 12,906 | 12,855 |
| Small Business Development Bond Guarantee | 2,000,000 | 4,000,000 |
| Passenger facility charges unapplied | 74,369,877 | 54,819,295 |
| Passenger facility charges receivable | 4,412,287 | 5,121,210 |
| Customer facility charges unapplied | 30,863,159 | 20,974,319 |
| Customer facility charges receivable | 1,089,227 | 1,029,040 |
| Owner Controlled Insurance Program (OCIP) loss reserve | 6,058,740 | 6,239,213 |
| Total restricted net assets | $ 177,388,646 | $ 147,512,813 |

Unrestricted net assets as of June 30 include designations of net assets that represent tentative management plans that are subject to change, consisting of:

| | 2012 | 2011 |
|---|---|---|
| Operating contingency | $ 2,000,000 | $ 2,000,000 |
| Insurance contingency (Note 9) | 5,941,986 | 5,223,990 |
| Net pension asset | 7,204,455 | 7,760,767 |
| Capital projects and other commitments (Note 12) | 1,120,518 | 924,568 |
| | $ 16,266,959 | $ 15,909,325 |

**Revenue classifications:** Revenue is recognized when earned. The Airport Authority will classify revenues as operating or nonoperating based on the following criteria:

Operating revenues are from the revenue sources that constitute the principal ongoing activities of the Airport Authority's operations. The major components of the Airport Authority's operating revenue sources consist of landing fees and terminal building and ground rentals, concession and parking fees, and other miscellaneous fees and charges. Landing fees and terminal building rates are charged on the basis of recovery of actual costs for operating and maintaining the SDIA airfield and terminal areas. Ground rentals consist mainly of rent received for leased cargo facilities. Concession fees are determined as a percentage of gross monthly revenues generated by each concession lessee's monthly operations. Parking fees are generated from the airport parking lots.

Nonoperating revenues are from revenue sources related to financing activities and other activities, which do not constitute the principal ongoing activities of the Airport Authority's operations. The major components of the nonoperating revenue sources are interest income from cash and investments, certain legal settlement income, PFCs, CFCs and grant revenue related to the Quieter Home Program.



**Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

**Concentrations:** A significant portion of the Airport Authority's earnings and revenues are directly or indirectly attributed to the activity of a number of major airlines. The Airport Authority's earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations and should the Airport Authority be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of enplaned passengers. The major airlines are as follows:

| | FY2012 | FY2011 |
|---|---|---|
| Southwest Airlines | 37.9% | 38.8% |
| Delta Airlines | 10.9% | 10.9% |

**Expense classifications:** The Airport Authority will classify expenses as operating or nonoperating based on the following criteria:

Operating expenses relate to the principal ongoing activities of the Airport Authority's operations. The major components of the Airport Authority's operating expense sources consist of salaries and benefits, contractual services, space rental, utilities, maintenance, equipment and systems, materials and supplies, insurance, employee development and support, business development, and equipment rentals and repairs.

Nonoperating expenses relate to financing, investing and other activities that do not constitute the principal ongoing activities of the Airport Authority's operations. The major components of nonoperating expenses sources are expenditures for the Quieter Home program, interest expense and other nonoperating expenses such as unrealized loss on investments.

**Federal grants:** The Airport Authority recognizes nonoperating revenue or capital grant contributions and any related grant receivable when all federal eligibility requirements are met.

**Cash and cash equivalents:** For purposes of the statements of cash flows, cash and cash equivalents includes unrestricted and designated cash on hand, demand deposits, commercial paper and repurchase agreements collateralized by the U.S. government or agency obligations with original maturities of three months or less from the date of acquisition.

**Debt-related amortizations:** Initial-issue bond premiums and bond issuance costs are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest rate method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium or deferred amount on refunding. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums and deferred amounts on refunding are included in interest expense.

**Pronouncements issued, but not yet effective:** The GASB issued pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Airport Authority:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for the Airport Authority's fiscal year 2013.







**Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AIPCA Pronouncements*, effective for the Airport Authority's fiscal year 2013.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for the Airport Authority's fiscal year 2013.
- GASB Statement No. 66, *Technical Corrections—2012*, effective for the Airport Authority's fiscal year 2013.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the Airport Authority's fiscal year 2015.



**Note 2. Cash and Investments**

**Summary of cash and investments:** Cash and investments are reported in the accompanying balance sheets as follows at June 30:

| | 2012 | 201 f |
|---|---|---|
| Unrestricted and undesignated: | | |
| Cash and cash equivalents | $ 68,823,530 | $ 45,858,618 |
| Current investments | 34,284,994 | 43,680,088 |
| Noncurrent investments | 10,410,555 | t6,827,172 |
| Total unrestricted and undesignated | 113,519,079 | 106,365,878 |
| Designated for specific capital projects and other commitments, cash and cash equivalents | 9,062,504 | 8,148,558 |
| Restricted cash and investments | | |
| Bond reserves | | |
| Operation and maintenance reserve subaccount | 31,821,881 | 29,773,617 |
| Operation and maintenance subaccount | 10,607,294 | 9,924,539 |
| Renewal and replacement reserve | 5,400,000 | 5,400,000 |
| | 47,829,175 | 45,098,156 |
| Passenger facility charges unapplied | 74,369,877 | 54,819,295 |
| Customer facility charges unapplied | 30,863,159 | 20,974,319 |
| Small Business Development Bond Guarantee | 2,000,000 | 4,000,000 |
| Commercial paper reserve | 3,444 | 63,115 |
| Total restricted | 155,065,655 | 124,954,885 |
| Total cash and investments, not with Trustee | 277,647,238 | 239,469,321 |
| Investments held by Trustees: | | |
| Commercial paper interest | 12,906 | t2,855 |
| 2005 Series debt service account | 4,533,755 | 4,311,159 |
| 2005 Series Debt Service Reserve Fund | 5,394,063 | 5,394,063 |
| 2010 Series debt service account | 6,847,385 | 18,603,287 |
| 2010 Series Capitalized interest account | 10,899,880 | 20,904,276 |
| 2010 Series Construction Fund | 96,929,284 | 298,489,966 |
| 2010 Series Debt Service Reserve Fund | 51,513,183 | 51,200,114 |
| Total held by Trustee | 176,130,456 | 396,915,721 |
| Total cash and investments | $ 453,777,694 | $ 636,385,042 |







**Note 2. Cash and Investments (Continued)**

Components of cash and investments at June 30 are summarized below:

| | 2012 | 201 t |
|---|---|---|
| Unrestricted cash on deposit: | | |
| Cash on hand | $ 51,976 | $ 51,976 |
| Cash in banks | 26,107,812 | 14,259,815 |
| Total unrestricted cash on deposit | 26,159,788 | 14,3f1,791 |
| Unrestricted cash equivalents: | | |
| Money market accounts | 50,916,044 | 39,362,792 |
| Money market funds | 810,202 | 332,593 |
| Total unrestricted cash equivalents | 51,726,246 | 39,895,385 |
| Unrestricted and restricted investments: | | |
| Certificates of deposit | 16,999,083 | 15,888,440 |
| Local Agency Investment Fund | 47,305,946 | 47,131,845 |
| San Diego County Investment Pool | 48,315,026 | 48,991,312 |
| Commercial Paper | 25,899,199 | 3,490,340 |
| U.S. Treasury notes | 3,002,220 | 11,037,820 |
| U.S. agency securities | 58,239,730 | 58,922,388 |
| Total unrestricted and restricted investments | 199,761,204 | 185,462,145 |
| Total cash equivalents and investments not with Trustee | 251,487,450 | 225,157,530 |
| Investments held by Trustees: | | |
| Money market accounts | 20,590,022 | 20,295,258 |
| Money market funds | 22,008,575 | 18,604,431 |
| Guaranteed investment contract | 5,394,063 | 5,394,063 |
| Certificate of deposit | 20,308,632 | 20,119,036 |
| San Diego County Investment Pool | 107,829,164 | 219,593,285 |
| Local Agency Investment Fund | - | 99,791,287 |
| California Asset Management Program | - | 23,363 |
| U.S. agency securities | - | 15,094,998 |
| Total investments held by Trustee | 176,130,456 | 396,915,721 |
| Total cash equivalents and investments | 427,617,906 | 622,073,251 |
| Total cash, cash equivalents and investments | $ 453,777,694 | $ 636,385,042 |



**Note 2. Cash and Investments (Continued)**

**Investments authorized in accordance with California Government Code Section 53601 and under the provisions of the Airport Authority's investment policy:** The table below identifies the investment types that are authorized by the Airport Authority's investment policy and State Government Code. The table also identifies certain provisions of the Airport Authority's investment policy thet address interest rate risk, credit risk and concentration of credit risk. This table does not address investments of bond proceeds held by the bond Trustee thet are governed by provisions of debt agreements of the Airport Authority, In addition to the general provisions of the Airport Authority's investment policy and State Government Code.

| Authorized Investment Type | Maximum Meturity | Minimum Quality Requirements | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|---|
| U.S. Treasury obligations | 5 years | N/A | No limit | No limit |
| U.S. agency securities | 5 years | N/A | No limit | No limit |
| Bankers' acceptences | 180 days | AAA/Aaa | 40% | 10% |
| Commercial paper | 270 days | A-1; P-1; F-1 | 25% | 10% |
| Negotiable certificates of deposit | < 25 months | A | 30% | 10% |
| | 25-36 months | AA | 30% | 10% |
| Medium-term notes | < 25 months | A | 15% | 10% |
| | 25-36 months | AA | 15% | 10% |
| Repurchase agreements | 1 year | A | No limit | No limit |
| Local Agency investment Fund | N/A | N/A | No limit | $50 million |
| San Diego County Investment Pool | N/A | N/A | No limit | $50 million |
| Locel Government Investment Pool | N/A | N/A | No limit | $50 million |
| Money market mutual funds | N/A | AAA/Aaa | 20% | 10% |
| U.S. State and California agency indebtedness | 5 years | A | 20% | 5% |
| Placement service certificetes of deposits | 3 years | N/A | 30% | 10% |
| Bank deposits (DOA/CDs) | N/A | * | 20% | 10% |

* Financial institution must have at least an overall satisfactory rating under the Community Reinvestment Act for meeting the credit needs of California communities in its most recent evaluation. Collateralization required per California Government Code Section 53630 et seq.





**Note 2. Cash and Investments (Continued)**

**Investments authorized by debt agreements:** Investments held by the bond Trustee are governed by the provisions of the debt agreement, in addition to the general provisions of the California Government Code and the Airport Authority's investment policy. The table below identifies the investment types that are authorized for investments held by the bond Trustee, according to the Master Trust Indenture. In the event of a conflict between the Airport Authority's investment policy and permitted investments associated with any Airport Authority debt issuance, the debt agreement shall control. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity | Minimum Quality Requirements | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|---|
| U.S. Treasury obligations | No limit | N/A | No limit | No limit |
| U.S. agency securities | No limit | N/A | No limit | No limit |
| Bankers' acceptances | 360 days | AAA/Aae | No limit | No limit |
| Commercial paper | 270 days | A-1; P-1; F-1 | No limit | No limit |
| Repurchase agreements | No limit | N/A | No limit | No limit |
| Money market portfolio | No limit | Two highest ratings | No limit | No limit |
| Cash | No limit | N/A | No limit | No limit |
| Deposit accounts | No limit | N/A | No limit | No limit |
| Municipal bonds | No limit | Two highest ratings | No limit | No limit |
| Local Agency Investment Fund | No limit | N/A | No limit | No limit |
| Sen Diego County investment Pool | No limit | N/A | No limit | No limit |
| Certificates of deposit | No limit | Two highest ratings | No limit | No limit |
| Investment agreements | No limit | N/A | No limit | No limit |

The primary objective of the Airport Authority's investment policy is to invest public funds in a manner that will provide the highest security of the funds under management while meeting the daily cash flow demands of the Airport Authority. Assets of the Airport Authority thet are not bond proceeds, which are invested in securities as permitted in the bond indenture, are described in the preceding table. In addition, thera are various credit criteria as defined in the Airport Authority's investment policy as depicted in the previous section entitled "Investmants authorized in accordance with California Government Code Section 53601 and under the provisions of the Airport Authority's investment policy."

**Investments held by Trustee:** The Airport Authority has monies held by Trustees pledged for the security and payment of certain debt instruments as required by the debt egreements. The Series 2005 Bonds require the Airport Authority to maintain reserve accounts with a bond Trustee for security and the payment of the bonds. At June 30, 2012 and 2011, the investments held by the Trustee were $9,927,818 and $9,705,222, respectively, which included the July 1 payment. The subordinate Series 2010 Bonds require the Airport Authority meintain a reserve account and deposit all unused bond proceeds with the bond Trustee. At June 30, 2012 and 2011, the amount held by the Trustee was $166,189,732 and $387,197,644, respectively, which included the July 1 payment. The commercial paper notes (CP Notes) require the Airport Authority to maintain an interest reserve account with the note Trustee. The commercial paper interest held by the Trustee at June 30, 2012 and 2011 was $12,906 and $12,855, respectively.





**Note 2. Cash and Investments (Continued)**

**Disclosures related to interest rate risk:** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, investments with longer maturities have greater fair value sensitivity to changes in market interest rates. One of the ways the Airport Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities. These staggered maturities also provide consistent cash flow and fulfill liquidity needs for operations. The Airport Authority monitors interest rate risk inherent in its portfolio by measuring the segmented time distribution of its portfolio. The Airport Authority has no specific limitations with respect to this metric.

Information about the sensitivity of the fair values of the Airport Authority's investments (including investments held by bond Trustee) to market rate fluctuations is provided by the following table, which shows the distribution of the entity's investments by maturity as of June 30, 2012:

| Investment Type | Total | 12 Months or Less | 13 to 24 Months | 25 to 60 Months | More Than 60 Months |
|---|---|---|---|---|---|
| Investments subject to interest rate risk: | | | | | |
| LAIF | $ 47,305,946 | $ 47,305,946 | $ - | $ - | $ - |
| SDCIP | 156,144,190 | 156,144,190 | - | - | - |
| Money market funds | 22,818,777 | 22,818,777 | - | - | - |
| Commercial paper | 25,899,199 | 25,899,199 | - | - | - |
| U.S. Treasury notes | 3,002,220 | 3,002,220 | - | - | - |
| U.S. agency securities | 58,239,730 | - | 6,010,920 | 52,228,810 | - |
| Guaranteed investment contract | 5,394,063 | - | - | - | 5,394,063 |
| Total investments subject to interest rate risk | 318,804,125 | 255,170,332 | 6,010,920 | 52,228,810 | 5,394,063 |
| Investments not subject to interest rate risk: | | | | | |
| Money market accounts | 71,506,066 | | | | |
| Certificates of deposit | 37,307,715 | | | | |
| Total deposits not subject to interest rate risk | 108,813,781 | | | | |
| | $ 427,617,906 | | | | |

**Custodial credit risk (deposits):** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Airport Authority maintains deposits at several institutions in order to minimize custodial credit risk. These deposits are collateralized by various instruments such as U.S. government securities (guaranteed) or U.S. agency securities (government sponsored). California Government Code requires a minimum of 105 percent collateralization of these deposits, which are authorized by the Airport Authority's investment policy. Insurance through the Federal Deposit Insurance Corporation (FDIC) may be applicable to the first $250,000 of institutional deposit accounts, with any balance above this amount covered by the collateralization requirement.





**Note 2. Cash and Investments (Continued)**

**Custodial credit risk (investments):** Custodial credit risk for investments is the risk that the Airport Authority will not be able to recover the value of its investments in the event of a counterparty failure. The Airport Authority uses third-party banks' custody and safekeeping services for its registered investment securities. Securities are held in custody at third-party banks registered in the name of the Airport Authority and are segregated from securities owned by those institutions or held in custody by those institutions. Certificates of deposit held by the Airport Authority's third-party custodians are fully insured by the FDIC, as the individual amounts do not exceed the FDIC-insured limits, or collateralized in accordance with the California Government Code.

