

ITEM B

# San Diego County Regional Airport Authority



Financial Update for the  
Year Ended  
June 30, 2011

Presented by:

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Vice President, Finance / Treasurer & CFO

September 1, 2011



# Congressional Leaders Compromise



- Congressional leaders reached a compromise with President Obama on July 31<sup>st</sup>, 2011 to raise the U.S. debt limit by at least \$2.1 trillion and cut spending by \$2.4 trillion or more.
- The deal cut \$917 billion in spending over the next 10 years and increased the debt limit initially by \$900 billion. There are also provisions for a special congressional committee to find another \$1.5 trillion in cuts by late November.
- If the November deadline is met, or a balanced budget amendment is passed, Obama would receive another \$1.5 trillion increase in the debt ceiling. If the deadline is not met, automatic spending cuts would be triggered in addition to another \$1.2 trillion debt ceiling increase.



**GOOD NEWS!  
I RAISED  
THE DEBT  
CEILING**



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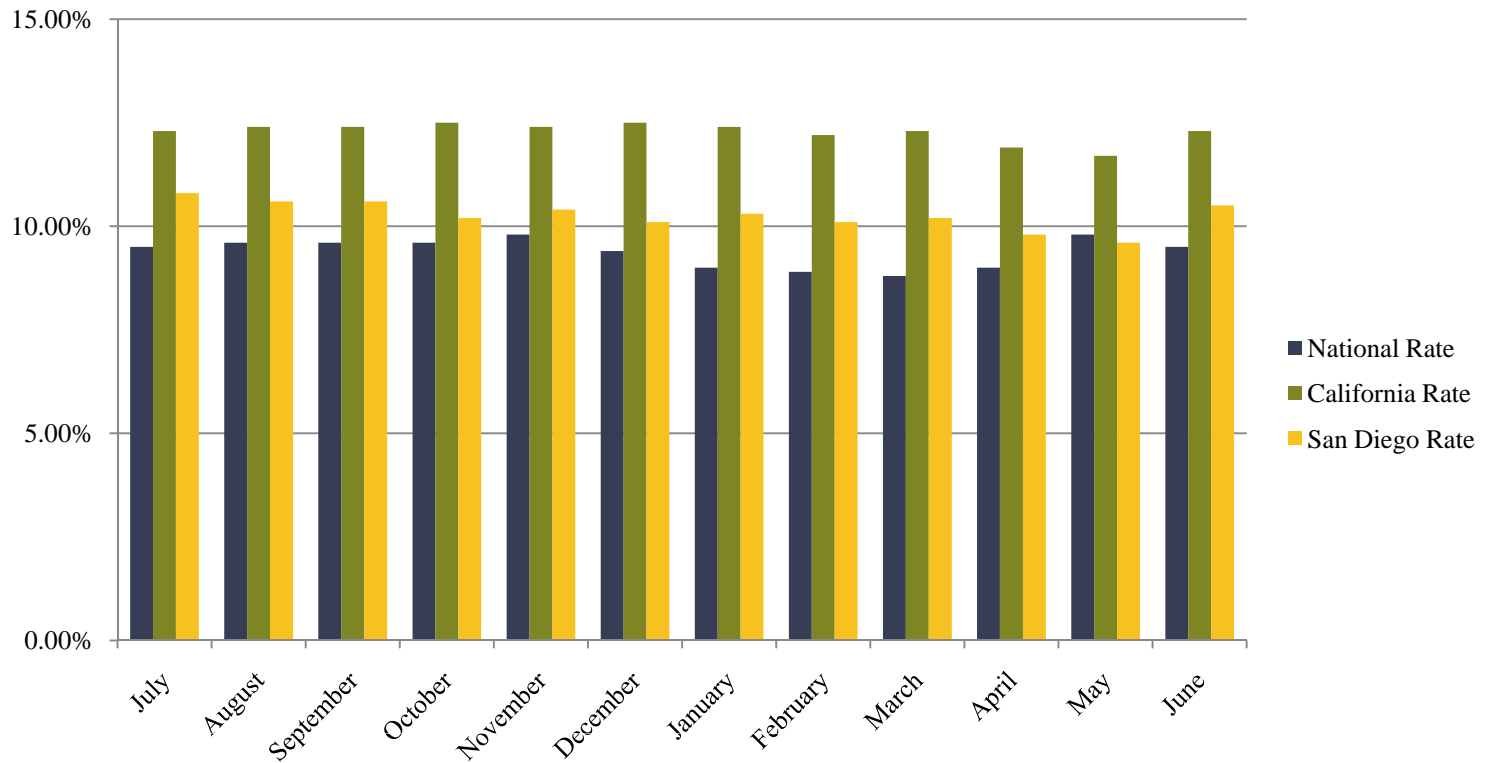


# Unemployment Rate This Fiscal Year



The Federal unemployment rate decreased to 9.1%, up from 9.2% last month. The California unemployment rate remains high at 12% which continues to be higher than the national average. The U-6 rate is 16.1% for June. San Diego's unemployment rate is 10.5%.

Unemployment Rates

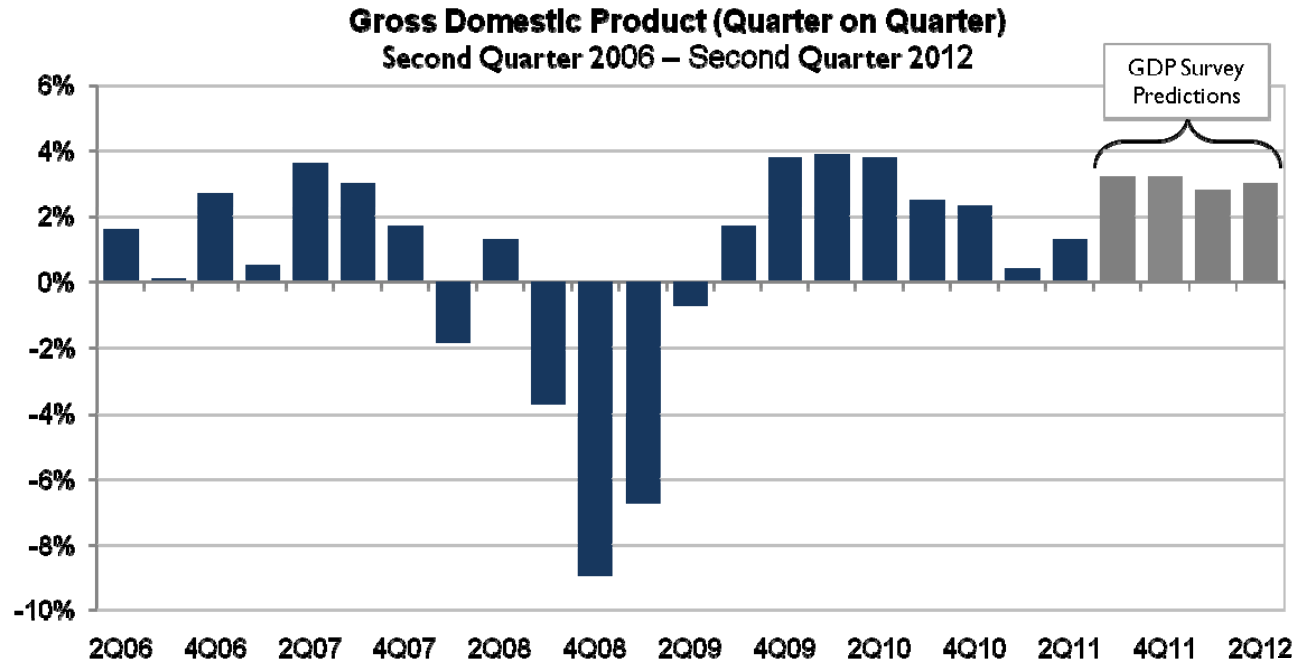




# GDP Worse Than Previously Believed



Sluggish growth continued into the second quarter as GDP posted a 1.3 percent annualized rise, following a downwardly revised increase of 0.4 percent in the first quarter. Analysts had forecasted a 1.9 percent increase for the second quarter and the first quarter was initially estimated at 1.9 percent and later revised down to 1.8 percent and then to the current 0.4 percent. Most of the anemia in the second quarter came from the consumer sector which came to a screeching halt with a 0.1 annualized percent uptick in the first quarter, following a 2.1 percent rise the prior quarter. Government purchases declined modestly while gains were seen in net exports, business investment in structures and equipment, and even residential investment. Inventories nudged up.



