



**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
STAFF REPORT**

**Item No.
18**

Meeting Date: **JUNE 2, 2011**

Subject:

Adoption of the Operating Budget for Fiscal Year 2012 and the Capital Program for Fiscal Years 2012-2016 and Conceptual Approval of the Operating Budget for Fiscal Year 2013

Recommendation:

Adopt Resolution No. 2011-0061, approving the Authority's Annual Operating Budget for Fiscal Year 2012 and the Capital Program for Fiscal Years 2012-2016 and conceptually approving the operating budget for Fiscal Year 2013.

Background/Justification:

On May 23, 2011, the Board participated in a workshop regarding the proposed FY 2012 and FY 2013 Operating Budgets and FY 2012 – FY 2016 Capital Program. After an in-depth presentation and discussion, the Authority's President and CEO advised the Board that the Operating Budgets would be adjusted to limit the employee medical benefit renewal rate increase to no more than 14%. The proposed FY 2012 Operating Budget (with reduced benefit costs) and FY 2012 – FY 2016 Capital Program are being forwarded for Board adoption at the June 2, 2011 Board meeting. In addition, the proposed FY 2013 Operating Budget (with reduced benefit costs) is being forwarded for Board conceptual approval at the June 2, 2011 Board meeting. Per San Diego County Regional Airport Authority Policy 4.01, the Authority's Board of Directors has determined that the preparation and adoption of an annual budget will assist in (a) determining the Authority's short-term and long-term strategic and financial planning needs, and (b) effectively managing the facilities and airports under the jurisdiction of the Authority.

The proposed FY 2012 Operating Budget ("Budget") of \$151,300,000 marks the Authority's ninth Fiscal Year operating budget. The Budget reflects major programs, operational challenges, and continued economic and industry uncertainty. It ensures that the Authority can execute major programs and fulfill both its operational requirements and considerable regional responsibilities and expectations.

Once adopted by the Board, the Budget will become the spending plan (and spending limit) for the Authority for FY 2012. Actual revenues and expenditures will be monitored during the year and reported to the Board at least quarterly. The Budget may be modified by the Board to reflect new assumptions or events based on periodic reporting and good cause.

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The FY2012 Budget Expenses are comprised of the following divisional expenditure levels:

Division	FY 2012
Development	\$ 37,007,313
Planning & Operations	39,437,849
Finance including Debt Service	49,737,008
Executive	4,732,797
Administration	12,134,717
Marketing & Communications	8,250,316
Total	<u>\$151,300,000</u>

This operating budget reflects a total decrease of \$6.60 million, or 4.2% below the FY 2011 Amended Budget and a total decrease of \$4.01 million, or 2.6% below the FY 2012 Conceptual Budget. The decrease from the FY 2011 Amended Budget is mostly attributed to a \$3.11 million decrease in Quieter Home Program (QHP) and Joint Studies costs, a decrease of \$2.45 million in non-personnel operating expenses, a decrease of \$0.75 million in debt service costs and a decrease of 0.17 million in personnel costs.

On the revenue side, the budgeted operating and non-operating revenues of \$239.22 million are a decrease of \$17.45 million, or 6.8% below the FY 2011 Amended Budget and a decrease of \$2.28 million, or 0.9% below the FY 2012 Conceptual Budget. The net decrease from the FY 2011 Amended Budget reflects a decrease of \$24.52 million and \$0.64 million, respectively, in non-operating revenue and interest income, partially offset by an additional \$7.03 million associated with airline revenue and an increase of 0.69 million in non-airline revenue. The decrease in non-operating revenue consists of decreases of \$23.41 million and \$2.43 million, respectively, in Capital Grant contributions and the Quieter Home Program, partially offset by an increase of \$1.30 million in Build America Bond rebates. The projected FY 2012 revenues will cover the FY2012 proposed budgeted expenditures and debt service requirements, and will also provide for adequate working capital.

Total FY 2012 airline revenue is forecasted to be \$73.04 million as compared to \$66.01 million in the FY Amended 2011 Budget, a \$7.03 million increase. Terminal building cost recovery rates are proposed to increase from 55% to 60% and terminal building security cost recovery rates are proposed to increase from 70% to 85%. The projected landing fee rate is proposed to increase from \$1.77 to \$1.89 per thousand pound units and the terminal gross rental rate is proposed to increase from \$86.65 to \$99.81. In consultation with the airlines, rates, fees, and charges will be monitored and adjusted, if necessary.

The Capital Program includes the Capital Improvement Program (CIP) and the Green Build/Terminal Development Program (Green Build). The Capital Program is a rolling five-year program.

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The CIP provides for critical improvements and asset preservation for San Diego County Regional Airport Authority. The program includes projects that address federal security requirements, airfield safety, environmental remediation, terminal upgrades and landside development. The proposed total is \$305.88 million.

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 budget for the Green Build is \$864.61 million.

The Authority's proposed FY 2012 – FY 2016 capital program budget does not include interest expense of approximately \$66 million associated with debt and commercial paper financing for the proposed projects. Rather, under generally accepted accounting principles, this interest expense is capitalized (added) and allocated to the respective capital asset's overall project cost through the construction period and is expensed as depreciation over the respective capital asset's estimated useful life per the Airport Authority's capital asset policy once the capital asset is placed into operation.

Funding sources for the projects include Airport Improvement Program (AIP) grants, TSA grants, Passenger Facility Charges (PFCs), Customer Facility Charges (CFCs), airport cash, airport system revenue bonds, and short-term borrowing using commercial paper. The FY 2012 – FY 2016 proposed Capital Program total is \$1,170.50 million.