**Disclosures related to credit risk:** Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2012 for each investment type:

| Investment Type | Total | Unrated | AAA/Aaa | A-1+/P-1 |
|---|---|---|---|---|
| Investments subject to credit rate risk: | | | | |
| LAIF | $ 47,305,946 | $ 47,305,946 | $ - | $ - |
| SDCIP | 156,144,190 | - | 156,144,190 | - |
| Money market funds | 22,818,777 | - | 22,818,777 | - |
| Commercial paper | 25,899,199 | - | - | 25,899,199 |
| U.S. Treasury notes | 3,002,220 | - | 3,002,220 | - |
| U.S. agency securities | 58,239,730 | - | 58,239,730 | - |
| Guaranteed investment contract | 5,394,063 | - | 5,394,063 | - |
| Total investments subject to credit risk | 318,804,125 | 47,305,946 | 245,598,980 | 25,899,199 |
| Investments not subject to credit risk: | | | | |
| Money market accounts | 71,506,066 | | | |
| Certificates of deposit | 37,307,715 | | | |
| Total deposits not subject to credit risk | 108,813,781 | | | |
| | $ 427,617,906 | | | |

**Concentration of credit risk:** The investment policy of the Airport Authority contains no limitations on the amount that can be invested by any one issuer beyond that stated above. Concentration of credit risk does not apply to the Airport Authority's external investment pools, including the Local Agency Investment Fund (LAIF) and the San Diego County Investment Pool (SDCIP), and does not include investments in money market funds. Investments that represent 5 percent or more of the Airport Authority's investments as of June 30, 2012 are as follows:

| Issuer | Type | Fair Value | Percentage of Portfolio |
|---|---|---|---|
| Federal National Mortgage Assoc. | U.S. agency securities | $ 38,124,890 | 8.40% |





**Note 2. Cash and Investments (Continued)**

**Investment in state investment pools:** The Airport Authority is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Airport Authority's investment in this pool is reported in the accompanying financial statements at fair value based upon the Airport Authority's pro rata share of the amortized cost basis provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of each portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF.

**Investment in county investment pool:** The Airport Authority is a voluntary participant in SDCIP, which is regulated by California Government Code Section 16429 under the oversight of the County Treasurer of San Diego. The Airport Authority's investment in this pool is reported in the accompanying financial statements at fair value based upon the Airport Authority's pro rata share of the amortized cost basis provided by SDCIP for the entire SDCIP portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by SDCIP.

**Investment in California Asset Management Program Pool:** The Airport Authority is a voluntary participant in the California Asset Management Program Pool (CAMP or the Pool), which was established under provisions of the California Joint Exercise of Powers Act to provide California Public Agencies with comprehensive investment management services. The Airport Authority's investment in the Pool is reported in the accompanying financial statements at the net asset value per share as provided by CAMP.

CAMP is exempt from registration with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940, but operates in a manner consistent with SEC Rule 2a-7, "Money Market Funds," of that Act. Accordingly, the Pool meets the definition of a "2a-7 like pool" set forth in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. While the Pool itself is exempt from SEC registration, the Pool's investment advisor and administrator, PFM Asset Management LLC, is registered with the SEC as an investment advisor under the Investors Advisors Act of 1940. PFM Asset Management LLC has filed with the California Department of Corporations, as well as various other states, as an investment advisor under the state security laws. In addition, CAMP also meets the definition of "Municipal Fund Security" outlined by Municipal Rulemaking Board (MSRB) Rule 0-12; therefore, contacts with prospective investors relating to shares of the pool are conducted through PFM Asset Management LLC's wholly owned subsidiary, PFMAM, Inc., a broker/dealer that is registered with the SEC and MSRB, and is a member of the Financial Industry Regulatory Authority. CAMP files an income tax return annually with the Internal Revenue Service, though the net income of the Pool is generally exempt from federal income tax.

**Investment in certificates of deposit:** The Airport Authority has established a $2,000,000 line of credit with Union Bank, which is collateralized with a certificate of deposit. This line will be utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program. Both the Airport Authority and the sureties participate in the risk under this program. The objective of this program is to ensure that local small, disadvantaged, disabled veteran and other business enterprises have every opportunity to do business with the Airport Authority.







**Note 3. Notes Receivable**

As part of the transfer of airport operations, pursuant to the MOU, the District issued a $50,000,000 unsecured promissory note to the Airport Authority. Pursuant to an agreement with the District that commenced on January 1, 2006, the note will be amortized over 25 years and will mature on December 31, 2030, subordinate to all bond indebtedness of the District, at a fixed interest rate of 5.5 percent per annum. At June 30, 2012 and 2011, the balance of the note receivable was $42,703,301 and $43,993,521, respectively. The current portion recorded on the note for the years ended June 30, 2012 and 2011 was $1,369,637 and $1,290,520, respectively.

As part of the transfer of airport operations, pursuant to the Act, the District reimbursed the Airport Authority for the fair market value of the Pond 20 property. The District is required to pay the Airport Authority monthly principal and interest payments over a 10-year period at a 5.25 percent interest rate. A receivable for the Pond 20 property was recorded by the Airport Authority at January 1, 2003 at the District's preliminary appraised value of $2,378,000. Pursuant to the settlement agreement with the District, the negotiated appraised value was $3,329,000. Repayment terms remain unchanged. At June 30, 2012 and 2011, the note receivable was recorded at a value of $211,060 and $616,954, respectively. The current portion for the years ended June 30, 2012 and 2011 was $211,060 and $405,893, respectively.

The required principal payments owed from the District for notes receivable for the fiscal years ending June 30 are as follows:

| Years Ending June 30, | Amount |
|---|---|
| 2013 | $ 1,581,000 |
| 2014 | 1,447,000 |
| 2015 | 1,529,000 |
| 2016 | 1,609,000 |
| 2017 | 1,705,000 |
| 2018-2022 | 10,079,000 |
| 2023-2027 | 13,262,000 |
| 2028-2031 | 11,702,000 |
| | $ 42,914,000 |





## Note 4. Capital Assets

Capital asset activity was as follows:

| | Balance at June 30, 2011 | Increases | Decreases | Balance at June 30, 2012 |
|---|---|---|---|---|
| **Nondepreciable assets:** | | | | |
| Land | $ 22,432,655 | $ - | $ (16,804) | $ 22,415,851 |
| Construction in progress | 322,289,133 | 319,839,003 | (9,737,268) | 632,390,868 |
| Intangible asset | 440,000 | - | - | 440,000 |
| Total nondepreciable assets | 345,161,788 | 319,839,003 | (9,754,072) | 655,246,719 |
| **Depreciable assets:** | | | | |
| Land improvements | 2,028,465 | 42,733 | - | 2,071,198 |
| Buildings and structures | 466,463,764 | 1,623,967 | (4,352,618) | 463,735,113 |
| Machinery and equipment | 46,246,697 | 1,846,081 | (415,975) | 47,676,803 |
| Runways, roads and parking lots | 273,449,104 | 6,757,894 | (10,671,567) | 269,535,431 |
| Total capital assets being depreciated | 788,188,030 | 10,270,675 | (15,440,160) | 783,018,545 |
| **Less accumulated depreciation for:** | | | | |
| Land improvements | (1,048,848) | (141,541) | - | (1,190,389) |
| Building and structures | (298,025,116) | (26,627,255) | 4,352,618 | (320,299,753) |
| Machinery and equipment | (31,167,302) | (4,584,238) | 407,279 | (35,344,261) |
| Runways, roads and parking lots | (177,667,532) | (14,256,482) | 6,970,021 | (184,953,993) |
| Total accumulated depreciation | (507,928,798) | (45,589,516) | 11,729,918 | (541,788,396) |
| Total capital assets being depreciated, net | 280,259,232 | (35,318,841) | (3,710,242) | 241,230,149 |
| Capital assets, net | $ 625,421,020 | $ 284,520,162 | $ (13,464,314) | $ 896,476,868 |

Construction in progress contains projects such as The Green Build, upgrading certain major equipment, and improvements to the runway, parking lots and terminals. Current contracts with the Airport Authority related to these projects are discussed in Note 12.



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## Note 4. Capital Assets (Continued)

| | Balance at June 30, 2010 | Increases | Decreases | Balance at June 30, 2011 |
|---|---|---|---|---|
| **Nondepreciable assets:** | | | | |
| Land | $ 22,432,655 | $ - | $ - | $ 22,432,655 |
| Construction in progress | 183,013,695 | 190,737,326 | (51,461,888) | 322,289,133 |
| Intangible asset | 440,000 | - | - | 440,000 |
| Total nondepreciable assets | 205,886,350 | 190,737,326 | (51,461,888) | 345,161,788 |
| **Depreciable assets:** | | | | |
| Land improvements | 1,001,553 | 1,026,912 | - | 2,028,465 |
| Buildings and structures | 462,867,893 | 4,399,285 | (803,414) | 466,463,764 |
| Machinery and equipment | 45,211,831 | 1,421,090 | (386,224) | 46,246,697 |
| Runways, roads and parking lots | 227,870,261 | 45,700,477 | (121,634) | 273,449,104 |
| Total capital assets being depreciated | 736,951,538 | 52,547,764 | (1,311,272) | 788,188,030 |
| **Less accumulated depreciation for:** | | | | |
| Land improvements | (1,001,553) | (47,295) | - | (1,048,848) |
| Building and structures | (270,556,272) | (28,272,258) | 803,414 | (298,025,116) |
| Machinery and equipment | (25,754,980) | (5,715,483) | 286,161 | (31,167,302) |
| Runaways, roads and parking lots | (161,807,660) | (15,981,506) | 121,634 | (177,667,532) |
| Total accumulated depreciation | (459,120,465) | (50,016,542) | 1,211,209 | (507,928,798) |
| Total capital assets being depreciated, net | 277,831,073 | 2,531,222 | (100,063) | 280,259,232 |
| Capital assets, net | $ 483,717,423 | $ 193,268,548 | $ (51,561,951) | $ 625,421,020 |

FINANCIAL SECTION

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY



**Note 5. Debt**

The following is a summary of changes in the long-term liability activity:

| | Principal Balance at June 30, 2011 | Additions/ New Issuances | Reductions/ Repayments | Principal Balance at June 30, 2012 | Due Within One Year |
|---|---|---|---|---|---|
| Debt obligations: | | | | | |
| Commercial paper | $ 21,509,000 | $ - | $ (780,000) | $ 20,729,000 | $ 805,000 |
| Bonds payable: | | | | | |
| Series 2005 Bonds | 41,225,000 | - | (3,265,000) | 37,960,000 | 3,430,000 |
| Series 2010 Bonds | 572,565,000 | - | (715,000) | 571,850,000 | 980,000 |
| Bond premiums | 27,130,314 | - | (1,632,346) | 25,497,968 | - |
| Deferred amounts on refunding | (2,086,858) | - | 231,873 | (1,854,985) | - |
| Total bonds payable | 638,833,456 | - | (5,380,473) | 633,452,983 | 4,410,000 |
| Total debt obligations | 660,342,456 | - | (6,160,473) | 654,181,983 | 5,215,000 |
| Compensated absences | 2,673,438 | 2,457,252 | (2,197,705) | 2,932,985 | 2,197,705 |
| Total long-term liabilities | $ 663,015,894 | $ 2,457,252 | $ (8,358,178) | $ 657,114,968 | $ 7,412,705 |

| | Principal Balance at June 30, 2010 | Additions/ New Issuances | Reductions/ Repayments | Principal Balance at June 30, 2011 | Due Within Ona Yaar |
|---|---|---|---|---|---|
| Debt obligations: | | | | | |
| Commercial paper | $ 164,430,000 | $ - | $ (142,921,000) | $ 21,509,000 | $ 780,000 |
| Bonds payable: | | | | | |
| Series 2005 Bonds | 44,330,000 | - | (3,105,000) | 41,225,000 | 3,265,000 |
| Series 2010 Bonds | - | 572,565,000 | - | 572,565,000 | 715,000 |
| Bond premiums | 2,272,704 | 26,154,344 | (1,296,734) | 27,130,314 | - |
| Deferred amounts on refunding | (2,318,731) | - | 231,873 | (2,086,858) | - |
| Total bonds payable | 44,283,973 | 598,719,344 | (4,169,861) | 638,833,456 | 3,980,000 |
| Total debt obligations | 208,713,973 | 598,719,344 | (147,090,861) | 660,342,456 | 4,760,000 |
| Compensated absences | 2,531,602 | 2,330,591 | (2,188,755) | 2,673,438 | 2,188,755 |
| Total long-term liabilities | $ 211,245,575 | $ 601,049,935 | $ (149,279,616) | $ 663,015,894 | $ 8,948,755 |



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**Note 5. Debt (Continued)**

**Commercial paper Series A, B and C:** On September 6, 2007, the Board authorized issuance of subordinate CP Notes with up to $250,000,000 of principal outstanding at any time. The CP Notes may be issued from time to time and proceeds from the issuance of the CP Notes are to be used, among other things, to finance improvements to SDIA. Subordinate obligations issued or incurred under the program are secured by a pledge of airport revenues, subordinated to the pledge of net airport revenues securing payment of the senior lien Series 2005 Bonds with parity to the subordinate Series 2010 Bonds revenue. Each CP Note matures at the end of a period not to exceed 270 days. Each issuance can be rolled into another issuance. The CP Notes are also secured by an irrevocable letter of credit provided by Lloyds TSB Bank that expires no later than September 10, 2014. Accordingly, the CP Notes are classified as long-term liabilities in the Airport Authority's financial statements.

On October 6, 2010 and October 13, 2010, the Airport Authority refinanced $115,776,000 and $26,400,000, respectively, of Series A, B and C commercial paper with proceeds from the sale of subordinated Series 2010 Bonds.

At June 30, 2012, the principal amount outstanding of the CP Notes was $20,729,000, carrying an interest rate of 0.26 percent.

At June 30, 2011, the principal amount of CP Notes outstanding was $21,509,000, carrying an interest rate of 0.25 percent.

Commercial paper interest expense for the years ended June 30, 2012 and 2011 amounted to $56,199 and $108,732, respectively, including accrued interest of $3,447 and $63,115, respectively.

As subordinate obligations, the CP Notes require that the charges for services be set each year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the CP Notes require the Airport Authority to maintain an interest reserve account with the note Trustee and to reserve a certain amount in the Airport Authority's books. At June 30, 2012 and 2011, the amount held by the Trustee was $12,906 and $12,855, respectively, and the amount reserved by the Airport Authority was $3,447 and $63,115, respectively.

The required debt service payments for the CP Notes, assuming an interest rate of 0.26 percent, for the fiscal years ending June 30 are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2013 | $ 805,000 | $ 51,802 | $ 856,802 |
| 2014 | 960,000 | 49,306 | 1,009,306 |
| 2015 | 18,964,000 | 9,726 | 18,973,726 |
| | $ 20,729,000 | $ 110,834 | $ 20,839,834 |



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

FINANCIAL SECTION



**Note 5. Debt (Continued)**

**Senior lien Series 2005 Airport Revenue Bonds:** On November 9, 2005, the Airport Authority issued $56,270,000 of senior lien Series 2005 Bonds to refund all of the then-outstanding Series 1995 Bonds, fund a debt service reserve account and pay cost of issuance. The Series 2005 Bonds were structured as serial bonds that bear interest at rates ranging from 4.5 percent to 5.25 percent and mature in fiscal years 2007 to 2021. Interest on the bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the years ended June 30, 2012 and 2011 amounted to $1,925,975 and $2,089,225, respectively, including accrued interest of $962,988 and $1,044,613, respectively. The principal balance on the Series 2005 Bonds as of June 30, 2012 and 2011 was $37,960,000 and $41,225,000, respectively.

