ITEM 16

San Diego County Regional Airport Authority

Discussion Regarding Fiscal Year 2012 and Fiscal Year 2013 Operating Budgets

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Agenda

- Organizational Goals
- Sustainability Objectives
- Budget Challenges
- Guiding Principles
- Status and Timeline

Organizational Goals

- Improve operational efficiency, safety and security
- Anticipate and exceed both internal and external customer service expectations
- Enhance regional partnerships
- Create and build a credible community image as a transparent, trusted and highly responsive agency

Organizational Goals

- Enhance the financial position of the Authority
- Provide optimal solutions for near- and long-term regional air transportation needs
- Be recognized as an aviation industry leader
- Create, nurture and maintain a diverse, high performing and energetic team environment (positive work culture)

Sustainability Objectives

- Economic Viability
  - Airport/Authority Financial Health (Revenue Streams, Cost Reduction/Containment, Profitability, Net Asset Preservation/Growth)
  - Regional and Local Economic Impact
- Operational Excellence
  - Life Cycle and Total Cost Management
  - Customer Satisfaction
  - Airfield Operations
- Natural Resource Conservation
  - Air, Land and Water Quality
  - Waste Disposal and Recycling
  - Wildlife Habitat Conservation and Preservation
- Social Responsibility
  - Community Commitments (e.g. Small Business Development)
  - Charitable Commitments & Sponsorships

Budget Challenges

- Enplanement Forecast
- Revenue Impact from Enplanement Forecast
- Estimated Impacts to Operating Budget
- FY11 Proposed Amended Budget Breakdown

Enplanement Forecast Reduction

(Feasibility Report vs. Plan of Finance)

Fiscal Year	Feas EPAX (000's)	Feas. EPAX growth	POF EPAX (000's)	POF EPAX Growth
2011 Bud	8,634		8,634	
2011 Fcst	8,634	0.0%	8,550	-1.0%
2012	8,957	3.7%	8,636	1.0%
2013	9,278	3.6%	8,830	2.3%
2014	9,555	3.0%	9,095	3.0%
2015	9,775	2.3%	9,304	2.3%
2016	9,978	2.1%	9,497	2.1%

Non-Airline Revenue Impact from Enplanement Reduction

Feasibility Report vs. Plan of Finance

	FY11	FY12	FY13
Non-Airline Operating Revenue			
Terminal Concessions	$ (96,045)	$ (94,153)	$ (144,500)
License Fees	(26,900)	(105,400)	(147,200)
Car Rental	(212,900)	(814,700)	(1,148,400)
Parking	(304,561)	(921,985)	(1,667,640)
Total Non-Airline Op Rev $∆	**($640,406)**	**($1,936,238)**	**($3,107,740)**
Non-Airline Non-Operating Revenue			
Passenger Facility Charges	(327,800)	(1,254,200)	(2,972,286)
Customer Facility Charges	299,295	(392,262)	(547,456)
Total Non-Airline Non-Op Rev $∆	**($28,505)**	**($1,646,462)**	**($3,519,742)**
Total Non-Airline Rev Impact	**($668,911)**	**($3,582,700)**	**($6,627,482)**

Estimated Impacts to Operating Budget*

Impact	FY 2012	FY 2013
Revenue		
Enplanement Reduction –Non-airline Operating Revenue	$(1.9) Million	$(3.1) Million
Enplanement Reduction –Non-airline Non-Op Revenue	$(1.6) Million	$(3.5) Million
Expenses		
Parking Operations	$1.0 Million	$0.3 Million
ARFF Cost Increase	$1.0 Million	
Retirement Costs	$(1.9) Million	$0.2 Million
Healthcare Benefits Costs	$0.2 Million	$1.0 Million
Utilities	$0.3 Million	$0.8 Million
Concessions Development Program O&M Cost Increase		$1.0 Million
Debt Service	$1.1 Million	$2.3 Million
Rent Amortization	$0.5 Million	
Green Build Public Outreach, Advertising, Grand Opening	$(0.2) Million	$0.9 Million
Green Build Operation & Maintenance Costs		$1.0 Million
Air Service Advertising	$0.2 Million	$(0.2) Million

* Preliminary estimates – FY12 estimate is compared to Conceptually Approved FY12 Budget; FY13 is compared to Feasibility Report for Revenue and to FY12 estimate for Expenses

FY11 Proposed Amended Budget Breakdown

Essential Costs			
Salaries & Benefits	$	38,557,425	24%
Safety, Security & Emergency Services		21,582,433	14%
Parking Management Contract		10,661,770	7%
Custodial & Maintenance Contracts & Services		10,962,100	7%
Leases		10,904,139	7%
Utilities		7,048,000	4%
Tenant Improvement Program		900,000	1%
Environmental		993,238	1%
Airport Land Use Compatibility Plans (ALUCPs)		2,735,000	2%
Regional Aviation Strategic Plan (RASP)		1,217,000	1%
Insurance Premium Costs		1,228,000	1%
QHP		18,000,000	11%
Debt Service		17,537,681	11%
Total Essential Costs	**$**	**142,326,786**	**90%**
Variable costs		15,568,214	10%
FY 2011 Amended Budget	**$**	**157,895,000**	**100%**

Guiding Principles

- Contain Costs by Reducing Expenses
- Maintain Current Bond Rating (A+)
- Ensure Optimal Green Build and North Side Development Support
- Ensure Adequate Funding for Safety & Security
- Address Regulatory, Legal & Contractual Requirements
- Address Maintenance Needs of Aging Facilities
- Continue to Serve the Region with a High Level of Customer Service
- Enhance Staff Performance, Capacity and Efficiency through Training Development and Best Business Practices
- Promote New Domestic and International Air Service

Status and Timeline

Green Box – Completed
Grey Box – To Be Completed

- **- I -** Budget Kick-off (February 4)
- **- II -** Board Meeting – Budget Update: Calendar Review (February 10)
- **- III -** Board Meeting – Ops Budget Discussion (March 3)
- **- IV -** Board Retreat (March 11 & 12)
- **- V -** Board Meeting - Budget Update: CIP Review (April 7)
- **- VI -** Distribute Draft of Proposed Budget to Board (April 30)
- **- VII -** Fin/Exec Committee/ Special Board Meeting – Budget Workshop (May 23)
- **- VIII -** Board Meeting – Formal Adoption (June 2)

February 2011 — **March 2011** — **April 2011** — **May 2011** — **June 2011** — **July 2011**

Questions