



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY

Board Communication

Date: May 2, 2013
To: Board Members
Via: Thella F. Bowens, President/CEO
From: Vernon D. Evans, Vice President, Finance/Treasurer
Subject: Accept the Unaudited Financial Statements for the Nine Months Ended March 31, 2013:

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

San Diego County Regional Airport Authority



Review of the Unaudited Financial Statements for the Nine Months Ended March 31, 2013

Presented by:

Vernon D. Evans, CPA

Vice President, Finance / Treasurer & CFO

Kathy Kiefer

Director, Accounting

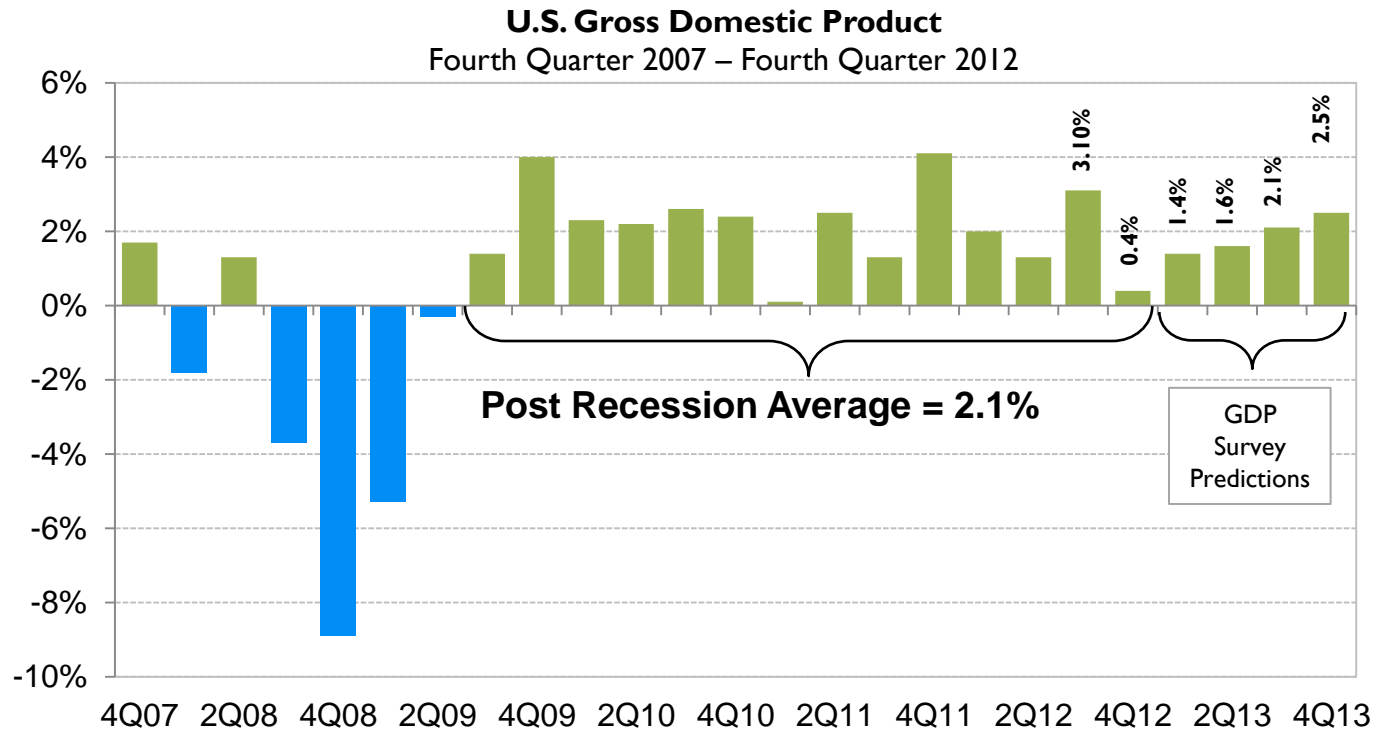
May 2, 2013



GDP Slows in The Fourth Quarter



- The third estimate of 4Q12 GDP came in at 0.4%, which is down sharply from the 3.10% rate in the third quarter. The deceleration in real GDP in the fourth quarter primarily reflected downturns in private inventory investment, in federal government spending, in exports, and in state and local government spending.
- The third estimate of 4Q12 GDP was up sharply from the initial estimate of -0.1%. The current estimate is based on more complete source data than were available for the prior estimates. The upward revision reflected positive contributions from personal consumption expenditures, nonresidential fixed investment, and residential fixed investment.





Initial Jobless trending Upward



- For the week ending March 30th, seasonally adjusted initial claims for unemployment were up by 28,000 to 385,000. This is the third consecutive week that initial claims have increased.
- The 4-week moving average, which helps smooth out some of the weekly volatility, was up 10,750 from the prior week to 354,250. The 4-week average is now back above the 350,000 level that many economist think is needed to indicate strong job growth.

Initial Jobless Claims and 4-Week Moving Average
March 2008 – March 2013



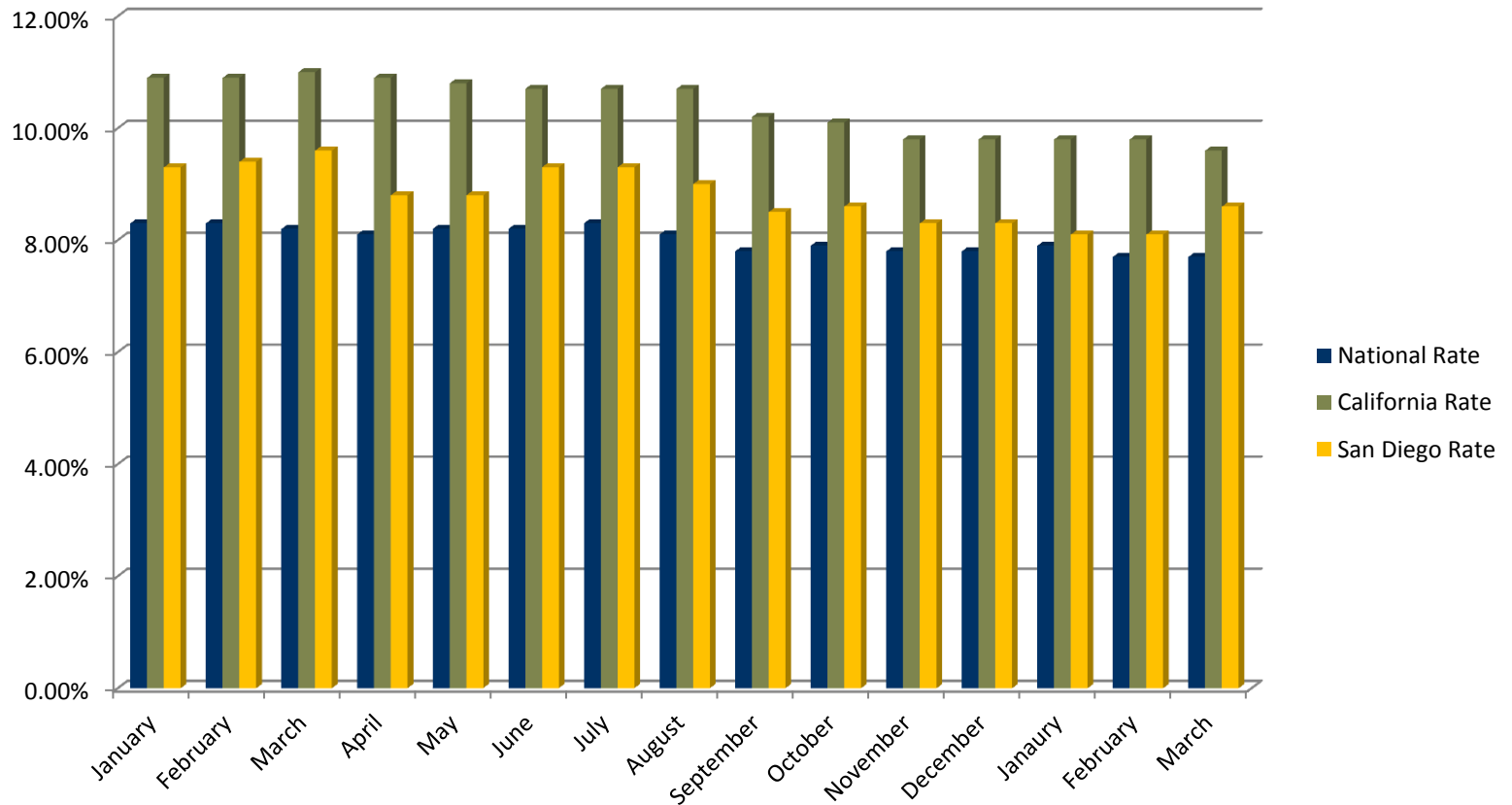


Unemployment Rate Edged Down



The Federal unemployment rate dropped to 7.7% for the month of February 2013, and the National U-6 rate remained at 14.3%. In California, the State unemployment fell to 9.6% and the State U-6 remained at 19.3%. Locally, San Diego's unemployment rate is 8.6%.