The Series 2005 Bonds are payable solely from and secured by pledged revenues. Pledged revenues are generally defined as all revenues and other cash receipts of the Airport Authority's airport operations, reduced by operation and maintenance expenses. Pledged revenues do not include cash received from CFC, PFCs or federal grants.

As senior lien bonds, the Series 2005 Bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 125 percent times the senior debt service for that year. In addition, the Series 2005 Bonds require the Airport Authority to maintain a reserve account with the bond trustee and to reserve certain amounts in the Airport Authority's books, as shown in Note 2. At the fiscal years ended June 30, 2012 and 2011, the amount held by the trustee was $5,394,063 and $5,394,063, respectively. An additional amount of $4,392,988 and $4,309,613 was held at June 30, 2012 and 2011, respectively, for the July 1 payments. As disclosed in Note 2, the amounts reserved for (1) operations and maintenance, (2) the operations and maintenance subaccount and (3) revenue and replacement totaled $47,829,175 and $45,098,156 for fiscal years 2012 and 2011, respectively. The public ratings of the Series 2005 Bonds as of June 30, 2012 and 2011 were A+/A1/A+ by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively.

The required debt service payments for the Series 2005 Bonds for the fiscal years ending June 30 are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2013 | $ 3,430,000 | $ 1,840,225 | $ 5,270,225 |
| 2014 | 3,610,000 | 1,664,225 | 5,274,225 |
| 2015 | 3,790,000 | 1,479,225 | 5,269,225 |
| 2016 | 3,985,000 | 1,299,794 | 5,284,794 |
| 2017 | 4,160,000 | 1,105,913 | 5,265,913 |
| 2018-2021 | 18,985,000 | 2,058,656 | 21,043,656 |
| | $ 37,960,000 | $ 9,448,038 | $ 47,408,038 |

A cumulative rebate liability relating to arbitrage of the Series 2005 Bonds was recorded for $94,796 and $46,417 as of the fiscal years ended June 30, 2012 and 2011, respectively. Ninety percent of the cumulative rebate liability is due to the United States no later than 60 days after July 1, 2015. Additionally, should the bonds be retired prior to July 1, 2012, 100 percent of the accumulated rebate liability will be due and payable within 60 days of the retirement date.







**Note 5. Debt (Continued)**

**Subordinate lien Series 2010 Bonds:** On October 5, 2010, the Airport Authority issued $572,565,000 of Series A, B and C subordinate airport revenue bonds. The subordinate Series 2010 Bonds were issued to finance certain capital improvements at SDIA, fund a portion of the interest accruing on the subordinate Series 2010 Bonds through and including January 1, 2013, refund $142,176,000 of the Airport Authority's outstanding CP Notes, fund the subordinate reserve fund and pay the costs of issuance of the subordinate Series 2010 Bonds.

The Series A and Series B bonds were structured as serial and term bonds that bear interest at rates ranging from 2.00 percent to 5.00 percent and mature in fiscal years 2012 to 2041. The Series C bonds were issued as taxable Build America Bonds, which benefit from periodic cash subsidy payments from the U.S. Treasury equal to 35 percent of interest payable. The Build America Bonds interest subsidy for the fiscal years ended June 30, 2012 and 2011 was $4,995,921 and $3,691,431, respectively. The interest rate on the Series C bonds, net of the subsidy, is 4.31 percent and the bonds mature in fiscal year 2041. The bonds were issued at a premium of $26,154,344, which is being amortized over the life of the bonds. Interest on the subordinate Series 2010 Bonds is payable semiannually on January 1 and July 1 of each year. Interest expense for the fiscal years ended June 30, 2012 and 2011 amounted to $31,755,098 and $23,474,055, respectively, including accrued interest of $15,877,549 and $15,884,699, respectively. The principal balance on the subordinate Series 2010 Bonds as of June 30, 2012 and 2011 was $571,850,000 and $572,565,000, respectively.

The subordinate Series 2010 Bonds are special obligations of the Airport Authority, payable solely from and secured by (a) a pledge of subordinate net revenues, which include certain income and revenue received by the Airport Authority from the operation of the airport system, less all amounts that are required to pay the operation and maintenance expenses of the airport system and all amounts necessary to pay debt service on and fund the reserves for the senior bonds; and (b) certain funds and accounts held by the subordinate Trustee under the subordinate indenture. The subordinate Series 2010 Bonds were issued with a pledge of and lien on subordinate net revenues on parity with the Airport Authority's subordinate CP Notes. In addition, the Airport Authority has irrevocably committed a portion of the PFCs it has received and expects to receive through 2016. The amounts of irrevocably committed PFCs are $14,703,838, $19,208,838, $19,206,113 and $19,209,388 for fiscal years 2013, 2014, 2015 and 2016, respectively.

As subordinate lien bonds, the Series 2010 bonds require that charges for services be set each fiscal year at rates sufficient to produce pledged revenues at least 110 percent times the subordinate debt service for that year. In addition, the subordinate Series 2010 Bonds require the Airport Authority to maintain a reserve account with the bond Trustee. For the years ended June 30, 2012 and 2011, the amount held by the Trustee was $166,189,732 and $387,197,643, respectively, which included the July 1 payment, unspent project fund proceeds, the debt service reserve fund and a capitalized interest fund.

The public ratings of the Series 2010 Bonds as of June 30, 2012 and 2011 are A/A2/A by Standard & Poor's, Moody's Investors Service and Fitch Ratings, respectively.





**Note 5. Debt (Continued)**

The required debt service payments for the subordinate Series 2010 Bonds for the fiscal years ending June 30 are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2013 | $ 980,000 | $ 31,745,298 | $ 32,725,298 |
| 2014 | 1,000,000 | 31,720,498 | 32,720,498 |
| 2015 | 5,785,000 | 31,594,948 | 37,379,948 |
| 2016 | 8,665,000 | 31,318,098 | 39,983,098 |
| 2017 | 9,000,000 | 30,934,023 | 39,934,023 |
| 2018-2022 | 51,965,000 | 147,508,779 | 199,473,779 |
| 2023-2027 | 66,060,000 | 133,041,898 | 199,101,898 |
| 2028-2032 | 94,955,000 | 114,089,164 | 209,044,164 |
| 2033-2037 | 168,560,000 | 76,049,488 | 244,609,488 |
| 2038-2041 | 164,880,000 | 20,516,435 | 185,396,435 |
| | $ 571,850,000 | $ 648,518,630 | $ 1,220,368,630 |

**Compensated absences:** Employee vacation that vests is recorded when earned. Accumulated sick leave is not accrued because employee rights to receive compensation for the unused portion terminate upon severance of employment.

**Line of credit:** In 2009 the Airport Authority established a $4,000,000 line of credit with Union Bank, which is collateralized with a certificate of deposit. This line is utilized to issue letters of credit to surety companies who are partnering with the Airport Authority to provide bonding assistance to contractors accepted into the bonding assistance program at the Airport Authority. On February 27, 2012, the Union Bank line of credit was reduced to $2,000,000 at the Airport Authority's request. As of June 30, 2012, nothing had been drawn on the line of credit and five issued letters of credit were outstanding, totaling $1,144,301 for projects in progress. One of the letters of credit expired on July 30, 2012, another is due to expire on December 26, 2012, and the remaining three will expire on February 27, 2013.

**Note 6. Defined-Benefit Plan**

**Plan description:** The Airport Authority's defined-benefit pension plan is separately administered by the City of San Diego's City Employees' Retirement System (CERS). The San Diego County Regional Airport Authority Retirement Plan and Trust provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. CERS is an agent 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 Airport Authority, administered by the Retirement Board of Administration (the CERS Board). San Diego City Charter Section 144 and San Diego Municipal Code Sections 24.0100 et seq. assign the authority to establish and amend the benefit provisions of the plans that participate in CERS to the CERS Board. The Airport Authority contributes to the Federal Social Security Program. The CERS Board issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The financial report may be obtained by writing to the San Diego City Employees' Retirement System, 401 B Street, Suite 400, San Diego, California 92101.



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**Note 6. Defined-Benefit Plan (Continued)**

**Funding policy:** The City of San Diego Municipal Code requires member contributions to be actuarially determined to provide a specific level of benefit. Member contribution rates, as a percentage of salary, vary according to age at entry, benefit tier level and certain negotiated contracts, which provide for the Airport Authority to pay a portion of the employees' contributions. The Airport Authority contribution rate, as determined through actuarial valuation, was 14.54 percent for 2012, 16.60 percent for 2011 and 12.08 percent for 2010, and is expressed as a percentage of covered payroll.

**Annual pension cost:** For the years ended June 30, 2012, 2011 and 2010, the annual pension cost included in salaries and benefits was $4,356,000, $5,036,000 and $3,736,000, respectively, for the CERS pension. Comparing 2011 to 2010, total membership increased by 2.7 percent. The increase was attributable to both the growth in inactive membership, terminated vested, disabled, retirees and beneficiaries. The active membership declined by 0.9 percent. Active member payroll decreased by 1.7 percent, which is well below the assumed payroll inflation of 4 percent. The actuarial liability increased by 9.9 percent, but the actuarial value of assets increased by 17.6 percent. The funding ratio increased from 96 percent as of June 30, 2010 to 102.7 percent as of June 30, 2011. CERS employs a commonly used actuarial smoothing method on the market value that dampens market volatility, so the actuarial value of assets did not increase as much as the market value (34.1 percent).

As of the June 30, 2011 actuarial valuation, significant actuarial assumptions are as follows:

- The rates of retirement were decreased and changed to be based on age and service as opposed to just the service of a member.
- The percent married assumption was increased to 55 percent for females, and the assumed age difference between husbands and wives was reduced to three years.
- The reciprocity assumption was reduced from 20 percent to 10 percent.
- Rates of termination were increased and changed to be based on service as opposed to the age of a member.
- Disability rates were decreased.
- Mortality rates for active Airport Authority members were decreased.
- Mortality rates for retired Airport Authority members were increased.
- The investment return assumption was lowered from 7.75 percent to 7.5 percent.
- The inflation assumption was lowered from 4.00 percent to 3.75 percent (following a two-year freeze assumption).
- Cost of living adjustment is assumed to be 2 percent.
- Actuarial funding method is entry age normal.
- Amortization method is level percent closed.
- Asset valuation method is expected value method.






**Note 6. Defined-Benefit Plan (Continued)**

- Remaining amortization period is 8.196 years. This includes 10 years for the outstanding balance of the 2007 unfunded actuarial liability (UAL), 15 years for experience gains and losses, 30 years for changes in methods and assumptions, and 20 years for benefit changes.

- The rate of employer contributions to CERS is composed of the normal cost and an amortization of the UAL. The normal cost is a level percent of payroll cost which, along with the member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the funds accumulated as of the same date is the UAL.

On September 16, 2004, the Airport Authority made a contribution payment in the amount of $3,900,000, in addition to the ARC, to reflect a desired funded ratio of 90 percent. On June 21, 2005, the Airport Authority made an additional contribution of $1,000,000. During the year ended June 30, 2006, the Airport Authority made an additional contribution of $513,627. On June 30, 2010, the Airport Authority made a contribution of $4,600,000 to increase the funded rate reported in the January 2010 CERS 2009 actuarial calculation from 86.9 percent to the desired funded ratio of 90 percent. At June 30, 2012, 2011 and 2010, the total contribution of $10,013,627, less amortization of $2,809,172, $2,252,860 and $1,696,547, respectively, is recorded as a net pension asset of $7,204,455, $7,760,767 and $8,317,080, respectively. The contributions are being amortized over an 18-year period.

The Airport Authority's contribution for fiscal year 2013 measured as a percentage of membership payroll decreased from 14.54 percent to 10.91 percent. The required beginning-of-year contribution paid July 1, 2012 decreased by $1,200,000.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented below provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for the benefits.



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**Note 6. Defined-Benefit Plan (Continued)**

Schedule of funding progress for CERS is as follows (dollars in thousands):

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded AAL/Asset UAAL/(Asset) | Funded Ratio | Annual Covered Payroll | UAAL/(Asset) as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 6/30/09 | $58,981 | $ 67,871 | $ 8,890 | 86.9% | $24,693 | 36.0% |
| 6/30/10 | 73,401 | 76,447 | 3,047 | 96.0% | 25,596 | 11.9% |
| 6/30/11 | 86,309 | 84,042 | (2,267) | 102.7% | 25,148 | (11.1%) |

Three-year trend information is as follows (dollars in thousands):

| Fiscal Year Ended | Annual Pension Cost (APC) | Airport Cost Funded | % of APC Contributed | ARC | Net Pension Asset (NPA) Balance | Increase (Decrease) NPA | Amortization of NPA | Interest on the NPA at 7.75% |
|---|---|---|---|---|---|---|---|---|
| 6/30/10 | $ 3,736 | $ 3,000 | 80% | $ 3,000 | $ 8,317 | $ (556) | $ 556 | $ 736 |
| 6/30/11 | 5,036 | 4,300 | 85% | 4,300 | 7,761 | (556) | 556 | 736 |
| 6/30/12 | 4,356 | 3,800 | 87% | 3,800 | 7,204 | (556) | 556 | 736 |

**Note 7. Employees' Deferred Compensation Plan**

The Airport Authority offers its employees a deferred compensation plan, which was created in accordance with Internal Revenue Code (IRC) Section 457. The plan, which is available to all full-time Airport Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, total disability, death or unforeseeable emergency.

The plan is administered by the Airport Authority and contracted to an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are held in trust for employees.

As such, employee assets to be held in the IRC Section 457 plans are not the property of the Airport Authority and are not subject to the claims of the Airport Authority's general creditors. In accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—a rescission of GASB Statement No. 2 and an amendment of GASB Statement No. 31*, employee assets are not reflected in the Airport Authority's financial statements.



**Note 8. Other Postemployment Benefits**

In addition to pension benefits as described in Notes 6 and 7, the Airport Authority provides other postemployment benefits (OPEB).

The Airport Authority provides medical, dental and $10,000 life insurance postretirement benefits for nonunion employees hired prior to May 1, 2006 and union employees hired prior to October 1, 2008. The employees are eligible for these benefits if they retire from active employment after age 55 with 20 years of service or age 62 with five years of service.

**Plan description:** As of May 8, 2009, the Board approved entering into an agreement with the California Employer's Retiree Benefit Trust (CERBT) fund. The CERBT fund is e cost-sharing irrevocable Section 115 trust. This is managed by Califomie Public Employees Retirement System (CalPERS). CalPERS administers pension and health benefits for approximately 1.5 million California public employees, retirees and their families. CalPERS was founded in 1932 end is the largest public pension fund in the United Stetes, maneging more then $250 billion in assets for more then 2,500 California employers. In 1988 and 2007, enabling statutes and regulations were enacted that permitted CalPERS to form the CERBT fund, a Section 115 trust, for the purpose of receiving employer contributions that will prefund health and OPEB costs for retirees end their beneficiaries. Financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**Funding policy:** CERBT requires a valuation of the liabilities and annual costs for benefits by an approved actuarial consulting firm. It is the Airport Authority's intent to budget and prefund the ARCs. As of May 9, 2009, the agreement with CERBT was approved.

**Annual OPEB cost and actuarial methods and assumptions:** The July 1, 2011 actuarial valuation for the ARC, net of the employer contribution, was $2,165,000 for fiscal year 2012 and $1,791,000 for fiscal year 2011. The ARC was determined as part of an actuarial evaluation using the entry-age-actuarial-cost method, with unfunded liabilities amortized over 30 years, which is the method utilized by CERBT. The actuarial assumptions used by CERBT include (a) e 7.61 percent investment rate of return (7.75 percent was used in the prior valuations), net of administrative expenses, end (b) projected salary increases of 3.25 percent. The inflation component ranged from 11 percent to 5 percent from one to seven years for medical and 7 percent to 5 percent for dental.