*Gross Domestic Product (GDP) is a measure of the United States' production over the quarter, often shown as quarter on quarter change. GDP includes consumption, government spending, investment, and net exports. It is the measure of economic activity in the United States.*



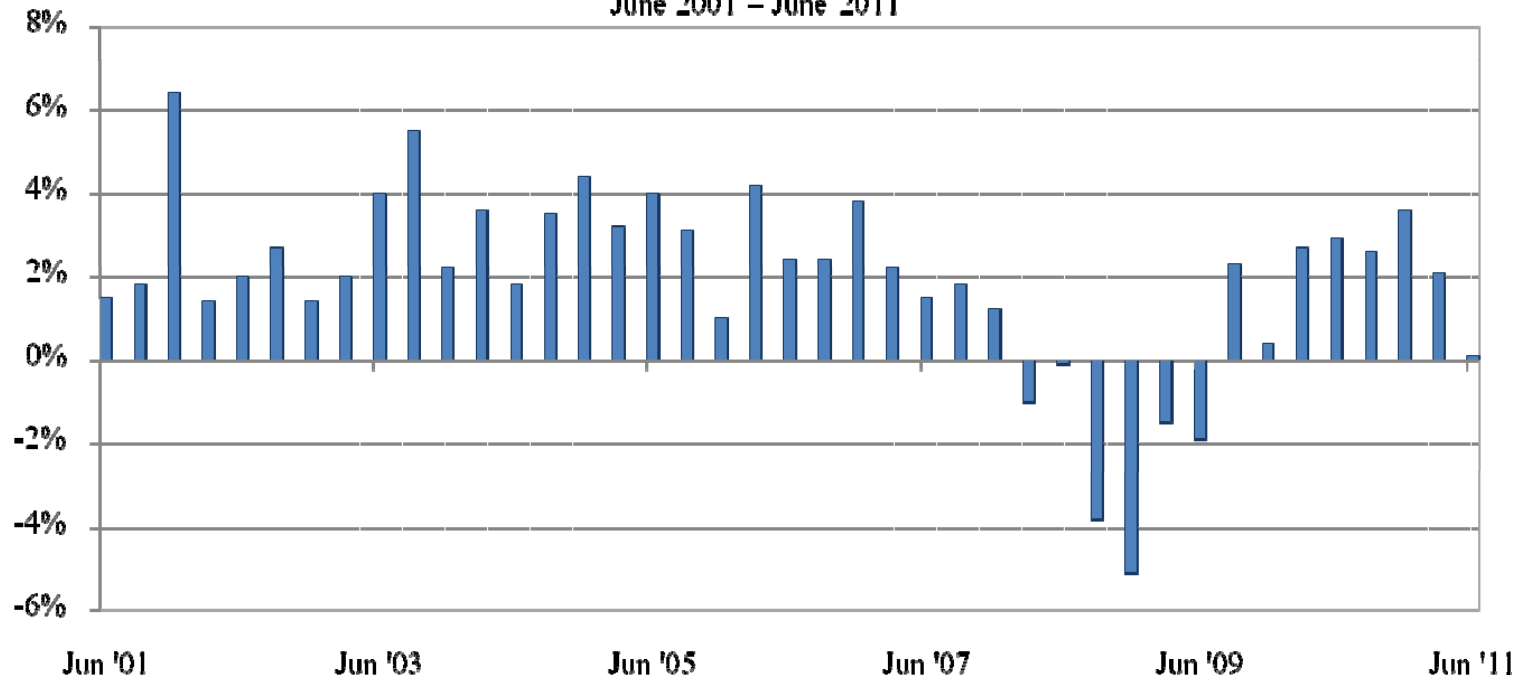
# Personal Consumption Declines More Than Expected



Personal consumption was reported at 0.1% for the second quarter of 2011. Personal consumption fell from 2.2% in the first quarter of 2011 to 0.1% in the second quarter of 2011, this weakness is evident in the personal consumption segment of the second quarter of 2011 GDP release. The report shows that consumer sentiment is declining and indicates the economy isn't gaining momentum as the second half of the year begins.

**U.S. GDP Personal Consumption Chained 2005 Dollars % Change SAAR**

June 2001 – June 2011



*Real GDP consumption expenditures in chained 2005 dollars at a seasonally adjusted annual rate.*

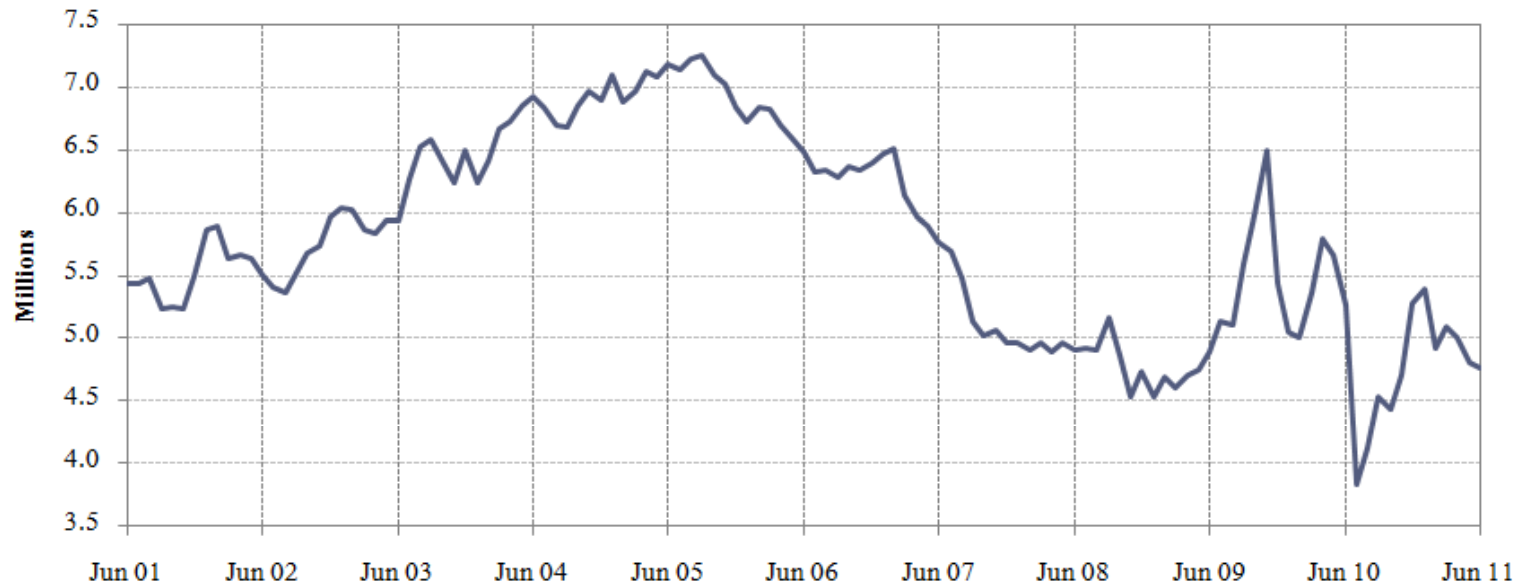


# Home Sales Fall Slightly In June



Sales of existing homes continued to decline in June, slipping 0.8 percent to an annual adjusted rate of 4.77 million. However, the sales that did occur came in at considerably higher prices, at a median \$184,300 for an 8.9 percent monthly gain. The year-on-year rate moved into positive ground for the first time this year at plus 0.8 percent. The average price, at \$236,200, rose 8.5 percent with the year-on-year rate at plus 2.7 percent. Note that prices in this report are not seasonally adjusted though year-on-year strength does point firmly to strength outside of seasonal factors.