Unemployment Rates





Consumer Confidence Falls in March



- After moving higher in February, the Consumer Confidence Index fell to 59.7 in March from 68.0 in February. This drop in the Consumer Confidence Index was driven by a sharp decline in consumers future expectations, but consumers were also more pessimistic regarding their assessment of current conditions.

Consumer Confidence Index
March 2008 – March 2013



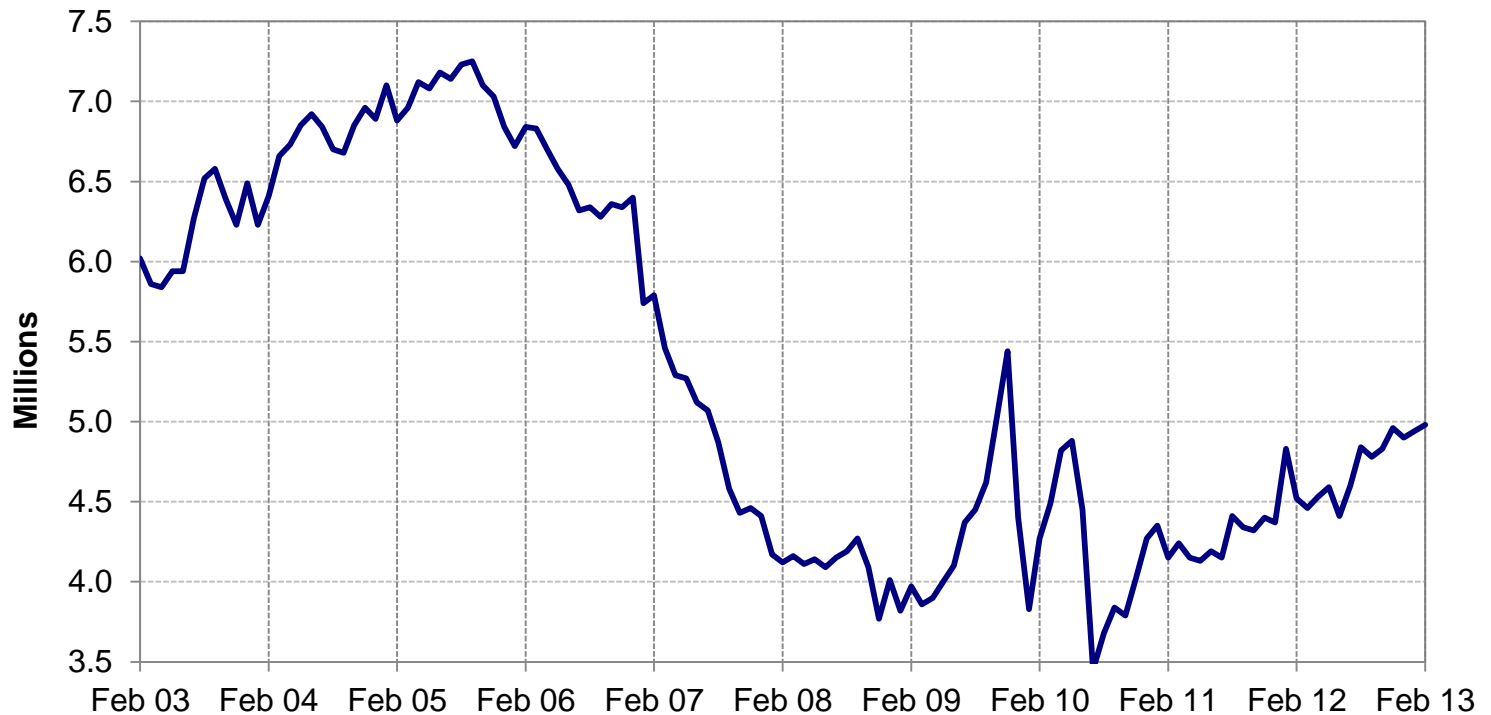


Existing Home Sales Trending Higher



- Existing home sales increased 0.8% in February to an seasonally adjusted annualized rate of 4.98 million units up from a upwardly revised rate of 4.94 million units in January.
- The upward trend in sales along with price improvements and decreases in inventory, suggest that the housing market recovery is continuing. Existing home sales are now at the highest level since the tax credit period of November 2009.

U.S. Existing Home Sales (MoM)
February 2003 – February 2013





Oil Prices Up in Recent Weeks



- Oil (WTI spot) closed at \$97.10 on April 1st. Oil prices are up around 7% compared to a month ago. However, the 30-day moving average is \$93.51, down \$1.58 compared to the prior 30 days.

West Texas Intermediate Oil Price Per Barrel (WTI Spot)

April 1, 2008 – April 1, 2013





Jet Fuel Up in Recent Trading Days

- Jet fuel closed at \$3.00 on April 1st up from its recent low of \$2.88 on March 22nd. However, jet fuel prices have averaged \$2.97 over the past 30 days, which is down \$0.24 compared to the prior 30 day average.