The entry-age-normal method spreads plan costs for each participant from entry date to the expected retirement date. Under the entry-age-normal cost method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The AAL is the cumulative value, on the valuation date, of prior service costs. For retirees, the AAL is the present value of all projected benefits.

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true plan costs.





**Note 8. Other Postemployment Benefits (Continued)**

Development of net OPEB obligation (NOO)/(Asset) and annual OPEB cost is as follows (dollars in thousends):

| Actuarial Valuation Date | Fiscal Year | ARCs | Employer Contribution | NOO (Asset) End of Year | Interest on NOO (Asset) | Adjustment to the ARC | Annual OPEB Cost | Interest Rate | Salary Scale | Amortization Factor |
|---|---|---|---|---|---|---|---|---|---|---|
| 7/1/2009 | 09/10 | $ 1,733 | $ 1,825 | $ (150) | $ (4) | $ (4) | $ 1,733 | 7.75% | 3.25% | 16.0 |
| 7/1/2010 | 10/11 | 1,791 | 1,699 | (60) | (12) | (10) | 1,789 | 7.61% | 3.25% | 15.7 |
| 7/1/2011 | 11/12 | 2,165 | 2,165 | (61) | (5) | 4 | 2,164 | 7.61% | 3.25% | 15.7 |

Schedule of funding progress (dollars in thousands):

| Type of Valuation | Actuarial Valuation Date | Actuarial Value of Assets | AAL | UAAL | Funded Ratio | Covered Payroll | UAAL as a Percent of Covered Payroll | Interest Rate | Salary Scale |
|---|---|---|---|---|---|---|---|---|---|
| Actuarial | 7/1/09 | $ 2,674 | $ 12,206 | $ 9,532 | 21.9% | $ 19,514 | 48.8% | 7.75% | 3.25% |
| Actuarial | 7/1/10 | 4,474 | 14,149 | 9,675 | 31.6% | 20,148 | 48.0% | 7.75% | 3.25% |
| Actuarial | 7/1/11 | 7,604 | 22,197 | 14,593 | 34.3% | 16,726 | 77.9% | 7.61% | 3.25% |

Schedule of employer contributions is es follows (dollars in thousends):

| Fiscal Year Ended | Annual OPEB Costs | Employer Contribution | Percentage Contribution | NOO (Asset) |
|---|---|---|---|---|
| 6/30/10 | $ 1,733 | $ 1,825 | 105.3% | $ (150) |
| 6/30/11 | 1,789 | 1,699 | 95.0% | (60) |
| 6/30/12 | 2,164 | 1,964 | 90.8% | - |

**Note 9. Risk Management**

The Airport Authority has developed a comprehensive Risk Management Program, which includes risk transfer, loss prevention, loss control and claims administration. The Airport Authority's insurance coverage includes property casualty, various liability policies, workers' compensation, and course of construction. The Airport Authority maintains $500 million in limits for owners' and operators' general liability insurance with e War, Hijacking and Other Perils endorsement in the amount of $150 million. The war endorsement may be terminated at any time by the underwriters and terminates automatically upon the outbreak of war (whether there has been a declaration of war or not) between any two or more of the following: France, the People's Republic of China, the Russian Federation, the United Kingdom or the United States, and certain provisions of the endorsement are terminated upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter. The Airport Authority's coverage includes e variety of retentions or deductibles.





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**Note 9. Risk Management (Continued)**

The cost of earthquake coverage remains exorbitant and is not available in significant amounts. The Federal Emergency Management Agency (FEMA) and the California Disaster Assistance Act (CDDA) are designed to assist public entities such as the Airport Authority in the event of a catastrophe. FEMA will pay up to 75 percent of a loss and CDDA will pay a minimum of 25 percent of the balance for nationally declared disasters. In addition, the California legislature has paid any remaining loss costs for all declared disasters since 1989. In the past, the Airport Authority relied on these laws to pay loss costs beneath the attachment point for insurance coverage and above the coverage limit purchased. Effective July 1, 2007, based on the status of these laws and the condition of the insurance marketplace, the Airport Authority removed the purchase of commercial earthquake insurance from the Risk Management Program and increased reliance on the laws designed to assist public entities. As of June 30, 2012 and 2011, the Airport Authority designated $5,941,986 and $5,223,990 of unrestricted net assets, respectively, for insurance contingency. This designation of unrestricted net assets is intended to increase as deemed by management.

A $2,000,000 contingency reserve has been established, within unrestricted net assets, by the Airport Authority's management to respond to uninsured and underinsured catastrophic losses. This fund is maintained pursuant to Board action only; there is no requirement that it be maintained.

The Airport Authority maintains a property insurance policy with limits of $500 million, providing all risk and flood coverage on physical assets. During fiscal year 2012, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements have not exceeded insurance coverage.

The Airport Authority has an active loss prevention program, staffed by a full-time risk manager, a risk analyst, a safety manager and a safety analyst. In addition, insurer property and casualty loss control engineers conduct safety surveys on a periodic basis. Employees receive regular safety training and claims are monitored using a Web-based claims information system.

**Note 10. Lease Revenues**

The Airport Authority leases approximately 54 percent of its building and structures capital assets, such as loading bridges and building space, to signatory airlines and other tenants under operating leases. A majority of the lease payments are determined each year based upon actual costs of the airport. Such costs are allocated pro rata to each tenant based upon factors such as landed weights, enplanements, square footage, acres, etc. A majority of the Airport Authority's lease commitments are on a month-to-month basis and accordingly are not reflected in the schedule below.



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**Note 10. Lease Revenues (Continued)**

The minimum future lease payments to be received under the above operating lease agreements as of June 30 are as follows:

| Years Ending June 30, | | Amount |
|---|---|---|
| 2013 | $ | 7,396,982 |
| 2014 | | 5,552,412 |
| 2015 | | 4,485,090 |
| 2016 | | 2,640,169 |
| 2017 | | 2,000,000 |
| 2018-2020 | | 2,000,000 |
| | $ | 24,074,653 |

The Airport Authority entered into a five-year lease agreement on January 9, 2009 with the San Diego World Trade Center (World Trade Center) for office space, with a fair market value of $440,000. In lieu of rental payments, the Airport Authority received a 40 percent ownership of the World Trade Center license, which has a fair market value of $440,000. The license, an intangible asset with no expiration date, is included in nondepreciable assets in Note 4. As of June 30, 2012 and 2011, the Airport Authority recognized lease revenue of $86,996 for each year under the World Trade Center lease.

**Note 11. Lease Commitments**

**Capital Leases:**

**Office equipment leases:** The Airport Authority entered into capital lease agreements for office equipment that require monthly lease payments of $14,806.

The following is a schedule of future lease payments applicable to $760,332 net book value of assets capitalized under lease agreements, and the net present value of the future lease payments as of June 30, 2012:

| Years Ending June 30, | | Amount |
|---|---|---|
| 2013 | $ | 177,671 |
| 2014 | | 177,671 |
| 2015 | | 25,131 |
| Total lease payments | | 380,473 |
| Less amount representing interest | | (18,833) |
| Present value of future lease payments | $ | 361,640 |





**Note 11. Lease Commitments (Continued)**

**Operating Leases:**

**General Dynamics lease:** The Airport Authority is required, by legislation mandating the transfer of airport operations from the District, to lease from the District 89.75 acres of the former General Dynamics property on Pacific Highway adjacent to SDIA for 66 years commencing January 1, 2003. The lease agreement calls for predetermined rents through December 31, 2005, with future rents based upon a market rate established in late 2005 by an appraisal (or arbitration). The amended lease agreement calls for rent payments of $6,750,000 annually through December 31, 2068. The Airport Authority received a credit for $375,000 in reduced rent based on a previous lease agreement for the property in September 2006. The changes in terms for this lease were approved by the Airport Authority's Board on July 25, 2006. A portion of the land is leased to the District in the amount of $186,360 annually through December 31, 2068 for employee parking for District administration building employees, and is leased back by the District at the same fair market value rent paid by the Airport Authority.

**SDIA lease:** The Airport Authority is leasing from the District 480 acres of land on North Harbor Drive for $1 per year, for 66 years, through December 31, 2068.

**Teledyne Ryan lease:** The Airport Authority is leasing from the District 46.88 acres on North Harbor Drive referred to as the Teledyne Ryan lease that commenced on January 1, 2005 and expires December 31, 2068, with $3 million in annual rent.

**Other District leases:** The Airport Authority leases from the District two additional properties adjacent to SDIA. These properties require monthly rentals of $86,083 and $12,521, respectively, and both leases expire in December 2013.

On July 24, 2006, the Airport Authority's Board approved a lease with the District for the property located at 2415 Winship Lane, known as the Sky Chef property. The term of the lease is 60 years with $350,000 in annual rent and commenced September 1, 2006.

Under current law, in the event SDIA is relocated and the District leases are no longer used by the Airport Authority for airport purposes, all District leases will terminate and use of the property will revert to the District.

**Building lease:** The Airport Authority leased modular buildings from an unrelated third party that required monthly rental of $1,366 through the expiration date of August 2013.



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**Note 11. Lease Commitments (Continued)**

**Deferred rent (benefit) liability:** The Airport Authority accrues rent expense for its leases with predetermined escalating payments by the straight-line method over the respective lease terms. The accumulated benefit of the reduced scheduled payments of those leases is recorded as a deferred rent liability of $0 and $450,073 as of June 30, 2012 and 2011, respectively. The accumulated benefit (accrued liability) is expected to decrease gradually over the remaining 59 years. The future rental commitments under the above operating lease agreements as of June 30 are due as follows:

| Years Ending June 30, | Amount |
|---|---|
| 2013 | $ 11,382,353 |
| 2014 | 10,741,176 |
| 2015 | 10,100,000 |
| 2016 | 10,100,000 |
| 2017 | 10,100,000 |
| 2018-2022 | 50,500,000 |
| 2023-2027 | 50,500,000 |
| 2028-2032 | 50,500,000 |
| 2033-2037 | 50,500,000 |
| 2038-2042 | 50,500,000 |
| 2043-2047 | 50,500,000 |
| 2048-2052 | 50,500,000 |
| 2053-2057 | 50,500,000 |
| 2058-2062 | 50,500,000 |
| 2063-2067 | 50,500,000 |
| 2068-2069 | 15,150,002 |
| | $ 572,573,531 |

The total rental expense charged to operations for the years ended June 30 consists of the following:

| | 2012 | 2011 |
|---|---|---|
| Rental payments made | $ 11,414,838 | $ 11,356,478 |
| (Decrease) in accumulated benefit of reduced rents | - | (450,073) |
| | $ 11,414,838 | $ 10,906,405 |





**Note 12. Commitments, Contingencies and Subsequent Event**

**Commitments:** At June 30, 2012 and 2011, the Airport Authority had significant commitments for capital expenditures and other matters, as described below:

i. The Airport Authority has funds that have been classified as noncurrent assets, primarily for the unpaid contractual portion of capital projects that are currently in progress, and will not be funded by grants or additional debt, but will be funded through Airport Authority cash. These amounts are for the estimated cost of capital projects that have been authorized by the Board for construction planning to proceed and for the contractual costs of upgrading certain major equipment. At June 30, 2012 and 2011, these funds totaled $1,120,518 and $924,568, respectively, and are classified on the accompanying balance sheets as cash and investments designated for specific capital projects and other commitments.

ii. Support services—As part of the MOU, services provided by the District Harbor Police are required to be purchased by the Airport Authority as long as SDIA continues to operate at Lindbergh Field. At the time of the transfer, the Airport Authority entered into a Master Services Agreement, a Police Services Agreement and a Communications Services Agreement with the District, which described the services that the Airport Authority could purchase and the manner of calculating the payments for such services. The largest amount that became payable under any of these agreements is under the Police Services Agreement, which is for Harbor Police services. The District provided monthly billings to the Airport Authority, with payment generally due 30 days after the date of the invoice, and provision of appropriate supporting documentation. During the years ended June 30, 2012 and 2011, the Airport Authority expensed $15,351,370 and $14,102,510, respectively, for these services.

iii. In addition, the Airport Authority has a profit sharing plan as defined under Section 401(a) of the IRC. Under the plan, eligible employees receive annual discretionary employer contributions. Airport Authority contributions are immediately vested by the participants. For fiscal years 2012 and 2011, $165,000 and $150,000 were deposited, respectively.

iv. Major contracts—During 2006 the Airport Authority Board approved a contract with AECOM Aviation for $37.8 million for program management and support services associated with the capital improvement program, major maintenance program and airport master plan program. The Board approved additional increases totaling $43.9 million in fiscal years 2009 and 2010. In 2011 the Board approved $45 million additional funds and approximately $102.2 million has been spent to date. The remaining contract is due to be completed during fiscal year 2014. As of June 30, 2012, the Airport Authority's remaining commitment is approximately $22.9 million.

v. In 2009 the Board approved two design-build contracts for the Terminal Expansion Program, or "The Green Build." The program is estimated to cost $864 million. The Green Build began in fiscal year 2010 and the projected completion date is 2013. The Green Build provides for 10 additional passenger gates, a new dual-level roadway at Terminal 2 and additional aircraft remain-overnight parking areas. The first Green Build contract was approved for the Terminal 2 West Building and Airside Expansion to Turner/PCL/FCI Joint Venture for $14 million. Additional amounts were approved in fiscal years 2009, 2010 and 2011 for $110.4 million, $228 million and $79 million, respectively. As of June 30, 2012, $276.8 million had been spent and the contract is due to be completed during fiscal year 2013. As of June 30, 2012, the Airport Authority's remaining commitment is approximately $168.1 million.





**Note 12. Commitments, Contingencies and Subsequent Event (Continued)**

vi. The second contract awarded was for the Terminal 2 Landside improvements with the Kiewit/Sundt Joint Venture for $43.8 million approved in 2009 and additional approvals for $76.2 million and $135 million in 2010 and 2011, respectively. As of June 30, 2012, $129.5 million had been spent for the Kiewit/Sundt Joint Venture contract. This contract is scheduled for completion in fiscal year 2013. As of June 30, 2012, the Airport Authority's remaining commitment is approximately $82.1 million.

vii. In fiscal year 2012, the Board approved two contracts with Ace Parking Management Inc., one for the parking management services in the amount of $29.7 million and the second for the airport shuttle services in the amount of $28.8 million. The total amounts spent as of June 30, 2012 were $2.04 million for parking management services and $1.9 million for airport shuttle services. These contracts are scheduled for completion in 2017. As of June 30, 2012, the Airport Authority's remaining commitment is approximately $26.9 million for the shuttle service contract and $28.7 million for the parking management contract.

**Contingencies:** As of June 30, 2012, the Airport Authority is subject to contingencies arising from legal matters, as described below:

The Airport Authority has leases and operating agreements with various tenants. These agreements typically include provisions requiring the tenant/operators to indemnify the Airport Authority for any damage to property or losses to the Airport Authority as a result of the tenant's operations. Also, the leases and operating agreements typically require the Airport Authority to be named as an additional insured under certain insurance policies of the tenants/operators. The Airport Authority also tenders these claims to its own insurers once they become asserted claims. Thus, according to the Airport Authority's legal counsel, when these types of claims are asserted against the Airport Authority, the Airport Authority not only vigorously opposes them but also vigorously seeks contribution and/or indemnity from all tenants/operators involved, from the tenants'/operators' insurers and from its own insurers. The Airport Authority's legal counsel cannot predict the net exposure to the Airport Authority with respect to these matters, or the probability or remoteness of any outcome.