**Existing Home Sales**



*Existing home sales represents the number of sales in each month of previously constructed homes, condominiums, and co-ops. Existing homes are often a better indicator of trends in the housing market, as they account for a larger share of the market than new homes.*

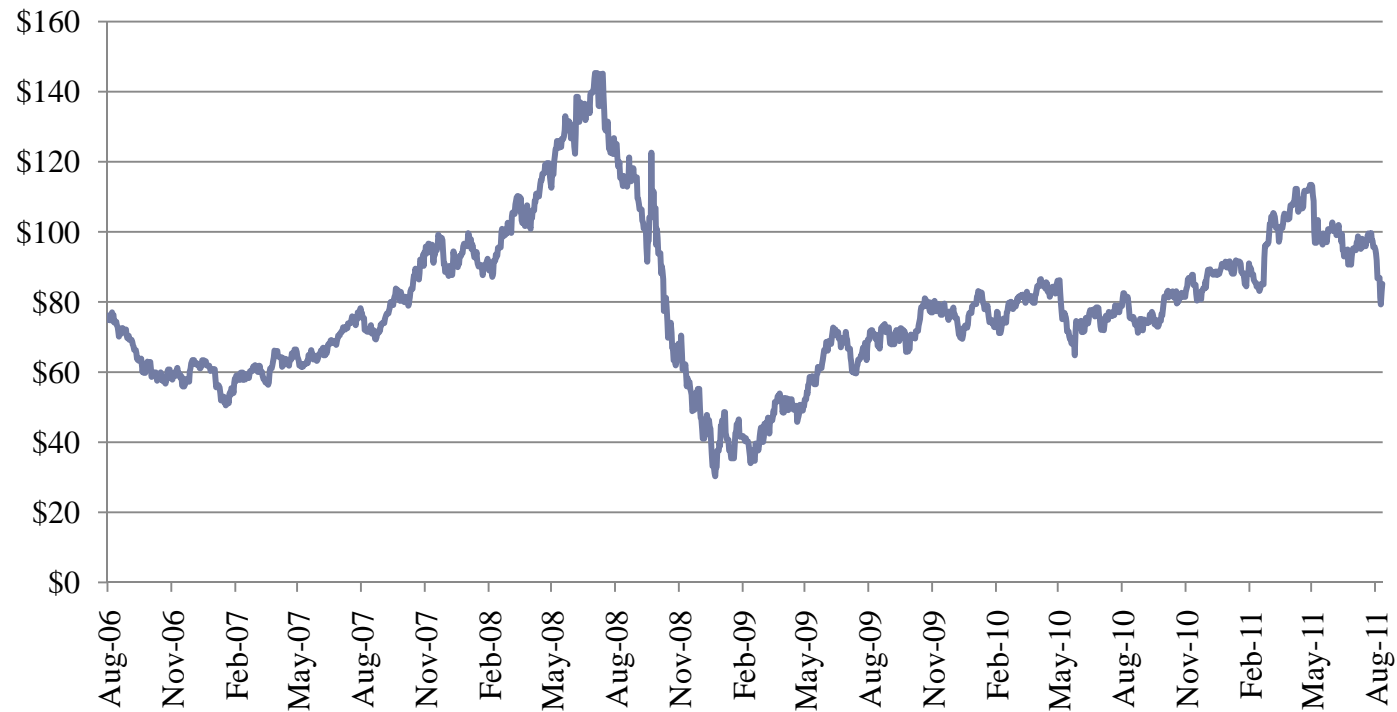


# Oil Prices Fall on Economic Worries



After reaching as high as \$113/barrel (WTI) in early May 2011, oil prices have trended downward on concerns that the economy is slowing, which would depress demand for oil. Along with the equity markets, there was a broad sell off in the commodity markets on August 4, on fears of a global economic slowdown. Oil closed at \$79 per barrel on August 9, 2011, the first time under oil has closed under \$80 per barrel since the end of September 2010

**Oil Price Per Barrel (WTI Spot)**  
August 1, 2006 – August 11, 2011







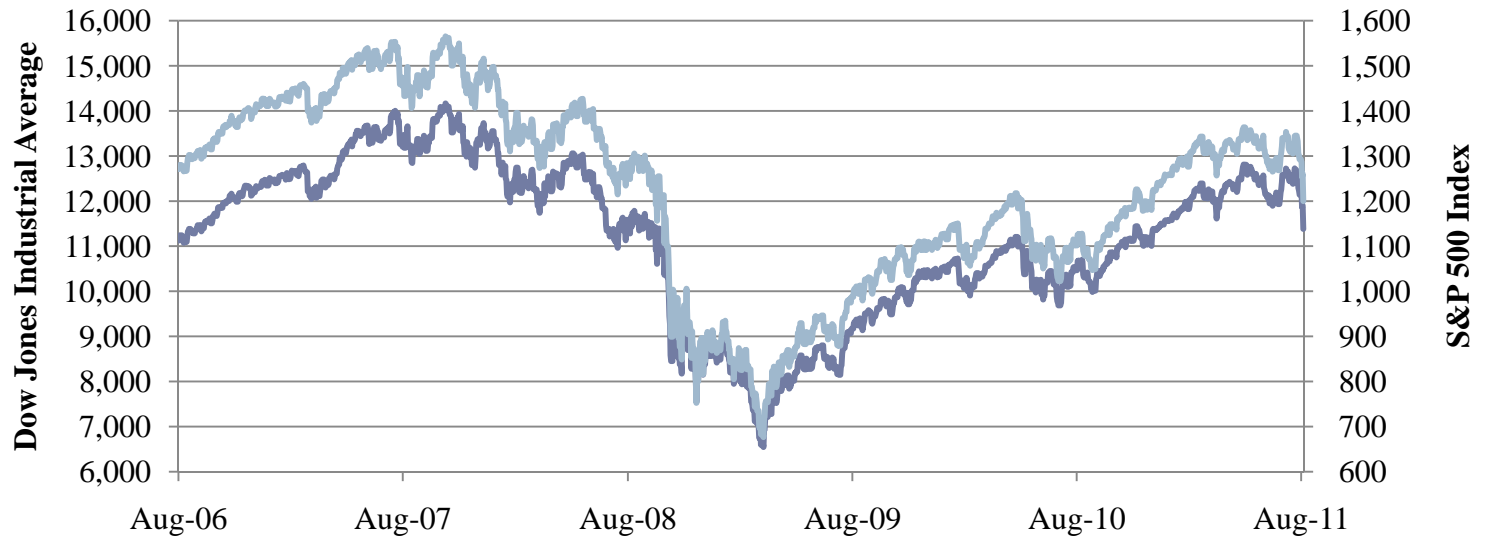
# The Equity Markets Fall Sharply on Economic Woes



Since reaching their latest highs on July 7, the U.S. equity markets have trended downward on a series of weaker the economic releases along with the continuing European debt crises. On August 4, the U.S. equity experienced their worst day since the 2008 financial crises, as the major equity indices all sold off on concerns about a global economic slowdown. The S&P 500 and the DJIA were both down over 4% for the day and 10% from their July highs. The indices which had been up for most of the year are now negative year-to-day.

**Dow Jones Industrial Average and S&P 500 Indices**

August 1, 2006 – August 4, 2011





## 2-Year Treasury Yield Hits New All-Time Low



The 2-year U.S. Treasury yield closed at 0.18% on August 10, a new all-time low as investors reacted to global economic worries and the decision by the federal reserve to keep the federal funds rate exceptionally low at least through mid-2013. Before August, the previous low of 0.33% was reached in November 2010 and July 2011. Over the past twelve months, the yield on the 2-year Treasury has averaged less than 0.55%.