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



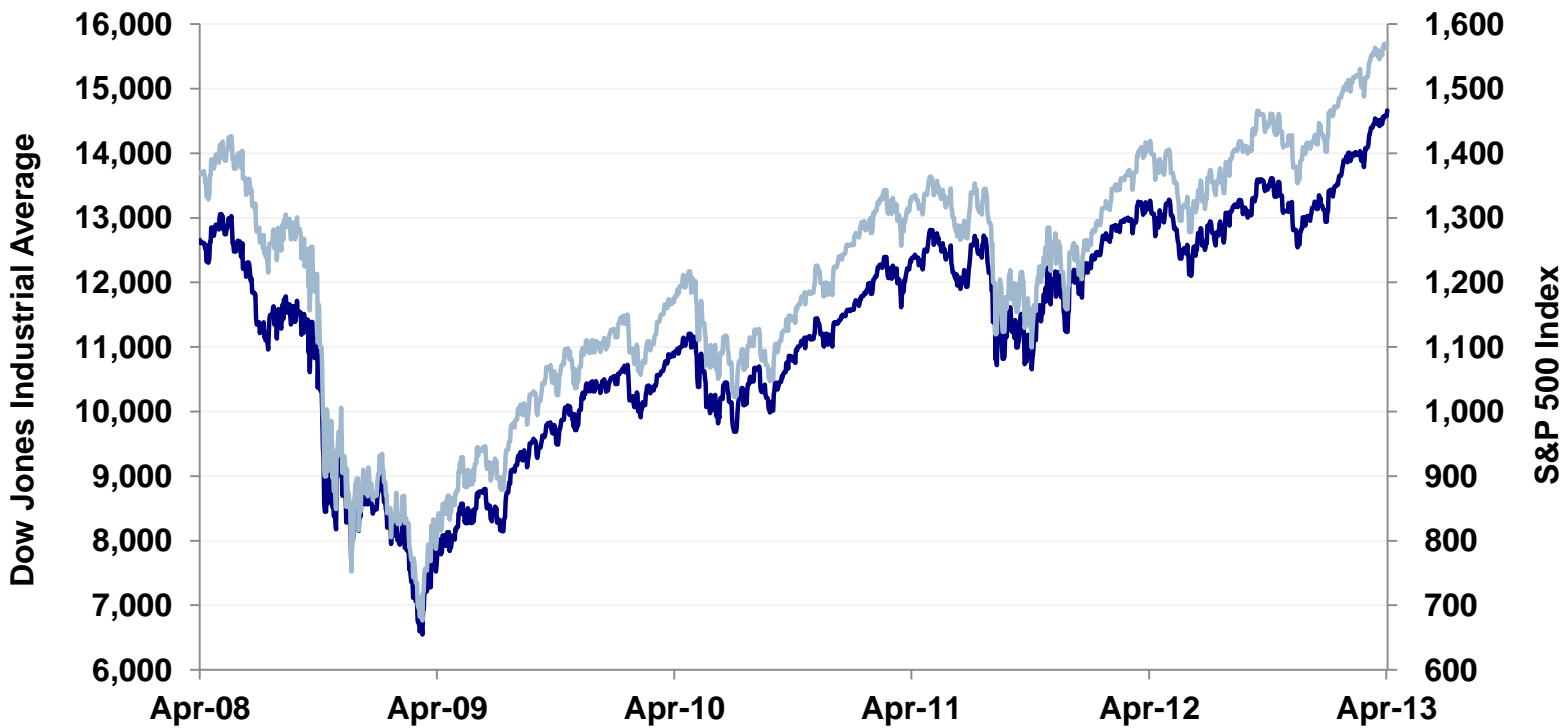


Equity Markets Hit New All-Time Highs



- After hitting new hit new all-time highs on April 2nd, the stock markets backed off on weaker than expected economic news. Year-to-date, the DJIA is up 11.0% and the S&P 500 is up 8.9%. During 2013, markets have moved higher on generally favorable economic news and the Federal Reserve's continued accommodative stance. However, investors remain concerned about uncertainty in Europe and the strength of the U.S. economy.

Dow Jones Industrial and S&P 500 Indices
April 1, 2008 – April 3, 2013



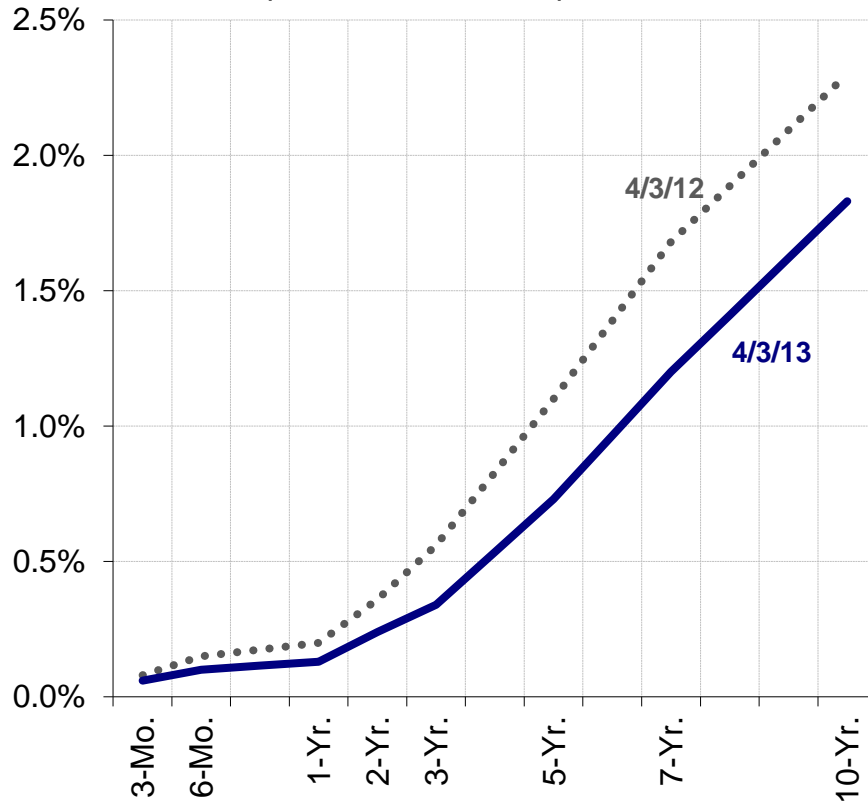


U.S Treasury Yield Curve Flattens

- The Treasury yield curve flattened compared to a year ago. Short-term yields remain range bound tied to the Federal Funds rate. However, longer-term yields have fallen recently, driven by a flight to safety given increased uncertainty in Europe along with weaker economic news in the U.S.



U.S. Treasury Yield Curve
April 3, 2012 versus April 3, 2013



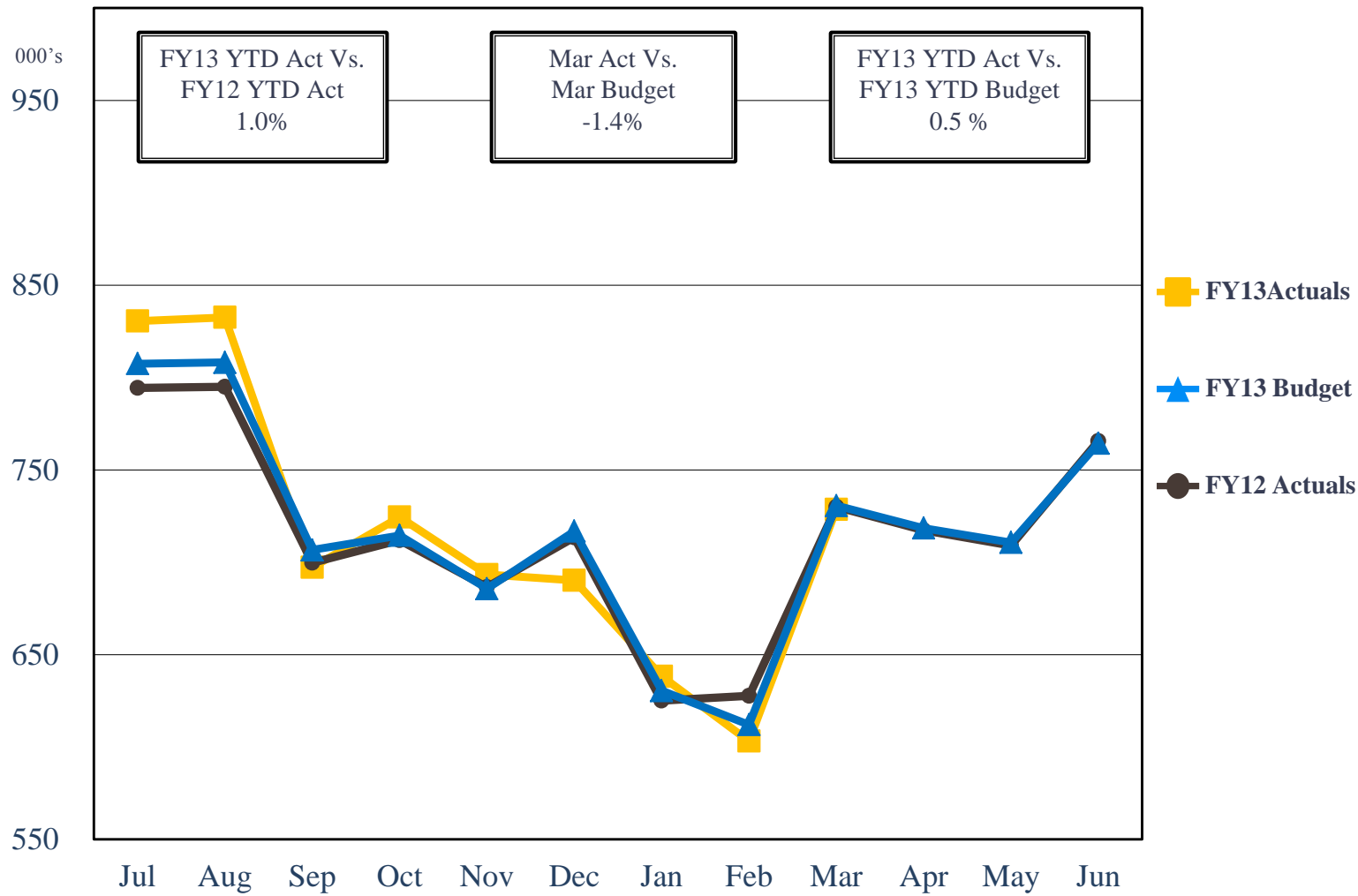
	04/03/12	04/03/13	Change
3 Month	0.08%	0.06%	(0.02%)
6 Month	0.15%	0.10%	(0.05%)
1 year	0.20%	0.13%	(0.07%)
2 year	0.36%	0.24%	(0.12%)
3 year	0.56%	0.34%	(0.22%)
5 year	1.10%	0.73%	(0.37%)
10 year	2.30%	1.83%	(0.47%)
20 year	3.07%	2.66%	(0.41%)
30 year	3.41%	3.05%	(0.36%)