**Teledyne Ryan Industries, Inc. (TDY)/Allegheny Technologies Incorporated and San Diego Unified Port District**

The former TDY property consists of approximately 44 acres of property located at 2701 N. Harbor Drive, San Diego, California. During 2004 the Airport Authority initiated litigation against the District. The litigation (State Court Case 779490 and Federal Case 3:03CV1146) has concluded and resulted in a comprehensive settlement agreement between the District, the Airport Authority and TDY. The property is still the subject of a Cleanup and Abatement Order (CAO) that names TDY as the only responsible party for the contamination on the site.

**CAO No. R9-2004-0258:** This action is ongoing and involves an order by the California Regional Water Quality Control Board, San Diego Region, entitled CAO No. R9-2004-0258, Code No. ICU:02-0381.05, for TDY Industries, Inc., TDY Holdings, LLC, Teledyne Ryan Aeronautical Company and Allegheny Technologies Incorporated, 2701 North Harbor Drive, San Diego, California, dated October 4, 2004, ordering the cleanup and abatement of the Property pursuant to California Water Code Section 13304. The demolition of the buildings and improvements currently located on the property are the joint financial responsibility of the District and the Airport Authority. The Airport Authority's share of the cost is estimated to be $7 million and will result in the creation of a long-term capital asset. As a result, the Airport Authority will capitalize its share of the demolition costs as these costs are incurred.





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**Note 12. Commitments, Contingencies and Subsequent Event (Continued)**

**West-Tech Contracting, Inc. v. San Diego County Regional Airport Authority (San Diego Superior Court Case No. 37-2010-00106565CU-BC-CTL)**

In April 2008, the Airport Authority entered into a public works contract with West-Tech Contracting, Inc. (West-Tech) for Project No. 103044-NTC Landfill Remediation-Phase 2 (Contract) for the remediation of burn ash and other material at the old Naval Training Center. On June 25, 2010, West-Tech filed a claim pursuant to Government Code §910 alleging damages in the amount of approximately $1,500,000, resulting from an alleged breach of contract by the Airport Authority. West-Tech alleges that the Airport Authority breached the contract because: (1) it refused to allow West-Tech to use a landfill that West-Tech believed met the specifications set forth in the Contract; (2) the estimated amount of burn ash identified in the Contract as requiring removal was grossly underestimated; (3) West-Tech was owed interest on late payments; and (4) West-Tech was owed attorney's fees on retention. On December 22, 2010, West-Tech filed a lawsuit for breach of contract and declaratory relief. The claims in the lawsuit mirror the claims set forth in the claim filed pursuant to the Government Code. The Airport Authority disputes all allegations. The Airport Authority answered the complaint and filed a cross-complaint against West-Tech for violations of the False Claims Act. On July 26, 2012, a jury verdict was rendered wherein the jury awarded West-Tech $634,431 for breach of contract and $13,347 for interest on late payments. The jury found in the Airport Authority's favor on the retention claim, which allows the Airport Authority to be awarded its own attorney's fees. On October 19, 2012, the court will hear cross-motions for attorney fees and costs, wherein the Airport Authority is seeking in excess of $1.3 million and West-Tech is seeking approximately $650,000. The Airport Authority plans to vigorously oppose the plaintiff's motions. Based on our present understanding of the motions, we are unable to determine the likelihood of an unfavorable outcome to the Airport Authority.

**Theresa M. Hopkins, Warren B. Hopkins, Carl W. Hopkins**

On June 9, 2011, the Airport Authority received a claim pursuant to Government Code §910 alleging damages arising from the death of Wayne Hopkins. Wayne Hopkins was employed by the Airport Authority from April 1, 2005 until December 10, 2010. While employed by the Airport Authority, Mr. Hopkins' office was located on the TDY site from April 2008 until December 2010. Before being employed by the Airport Authority, Mr. Hopkins worked for the Port District and Teledyne Ryan where his office was located on the TDY site. Mr. Hopkins worked for TDY for approximately 30 years. The claim alleges that Wayne Hopkins was wrongfully exposed to toxic material while he worked at the Teledyne Ryan Aeronautical Facility located at 2701 North Harbor Drive. As a result of the exposure, he developed non-Hodgkins Lymphoma, which allegedly caused his death on December 12, 2010. The claim seeks damages exceeding $3 million. The Airport Authority Board denied the claim on July 7, 2011. On August 22, 2012, the District filed a claim pursuant to the California Tort Claims Act (Gov. Code §810, et seq.) seeking a defense and indemnity from the Airport Authority for expenses or damages the District incurs as a result of the wrongful death lawsuit filed by the surviving heirs of Wayne Hopkins against the District. The District bases its claim for defense and indemnity on the provisions contained in the Lease for the TDY property between the District and the Airport Authority. The Airport Authority disputes the claim that the lease requires provision of such a defense and indemnity. The Airport Authority Board will consider the District's claim at the Board meeting on October 4, 2012. The Airport Authority's legal counsel cannot predict the net exposure to the Airport Authority with respect to this matter, or the probability or remoteness of any outcome.





**Note 12. Commitments, Contingencies and Subsequent Event (Continued)**

**Accurate Engineering Integrated Construction Services, Inc.**

Accurate Engineering Integrated Construction Services, Inc. (AEICS) and the Airport Authority entered into a contract dated June 16, 2010 for work related to the Airport Authority's Quieter Home Program (QHP) - Project 380506 (Contract). On June 13, 2011, the Airport Authority gave AEICS a Notice of Default for failure to comply with the Contract terms and provided AEICS until June 28, 2011 to cure. On June 20, 2011, AEICS requested an extension to the cure date, and while the Airport Authority was not legally required to grant the extension, it agreed to the extension based upon AEICS' representation that it could complete all outstanding items by July 29, 2011. On July 29, 2011, AEICS had not cured all of the outstanding items and continued in default. On August 4, 2011, the Airport Authority terminated the Contract for cause. AEICS has filed claims under the contract alleging that the termination is improper. No lawsuit has been filed. The Airport Authority's legal counsel cannot predict the net exposure to the Airport Authority with respect to this matter, or the probability or remoteness of any outcome.

**Jacob Mojadam v. San Diego County Regional Airport Authority (San Diego Superior Court Case No. 37-2012-00098040-CU-MC-CTL)**

On May 25, 2012, Jacob Mojadam, on behalf of himself and those similarly situated (Plaintiffs), filed a Complaint against the Airport Authority alleging that the Airport Authority improperly collected a taxicab trip fee from taxicab drivers using SDIA and seeking: (1) a declaratory judgment that the Airport Authority wrongfully collected trip fees from Plaintiffs without a right to do so; (2) injunctive relief preventing further collection of trip fees; (3) an accounting of the total amount of funds collected from the Plaintiffs; (4) return of any money that was improperly collected from Plaintiffs plus interest; (5) award of prejudgment interest; and (6) attorney's fees. The Airport Authority filed a demurrer to the First Amended Complaint, which the court sustained with leave to amend. Plaintiffs have filed a Second Amended Complaint to which the Airport Authority will respond. The Airport Authority's legal counsel cannot predict the exposure of the Airport Authority with respect to this matter, or the probability or remoteness of any outcome seeking damages.

**Kelly Lancaster et al v. San Diego City Employees Retirement System (San Diego Superior Court Case No. 37-2011-00096238-CU-PO-CTL)**

On August 12, 2011, Kelly Lancaster, on behalf of himself and those similarly situated (Plaintiffs), filed a Complaint against the San Diego CERS alleging causes of action for breach of common law, constitutional and fiduciary duties. The Complaint alleges that the Plaintiffs are beneficiaries of the pension fund of the Airport Authority, which is administered by CERS. The Complaint further alleges that Plaintiffs were allowed to purchase under the pension plan, and in fact did purchase, years of service credits at rates determined by CERS for up to five (5) years for time they did not work. The purchases were made during a window period of time (between August 15, 2003 and October 31, 2003) where the purchase price was below the cost as determined by CERS' actuary. The purchases occurred after the CERS Board delayed increasing the purchase price as recommended by the actuary and before the Board acted to increase the price as recommended by the actuary. The Airport Authority is not named as a defendant in the Complaint. The Airport Authority's legal counsel cannot predict the net exposure, if any, of the Airport Authority with respect to this matter, the likelihood that the lawsuit will have any financial effect on the Airport Authority, or the probability or remoteness of any outcome seeking damages.





**Note 12. Commitments, Contingencies and Subsequent Event (Continued)**

**Draft Investigative Order No. R9-2012-0009—Downtown Anchorage Area in San Diego Bay**

On or about November 2, 2011 the Airport Authority informally received information that the California Regional Water Quality Control Board (RWQCB) intended to issue for comment a Draft investigative Order (IO) based on technical reports pertaining to two studies of bay sediments at the Downtown Anchorage Area in San Diego Bay. A copy of the IO was obtained. The IO describes the Downtown Anchorage Area as "a portion of the bay located south of Harbor Drive, immediately south of Solar Turbines, the San Diego County Regional Airport Authority and east of the U.S. Coast Guard Station." The IO alleges an unauthorized discharge of wastes has occurred as evidenced by the presence of PCBs, TPH, VOCs, PAHs, metals and pesticides in the bay sediments in the Downtown Anchorage Area. The IO names as parties responsible for the alleged unauthorized discharge the Airport Authority, Teledyne Ryan Industries, General Dynamics and Solar Turbines. The Airport Authority, along with the other named parties, provided comments to the RWQCB, *inter alia*, raising the following concerns about the IO: (1) the geographic extent of the Downtown Anchorage Area is not adequately defined; (2) the IO contains no sediment data demonstrating impacts to the bay were caused by the Airport Authority; (3) the RWQCB must name all responsible parties, including the District and the City of San Diego; and (4) the studies relied upon by the RWQCB predate the formation of the Airport Authority. The RWQCB has not issued a final IO. The Airport Authority's legal counsel cannot predict the net exposure of the Airport Authority with respect to this matter, or the probability or remoteness of any outcome seeking damages.

**Subsequent event:** On October 4, 2012, the Airport Authority Board of Directors approved an alternative CFC rate modification from the current $10 CFC per contract to allow for the collection of sufficient CFC funds to cover the future costs of the anticipated consolidated rental car facility and centralized bussing system. Effective November 1, 2012, the CFC fee will be $6 per day up to a maximum of five days.



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## Statistical Section (Unaudited)

The Statistical Section is divided into five areas: financial trend data; revenue capacity data; operating information; demographic and economic information, and debt capacity data.

Financial Trend data which shows changes in the Authority's financial position since inception:

- Authority operating revenues and expenses
- Authority net assets by component
- Authority change in net assets
- Authority largest sources of revenue

Revenue Capacity data which shows the Authority's major revenue sources and changes in key rates and charges:

- Authority landing rate fee
- Terminal rates billed to airlines
- Airline cost per enplaned passenger

Operating Information shows how the airport is performing on an annual basis and within the airport market sector:

- Authority employee strength
- Aircraft operations
- Aircraft landed weights
- Aircraft landed weights by airline
- Passenger enplanements
- Enplanement market share by airline by fiscal year
- Growth in enplaned passengers, SDIA vs. US

Economic Information shows the major drivers of usage and how the airport service area is performing compared to the region and the nation:

- Population and per capita personal income
- Principal employers in San Diego County
- San Diego County employment by industry
- Labor force, employment, unemployment and unemployment rates

Debt Information shows how the Authority is performing meeting its debt obligations and the relative level of debt:

- Revenue bond debt service coverage
- Revenue bond debt per enplaned passenger
- Capital assets

## Exhibit S-1

### Authority Revenues and O&M Expenses ($000)

Fiscal Years Ended June 30.

| Operating Revenues | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|
| Airline revenue | | | | | | | | | |
| Landing fees | $ 22,874 | $ 22,607 | $ 22,243 | $ 24,006 | $ 24,763 | $ 18,689 | $ 16,672 | $ 18,579 | $ 18,419 |
| Aircraft parking fees | - | - | - | - | - | 3,221 | 3,406 | 2,921 | 3,134 |
| Building rentals | 19,511 | 18,041 | 21,137 | 22,495 | 24,265 | 23,057 | 23,835 | 26,980 | 30,633 |
| Security surcharge | - | 7,800 | 7,759 | 8,441 | 8,619 | 10,204 | 11,900 | 14,886 | 18,649 |
| Other aviation revenue | 1,812 | 1,757 | 1,868 | 1,757 | 1,808 | 1,565 | 1,585 | 1,597 | 1,595 |
| Concession revenue | 24,571 | 26,552 | 29,362 | 34,201 | 38,785 | 36,280 | 36,249 | 37,103 | 40,427 |
| Parking and ground transportation revenue | 21,986 | 23,723 | 26,904 | 28,392 | 31,038 | 31,492 | 30,296 | 31,645 | 31,470 |
| Ground rentals | 4,269 | 5,294 | 5,505 | 4,994 | 5,207 | 5,776 | 5,923 | 8,656 | 8,044 |
| Other operating revenue | 1,549 | 2,349 | 4,717 | 1,081 | 1,197 | 693 | 1,829 | 1,640 | 1,179 |
| Total operating revenues | $ 96,572 | $ 108,123 | $ 119,495 | $ 125,367 | $ 135,682 | $ 130,877 | $ 133,695 | $ 144,007 | $ 153,550 |

| Operating Expenses Before Depreciation | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|
| Salaries and benefits | $ 21,955 | $ 23,623 | $ 26,847 | $ 28,333 | $ 32,912 | $ 34,741 | $ 35,386 | $ 38,267 | $ 37,237 |
| Contractual services | 19,462 | 25,210 | 31,967 | 26,391 | 27,378 | 27,464 | 27,999 | 26,113 | 26,906 |
| Safety and security | 13,450 | 16,191 | 14,777 | 15,946 | 19,110 | 19,830 | 20,131 | 21,344 | 22,625 |
| Space rental | 9,826 | 10,174 | 11,353 | 10,842 | 10,901 | 10,888 | 10,906 | 10,906 | 11,415 |
| Utilities | 4,914 | 5,121 | 5,416 | 6,421 | 6,430 | 6,912 | 6,871 | 8,413 | 6,674 |
| Maintenance | 5,343 | 4,050 | 5,390 | 8,393 | 8,735 | 8,002 | 9,231 | 8,174 | 8,497 |
| Equipment and systems | 1,019 | 710 | 736 | 980 | 1,333 | 678 | 891 | 570 | 403 |
| Materials and supplies | 462 | 461 | 591 | 762 | 795 | 641 | 413 | 345 | 304 |
| Insurance | 2,518 | 2,425 | 1,162 | 1,999 | 1,227 | 1,096 | 1,166 | 1,066 | 764 |
| Employee development and support | 981 | 1,050 | 906 | 909 | 1,035 | 1,030 | 990 | 1,041 | 916 |
| Business development | 2,067 | 1,646 | 1,329 | 2,096 | 2,733 | 2,509 | 2,033 | 2,275 | 2,093 |
| Equipment rentals and repairs | 636 | 708 | 882 | 1,479 | 1,396 | 1,387 | 1,271 | 1,327 | 1,335 |
| Total operating expenses before depreciation | $ 81,633 | $ 91,369 | $ 101,356 | $ 104,551 | $ 113,985 | $ 115,278 | $ 117,288 | $ 117,841 | $ 119,169 |

Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.

## Exhibit S- 2

### Authority Net Assets by Component ($000)

Fiscal Years Ended June 30,

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|
| Invested in capital assets, net of related debt | $ 244,889 | $ 209,714 | $ 218,218 | $ 236,782 | $ 238,144 | $ 249,498 | $ 275,557 | $ 357,275 | $ 413,140 |
| Other restricted | 16,670 | 83,854 | 96,633 | 103,767 | 136,548 | 167,827 | 139,672 | 147,513 | 177,389 |
| Unrestricted | 106,125 | 102,652 | 117,940 | 124,984 | 120,429 | 95,858 | 145,224 | 102,466 | 75,015 |
| Total net assets | $ 367,684 | $ 396,220 | $ 433,791 | $ 465,533 | $ 495,121 | $ 513,183 | $ 560,452 | $ 607,254 | $ 665,544 |

Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.