Use of Funds (in millions):

Airside	\$ 79.7
Terminal	86.4
Administrative	22.2
Landside	117.6
Green Build	<u>864.6</u>
Total Use of Funds	\$1170.5

Source of Funds (in millions):

Federal Grants	\$ 118.3
PFC Revenues	135.2
Airport System Revenue Bonds	872.9
Airport Cash	17.6
Other/Reimbursement Funds	<u>26.5</u>
Total Use of Funds	\$1170.5

In summary, this Operating Budget and Capital Program as presented are consistent with Board policy and were developed under the President/CEO's and CFO's guidance. The budgets reflect the revenues available to the Authority, and how these funds will be spent to accomplish the Authority's strategies for FY 2012.

The Authority also embarked on its second year of preparing a biennial budget. As such, a budget for FY 2013 was developed and proposed for conceptual approval.

The proposed FY 2013 Budget Expenses total \$160,037,000 and are comprised of the following divisional expenditure levels:

Division	FY 2013
Development	\$ 39,031,852
Planning & Operations	40,596,746
Finance including Debt Service	53,926,551
Executive	4,806,221
Administration	12,669,538
Marketing & Communications	9,006,092
Total	<u>\$160,037,000</u>

This operating budget reflects a total increase of \$8.74 million, or 5.8% above the FY 2012 Budget. This increase is mostly attributed to an increase of \$3.59 million in non-personnel operating expenses, an increase of \$2.48 million in personnel costs, and a \$2.67 million increase debt service costs.

On the revenue side, the budgeted operating and non-operating revenues of \$264.32 million are an increase of \$25.10 million, or 10.5% over the FY 2012 Budget. This net increase reflects an increase of \$16.05 million associated with airline revenue, an increase of \$4.76 million in non-airline revenue, an increase of \$0.69 million in interest income, an increase of \$0.76 million in Passenger Facility Charges, and an increase of \$13.40 million in Customer Facility Charges, partially offset by a decrease of \$10.55 million in Capital Grant contributions.

The conceptually approved FY 2013 budget will be brought back to the board next year for review, revisions, and adoption in June 2012.

Fiscal Impact:

If the FY 2012 Budget is adopted and the FY 2013 Budget is Conceptually Approved, funding of \$151,300,000 will be authorized for FY 2012 and funding of \$160,037,000 will be established as the framework for the FY 2013 Budget to be brought back to the board next year for review, revisions, and adoption in June 2012. If the Capital Program is approved, \$1,170,495,095 will become the authorized spending level.

Environmental Review:

- A. CEQA Review: 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.
- B. California Coastal Act Review: 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:

VERNON D. EVANS
VICE PRESIDENT, FINANCE/TREASURER

RESOLUTION NO. 2011-0061

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY APPROVING THE AUTHORITY'S ANNUAL OPERATING BUDGET FOR FISCAL YEAR 2012 AND THE CAPITAL PROGRAM FOR FISCAL YEARS 2012-2016, AND CONCEPTUALLY APPROVING THE OPERATING BUDGET FOR FISCAL YEAR 2013.

WHEREAS, Authority management prepared and presented the Proposed Fiscal Year 2012 and 2013 Operating Budgets and the Capital Program to the Authority Board for review at a duly noticed public workshop on May 23, 2011; and

WHEREAS, the Board has provided an opportunity at its meeting for members of the public to comment on and ask questions concerning the Proposed Fiscal Year 2012 and 2013 Budgets and Capital Program; and

WHEREAS, the Authority's President and CEO advised the Board that the Operating Budgets would be adjusted to limit the employee medical benefit renewal rate increase to no more than 14%; and

WHEREAS, the Proposed Fiscal Year 2012 and 2013 Budgets (with reduced benefit costs) present a financial operating budget of \$151,300,000 and \$160,037,000, respectively, and a Capital Program for the next five (5) years of \$1,170,495,095, providing adequate resources to address the operating and infrastructure requirements of San Diego International Airport and the regional responsibilities of the Authority for Fiscal Years 2012 and 2013; and

WHEREAS, the Proposed Fiscal Year 2012 and 2013 budgets present forecasted operating revenues and other funding to meet a balanced budget and other financial requirements as outlined under the Authority's Bond Master Trust Indenture; and

WHEREAS, the Board has reviewed the Proposed Fiscal Year 2012 and 2013 Budgets and the Capital Program and believes that the adoption and approval of the Fiscal Year 2012 Budget and CIP and conceptual approval of the Fiscal Year 2013 Budget in the form presented to the Board at the public meeting on June 2, 2011 is in the best interests of the Authority and the public that it serves.

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NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the Authority's Annual Operating Budget for fiscal Year 2012 and the Capital Program for Fiscal Years 2012-2016, and conceptually approves the Operating Budget for Fiscal Year 2013; and

BE IT FURTHER RESOLVED that the Authority and all of its officers, employees and agents are hereby authorized, empowered and directed to do and perform all such acts as may be necessary or appropriate to implement the Adopted Annual Operating Budget for Fiscal Year 2012 and the Capital Program; and

BE IT FURTHER RESOLVED that the Board of the San Diego County Regional Airport Authority finds that this Board action is not a "project" as defined by the California Environmental Quality Act (CEQA) Cal. Pub. Res. Code Section 21065; and is not a "development" as defined by the California Coastal Act Cal. Pub. Res. Code Section 30106.