**2-Year U.S. Treasury Yield**  
August 1, 2001 – August 11, 2011



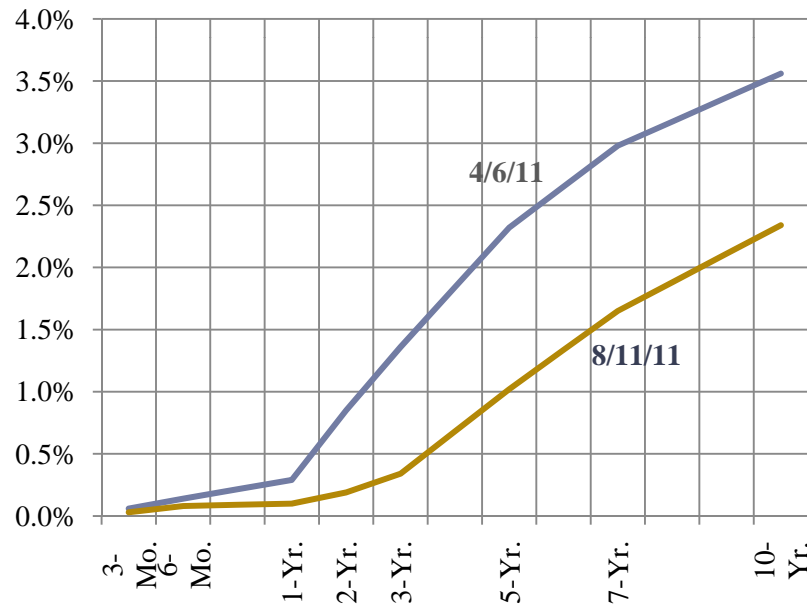


# U.S. Treasury Yield Curve



U.S. Treasury yields have fallen across the yield curve on growing economic worries and a sell of in the equity and commodity markets. Since reaching its most recent high for the year on April 6, the yield on the 2-year Treasury is down 0.66% after hitting new all-time lows.

**U.S. Treasury Yield Curve**  
April 6, 2011 vs. August 11, 2011



	4/6/11	8/11/11	Change
<b>3-Mo.</b>	0.06%	0.03%	(0.03%)
<b>6-Mo.</b>	0.14%	0.08%	(0.06%)
<b>1-Yr.</b>	0.29%	0.10%	(0.19%)
<b>2-Yr.</b>	0.85%	0.19%	(0.66%)
<b>3-Yr.</b>	1.36%	0.34%	(1.02%)
<b>5-Yr.</b>	2.32%	1.02%	(1.30%)
<b>10-Yr.</b>	3.56%	2.34%	(1.22%)