## Exhibit S- 3

### Authority Change in Net Assets ($000)

Fiscal Years Ended June 30.

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|
| Operating revenues | | | | | | | | | |
| Airline revenue: | | | | | | | | | |
| Landing fees | $ 22,874 | $ 22,607 | $ 22,243 | $ 24,006 | $ 24,763 | $ 18,689 | $ 18,672 | $ 18,579 | $ 18,419 |
| Aircraft parking fees | - | - | - | - | - | 3,221 | 3,406 | 2,921 | 3,134 |
| Building rentals | 19,511 | 18,041 | 21,137 | 22,495 | 24,265 | 23,057 | 23,835 | 26,980 | 30,633 |
| Security surcharge | - | 7,800 | 7,759 | 8,441 | 8,819 | 10,204 | 11,900 | 14,886 | 18,649 |
| Other aviation revenue | 1,812 | 1,757 | 1,868 | 1,757 | 1,808 | 1,565 | 1,584 | 1,597 | 1,595 |
| Concession revenue | 24,571 | 26,552 | 29,362 | 34,201 | 38,785 | 36,280 | 36,249 | 37,103 | 40,427 |
| revenue | 21,986 | 23,723 | 26,904 | 28,392 | 31,038 | 31,492 | 30,296 | 31,645 | 31,470 |
| Ground rentals | 4,269 | 5,294 | 5,505 | 4,994 | 5,207 | 5,778 | 5,923 | 8,656 | 8,044 |
| Other operating revenue | 1,549 | 2,349 | 4,717 | 1,081 | 1,197 | 693 | 1,829 | 1,640 | 1,179 |
| Total operating revenues | 96,572 | 108,123 | 119,495 | 125,367 | 135,682 | 130,977 | 133,695 | 144,007 | 153,550 |
| Operating expenses: | | | | | | | | | |
| Salaries and benefits | 21,955 | 23,823 | 26,847 | 28,333 | 32,912 | 34,741 | 35,386 | 38,267 | 37,237 |
| Contractual services | 19,462 | 25,210 | 31,967 | 26,391 | 27,378 | 27,464 | 27,999 | 26,113 | 26,906 |
| Safety and security | 13,450 | 16,191 | 14,777 | 15,946 | 19,110 | 19,930 | 20,131 | 21,344 | 22,625 |
| Space rental | 8,826 | 10,174 | 11,353 | 10,842 | 10,901 | 10,888 | 10,906 | 10,906 | 11,415 |
| Utilities | 4,914 | 5,121 | 5,416 | 6,421 | 6,430 | 6,912 | 6,871 | 8,413 | 6,674 |
| Maintenance | 5,343 | 4,050 | 5,390 | 8,393 | 8,735 | 8,002 | 9,231 | 8,174 | 8,497 |
| Equipment and systems | 1,019 | 710 | 736 | 980 | 1,333 | 678 | 891 | 570 | 403 |
| Materials and supplies | 462 | 461 | 591 | 762 | 795 | 841 | 413 | 345 | 304 |
| Insurance | 2,518 | 2,425 | 1,182 | 1,999 | 1,227 | 1,096 | 1,166 | 1,066 | 764 |
| Employee development and support | 981 | 1,050 | 906 | 909 | 1,035 | 1,030 | 990 | 1,041 | 916 |
| Business development | 2,067 | 1,646 | 1,329 | 2,096 | 2,733 | 2,509 | 2,033 | 2,275 | 2,093 |
| Equipment rentals and repairs | 636 | 708 | 882 | 1,479 | 1,396 | 1,387 | 1,271 | 1,327 | 1,335 |
| Total operating expenses before depreciation and amortization | 81,633 | 91,369 | 101,356 | 104,551 | 113,985 | 115,278 | 117,288 | 117,841 | 119,169 |
| Income from operations before depreciation and amortization | 14,939 | 16,754 | 18,139 | 20,816 | 21,697 | 15,699 | 16,407 | 26,166 | 34,381 |
| Depreciation and amortization | 32,993 | 29,699 | 31,559 | 33,468 | 36,764 | 38,196 | 42,424 | 49,138 | 44,532 |
| Operating (loss) | (18,054) | (12,945) | (13,420) | (12,652) | (15,067) | (22,497) | (26,018) | (22,972) | (10,151) |
| Nonoperating revenues (expenses) | | | | | | | | | |
| Passenger facility charges | 31,241 | 33,710 | 34,981 | 36,452 | 37,401 | 33,219 | 34,049 | 33,996 | 34,639 |
| Customer facility charges | - | - | - | - | - | 1,695 | 10,783 | 10,986 | 11,487 |
| Quieter Home Program, net | (1,375) | (1,582) | (908) | (3,092) | (3,990) | (5,573) | (1,829) | (3,358) | (3,532) |
| Joint Studies Program | - | - | (688) | (120) | (963) | (180) | (244) | (129) | (73) |
| Interest income | 3,831 | 6,413 | 9,306 | 11,969 | 13,431 | 9,434 | 6,667 | 6,408 | 5,492 |
| Interest expense | (4,294) | (4,387) | (4,809) | (4,683) | (4,086) | (2,998) | (2,684) | (8,084) | (2,370) |
| 'Build America Bonds' Rebate | - | - | - | - | - | - | - | 3,691 | 4,996 |
| Other revenues (expenses), net | 5,530 | (195) | 964 | (3,282) | 12 | 316 | (1,004) | (92) | (3,032) |
| Nonoperating revenue, net | 34,933 | 33,959 | 38,846 | 37,244 | 41,805 | 35,913 | 45,937 | 43,419 | 47,607 |
| Income before capital grant contributions | 16,879 | 21,014 | 25,426 | 24,592 | 26,738 | 13,416 | 19,919 | 20,447 | 37,456 |
| Capital grant contributions | 5,033 | 7,522 | 12,145 | 7,150 | 2,850 | 4,646 | 27,350 | 26,355 | 20,834 |
| Change in Airport Authority net assets | 21,912 | 28,536 | 37,571 | 31,742 | 29,588 | 18,062 | 47,270 | 46,802 | 58,290 |
| Airport Authority net assets, beginning of year | 345,772 | 367,684 | 396,220 | 433,791 | 465,533 | 495,121 | 513,183 | 560,452 | 607,254 |
| Airport Authority net assets, end of year | $ 367,684 | $ 396,220 | $ 433,791 | $ 465,533 | $ 495,121 | $ 513,183 | $ 560,452 | $ 607,254 | $ 665,544 |

Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.



STATISTICAL SECTION
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## Exhibit S-4

### Authority Largest Sources of Revenues ($)

Fiscal Years Ended June 30.

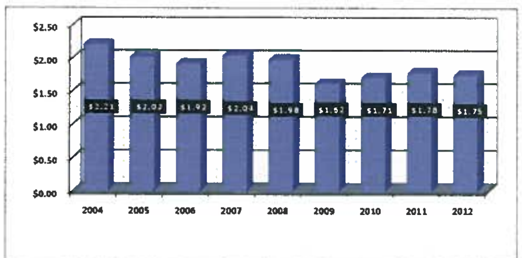
| Tenant | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2012 % of Total Operating Revenue |
|---|---|---|---|---|---|---|---|---|---|---|
| Southwest Airlines | $ 10,692,447 | $ 12,767,378 | $ 13,464,404 | $ 15,624,767 | $ 16,920,722 | $ 17,658,629 | $ 19,428,103 | $ 21,306,108 | $ 23,357,007 | 15.2% |
| United Airlines | 4,989,506 | 5,877,927 | 5,717,234 | 6,623,373 | 6,522,426 | 6,344,127 | 7,905,284 | 9,280,812 | 10,931,601 | 7.1% |
| Host International | 7,106,523 | 8,038,435 | 9,147,356 | 9,808,385 | 10,875,857 | 9,883,713 | 9,907,860 | 10,360,436 | 10,793,503 | 7.0% |
| Delta Airlines | 4,774,243 | 5,010,848 | 4,876,095 | 5,347,415 | 5,168,634 | 4,647,333 | 6,663,671 | 8,003,895 | 8,911,686 | 5.8% |
| American Airlines | 7,772,143 | 8,472,274 | 10,191,557 | 8,303,616 | 7,750,147 | 5,543,732 | 7,693,564 | 7,611,443 | 8,197,015 | 5.3% |
| Enterprise Rent-A-Car | 858,956 | 1,084,031 | 2,888,849 | 2,007,684 | 2,530,192 | 2,501,720 | 2,517,682 | 4,431,129 | 7,290,392 | 4.7% |
| Hertz Rent-A-Car | 4,901,573 | 5,316,756 | 5,979,512 | 6,728,751 | 6,860,949 | 5,816,230 | 5,861,737 | 5,635,151 | 5,795,690 | 3.8% |
| Avis Budget Rent-A-Car Group | 3,103,562 | 4,966,532 | 6,002,357 | 4,465,182 | 6,193,565 | 5,505,770 | 3,378,607 | 3,842,594 | 4,507,266 | 2.9% |
| US Airways | 699,542 | 672,643 | 571,874 | 1,714,362 | 4,048,246 | 3,478,789 | 3,756,383 | 3,899,253 | 4,388,522 | 2.9% |
| Alaska Airlines | 2,027,193 | 2,400,679 | 2,464,162 | 2,843,993 | 2,800,385 | 2,754,173 | 2,951,554 | 3,482,098 | 4,265,739 | 2.3% |

Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.

## Exhibit S-5

### Authority Landing Fee Rate ($ per 1,000 lbs.)

Fiscal Years Ended June 30.




Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.

Landing Fees are the revenues from passenger and cargo air carriers for landing aircraft at SDIA.



## Exhibit S-6

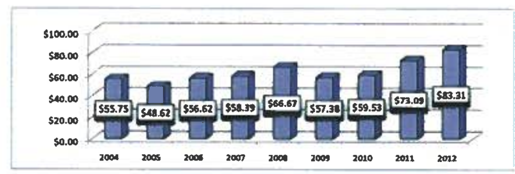
### Terminal Rates Billed to Airlines

Fiscal Years Ended June 30.

| Fiscal Year | Terminal Rates Per Square Foot* | % Change |
|---|---|---|
| 2004 | $55.75 | 14.2 % |
| 2005 | $48.62 | (12.8)% |
| 2006 | $56.62 | 16.5 % |
| 2007 | $58.39 | 3.1 % |
| 2008 | $66.67 | 14.2 % |
| 2009 | $57.38 | (13.9)% |
| 2010 | $59.53 | 3.7 % |
| 2011 | $73.09 | 22.8 % |
| 2012 | $83.31 | 14.0 % |

*Net of janitorial credit

### Terminal Rates Per Square Foot




Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.

Terminal Rates are rates billed to airlines for the rent of terminal space per square foot.

Beginning with FY 2005, the Security Surcharge was excluded from Terminal Rates and charged separately.

STATISTICAL SECTION

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

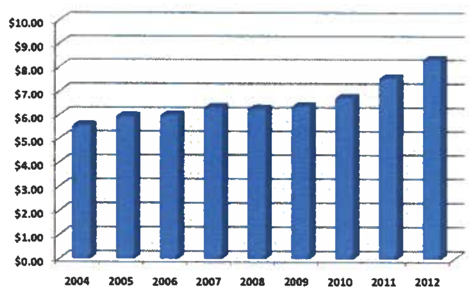
## Exhibit S-7

Airline Cost per Enplaned Passenger

Fiscal Years Ended June 30,

| Fiscal Year | Enplaned Passengers | Cost Per Enplaned Passenger |
|---|---|---|
| 2004 | 7,947,740 | $5.55 |
| 2005 | 8,449,107 | $5.94 |
| 2006 | 8,749,734 | $5.98 |
| 2007 | 8,892,069 | $6.31 |
| 2008 | 9,389,327 | $6.26 |
| 2009 | 8,535,774 | $6.36 |
| 2010 | 8,453,886 | $6.73 |
| 2011 | 8,441,120 | $7.54 |
| 2012 | 8,575,475 | $8.33 |

### Cost Per Enplaned Passenger




Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.

**Airline Cost Per Enplaned Passenger** is the total annual cost of fees and charges paid by the airlines divided by the total fiscal year enplanements.



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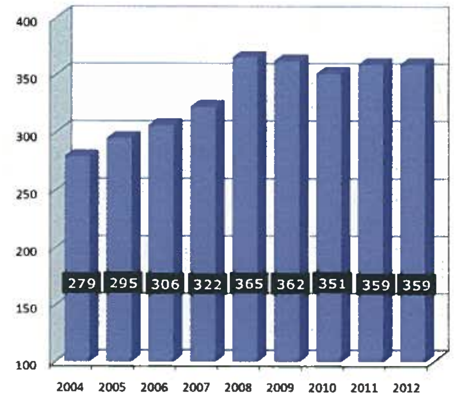
## Exhibit S-8

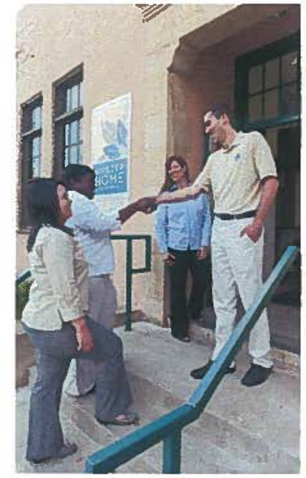
Authority Employee Headcount

Fiscal Years Ended June 30,




Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.

The Airport Authority does not have part-time employees. This chart reflects the average number of employees for the fiscal years shown above.



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

STATISTICAL SECTION

STATISTICAL SECTION

SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## Exhibit S-9

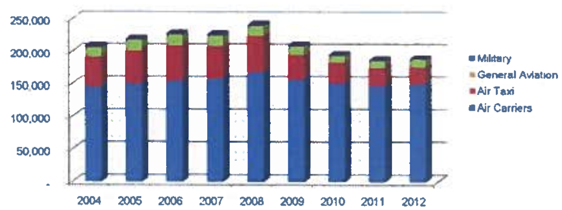
Aircraft Operations (Takeoffs and Landings)

Fiscal Years Ended June 30,

| Fiscal Year | Air Carriers | Air Taxi | General Aviation | Military | Total |
|---|---|---|---|---|---|
| 2004 | 144,156 | 46,418 | 15,080 | 1,761 | 207,415 |
| 2005 | 148,975 | 51,377 | 17,069 | 1,094 | 218,515 |
| 2006 | 154,092 | 54,156 | 17,383 | 1,121 | 226,752 |
| 2007 | 157,198 | 50,068 | 17,195 | 983 | 225,444 |
| 2008 | 167,753 | 55,373 | 16,123 | 1,040 | 240,289 |
| 2009 | 155,766 | 39,122 | 12,721 | 1,174 | 208,783 |
| 2010 | 149,718 | 32,100 | 11,674 | 1,017 | 194,509 |
| 2011 | 146,215 | 28,273 | 10,938 | 755 | 186,181 |
| 2012 | 149,104 | 26,398 | 12,120 | 658 | 186,280 |

Source: FAA ATADS Report: Air Operations Standard Report (itinerant only)
Information presented reflects those years that the Airport Authority was in operation.

### Aircraft Operations




**Aircraft operations** are the takeoffs and landings at SDIA. They represent the level of demand for air service by the airlines operating at SDIA.