Unaudited Financial Statements
For the Nine Months Ended
March 31, 2013



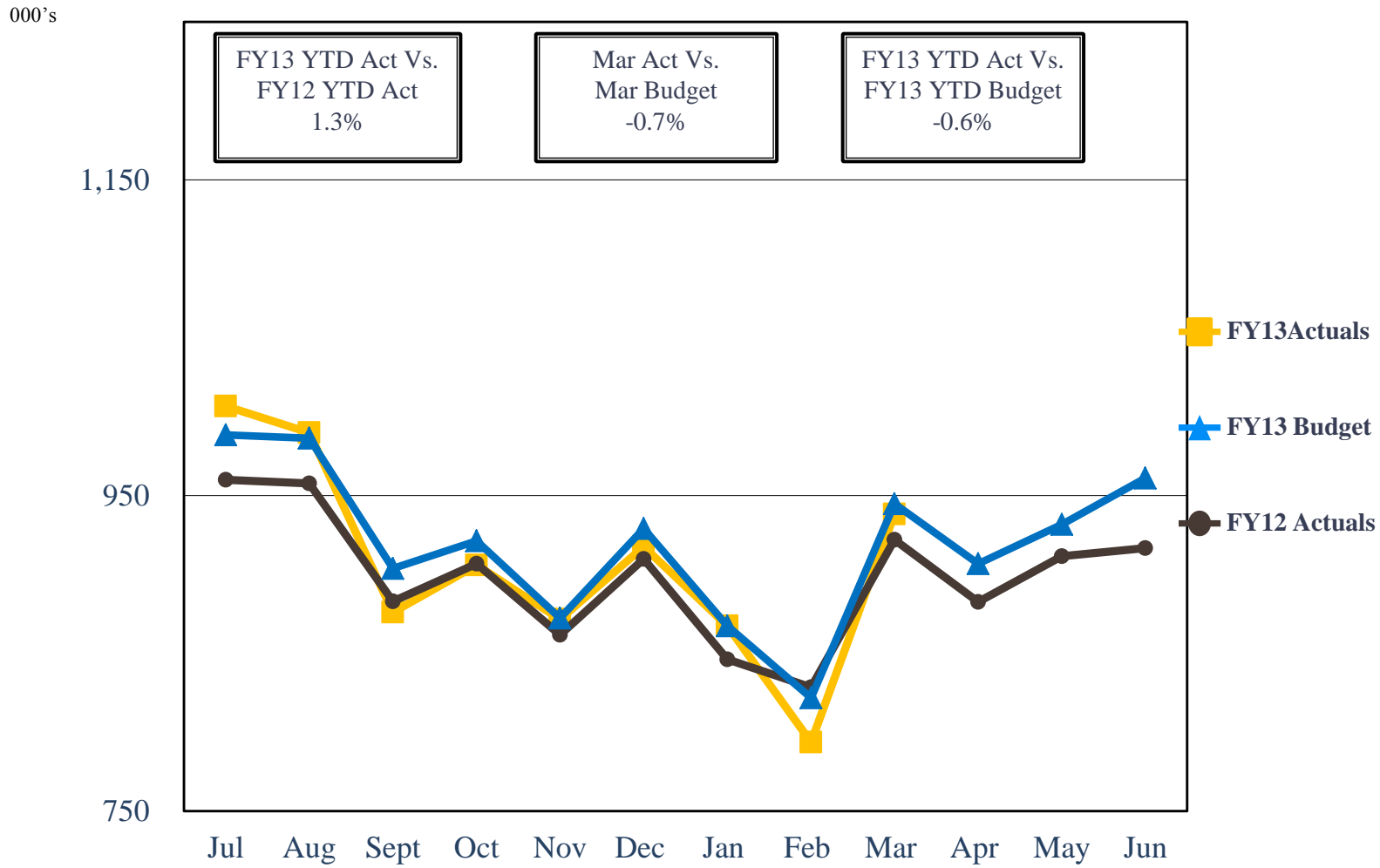


Enplanements





Gross Landing Weight Units (000 lbs)

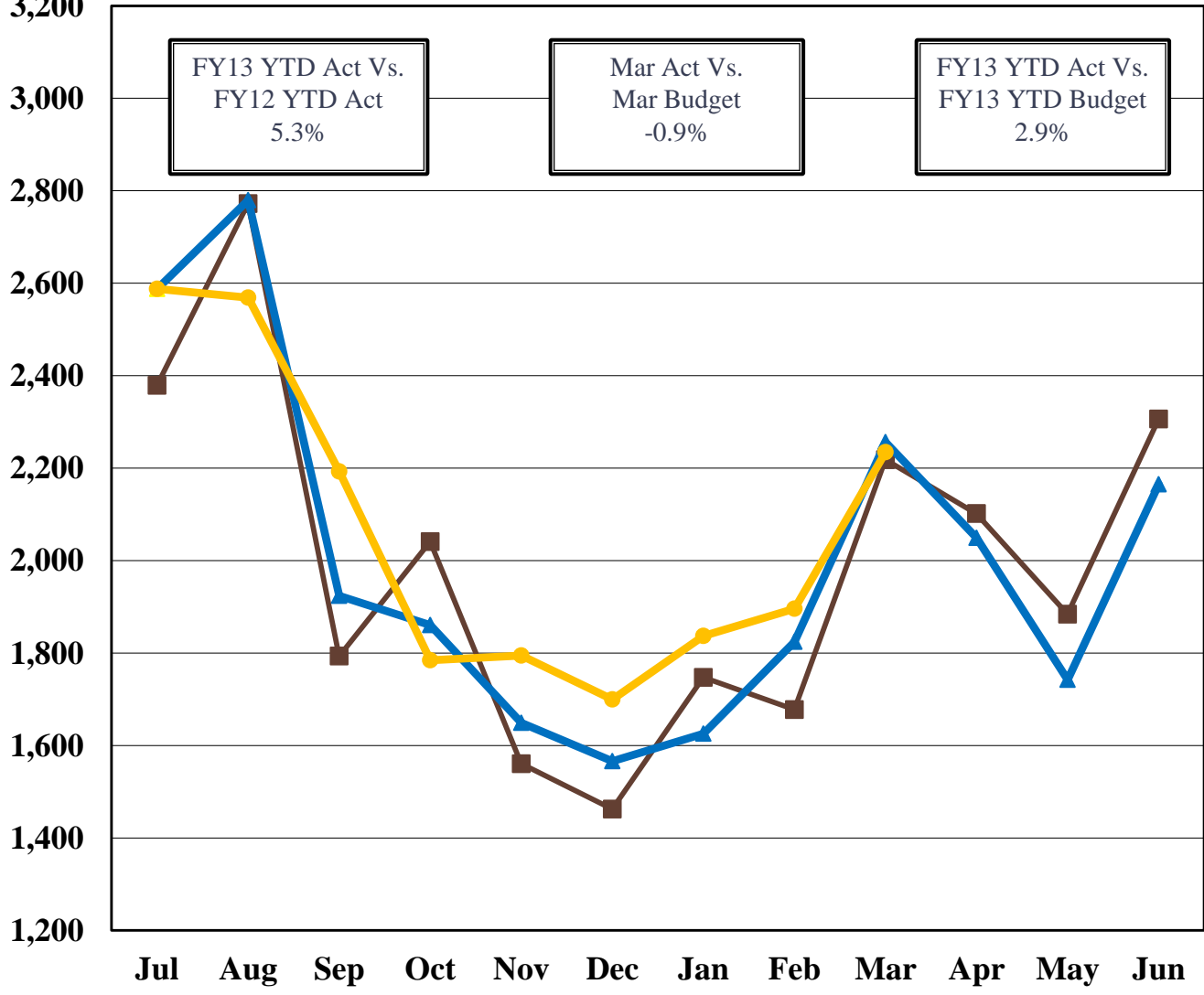




Car Rental License Fees



(000's)