PASSED, ADOPTED AND APPROVED by the Board of the San Diego County Regional Airport Authority at a special meeting this 2nd day of June, 2011 by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

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San Diego County Regional Airport Authority
Operating Budgets for FY 2012 and Capital Program for FY 2012-2016
& Conceptual Operating Budget for FY 2013

Finance Division
Financial Planning and Budget

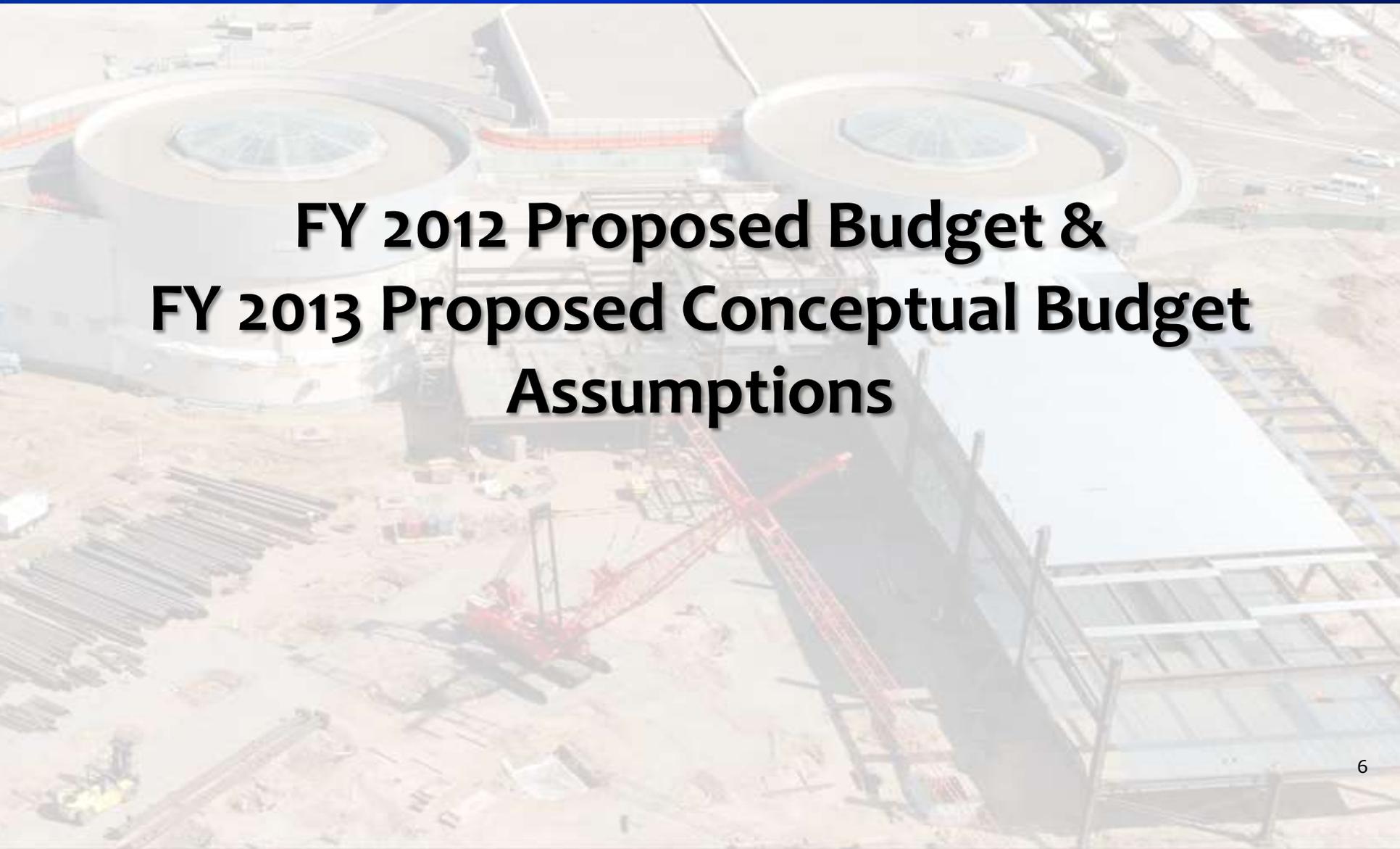
- **Organizational Strategies & Guiding Principles**
- **Budget Assumptions**
- **Revenue Budget Overview**
- **Expense Budget Overview**
- **Proposed Capital Improvement Program FY 2012 – FY 2016**
- **Plan of Finance FY 2012 – FY 2016**
- **Conclusion**

Organizational Strategies & Guiding Principles

Organizational Strategies

STRATEGIES			VALUES OF SUSTAINABILITY	
1	Financial Strategy	Enhance the financial position of the Authority	E	Economic Viability
2	Customer Strategy	Achieve the highest level of internal and external customer satisfaction	O	Operational Excellence
3	Operations Strategy	Operate our airport in a safe, secure, environmentally-sound, effective and efficient manner		
4	Employee Strategy	Ensure the highest level of employee satisfaction	S	Social Responsibility
5	Community Strategy	Be a trusted and highly responsive regional agency		

- Contain costs by reducing expenses
- No Merit Increases in FY 2012 for non union employees
- Maintain current bond ratings (A+/A1/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 focus on sustainability
- 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
- Identify new revenue sources
- Maintain pension funding level of at least 95%



**FY 2012 Proposed Budget &
FY 2013 Proposed Conceptual Budget
Assumptions**



FY 2012 Proposed – FY 2013 Proposed Conceptual Budget Assumptions

FY 2012 Proposed Budget

FY 2012 Enplanements - 8.6 M

- flat to FY11 Budget
- 1% growth to FY11 Fcst
- 3.6% decline from FY12 Conceptual

FY 2012 Landed Weight (per 1000 lbs) - 10.7 M

- 2.1% decline from FY11 Budget
- 0.8% growth to FY11 Fcst
- 5.6% decline from FY12 Conceptual