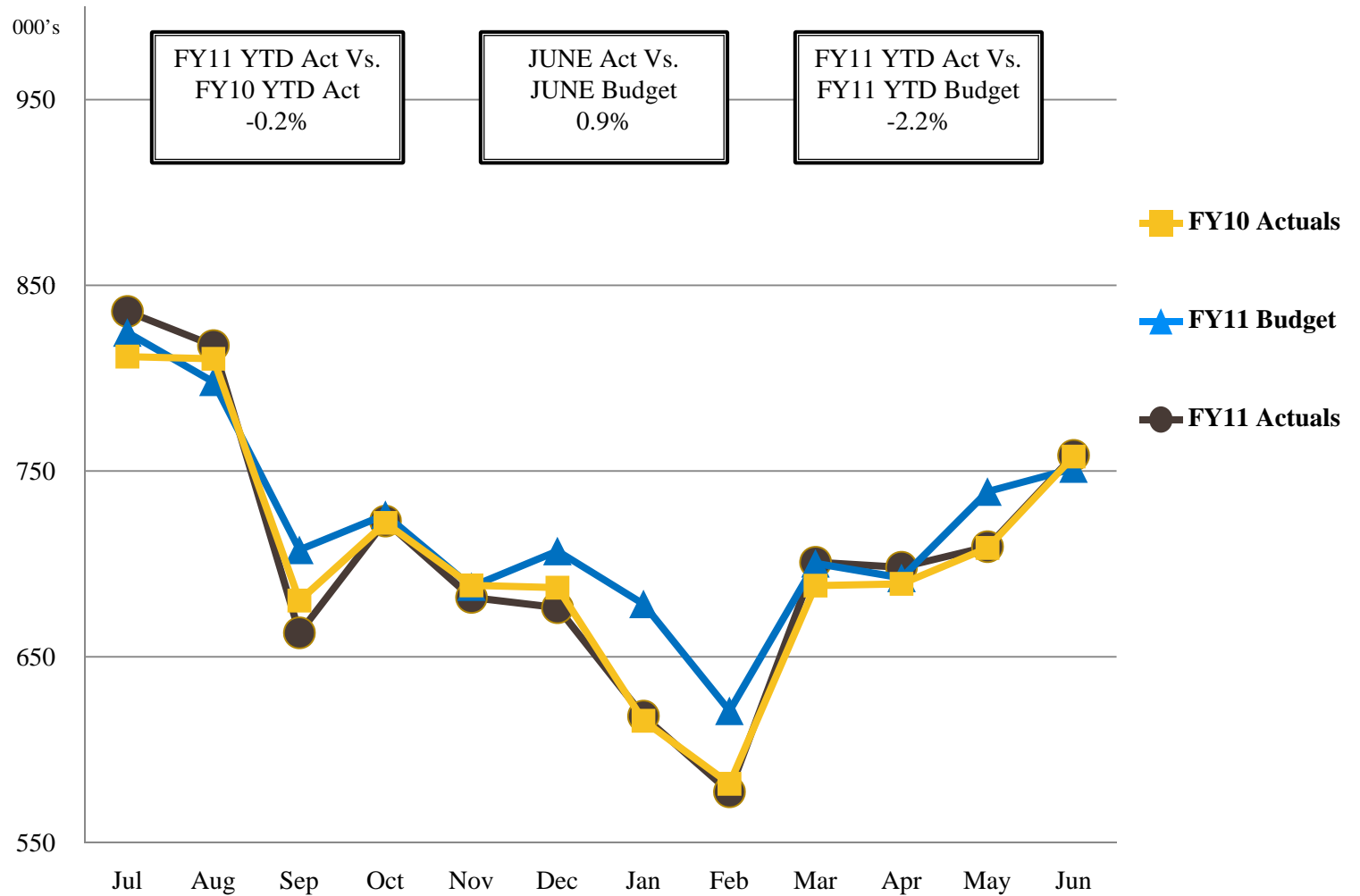


Unaudited Financial Statements  
For the Year Ended  
June 30, 2011



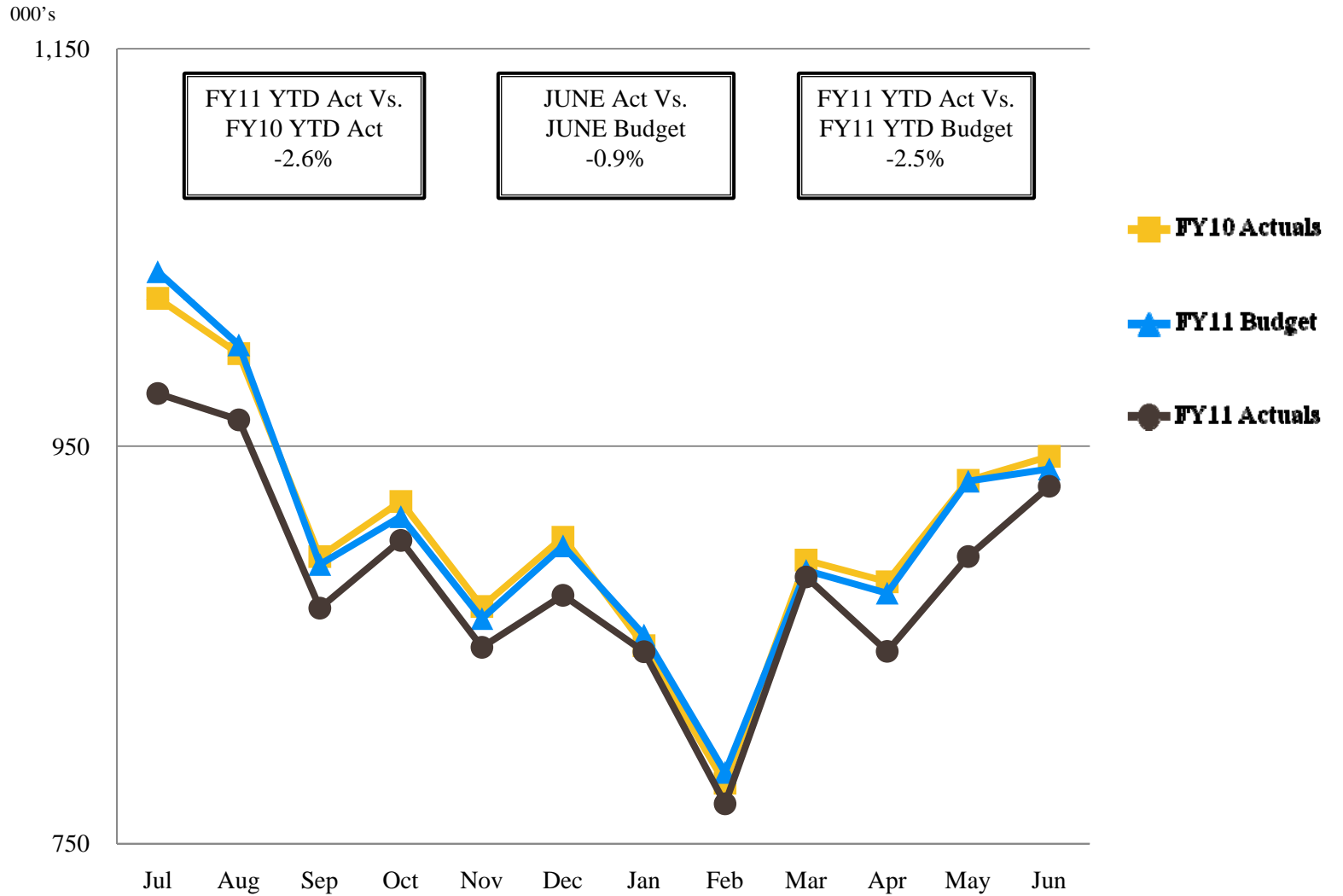


# Enplanements





# Gross Landing Weight Units (000 lbs)