FY13 YTD Act Vs.
FY12 YTD Act
5.3%

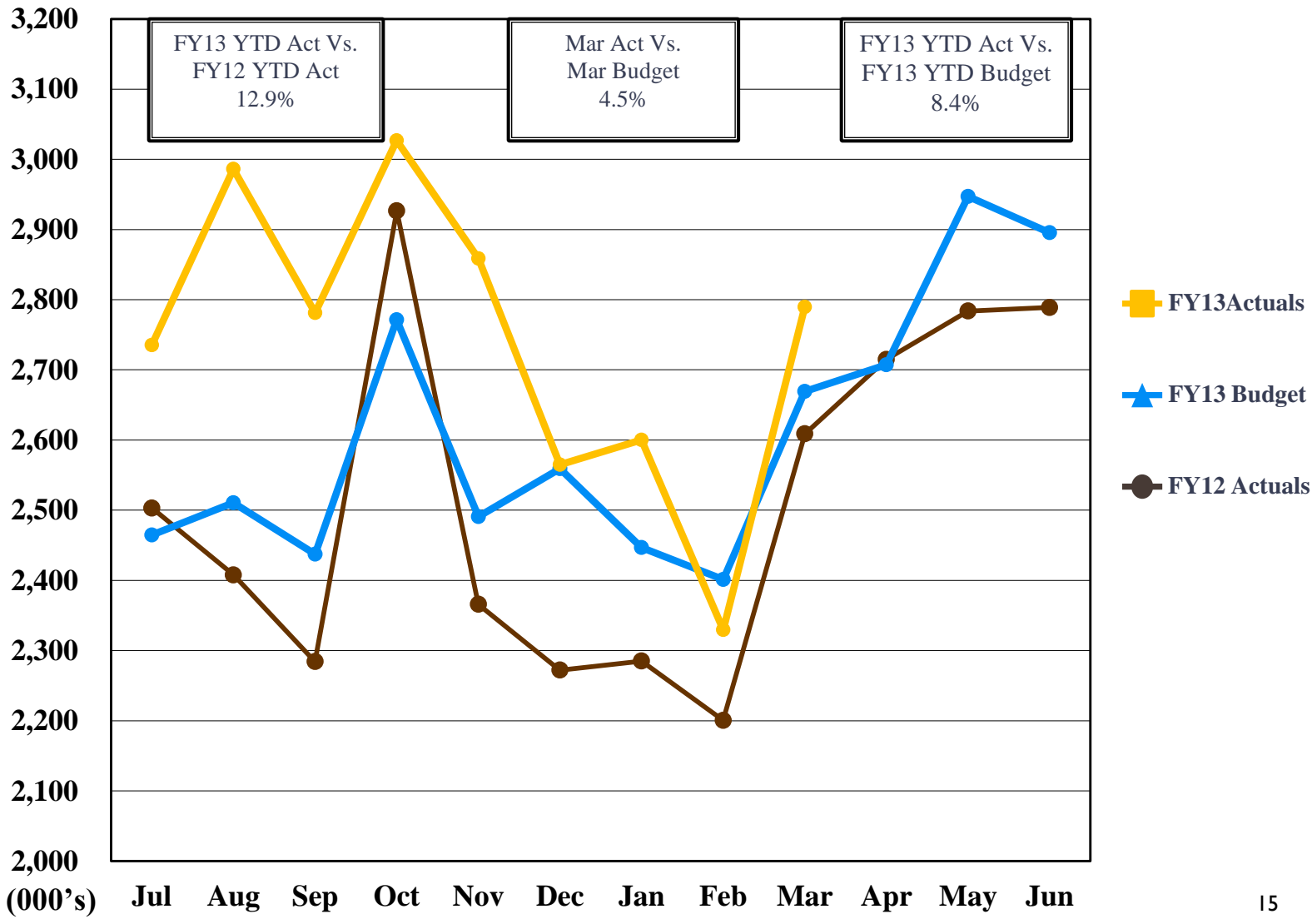
Mar Act Vs.
Mar Budget
-0.9%

FY13 YTD Act Vs.
FY13 YTD Budget
2.9%

- FY13 Actuals
- ▲ FY13 Budget
- FY12 Actuals



Parking Revenue



Revenues & Expenses (Unaudited)
For the Month Ended
March 31, 2013





Operating Revenues

for the Month Ended March 31, 2013 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	%	Prior Year
Aviation revenue:					
Landing fees	\$ 1,795	\$ 1,781	\$ (14)	(1)%	\$ 1,695
Aircraft parking fees	275	249	(26)	(9)%	258
Building rentals	3,643	3,609	(34)	(1)%	2,680
Security surcharge	1,719	1,670	(49)	(3)%	1,394
Other aviation revenue	132	133	1	1%	133
Total aviation revenue	\$ 7,564	\$ 7,442	\$ (122)	(2)%	\$ 6,160

Operating Revenues

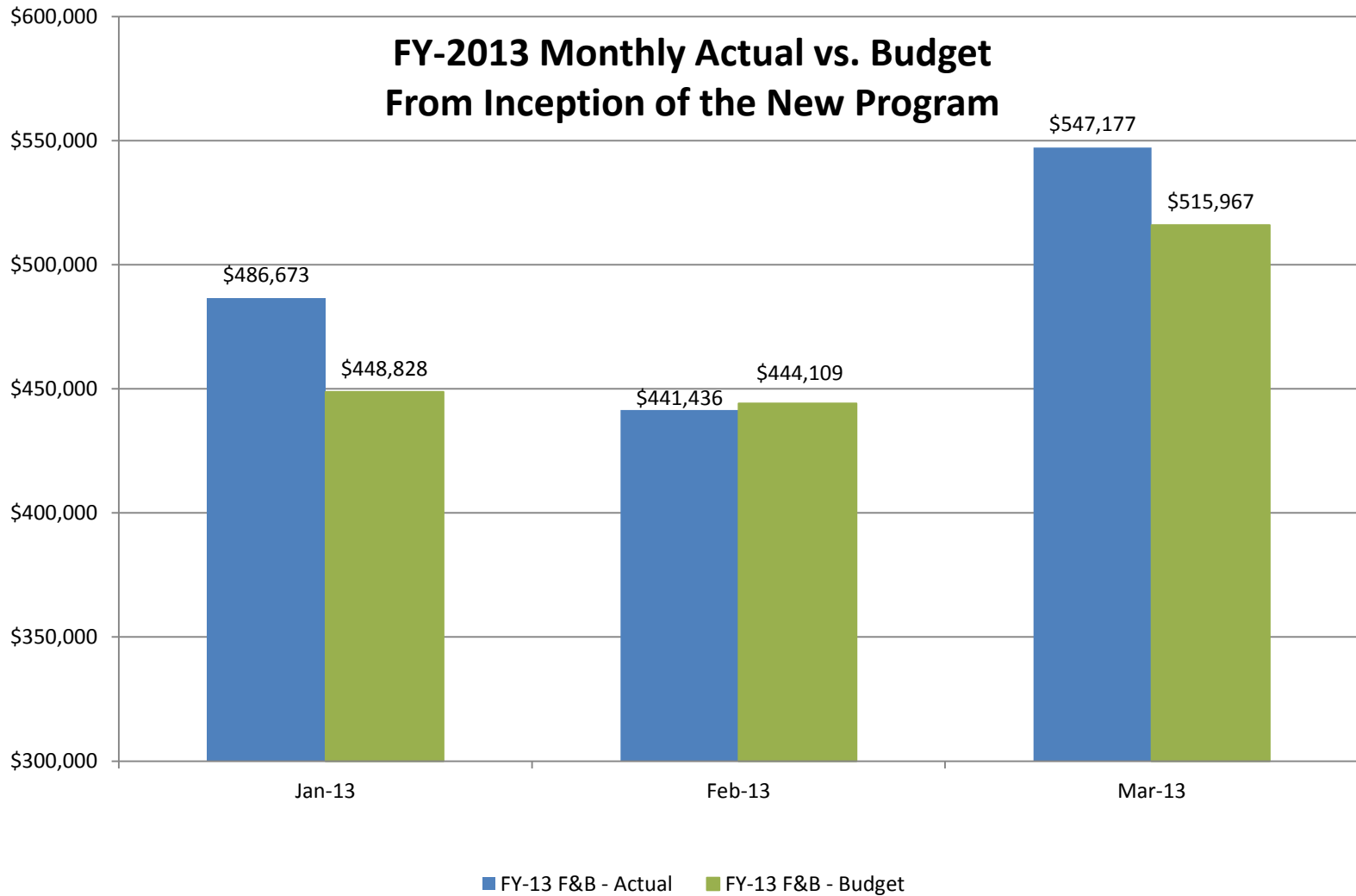
for the Month Ended March 31, 2013 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 80	\$ 81	\$ 1	1%	\$ 77
Concession revenue:					
Terminal concession revenue:					
Food and beverage	516	547	31	6%	545
Gifts and news	260	241	(19)	(7)%	347
Space rents	43	57	14	33%	-
Cost recovery	152	127	(25)	(16)%	-
Other (Primarily advertising)	263	249	(14)	(5)%	235
Total terminal concession revenue	1,234	1,221	(13)	(1)%	1,127
Car rental and license fee revenue:					
Rental car and license fees	2,256	2,235	(21)	(1)%	2,218
License fees-other	240	340	100	42%	418
Total rental car and license fees	2,496	2,575	79	3%	2,636
Total concession revenue	\$ 3,730	\$ 3,796	\$ 66	2%	\$ 3,763