Ground Transportation Cost Recovery - 50%
(See Cost Breakdown, p. 19)

Merit Increase :

- Non-Union - **No** Merit Increase
- Union - 5% Step Increase

FY 2013 Proposed Conceptual Budget

FY 2013 Enplanements - 8.8 M

- 2.2% growth to FY12 Proposed Budget

FY 2013 Landed Weight (per 1000 lbs) - 10.9 M

- 2.2% growth to FY12 Proposed Budget

Ground Transportation Cost Recovery - 75%

Parking Rate Increase

- Short Term Parking Increase by 19.5%
- Overnight Parking Increase by 7.7%
- Valet Parking Increase by 5.9%

Merit Increase :

- Non-Union – Potential Modest Compensation Adjustment
- Union - 5% Step Increase

FY 2012 Proposed – FY 2013 Proposed Conceptual Budget Assumptions

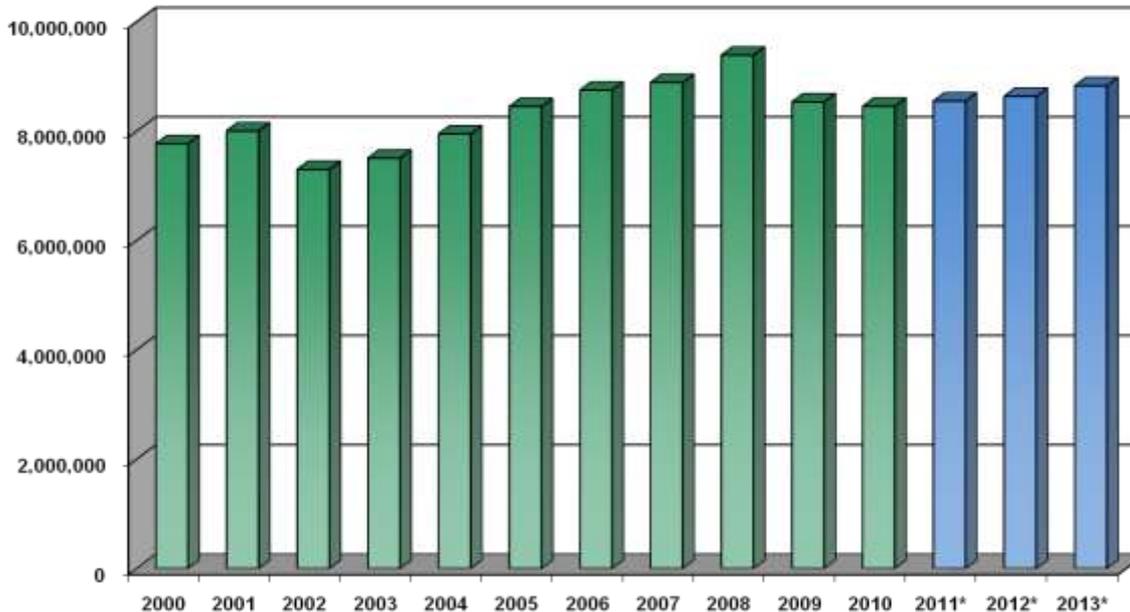
SDIA Passenger Traffic

FY 2011 expectation is a 1.1% increase from FY 2010

FY 2012 projection is a 1.0% increase over FY 2011

FY 2013 projection is a 2.2% increase over FY 2012

Enplaned Passengers



Fiscal Year	Enplaned Passengers	% Change
2000	7,768,050	2.8%
2001	8,004,178	3.0%
2002	7,299,511	-8.8%
2003	7,505,705	2.8%
2004	7,947,440	5.9%
2005	8,449,107	6.3%
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*	8,549,592	1.1%
2012*	8,636,000	1.0%
2013*	8,830,000	2.2%

* Projected FY 2011 and Budgeted FY 2012 & FY 2013

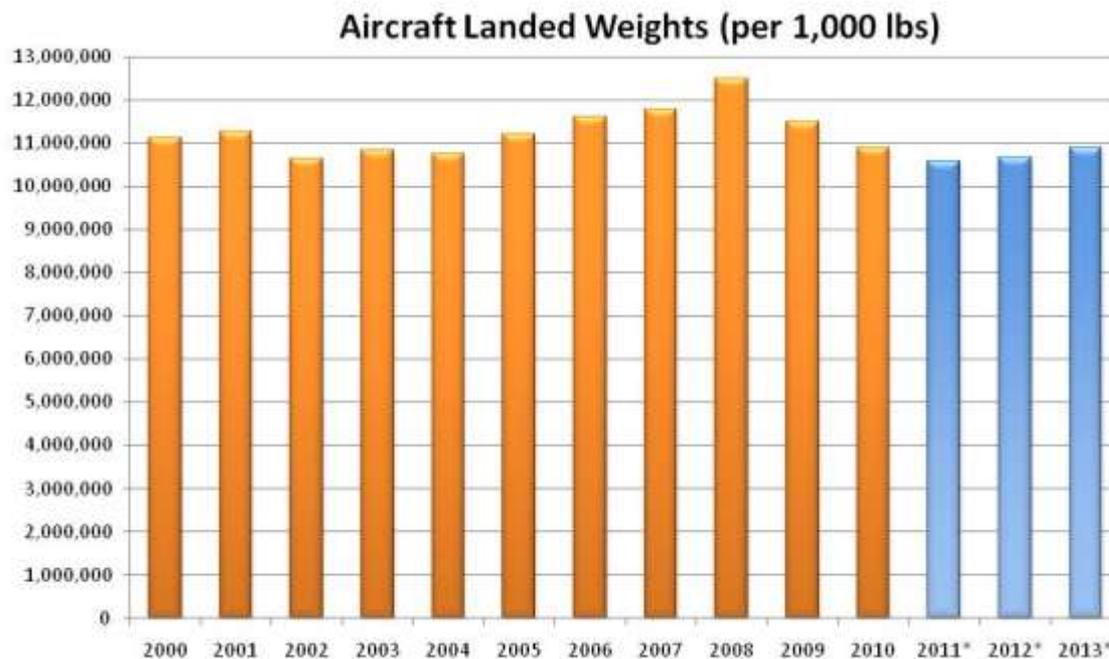
FY 2012 Proposed – FY 2013 Proposed Conceptual Budget Assumptions