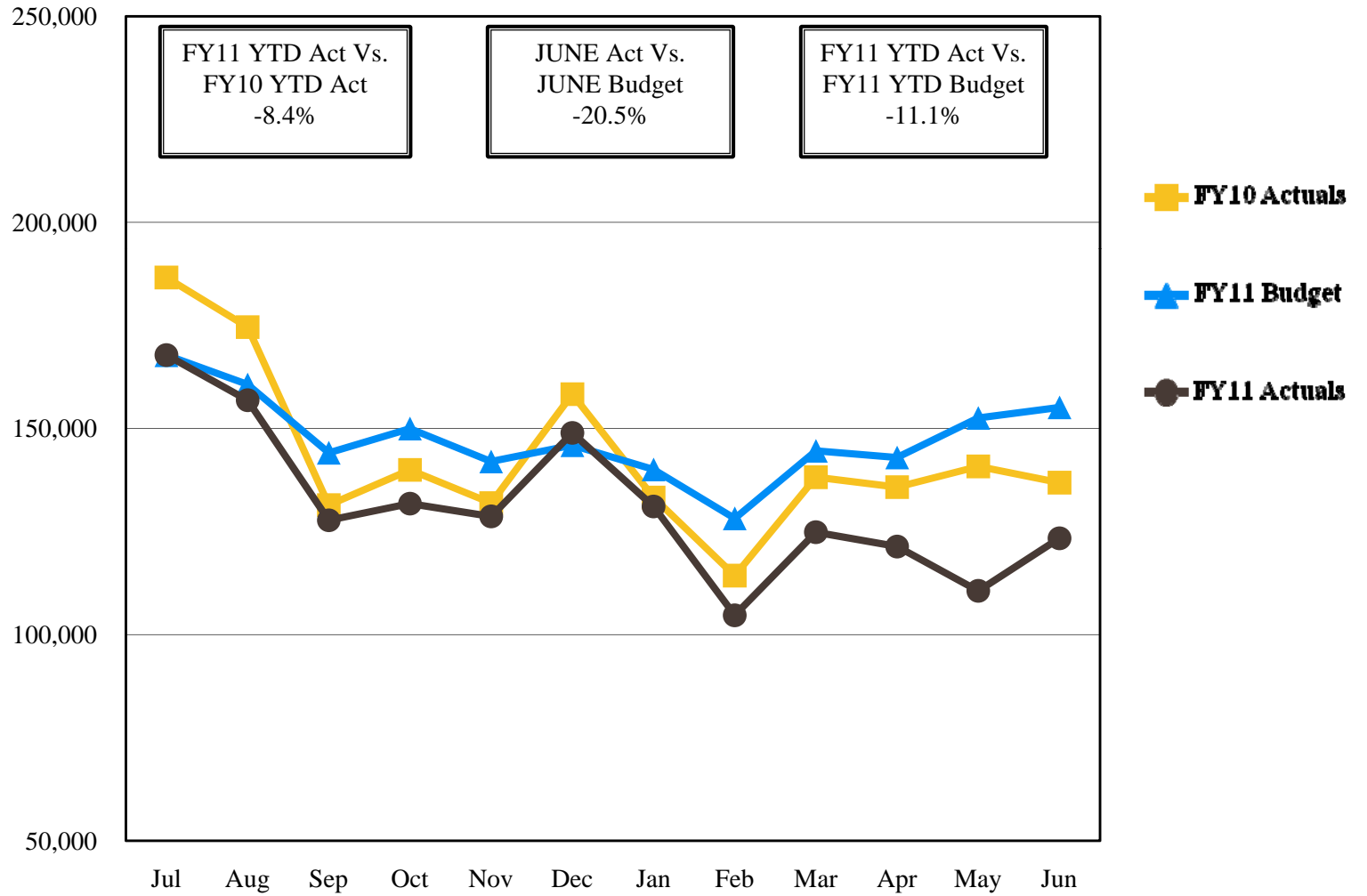




# Airport Parking Transactions



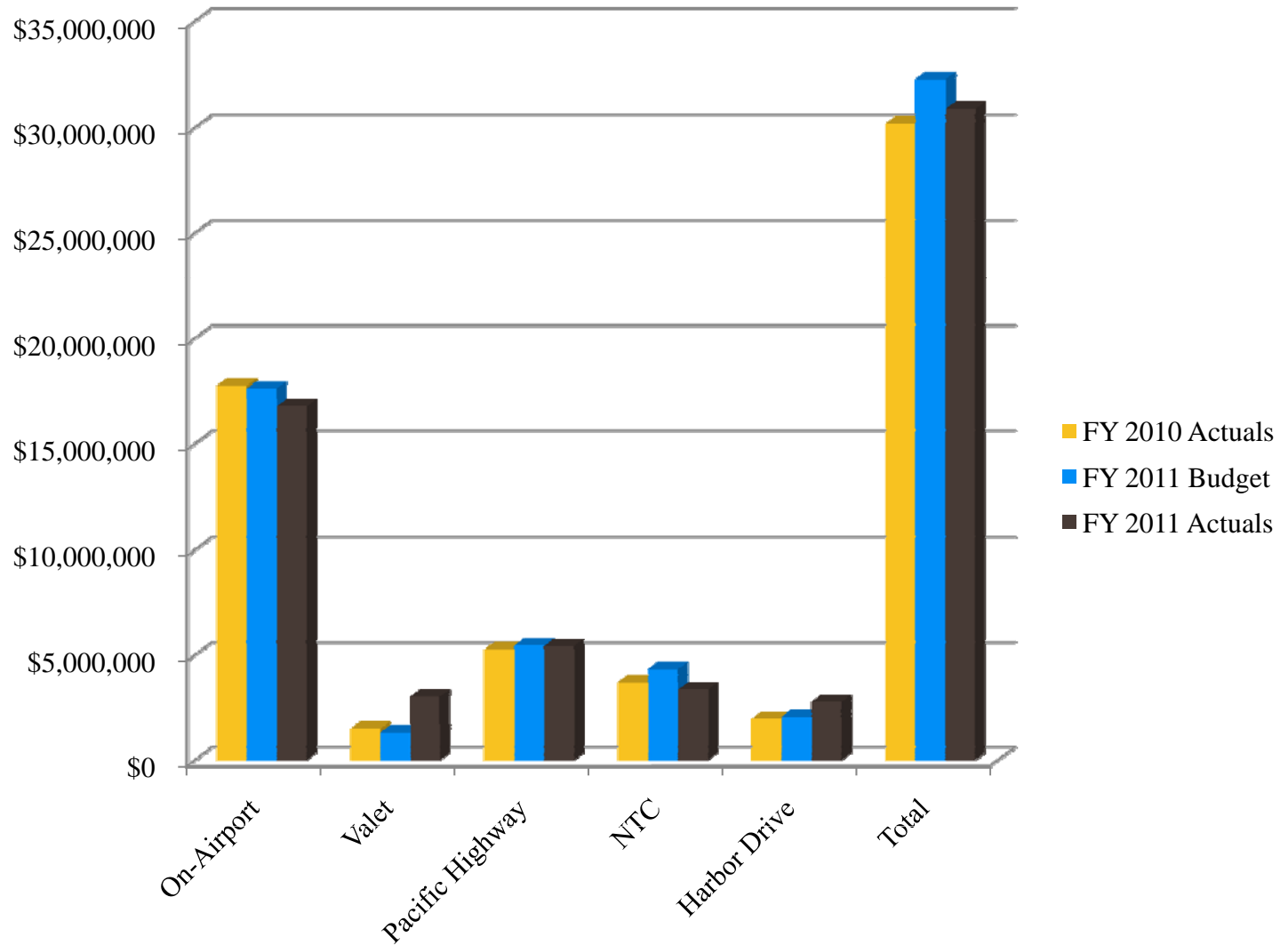
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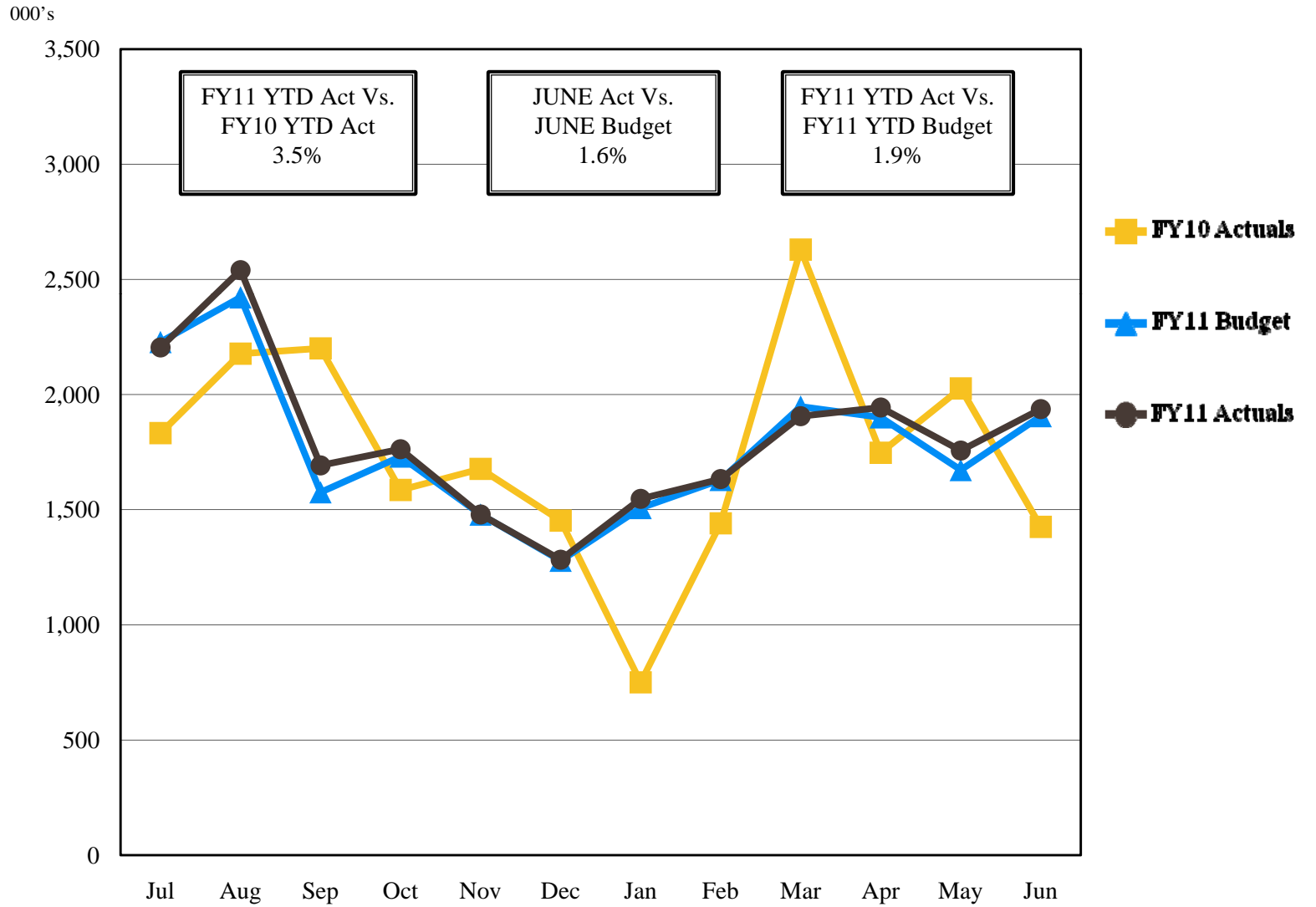