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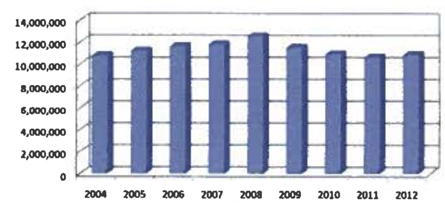
## Exhibit S-10

Aircraft Landed Weight

Fiscal Years Ended June 30,

| Fiscal Year | Aircraft Landed Weight (000 lbs) | % Change |
|---|---|---|
| 2004 | 10,748,648 | (0.9)% |
| 2005 | 11,200,204 | 4.2 % |
| 2006 | 11,604,873 | 3.6 % |
| 2007 | 11,773,957 | 1.5 % |
| 2008 | 12,501,191 | 6.2 % |
| 2009 | 11,496,758 | (8.0)% |
| 2010 | 10,892,867 | (5.3)% |
| 2011 | 10,606,160 | (2.6)% |
| 2012 | 10,619,902 | 2.0 % |

**Aircraft Landed Weights (000 lbs)**




Source: San Diego Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.

**Landed Weight** is the maximum gross certificated landed weight in one thousand pound units as stated in the airlines' flight operational manual. Landed weight is used to calculate landing fees for both airline and general aviation aircraft operated at the airport.



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

STATISTICAL SECTION

## Exhibit S -11
Landed Weights by Airline (Thousand pounds)
Fiscal Years Ended June 30.

| Airline | FY 2004 Landed Weights | FY 2004 Total Total | FY 2005 Landed Weights | FY 2005 Total Total | FY 2006 Landed Weights | FY 2006 Total Total | FY 2007 Landed Weights | FY 2007 Total Total | FY 2008 Landed Weights | FY 2008 Total Total | FY 2009 Landed Weights | FY 2009 Total Total | FY 2010 Landed Weights | FY 2010 Total Total | FY 2011 Landed Weights | FY 2011 % of Total | FY 2012 Landed Weights | FY 2012 % of Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Southwest Airlines | 3,418,786 | 31.6% | 3,570,052 | 31.9% | 3,768,374 | 32.5% | 3,956,170 | 33.6% | 4,418,996 | 35.3% | 4,415,780 | 38.4% | 4,068,974 | 37.4% | 4,001,530 | 37.7% | 3,953,536 | 36.5% |
| United Airlines | 1,192,898 | 11.1% | 1,278,347 | 11.4% | 1,269,465 | 10.9% | 1,270,371 | 10.8% | 1,222,906 | 9.8% | 1,148,637 | 10.0% | 1,147,581 | 10.5% | 1,075,569 | 10.1% | 987,430 | 9.1% |
| Delta Airlines | 963,140 | 9.0% | 927,763 | 8.3% | 850,348 | 7.3% | 798,104 | 6.8% | 839,172 | 6.7% | 713,622 | 6.2% | 893,467 | 8.2% | 1,062,254 | 10.0% | 1,047,068 | 9.7% |
| American Airlines | 1,045,382 | 9.7% | 1,009,498 | 9.0% | 1,089,672 | 9.4% | 961,143 | 8.2% | 890,796 | 7.1% | 848,513 | 7.4% | 868,844 | 8.2% | 672,059 | 6.3% | 701,126 | 6.5% |
| US Airways | 307,919 | 2.9% | 298,983 | 2.7% | 250,303 | 2.2% | 391,358 | 3.3% | 713,030 | 5.7% | 684,354 | 6.0% | 610,330 | 5.6% | 595,570 | 5.6% | 629,098 | 5.8% |
| Alaska Airlines | 574,698 | 5.3% | 605,435 | 5.4% | 616,552 | 5.3% | 668,390 | 5.7% | 612,282 | 4.9% | 536,281 | 4.7% | 511,813 | 4.7% | 595,238 | 5.6% | 648,358 | 6.0% |
| Continental Airlines | 441,702 | 4.1% | 454,189 | 4.1% | 497,929 | 4.3% | 533,322 | 4.5% | 538,786 | 4.3% | 521,842 | 4.5% | 514,981 | 4.7% | 507,603 | 4.8% | 514,774 | 4.8% |
| Federal Express | 343,931 | 3.2% | 384,702 | 3.4% | 445,744 | 3.8% | 456,152 | 3.9% | 447,636 | 3.6% | 402,565 | 3.5% | 400,303 | 3.7% | 421,239 | 4.0% | 452,453 | 4.2% |
| Skywest Airlines | 239,521 | 2.2% | 247,215 | 2.2% | 251,902 | 2.2% | 246,569 | 2.1% | 195,777 | 1.6% | 219,416 | 1.9% | 332,404 | 3.1% | 338,813 | 3.2% | 306,789 | 2.8% |
| Frontier Airlines | 176,080 | 1.6% | 194,758 | 1.7% | 246,749 | 2.1% | 283,898 | 2.4% | 287,367 | 2.3% | 237,274 | 2.1% | 227,848 | 2.1% | 225,890 | 2.1% | 199,567 | 1.8% |
| American Eagle | 341,205 | 3.2% | 335,439 | 3.0% | 338,424 | 2.9% | 321,712 | 2.7% | 280,234 | 2.2% | 280,413 | 2.4% | 131,394 | - | 174,888 | 1.6% | 159,379 | 1.5% |
| Virgin America | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 3,122 | 0.0% | 221,333 | 1.9% | 205,348 | 1.9% | 173,686 | 1.6% | 208,253 | 1.9% |
| JetBlue Airlines | 144,191 | 1.3% | 123,145 | 1.1% | 174,337 | 1.5% | 175,333 | 1.5% | 288,239 | 2.3% | 297,340 | 2.6% | 201,071 | 1.8% | 167,369 | 1.6% | 166,232 | 1.5% |
| Hawaiian Airlines | 135,040 | 1.3% | 145,920 | 1.3% | 145,920 | 1.3% | 211,840 | 1.8% | 235,200 | 1.9% | 137,145 | 1.2% | 121,600 | 1.1% | 134,080 | 1.3% | 118,088 | 1.1% |
| Northwest Airlines | 352,928 | 3.3% | 363,268 | 3.2% | 315,608 | 2.7% | 326,140 | 2.8% | 334,692 | 2.7% | 294,147 | 2.6% | 153,829 | - | - | 0.0% | - | 0.0% |
| **Subtotal** | **9,877,421** | **90.0%** | **9,938,714** | **88.7%** | **10,261,527** | **88.4%** | **10,600,432** | **90.0%** | **11,306,255** | **90.4%** | **10,958,762** | **95.3%** | **10,409,767** | **95.6%** | **10,145,988** | **96%** | **10,092,551** | **93%** |
| All Others | 1,071,227 | 10.0% | 1,261,490 | 11.3% | 1,343,346 | 11.6% | 1,173,465 | 10.0% | 1,195,236 | 9.6% | 537,996 | 4.7% | 483,100 | 4.4% | 460,172 | 4.3% | 727,351 | 6.7% |
| | **10,948,648** | **100.0%** | **11,200,204** | **100.0%** | **11,604,873** | **100.0%** | **11,773,897** | **100.0%** | **12,501,491** | **100.0%** | **11,496,758** | **100.0%** | **10,892,867** | **100.0%** | **10,606,160** | **100.0%** | **10,819,902** | **100.0%** |
| **Annual % Change** | **(0.9%)** | | **4.2%** | | **3.6%** | | **1.5%** | | **6.2%** | | **(8.0%)** | | **(5.3%)** | | **(2.6%)** | | **2.0%** | |

Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation

Charter airlines are included in the landed weights of the carriers that service them
**Landed weight** is the maximum gross certificated landed weight in one thousand pound units as stated in the airlines' flight operational manual
Landed weight is used to calculate landing fees for both airline and general aviation aircraft operated at the airport



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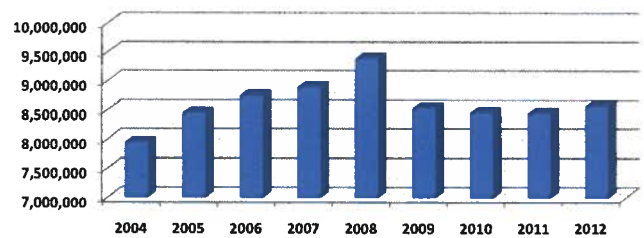
## Exhibit S-12
Passenger Enplanements
Fiscal Years Ended June 30,

| Fiscal Year | Passenger Enplanements | % Change |
|---|---|---|
| 2004 | 7,947,440 | 5.9% |
| 2005 | 8,449,107 | 5.9% |
| 2006 | 8,749,734 | 3.6% |
| 2007 | 8,892,069 | 1.6% |
| 2008 | 9,389,327 | 5.6% |
| 2009 | 8,535,774 | (9.1%) |
| 2010 | 8,453,886 | (1.0%) |
| 2011 | 8,441,120 | (0.2%) |
| 2012 | 8,575,475 | 1.6% |




Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.

An **enplaned passenger** is any revenue passenger boarding at the airport, including any passenger that previously disembarked from another aircraft (i.e., connecting passenger).

## Exhibit S-13

Enplanement Market Share by Airline by Fiscal Year
Fiscal Years Ended June 30,

| | 2004 Enplanements | Share | 2005 Enplanements | Share | 2006 Enplanements | Share | 2007 Enplanements | Share | 2008 Enplanements | Share | 2009 Enplanements | Share | 2010 Enplanements | Share | 2011 Enplanements | Share | 2012 Enplanements | Share | % Change 2012 vs. 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Air Carrier** | | | | | | | | | | | | | | | | | | | |
| Aeromexico | 47,533 | 0.6% | 49,486 | 0.6% | 58,969 | 0.7% | 39,518 | 0.4% | 32,223 | 0.3% | 27,772 | 0.3% | 24,335 | 0.3% | - | - | - | - | - |
| Air Canada | - | - | - | - | - | - | 55,398 | 0.6% | 55,031 | 0.6% | 27,255 | 0.3% | 46,958 | 0.6% | 58,539 | 0.7% | 56,470 | 0.7% | (3.5)% |
| AirTran Airways | - | - | - | - | - | - | 7,983 | 0.1% | 97,937 | 1.0% | 66,475 | 0.8% | 37,530 | 0.4% | 17,878 | 0.2% | - | - | (100.0)% |
| Alaska Airlines | 439,430 | 5.5% | 476,395 | 5.6% | 492,891 | 5.6% | 536,784 | 6.0% | 496,169 | 5.3% | 428,515 | 5.0% | 435,722 | 5.2% | 514,498 | 6.1% | 579,457 | 6.8% | 12.6% |
| Aloha Airlines | - | - | 29,051 | 0.3% | 41,882 | 0.5% | 38,418 | 0.4% | 33,620 | 0.4% | - | - | - | - | - | - | - | - | - |
| America West | 450,256 | 5.7% | 466,815 | 5.5% | 451,904 | 5.2% | 774,072 | 4.2% | 78,298 | 0.8% | - | - | - | - | - | - | - | - | - |
| American Airlines | 831,823 | 10.5% | 879,144 | 10.4% | 968,832 | 11.1% | 873,824 | 9.8% | 808,790 | 8.8% | 735,067 | 8.6% | 704,909 | 8.3% | 654,752 | 7.8% | 664,466 | 7.7% | 0.8% |
| British Airways | 18,756 | 0.2% | - | - | - | - | - | - | - | - | - | - | - | - | 5,812 | 0.1% | 81,437 | 0.9% | 1074.2% |
| Continental Airlines | 354,114 | 4.5% | 401,803 | 4.8% | 454,699 | 5.2% | 503,189 | 5.7% | 520,656 | 5.9% | 503,242 | 5.9% | 507,443 | 6.0% | 496,100 | 5.9% | 473,990 | 5.5% | (4.5)% |
| Delta Airlines | 674,570 | 8.5% | 712,872 | 8.4% | 666,101 | 7.6% | 637,772 | 7.1% | 687,104 | 7.3% | 618,127 | 7.2% | 900,510 | 10.7% | 918,323 | 10.9% | 935,777 | 10.9% | 1.4% |
| Frontier Airlines | 140,846 | 1.4% | 152,817 | 1.8% | 171,544 | 2.0% | 196,590 | 2.2% | 731,926 | 2.5% | 207,689 | 2.4% | 196,628 | 2.3% | 718,008 | 2.6% | 198,708 | 2.3% | (9.3)% |
| Hawaiian Airlines | 101,847 | 1.3% | 108,798 | 1.3% | 112,410 | 1.3% | 154,832 | 1.7% | 160,939 | 1.7% | 100,626 | 1.2% | 90,874 | 1.1% | 98,687 | 1.2% | 86,211 | 1.0% | (12.6)% |
| JetBlue Airlines | 118,517 | 1.5% | 114,762 | 1.4% | 161,594 | 1.8% | 151,984 | 1.7% | 224,205 | 2.4% | 235,199 | 2.8% | 167,031 | 2.0% | 141,684 | 1.7% | 147,051 | 1.7% | 3.8% |
| Midwest Airlines | - | - | - | - | 16,688 | 0.2% | 34,551 | 0.4% | 42,763 | 0.5% | 8,380 | 0.1% | - | - | - | - | - | - | - |
| Northwest Airlines | 310,795 | 3.9% | 318,790 | 3.8% | 292,393 | 3.3% | 284,952 | 3.2% | 295,724 | 3.1% | 277,684 | 3.3% | - | - | - | - | - | - | - |
| Southwest Airlines | 2,741,470 | 34.5% | 2,866,405 | 33.9% | 7,979,763 | 34.1% | 3,106,431 | 34.9% | 7,306,386 | 35.2% | 3,122,080 | 36.6% | 3,143,084 | 37.7% | 3,277,931 | 38.4% | 7,252,290 | 37.9% | (0.8)% |
| Sun Country Airlines | 21,515 | 0.3% | 27,339 | 0.3% | 41,091 | 0.5% | 45,831 | 0.5% | 44,494 | 0.5% | 35,885 | 0.4% | 24,984 | 0.3% | 24,175 | 0.2% | 15,889 | 0.2% | (34.3)% |
| Spirit | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 77,473 | 0.9% | - |
| United Airlines | 939,777 | 11.8% | 982,535 | 11.6% | 989,744 | 11.3% | 990,725 | 11.1% | 978,616 | 10.4% | 927,023 | 10.9% | 920,980 | 10.9% | 878,307 | 10.4% | 792,000 | 9.2% | (9.8)% |
| US Airways | 241,167 | 3.0% | 251,629 | 3.0% | 212,622 | 2.4% | 300,566 | 3.4% | 552,751 | 5.9% | 563,392 | 6.6% | 512,558 | 6.1% | 523,378 | 6.2% | 535,906 | 6.2% | 2.4% |
| Virgin America | - | - | - | - | - | - | - | - | 57,292 | 0.6% | 165,649 | 1.9% | 151,110 | 1.8% | 133,377 | 1.6% | 166,326 | 1.9% | 24.7% |
| Volaris | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 45,569 | 0.5% | - |
| Other | - | - | 8,439 | 0.1% | 77,329 | 0.3% | 8,128 | 0.1% | 47,257 | 0.5% | 25,467 | 0.3% | 51,541 | 0.6% | 37,776 | 0.4% | 43,634 | 0.5% | 15.5% |
| Total Air Carrier | 7,431,381 | 93.5% | 7,852,862 | 92.8% | 8,142,456 | 93.1% | 8,339,558 | 93.8% | 8,754,541 | 93.2% | 8,056,527 | 94.4% | 7,956,178 | 94.1% | 8,006,625 | 94.9% | 8,153,091 | 95.1% | 1.8% |
| **Commuter** | | | | | | | | | | | | | | | | | | | |
| American Eagle | 776,485 | 3.5% | 288,843 | 3.4% | 287,136 | 3.3% | 275,087 | 3.1% | 238,147 | 2.5% | 237,289 | 2.7% | 202,272 | 2.5% | 155,421 | 1.8% | 140,574 | 1.6% | (9.6)% |
| Express Jet Airlines | - | 0.0% | - | 0.0% | - | 0.0% | 17,603 | 0.2% | 202,429 | 2.2% | 38,034 | 7.5% | - | 0.0% | - | 0.0% | - | 0.0% | 0.0% |
| Horizon | - | - | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 5,900 | 0.1% | 0.0% |
| Mesa Airlines | 42,235 | 0.5% | 114,010 | 1.3% | 117,730 | 1.3% | 42,215 | 0.5% | 17,098 | 0.2% | 7,381 | 0.1% | 16,870 | 0.2% | 5,709 | 0.1% | 17,766 | 0.1% | 90.3% |
| Skywest Airlines | 187,359 | 2.5% | 193,272 | 2.7% | 202,812 | 2.3% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 0.0% |
| Skywest-Delta Connection | - | 0.0% | - | 0.0% | - | 0.0% | 55,646 | 0.0% | 36,610 | 0.4% | 66,763 | 0.8% | 93,380 | 1.1% | 92,818 | 1.1% | 94,644 | 1.1% | 2.0% |
| Skywest-United Express | - | 0.0% | - | 0.0% | - | 0.0% | 161,956 | 1.8% | 140,502 | 1.5% | 136,760 | 1.6% | 178,386 | 2.1% | 179,547 | 7.1% | 162,620 | 1.9% | (9.4)% |
| Skywest-US Airways | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 5,880 | 0.1% | 0.0% |
| Other | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 0.0% |
| Total Commuter | 516,079 | 6.5% | 596,125 | 7.1% | 607,278 | 6.9% | 552,511 | 6.2% | 634,786 | 6.8% | 479,247 | 5.6% | 497,708 | 5.9% | 434,495 | 5.1% | 422,384 | 4.9% | (2.8)% |
| Total Enplanements | 7,947,440 | 100% | 8,449,107 | 100.0% | 4,749,734 | 100% | 8,892,069 | 100% | 9,389,327 | 100% | 8,535,774 | 100% | 8,453,886 | 100% | 8,441,120 | 100% | 8,575,475 | 100% | 1.8% |