SDIA Landed Weight

FY 2011 expectation is a 3.0% decrease from FY 2010

FY 2012 projection is a 0.8% increase from FY 2011

FY 2013 projection is a 2.2% increase over FY 2012



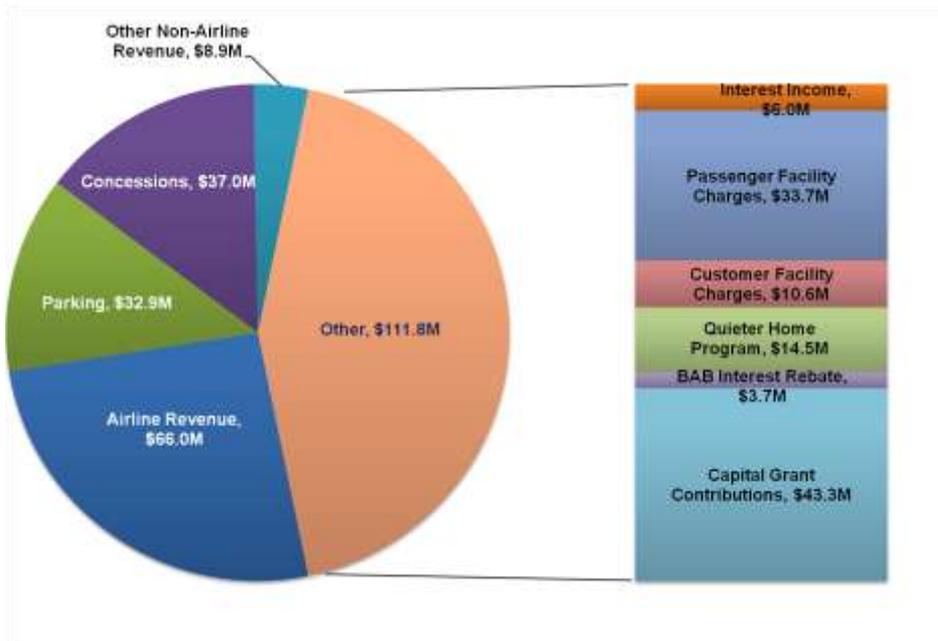
Fiscal Year	Aircraft Landed Weight (per 1000 lbs)	% Change
2000	11,106,313	1.8%
2001	11,275,236	1.5%
2002	10,626,416	-5.8%
2003	10,841,140	2.0%
2004	10,748,648	-0.9%
2005	11,200,204	4.2%
2006	11,604,873	3.6%
2007	11,773,957	1.5%
2008	12,501,491	6.2%
2009	11,495,758	-8.0%
2010	10,892,867	-5.3%
2011*	10,568,978	-3.0%
2012*	10,657,839	0.8%
2013*	10,897,258	2.2%

* Projected FY 2011 and Budgeted FY 2012 & 2013

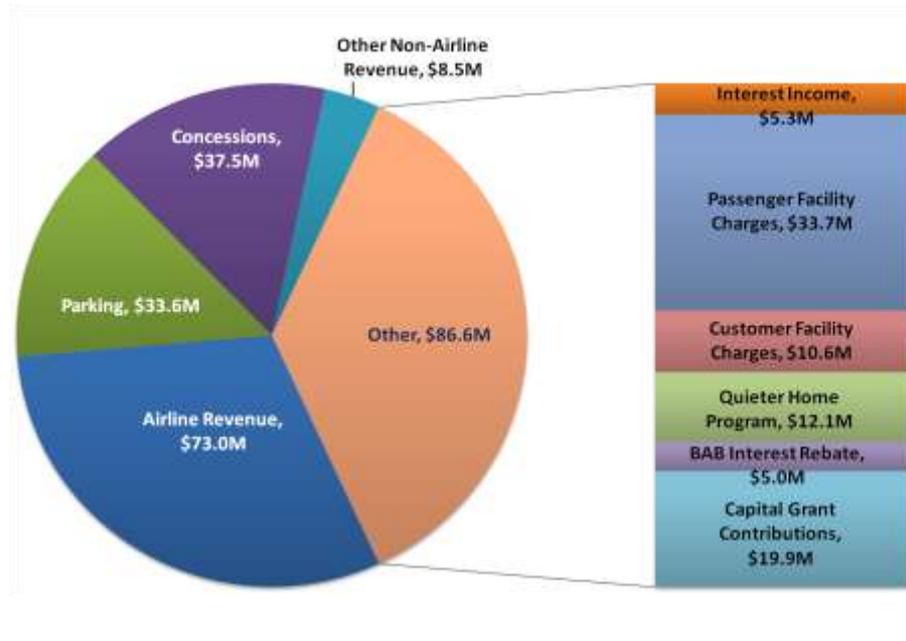
Revenue Budget Overview

FY 2012 Revenue Overview

Total revenue for FY 2012 Proposed Budget is a decrease of \$17.5M (6.8%) vs. FY 2011 Amended Budget