# Airport Parking Revenue





# Car Rental License Fees

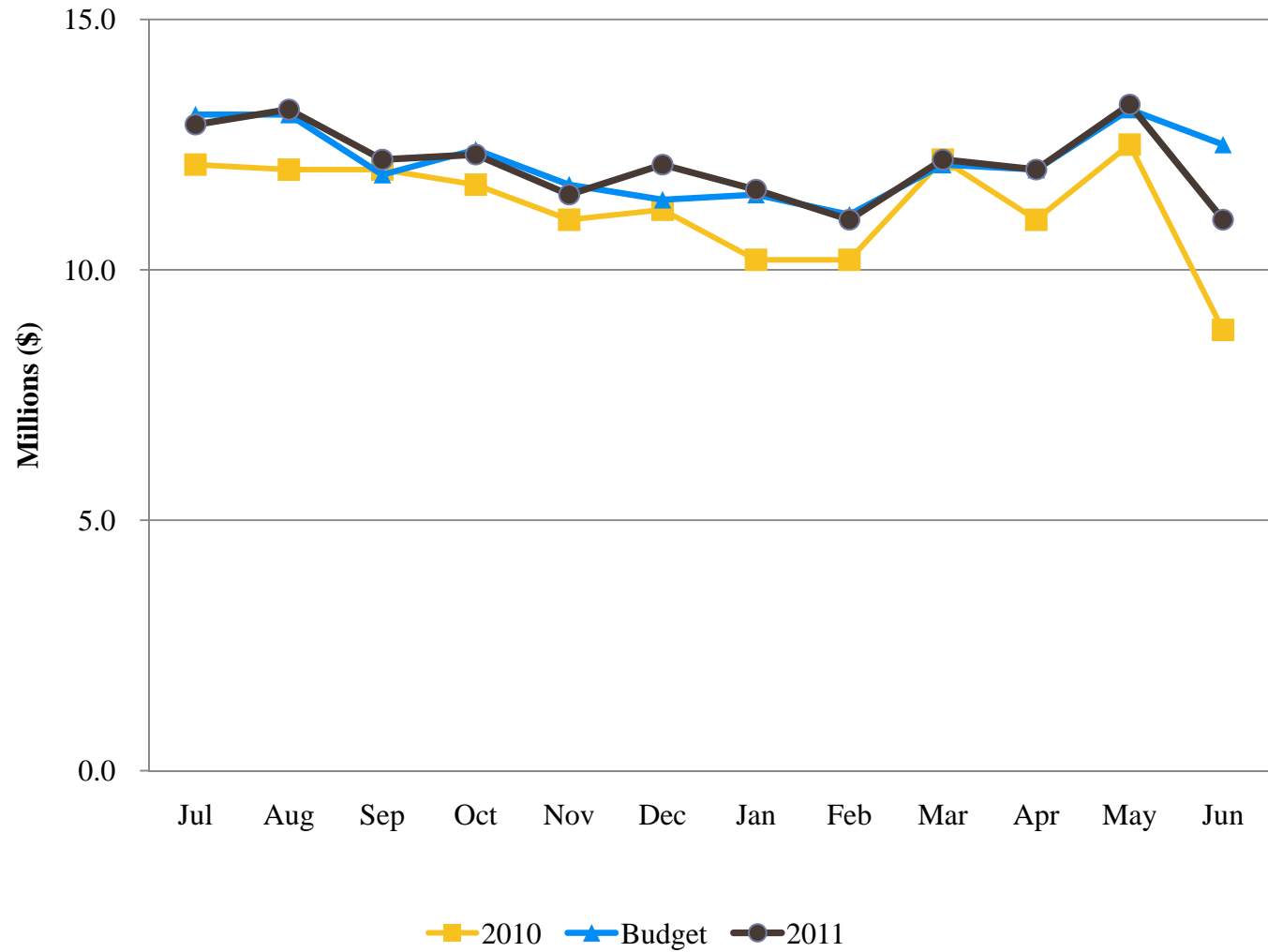


Revenues & Expenses (Unaudited)  
For the Year Ended  
June 30, 2011





# Monthly Operating Revenue, FY 2011 (Unaudited)





# Operating Revenues

## for the Year Ending June 30, 2011



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Aviation revenue:</b>					
Landing fees	\$ 19,030	\$ 18,714	\$ (316)	(2)%	\$ 18,657
Aircraft parking fees	2,826	2,921	95	3%	3,382
Building rentals	27,787	26,736	(1,051)	(4)%	23,030
Security surcharge	14,786	14,843	57	-	11,900
Other aviation revenue	1,584	1,597	13	1%	1,584
<b>Total aviation revenue</b>	<b>\$ 66,013</b>	<b>\$ 64,811</b>	<b>\$ (1,202)</b>	<b>(2)%</b>	<b>\$ 58,553</b>



# Operating Revenues

## for the Year Ending June 30, 2011



(In thousands)	Budget	Actual	Variance		Prior Year
			Favorable (Unfavorable)	% Change	
<b>Terminal rent non-airline</b>	\$ 868	\$ 869	\$ 1	-	\$ 805
<b>Concession revenue:</b>					
<b>Terminal concession revenue:</b>					
Food and beverage	5,997	6,182	185	3%	6,082
Gifts and news	3,837	3,857	20	1%	3,615
Other	2,850	2,773	(77)	(3)%	2,758
<b>Total terminal concession revenue</b>	<b>12,684</b>	<b>12,812</b>	<b>128</b>	<b>1%</b>	<b>12,454</b>
<b>Car rental and license fee revenue:</b>					
Rental car license fees	21,279	21,686	407	2%	20,969
License fees-other	3,087	2,600	(487)	(16)%	2,826
<b>Total rental car and license fees</b>	<b>24,366</b>	<b>24,286</b>	<b>(80)</b>	<b>-</b>	<b>23,795</b>
<b>Total concession revenue</b>	<b>\$ 37,050</b>	<b>\$ 37,098</b>	<b>\$ 48</b>	<b>-</b>	<b>\$ 36,250</b>



# Operating Revenues

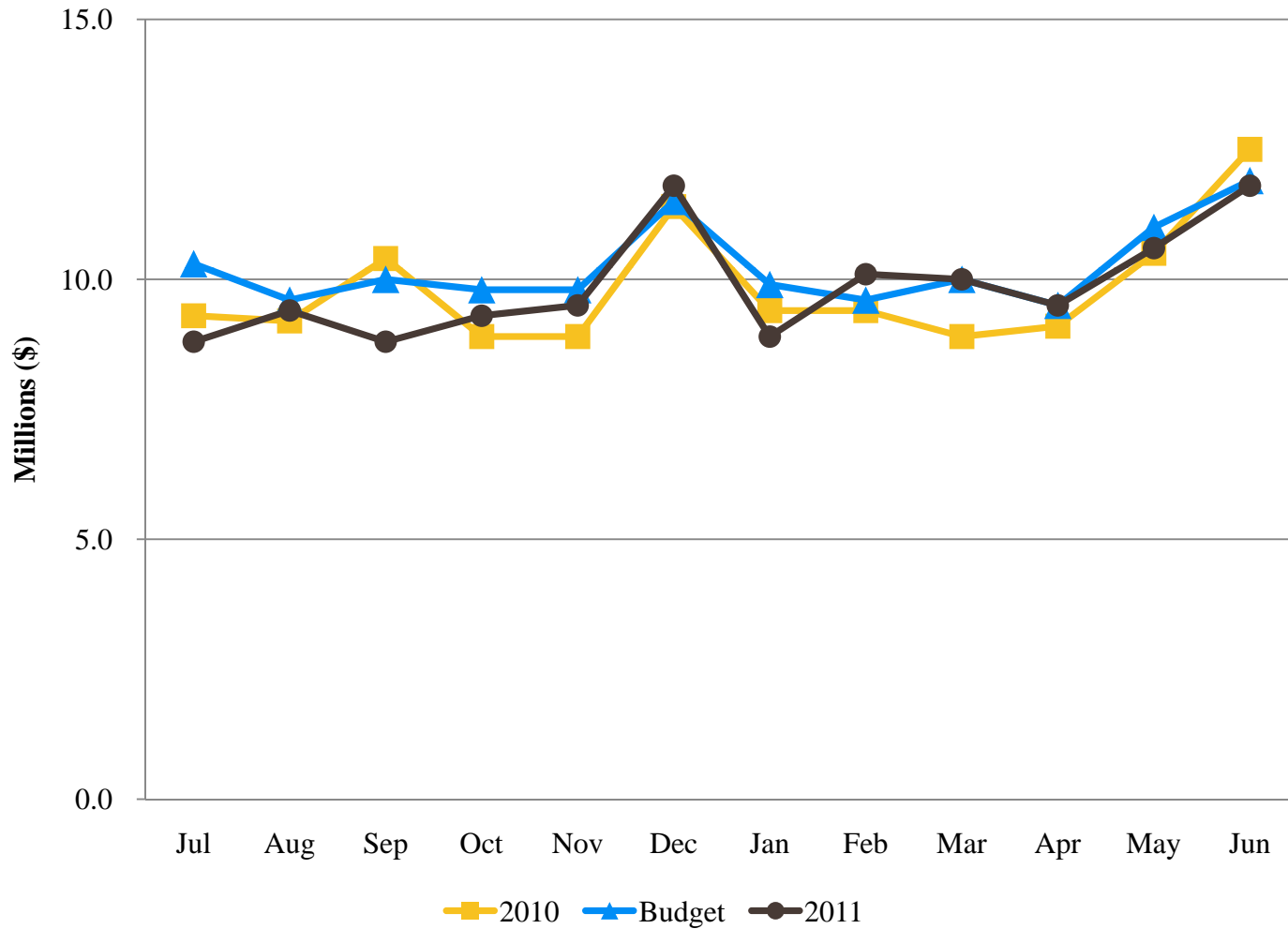
## for the Year Ending June 30, 2011



(In thousands)	Budget	Actual	Variance		Prior Year
			Favorable (Unfavorable)	% Change	
<b>Parking revenue:</b>					
On-airport parking revenue	\$ 18,575	\$ 19,194	\$ 619	3%	\$ 18,734
Off-airport parking revenue	13,706	11,715	(1,991)	(15)%	11,241
<b>Total parking revenue</b>	<b>32,281</b>	<b>30,909</b>	<b>(1,372)</b>	<b>(4)%</b>	<b>29,975</b>
Ground transportation permits and citations	622	735	113	18%	321
Ground rentals	6,226	7,741	1,515	24%	5,923
Grant reimbursements	1,101	870	(231)	(21)%	1,257
Other operating revenue	722	779	57	8%	611
Subtotal	40,952	41,034	82	-	38,087
<b>Total operating revenues</b>	<b>\$ 144,883</b>	<b>\$ 143,812</b>	<b>\$ (1,071)</b>	<b>-</b>	<b>\$ 133,695</b>