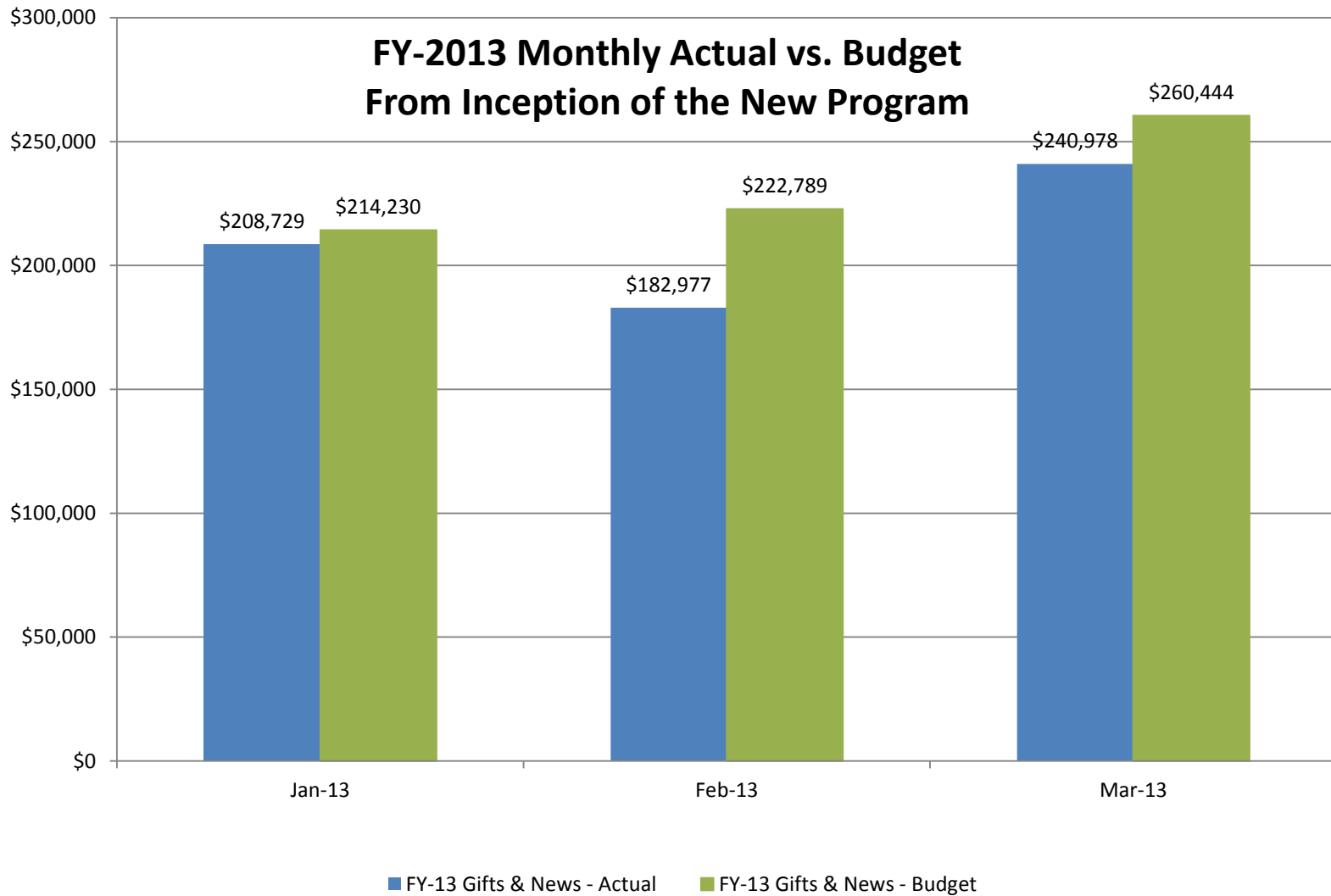


Food & Beverage Concession Revenue





Gifts & News Concession Revenue



Operating Revenues

for the Month Ended March 31, 2013 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
Short-term parking revenue	\$ 1,471	\$ 1,590	\$ 119	8%	\$ 1,022
Long-term parking revenue	1,198	1,199	1	-	1,587
Total parking revenue	2,669	2,789	120	4%	2,609
Ground transportation permits and citations	345	187	(158)	(46)%	80
Ground rentals	661	711	50	8%	548
Grant reimbursements	19	16	(3)	(16)%	16
Other operating revenue	34	11	(23)	(68)%	64
Subtotal	3,728	3,714	(14)	-	3,317
Total operating revenues	\$ 15,102	\$ 15,033	\$ (69)	-	\$ 13,317

Operating Expenses

for the Month Ended March 31, 2013 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 3,127	\$ 3,045	\$ 82	3%	\$ 2,934
Contractual services	2,607	2,739	(132)	(5)%	2,141
Safety and security	1,801	1,778	23	1%	1,699
Space rental	972	866	106	11%	952
Utilities	692	573	119	17%	517
Maintenance	668	1,191	(523)	(78)%	693
Equipment and systems	31	12	19	61%	16
Materials and supplies	23	20	3	13%	31
Insurance	73	66	7	10%	64
Employee development and support	107	97	10	9%	67
Business development	168	118	50	30%	182
Equipment rental and repairs	149	113	36	24%	114
Total operating expenses	\$ 10,418	\$ 10,618	\$ (200)	(2)%	\$ 9,410

Financial Summary

for the Month Ended March 31, 2013 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$ 15,102	\$15,033	\$ (69)	-	\$ 13,317
Total operating expenses	10,418	10,618	\$ (200)	(2)%	9,410
Income from operations	4,684	4,415	(269)	(6)%	3,907
Depreciation	4,056	4,056	-	-	3,663
Operating income (loss)	\$ 628	\$ 359	\$ (269)	(43)%	\$ 244

Nonoperating Revenues & Expenses for the Month Ended March 31, 2013 (Unaudited)