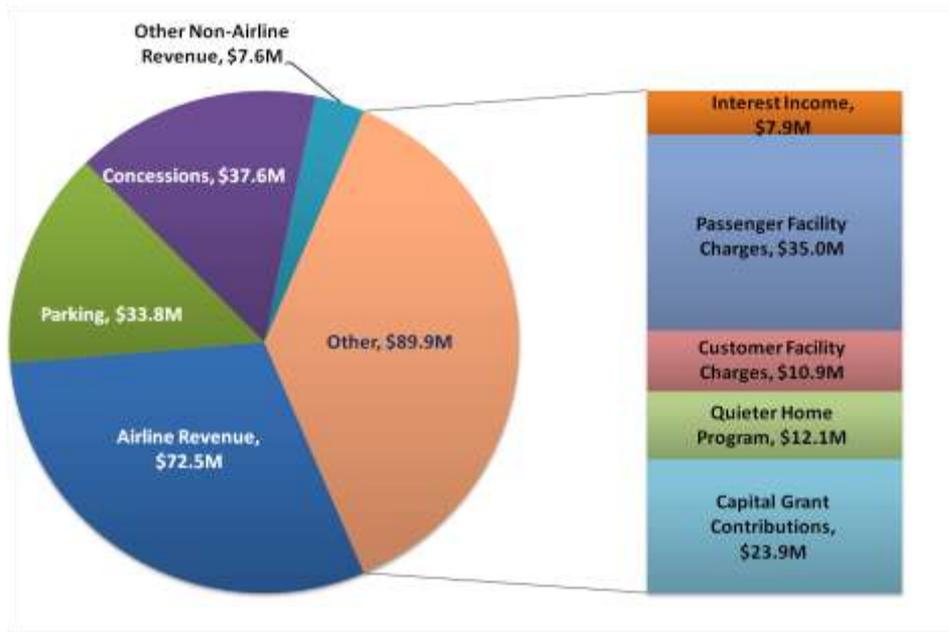
FY 2011 Amended Budget
Total = \$256.7M



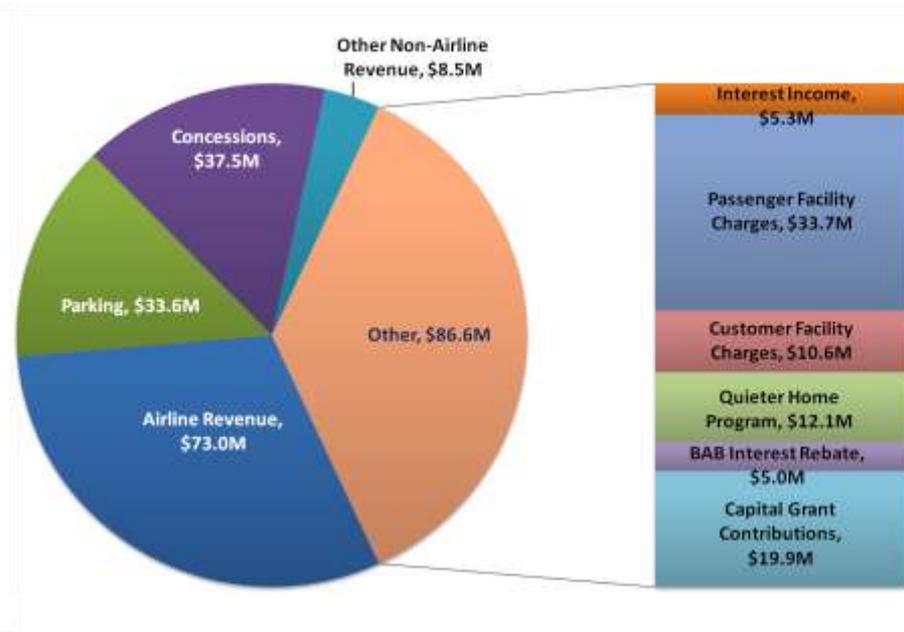
FY 2012 Proposed Budget
Total = \$239.2M

FY 2012 Revenue Overview

Total revenue for FY 2012 Proposed Budget is a decrease of \$2.3M (0.9%) vs. FY 2012 Conceptual Budget



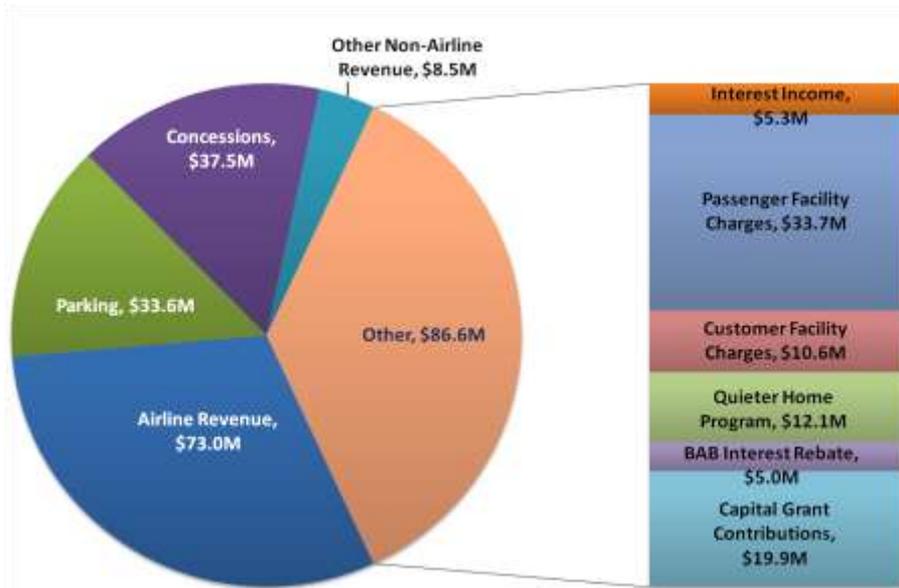
FY 2012 Conceptual Budget
Total = \$241.5M