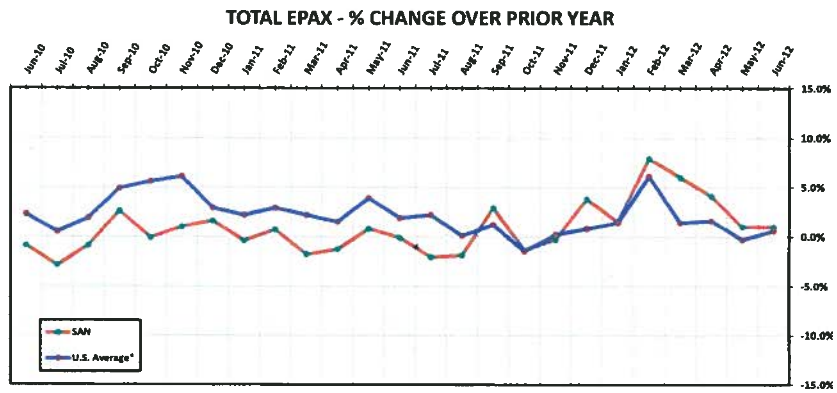
Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.






## Exhibit S-14

Year Over Year Percentage Growth in Passenger Enplanements,
SDIA vs. US




* U.S. Average is based on T-100 Market Reporting Data from the DOT Bureau of Transportation Statistics.

This chart compares SDIA's year-over-year enplanement change compared to the U.S. scheduled mainline service.

Source: San Diego County Regional Airport Authority and U.S. Dept. of Transportation's T-100 enplanement data.
Information presented reflects those years that comparable information is available.

## Exhibit S-15

Population and Per Capita Personal Income San Diego County (2000-2010)

| Calendar Year | Estimated Population[1] | % Change | Personal | % Change | Total Personal Income[2] | % Change |
|---|---|---|---|---|---|---|
| 2000 | 2,813,833 | 2.3 % | $ 32,789 | 8.4 % | $ 92,262,770,237 | 10.9 % |
| 2001 | 2,865,208 | 1.8 % | 33,801 | 3.1 % | 96,846,895,608 | 5.0 % |
| 2002 | 2,922,758 | 2.0 % | 34,612 | 2.4 % | 101,162,499,896 | 4.5 % |
| 2003 | 2,975,082 | 1.8 % | 35,676 | 3.1 % | 106,139,025,432 | 4.9 % |
| 2004 | 3,011,770 | 1.2 % | 38,452 | 7.8 % | 115,808,580,040 | 9.1 % |
| 2005 | 3,038,074 | 0.9 % | 40,383 | 5.0 % | 122,686,542,342 | 5.9 % |
| 2006 | 3,065,077 | 0.9 % | 42,801 | 6.0 % | 131,188,360,677 | 6.9 % |
| 2007 | 3,100,132 | 1.1 % | 45,911 | 7.3 % | 142,330,160,252 | 8.5 % |
| 2008 | 3,131,552 | 1.0 % | 46,649 | 1.6 % | 146,083,769,248 | 2.6 % |
| 2009 | 3,173,407 | 1.3 % | 42,325 | (9.3)% | 134,314,451,275 | (8.1)% |
| 2010 | 3,091,579 | (2.6)% | 43,104 | 1.8 % | 133,259,421,216 | (0.8)% |
| 2011 | 3,118,876 | 0.9 % | 46,767 | 8.5 % | 145,860,473,892 | 9.5 % |

Sources:

[1] California Department of Finance, E-1 Population Estimates for Cities, Counties and the State, at January 1st of the calendar years shown.

[2] U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, Local Area Personal Income. 2011 Per Capita Personal Income based on estimate by the California Department of Transportation



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## Exhibit S-16

Principal Employers in San Diego County

| Employer | 2012 Local Employees | 2012 Rank | 2012 Sector | 2012 Percentage of Total Industry Employment | 2002 Local Employees | 2002 Rank | 2002 Percentage of Total Industry Employment |
|---|---|---|---|---|---|---|---|
| U.S. Federal Government [1] | 46,300 | 1 | Government | 3.65% | 40,600 | 1 | 2.80% |
| State of California | 45,500 | 2 | Government | 3.58% | 38,500 | 2 | 2.65% |
| University of California, San Diego | 27,393 | 3 | Education | 2.16% | 21,266 | 4 | 1.47% |
| County of San Diego | 15,109 | 4 | Government | 1.19% | 17,222 | 5 | 1.19% |
| Sharp Health Care | 14,969 | 5 | Health Care | 1.18% | 12,167 | 8 | 0.84% |
| San Diego Unified School District | 13,730 | 6 | Education | 1.08% | 24,240 | 3 | 1.67% |
| Scripps Health | 13,830 | 7 | Health Care | 1.09% | 10,435 | 9 | 0.72% |
| Qualcomm Inc. | 10,509 | 8 | Technology | 0.83% | N/A | - | - |
| City of San Diego | 10,211 | 9 | Government | 0.80% | 12,656 | 6 | 0.87% |
| Kaiser Foundation | 6,200 | 10 | Health Care | 0.49% | N/A | - | - |
| US Postal Service | | | | | 12,856 | 7 | 0.85% |
| SBC | | | | | 6,988 | 10 | 0.48% |

Total Industry Employment in San Diego County (June 2012): 1,269,300

Source: Employers - San Diego Daily Transcript: 2002 & 2012 Book of Lists. 2003 information not available

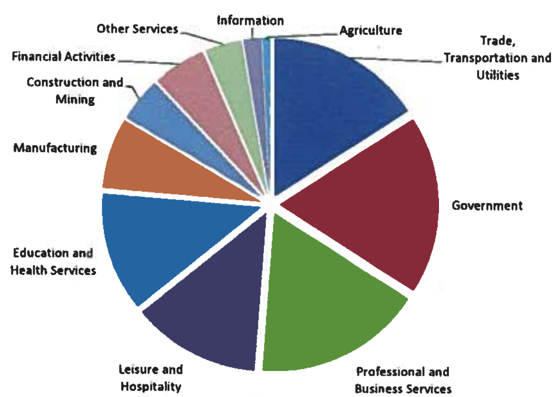
Total Industry Employment - California Employment Development Dept., Labor Market Info June 2012-March 2011 Benchmark

[1] Does not include Dept. of Defense employees

## Exhibit S-17
San Diego County Employment by Industry Sector

| Industry Sectors | June 2012 Industry Employment | % of Total |
|---|---|---|
| Trade, Transportation and Utilities | 201,200 | 15.9% |
| Government | 231,100 | 18.2% |
| Professional and Business Services | 217,600 | 17.1% |
| Leisure and Hospitality | 164,500 | 13.0% |
| Education and Health Services | 154,000 | 12.1% |
| Manufacturing | 91,900 | 7.2% |
| Construction and Mining | 58,000 | 4.6% |
| Financial Activities | 69,000 | 5.4% |
| Other Services | 48,200 | 3.8% |
| Information | 23,600 | 1.9% |
| Agriculture | 10,200 | 0.8% |
| Total | 1,269,300 | |

Source: California Employment Development Dept., Labor Market info: Industry Employment & Labor Force, March 2011 Benchmark



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## Exhibit S-18
Labor Force, Employment, and Unemployment Rates

| Year | Labor Force | Employment | Unemployment | Unemployment Rate SD County | Unemployment Rate State |
|---|---|---|---|---|---|
| 2004 | 1,490,781 | 1,421,700 | 70,700 | 4.7% | 6.2% |
| 2005 | 1,505,892 | 1,442,700 | 65,100 | 4.3% | 5.4% |
| 2006 | 1,520,474 | 1,457,500 | 60,500 | 4.0% | 4.9% |
| 2007 | 1,542,445 | 1,471,600 | 70,900 | 4.6% | 5.4% |
| 2008 | 1,548,700 | 1,462,300 | 92,900 | 6.0% | 7.2% |
| 2009 | 1,554,100 | 1,406,100 | 151,300 | 9.7% | 11.4% |
| 2010 | 1,558,200 | 1,393,900 | 164,300 | 10.5% | 12.4% |
| 2011 | 1,583,700 | 1,419,400 | 164,300 | 10.4% | 10.7% |
| *2012 | 1,598,800 | 1,450,800 | 148,200 | 9.3% | 10.7% |

Source: California Employment Development Dept.
* Labor Market Information Division, June 2012,
Unemployment Rate and Labor Force, not seasonally adjusted

Information presented reflects those years that the Airport Authority was in operation.

## Exhibit S-19
Revenue Bond Debt Service Coverage

| Senior Bonds | 2004 | 2005 | *2006 | 2007 | 2008 | 2009 | 2010 | **2011[5] | 2012 |
|---|---|---|---|---|---|---|---|---|---|
| Revenues [1] | $ 99,190,422 | $ 112,104,190 | $ 173,308,672 | $ 133,624,976 | $ 144,379,133 | $ 138,334,601 | $ 136,113,793 | $ 152,655,102 | $ 163,307,706 |
| Operating and Maintenance Expenses | 62,488,503 | 89,337,926 | 72,626,011 | 103,942,210 | 110,375,096 | 112,231,068 | 116,225,132 | 112,100,946 | 118,941,148 |
| Net Revenues [2] | 16,700,920 | 22,766,264 | 25,633,661 | 29,903,766 | 30,004,037 | 33,113,533 | 21,938,660 | 35,554,156 | 44,366,558 |
| Senior Bond Debt Service [3] | | | | | | | | | |
| Principal | 2,245,000 | 2,355,000 | 5,995,000 | 2,670,000 | 3,005,000 | 2,950,000 | 3,105,000 | 3,265,000 | 3,430,000 |
| Interest | 3,308,606 | 3,192,029 | 2,949,705 | 2,665,725 | 3,532,225 | 2,391,675 | 2,244,475 | 2,069,225 | 1,925,975 |
| Total Debt Service for the Senior Bond | 5,553,606 | 5,552,029 | 8,944,705 | 5,335,725 | 5,333,225 | 5,341,675 | 5,348,475 | 5,334,225 | 5,355,975 |
| Senior Bonds Debt Service Coverage | 3.01 | 4.10 | 2.87 | 5.62 | 5.62 | 6.33 | 4.90 | 6.64 | 4.28 |
| **Subordinate Debt** | | | | | | | | | |
| Subordinate Net Revenues [2] | | | | | | | | $ 30,199,931 | $ 79,010,563 |
| Subordinate Annual Debt Service [4] | | | | | | | | | |
| Principal | | | | | | | | 215,000 | 980,000 |
| Interest | | | | | | | | 8,463,413 | 11,595,681 |
| Commercial Paper [6] | | | | | | | | 634,788 | 1,072,867 |
| Total Subordinate Annual Debt Service | | | | | | | | $ 9,313,201 | $ 12,653,548 |
| Subordinate Obligations Debt Service Coverage | | | | | | | | 3.88 | 2.06 |

Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.
* The increase in debt service requirements in 2006 was due to principal and interest payments required on both the Airport Revenue Bonds Series 1995 and the Airport Revenue Refunding Bonds, Series 2005.
** The increase in the 2011 debt service requirements is due to the a new bond issued October 2010.

Revenues are calculated pursuant to the provisions of the Master Senior Indenture and the Master Subordinate Indenture.
Net Revenues and Subordinate Net Revenues are calculated pursuant to the provisions of the Master Senior Indenture and Master Subordinate Indenture, as appropriate.
Debt service with respect to the Senior Bonds is calculated pursuant to the provisions of the Master Senior Indenture.
Subordinate Annual Debt Service is calculated pursuant to the provisions of the Master Subordinate Indenture.
Includes principal and interest.
Information regarding Subordinate Obligations Debt Service Coverage provided in connection with the first fiscal year for which Subordinate Annual Debt Service was due with respect to the 2010 Bonds.
Subordinate Annual Debt Service for prior years consisted of debt service on the Airport Authority's Subordinate Commercial Paper Notes and is not presented for fiscal years 2004-2010.






## Exhibit S-20
Debt Per Enplaned Passenger

| Fiscal Year | Outstanding Revenue Bond Debt | Outstanding Commercial Paper Debt | Total Outstanding Debt | Enplaned Passengers | Debt Per Enplaned Passenger |
|---|---|---|---|---|---|
| 2004 | $ 62,960,000 | $ 51,694,000 | $ 114,654,000 | 7,947,440 | $ 14.43 |
| 2005 | 60,605,000 | 51,694,000 | 112,299,000 | 8,449,107 | 13.29 |
| 2006 | 56,270,000 | 51,694,000 | 107,964,000 | 8,749,734 | 12.34 |
| 2007 | 52,755,000 | 51,694,000 | 104,449,000 | 8,692,069 | 11.75 |
| 2008 | 50,085,000 | 49,430,000 | 99,515,000 | 9,389,327 | 10.60 |
| 2009 | 47,280,000 | 84,430,000 | 131,710,000 | 8,535,774 | 15.43 |
| 2010 | 44,330,000 | 164,430,000 | 208,760,000 | 8,453,886 | 24.69 |
| 2011 | 613,790,000 | 21,509,000 | 635,299,000 | 8,441,120 | 75.26 |
| 2012 | 609,810,000 | 20,729,000 | 630,539,000 | 8,575,475 | 73.53 |

Source: San Diego County Regional Airport Authority
Information presented reflects those years that the Airport Authority was in operation.

## Exhibit S-21
Capital Assets

| San Diego International Airport | |
|---|---|
| Number of runways | 1 |
| Length of runway (feet) | 9,401 feet |
| Gates | 41 |
| Commuter plane parking positions | 10 |
| Terminal square footage | 827,856 |
| Airport land area | 661 acres |
| On airport parking spaces (public) | 1,509 |
| Off airport parking spaces (public) | 4,776 |

Source: San Diego County Regional Airport Authority
The parking spaces shown above are controlled and operated by the Airport Authority and reported on a weighted-average basis.


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