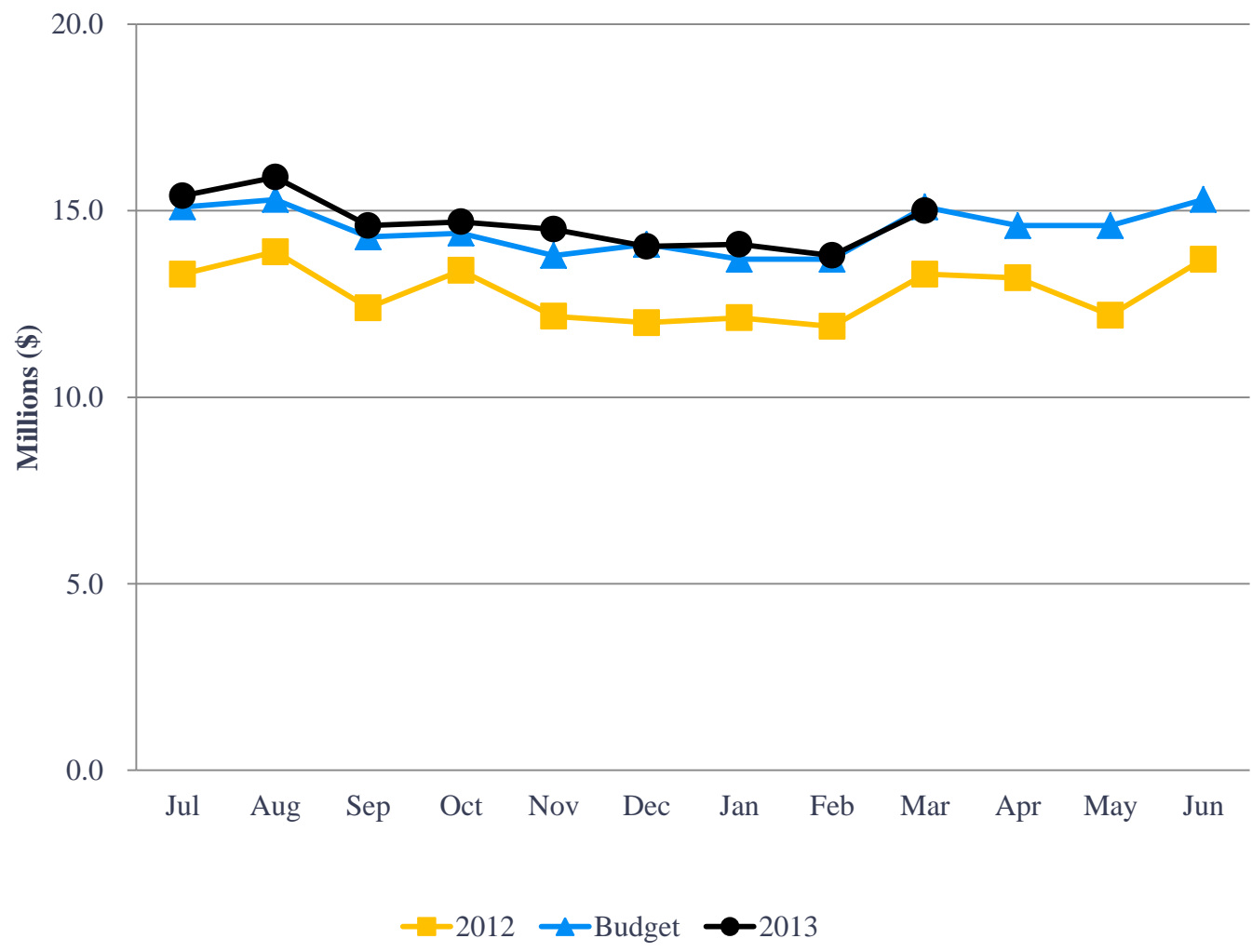
(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 3,345	\$ 3,963	\$ 618	18%	\$ 3,767
Customer facility charges (Rental Car Center)	2,012	2,212	200	10%	1,044
Quieter Home Program	(273)	(250)	23	8%	(857)
Interest income	518	439	(79)	(15)%	402
BAB interest rebate	416	416	0	-	416
Interest expense bonds and commercial paper	(4,297)	(4,205)	92	2%	(2,811)
Interest expense centralized receiving building purchase agreement	-	(122)	(122)	-	-
Amortization of bond and commercial paper fees	(21)	(24)	(3)	(14)%	(20)
2005 Bond defeasance	-	(323)	(323)	-	-
Capitalized interest expense from bonds and commercial paper	-	3,081	3,081	-	3,064
Bond amortization	78	337	259	(332)%	91
Other nonoperating revenue (expenses)	(2)	636	638	-	391
Nonoperating revenue, net	1,776	6,160	4,384	247%	5,487
Income before grant contributions	2,404	6,519	4,115	171%	5,731
Capital grant contributions	840	860	20	2%	1,047
Net income	\$ 3,244	\$ 7,379	\$ 4,135	127%	\$ 6,778

Revenues & Expenses (Unaudited)
For the Nine Months Ended
March 31, 2013





Monthly Operating Revenue, FY 2013 (Unaudited)





Operating Revenues

for the Nine Months Ended March 31, 2013 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 15,745	\$ 15,688	\$ (57)	-	\$ 14,833
Aircraft parking fees	2,475	2,402	(73)	(3)%	2,401
Building rentals	32,429	32,589	160	-	24,262
Security surcharge	15,472	15,329	(143)	(1)%	12,602
Other aviation revenue	1,188	1,196	8	1%	1,197
Total aviation revenue	\$ 67,309	\$ 67,204	\$ (105)	-	\$ 55,295

Operating Revenues

for the Nine Months Ended March 31, 2013 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 720	\$ 728	\$ 8	1%	\$ 678
Concession revenue:					
Terminal concession revenue:					
Food and beverage	4,846	4,850	4	-	4,714
Gifts and news	2,473	2,476	3	-	2,979
Space rents	171	225	53	32%	-
Cost recovery	608	532	(76)	(13)%	-
Other (Primarily advertising)	2,245	2,220	(25)	(1)%	2,177
Total terminal concession revenue	10,343	10,303	(40)	-	9,870
Car rental and license fee revenue:					
Rental car license fees	18,072	18,596	524	3%	17,652
License fees-other	2,126	2,517	391	18%	2,268
Total rental car and license fees	20,198	21,113	915	5%	19,920
Total concession revenue	\$ 30,541	\$ 31,416	\$ 875	3%	\$ 29,790



Operating Revenues

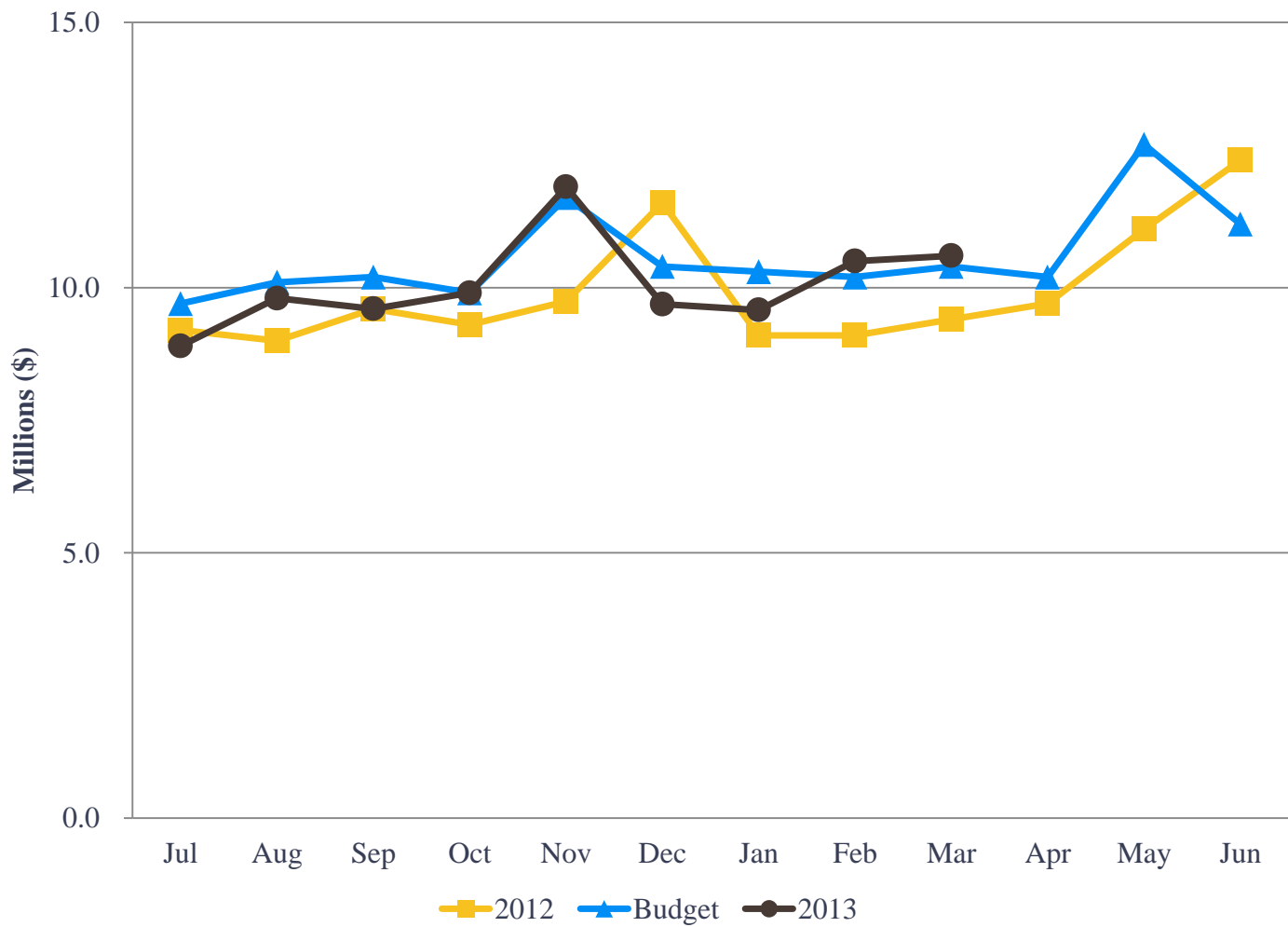
for the Nine Months Ended March 31, 2013 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
Short-term parking revenue	\$ 11,157	\$ 13,115	\$ 1,958	18%	\$ 8,386
Long-term parking revenue	11,595	11,557	(38)	-	13,468
Total parking revenue	22,752	24,672	1,920	8%	21,854
Ground transportation permits and citations	1,631	1,146	(485)	(30)%	991
Ground rentals	5,936	6,273	337	6%	5,040
Grant reimbursements	164	142	(22)	(13)%	254
Other operating revenue	449	549	100	22%	666
Subtotal	30,932	32,782	1,850	6%	28,805
Total operating revenues	\$ 129,502	\$ 132,130	\$ 2,629	2%	\$ 114,568