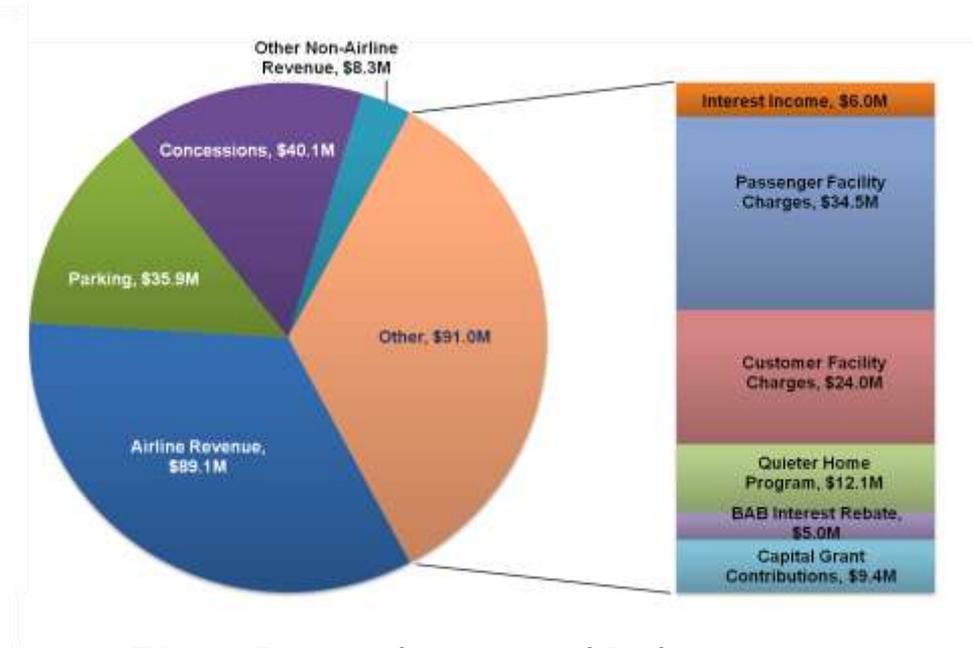
FY 2012 Proposed Budget
Total = \$239.2M

FY 2013 Revenue Overview

Total revenue for FY 2013 Proposed Conceptual Budget is an increase of \$25.1M (10.5%) vs. FY 2012 Proposed Budget