# Monthly Operating Expenses, FY 2011 (Unaudited)







# Operating Revenues

## for the Year Ending June 30, 2011



(In thousands)	Budget	Actual	Variance		Prior Year
			Favorable (Unfavorable)	% Change	
<b>Operating expenses:</b>					
Salaries and benefits	\$ 38,557	\$ 38,257	\$ 300	1%	\$ 35,386
Contractual services	29,291	26,089	3,202	11%	27,999
Safety and security	20,658	21,324	(666)	(3)%	20,131
Space rental	10,905	10,906	(1)	-	10,906
Utilities	7,048	6,414	634	9%	6,871
Maintenance	7,939	8,139	(200)	(3)%	9,231
Equipment and systems	530	561	(32)	(6)%	891
Materials and supplies	381	314	67	18%	413
Insurance	1,223	1,063	160	13%	1,166
Employee development and support	1,341	1,015	326	24%	990
Business development	2,202	2,245	(43)	(2)%	2,033
Equipment rental and repairs	1,574	1,308	266	17%	1,271
<b>Total operating expenses</b>	<b>\$ 121,649</b>	<b>\$ 117,636</b>	<b>\$ 4,013</b>	<b>3%</b>	<b>\$ 117,288</b>



# Financial Summary

## for the Year Ending June 30, 2011



(In thousands)	Budget	Actual	Variance		Prior Year
			Favorable (Unfavorable)	% Change	
Total operating revenues	\$ 144,883	\$ 143,812	\$ (1,071)	-	\$ 133,695
Total operating expenses	121,649	117,636	4,014	3%	117,288
<b>Income from operations</b>	<b>23,234</b>	<b>26,176</b>	<b>2,942</b>	<b>13%</b>	<b>16,407</b>
Depreciation	50,549	49,989	560	1%	42,351
<b>Operating income (loss)</b>	<b>\$ (27,315)</b>	<b>\$ (23,813)</b>	<b>\$ 3,502</b>	<b>13%</b>	<b>\$ (25,944)</b>



# Nonoperating Revenues & Expenses for the Year Ending June 30, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Nonoperating revenues (expenses):</b>					
Passenger facility charges	\$ 33,733	\$ 33,896	\$ 164	-	\$ 34,049
Customer facility charges (ConRAC Facility)	10,550	10,986	436	4%	10,783
Quieter Home Program	(3,869)	(3,386)	483	12%	(1,873)
Interest income	5,983	6,070	87	1%	6,667
BAB interest rebate	3,691	3,691	-	-	-
Interest expense	(13,383)	(7,296)	6,087	45%	(2,684)
Bond amortization cost	(145)	470	615	423%	(74)
Other nonoperating revenue (expenses)	(40)	(93)	(53)	133%	(1,004)
<b>Nonoperating revenue, net</b>	<b>36,519</b>	<b>44,338</b>	<b>7,819</b>	<b>21%</b>	<b>45,864</b>
<b>Income before grant contributions</b>	<b>9,204</b>	<b>20,525</b>	<b>11,321</b>	<b>123%</b>	<b>19,920</b>
Capital grant contributions	43,318	26,414	(16,904)	(39)%	27,350
<b>Net income</b>	<b>\$ 52,522</b>	<b>\$ 46,939</b>	<b>\$ (5,583)</b>	<b>(11)%</b>	<b>\$ 47,270</b>



# Balance Sheets (Unaudited)



## ASSETS

(In thousands)

June

	2011	2010
<b>Current assets:</b>		
Cash and investments	\$ 89,588	\$ 105,046
Tenant lease receivable, net of allowance of 2011: \$14,918 and 2010: \$59,341	5,151	6,134
Grants receivable	4,043	3,866
Notes receivable-current portion	1,697	1,613
Prepaid expenses and other current assets	5,274	7,411
<b>Total current assets</b>	<b>105,752</b>	<b>124,070</b>
<b>Cash designated for capital projects and other</b>	<b>\$ 8,149</b>	<b>\$ 20,896</b>



# Balance Sheets (Unaudited)

## ASSETS

(In thousands)

June

### Restricted assets:

#### Cash and investments:

Bonds reserve

	2011	2010
Bonds reserve	\$ 45,098	\$ 45,708
Passenger facility charges and interest unapplied	54,758	57,894
Customer facility charges and interest applied*	21,012	10,841
Commercial paper reserve	37	64
SBD bond guarantee	4,000	4,000
Bond proceeds held by trustee	396,903	9,623
Commercial paper interest held by trustee	13	13
Passenger facility charges receivable	5,019	5,015
Customer facility charges receivable*	1,029	1,236
OCIP insurance reserve	6,239	6,400
<b>Total restricted assets</b>	<b>\$ 534,109</b>	<b>\$ 140,794</b>

Passenger facility charges and interest unapplied

Customer facility charges and interest applied\*

Commercial paper reserve

SBD bond guarantee

Bond proceeds held by trustee

Commercial paper interest held by trustee

Passenger facility charges receivable

Customer facility charges receivable\*

OCIP insurance reserve

**Total restricted assets**

\*ConRAC Facility



## Balance Sheets (Unaudited)



### ASSETS

(In thousands)

June

#### Noncurrent assets:

#### Capital assets:

	2011		2010
Land and land improvements	\$ 24,480	\$	23,454
Runways, roads and parking lots	273,449		227,870
Buildings and structures	464,477		461,051
Machinery and equipment	10,327		9,997
Vehicles	5,342		5,239
Office furniture and equipment	30,577		29,976
Works of art	2,427		2,257
Construction-in-progress	322,516		183,013
<b>Total capital assets</b>	<b>1,133,595</b>		<b>942,857</b>
Less: accumulated depreciation	(507,948)		(459,140)
<b>Total capital assets, net</b>	<b>\$ 625,647</b>	\$	<b>483,717</b>



# Balance Sheets (Unaudited)



## ASSETS

(In thousands)

June

### Other assets:

Notes receivable - long-term portion

Investments - long-term portion

Deferred costs - bonds (net)

Net pension asset

Security Deposits

**Total other assets**

**Total noncurrent assets**

**TOTAL ASSETS**

	June	
	2011	2010
Notes receivable - long-term portion	\$ 42,914	\$ 44,610
Investments - long-term portion	16,827	951
Deferred costs - bonds (net)	5,033	788
Net pension asset	7,761	8,317
Security Deposits	225	-
<b>Total other assets</b>	<b>72,760</b>	<b>54,666</b>
<b>Total noncurrent assets</b>	<b>698,407</b>	<b>538,383</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,346,416</b>	<b>\$ 824,143</b>



# Balance Sheets (Unaudited)



## LIABILITIES & NET ASSETS

(In thousands)

June

	2011		2010
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	\$ 56,972	\$	50,357
Deposits and other current liabilities	2,601		1,395
<b>Total current liabilities</b>	<b>59,573</b>		<b>51,752</b>
<b>Current liabilities - payable from restricted assets:</b>			
Current portion of long-term debt	4,760		3,105
Accrued interest on bonds and commercial paper	16,992		1,178
<b>Total liabilities payable from restricted assets</b>	<b>\$ 21,752</b>	<b>\$</b>	<b>4,283</b>





# Balance Sheets (Unaudited)



## LIABILITIES & NET ASSETS

(In thousands)

June

	2011		2010
<b>Long-term liabilities - other:</b>			
Commercial paper notes payable	\$ 20,729	\$	164,430
Deferred rent liability	137		674
Other long-term liabilities	1,564		1,372
Long-term debt - bonds net of amortized premium	635,269		41,179
<b>Total long-term liabilities</b>	<b>657,700</b>		<b>207,655</b>
<b>Total liabilities</b>	<b>\$ 739,025</b>	<b>\$</b>	<b>263,690</b>



# Balance Sheets (Unaudited)



## LIABILITIES & NET ASSETS

(In thousands)

June

	2011		2010
<b>Authority net assets:</b>			
Invested in capital assets, net of related debt	\$ 357,120	\$	275,557
Other restricted	145,866		141,267
Unrestricted:			
Designated	15,909		33,213
Undesignated	88,496		110,416
<b>Total net assets</b>	<b>607,391</b>		<b>560,453</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,346,416</b>	<b>\$</b>	<b>824,143</b>



# Questions