Monthly Operating Expenses, FY 2013 (Unaudited)



Operating Expenses

for the Nine Months Ended March 31, 2013 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 28,630	\$ 27,669	\$ 961	3%	\$ 26,900
Contractual services	21,568	20,467	1,101	5%	19,940
Safety and security	16,530	16,905	(375)	(2)%	15,325
Space rental	8,758	8,302	456	5%	8,561
Utilities	5,595	4,839	756	14%	5,118
Maintenance	6,268	7,439	(1,171)	(19)%	5,974
Equipment and systems	355	153	202	57%	107
Materials and supplies	270	229	41	15%	168
Insurance	654	603	51	8%	568
Employee development and support	917	889	28	3%	637
Business development	2,214	1,708	506	23%	1,557
Equipment rental and repairs	1,336	1,105	231	17%	1,126
Total operating expenses	\$ 93,095	\$ 90,308	\$ 2,787	3%	\$ 85,981



Financial Summary

for the Nine Months Ended March 31, 2013 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$ 129,502	\$ 132,130	\$ 2,628	2%	\$ 114,568
Total operating expenses	93,095	90,308	2,787	3%	85,981
Income from operations	36,407	41,822	5,415	15%	28,587
Depreciation	31,200	31,209	(9)	-	34,487
Operating income (loss)	\$ 5,207	\$ 10,613	\$ 5,406	104%	\$ (5,900)

Nonoperating Revenues & Expenses

for the Nine Months Ended March 31, 2013 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 24,596	\$ 25,863	\$ 1,267	5%	\$ 25,898
Customer facility charges (Rental Car Center)	10,848	12,716	1,868	17%	8,389
Quieter Home Program	(2,300)	(917)	1,383	60%	(2,136)
Interest income	3,649	3,413	(236)	(6)%	4,358
BAB interest rebate	3,747	3,747	0	-	3,747
Interest expense bonds and commercial paper	(29,985)	(27,801)	2,184	7%	(25,301)
Interest expense centralized receiving building purchase agreement	-	(306)	(306)	-	-
Amortization of bond and commercial paper fees	(293)	(208)	85	29%	(198)
2005 Bond defeasance	-	(1,131)	(1,131)	-	-
Capitalized interest expense from bonds and commercial paper	-	26,525	26,525	-	23,171
Bond amortization	768	1,310	542	71%	786
Other nonoperating revenue (expenses)	(15)	(984)	(969)	-	1,090
Nonoperating revenue, net	11,015	42,227	31,212	283%	39,804
Income before grant contributions	16,222	52,840	36,618	226%	33,904
Capital grant contributions	11,578	11,872	294	3%	17,482
Net income	\$ 27,800	\$ 64,712	\$ 36,912	133%	\$ 51,386



Balance Sheets (Unaudited)



(In thousands)

March

	2013	2012
Current assets:		
Cash and investments	\$ 112,685	\$ 110,083
Tenant lease receivable, net of allowance of 2013: (\$55,959) and 2012: (\$45,817)	8,397	5,961
Grants receivable	5,729	4,613
Notes receivable-current portion	1,370	1,605
Prepaid expenses and other current assets	7,273	9,516
Total current assets	135,454	131,778
Cash designated for capital projects and other	\$ 9,383	\$ 8,262



Balance Sheets (Unaudited)



(In thousands)
March

	2013	2012
Restricted assets:		
Cash and investments:		
Bonds reserve	\$ 62,533	\$ 45,098
Passenger facility charges and interest unapplied	52,263	65,171
Customer facility charges and interest applied*	39,347	27,749
Commercial paper reserve	90	19
SBD bond guarantee	2,000	2,000
Bond proceeds held by trustee	404,754	221,495
Commercial paper interest held by trustee	13	13
Passenger facility charges receivable	4,929	5,637
Customer facility charges receivable*	2,379	974
OCIP insurance reserve	5,710	6,174
Total restricted assets	\$ 574,018	\$ 374,330

*Rental Car Center



Balance Sheets (Unaudited)



(In thousands)

March

2013

2012

Noncurrent assets:

Capital assets:

Land and land improvements	\$ 24,487	\$ 24,504
Runways, roads and parking lots	273,576	274,670
Buildings and structures	473,428	465,481
Machinery and equipment	13,155	11,184
Vehicles	5,414	5,362
Office furniture and equipment	31,633	31,043
Works of art	2,284	2,676
Construction-in-progress	855,990	537,195
Total capital assets	1,679,967	1,352,115
Less: accumulated depreciation	(569,598)	(542,355)
Total capital assets, net	\$ 1,110,369	\$ 809,760



Balance Sheets (Unaudited)



(In thousands)

March

Other assets:

Notes receivable - long-term portion

Investments - long-term portion

Deferred costs - bonds (net)

Net pension asset

Security deposit

Total other assets

Total noncurrent assets

TOTAL ASSETS

	2013	2012
\$ 40,315	\$ 41,745	
37,902	15,736	
6,554	4,732	
6,787	7,344	
615	500	
92,173	70,057	
1,202,542	879,817	
\$ 1,921,397	\$ 1,394,187	



Balance Sheets (Unaudited)



(In thousands)

March

Current liabilities:

Accounts payable and accrued liabilities

	2013	2012
\$	85,987	\$ 66,078
	5,708	4,096
	91,695	70,174

Deposits and other current liabilities

Total current liabilities

Current liabilities - payable from restricted assets:

Current portion of long-term debt

	6,172	5,190
	11,124	8,438
\$	17,296	\$ 13,628

Accrued interest on bonds
and commercial paper

Total liabilities payable from restricted assets



Balance Sheets (Unaudited)



(In thousands)

March

Long-term liabilities - other:

Commercial paper notes payable

Capital lease payable and other long-term liabilities

Long-term debt - bonds net of amortized premium

Total long-term liabilities

Total liabilities

	<u>2013</u>	<u>2012</u>
\$ 45,316	\$ 20,729	
9,315	1,626	
1,027,519	629,391	
1,082,150	651,746	
\$ 1,191,141	\$ 735,548	



Balance Sheets (Unaudited)



(In thousands)

March

Authority net assets:

Invested in capital assets, net of related debt

Other restricted

Unrestricted:

Designated

Undesignated

Total net assets

TOTAL LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
\$ 434,140	\$ 375,213	
161,033	166,221	
16,170	15,606	
118,913	101,599	
<u>730,256</u>	<u>658,639</u>	
<u>\$ 1,921,397</u>	<u>\$ 1,394,187</u>	



Questions