FY 2012 Proposed Budget
Total = \$239.2M



FY 2013 Proposed Conceptual Budget
Total = \$264.3M

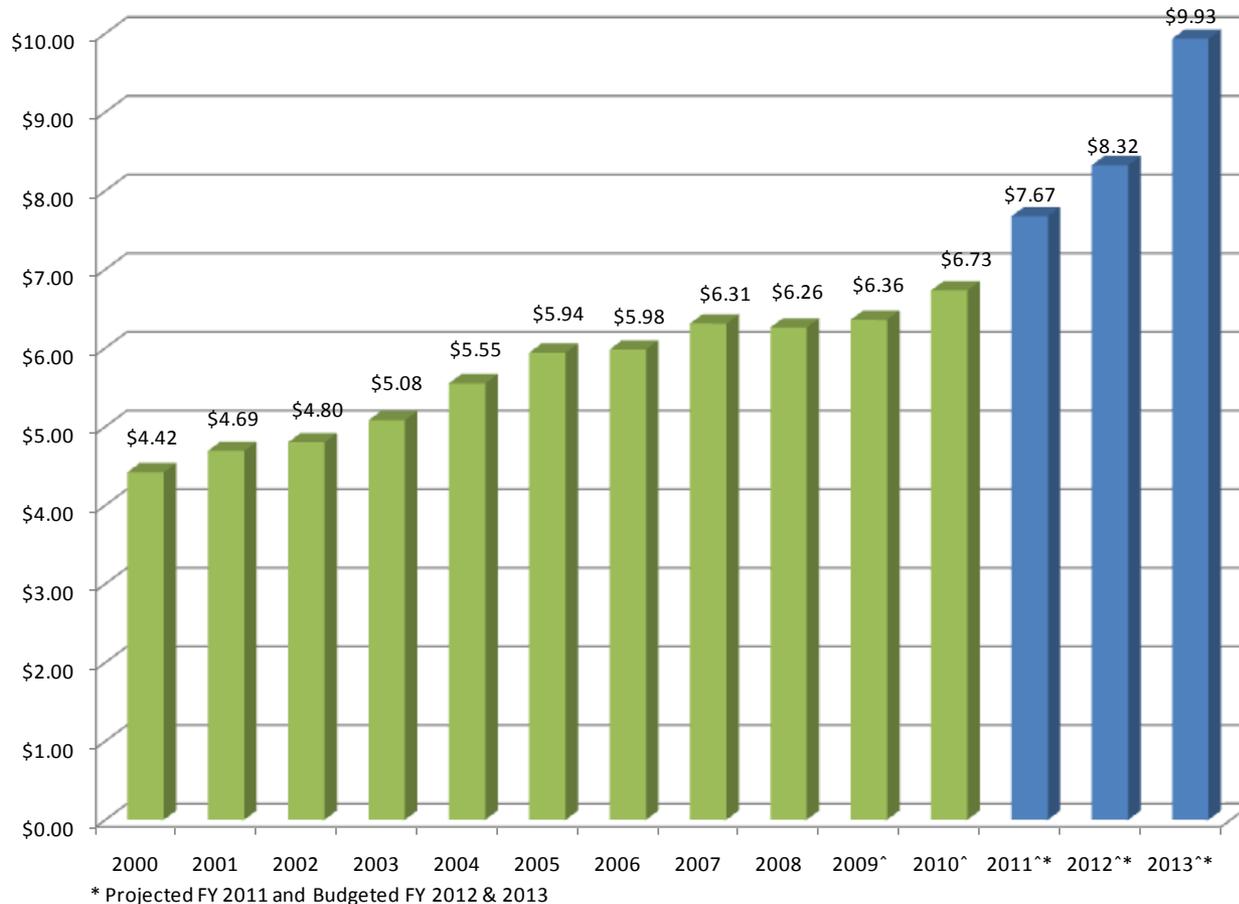
FY 2012 & FY 2013 Revenue Summary

	FY 2010 Actuals	FY 2011 Amended Budget	FY 2012 Conceptual Budget	FY 2012 Proposed Budget	Inc/(Dec) FY12 Proposed vs FY11 Amended	% Change	Inc/(Dec) FY12 Proposed vs FY12 Conceptual	% Change	FY 2013 Proposed Conceptual Budget	Inc/(Dec) FY13 Proposed Concept vs FY12 Proposed	% Change
Operating Revenue:											
Airline Revenue											
Landing Fees	\$ 18,672,255	\$ 19,030,300	\$ 19,489,400	\$ 19,774,600	\$ 744,300	3.9%	\$ 285,200	1.5%	\$ 21,102,700	\$ 1,328,100	6.7%
Aircraft Parking Fees	3,406,012	2,826,000	2,877,300	3,030,600	204,600	7.2%	153,300	5.3%	3,192,500	161,900	5.3%
Building Rentals	23,835,039	27,787,100	31,356,600	31,923,700	4,136,600	14.9%	567,100	1.8%	43,613,200	11,689,500	36.6%
Other Aviation Revenue	1,584,408	1,584,300	1,587,500	1,584,300	-	0.0%	(3,200)	-0.2%	1,587,500	3,200	0.2%
Security Surcharge	11,900,070	14,785,500	17,229,431	16,731,600	1,946,100	13.2%	(497,831)	-2.9%	19,597,600	2,866,000	17.1%
Total Airline Revenue	59,397,783	66,013,200	72,540,231	73,044,800	7,031,600	10.7%	504,569	0.7%	89,093,500	16,048,700	22.0%
Nonairline Revenue											
Parking/Ground Transportation	30,295,842	32,903,091	33,836,782	33,593,662	690,570	2.1%	(243,120)	-0.7%	35,910,264	2,316,603	6.9%
Concessions	36,248,999	37,049,714	37,607,814	37,466,200	436,486	1.2%	(121,614)	-0.3%	40,052,250	2,586,050	6.8%
Ground Rentals	5,923,301	6,226,266	6,111,366	6,618,826	392,560	6.3%	507,460	8.3%	6,644,900	26,074	0.4%
Grant Reimbursements	1,257,284	1,100,990	214,500	214,500	(886,490)	-80.5%	-	0.0%	214,500	-	0.0%
Terminal Rent - Non-Airline	-	868,205	927,902	904,316	36,111	4.2%	(23,586)	-2.5%	943,034	38,718	4.3%
Other Operating Revenue *	571,474	721,396	396,600	737,696	16,500	2.3%	341,296	86.1%	552,540	(185,356)	-25.1%
Total Nonairline Revenue	74,296,901	78,869,663	79,094,964	79,555,400	685,737	0.9%	460,435	0.6%	84,317,489	4,762,089	6.0%
Total Operating Revenue	133,694,684	144,882,863	151,635,195	152,600,200	7,717,337	5.3%	965,004	0.6%	173,410,989	20,810,789	13.6%
Interest Income	6,666,720	5,982,549	7,928,871	5,338,136	(644,413)	-10.8%	(2,590,735)	-32.7%	6,024,881	686,745	12.9%
Nonoperating Revenue											
Passenger Facility Charges	34,048,981	33,731,900	34,995,900	33,741,700	9,800	0.0%	(1,254,200)	-3.6%	34,499,700	758,000	2.2%
Customer Facility Charges (CONRAC)	10,782,512	10,550,137	10,945,455	10,553,192	3,055	0.0%	(392,263)	-3.6%	23,954,377	13,401,185	127.0%
Quieter Home Program	18,990,445	14,506,200	12,088,500	12,080,400	(2,425,800)	-16.7%	(8,100)	-0.1%	12,080,400	-	0.0%
BAB Interest Rebate	-	3,691,000	-	4,995,921	1,304,921	0.0%	4,995,921	0.0%	4,995,921	-	0.0%
Capital Grant Contributions	27,350,431	43,318,051	23,906,079	19,907,452	(23,410,599)	-54.0%	(3,998,627)	-16.7%	9,353,732	(10,553,721)	-53.0%
Other Nonoperating Revenue	1,084,347	-	-	-	-	0.0%	-	0.0%	-	-	0.0%
Total Nonoperating Revenue	90,198,873	106,797,288	81,935,934	81,278,665	(24,518,623)	-23.2%	(657,269)	-0.8%	84,884,130	3,605,465	4.4%
Total Revenue	\$ 230,560,277	\$ 256,662,700	\$ 241,500,000	\$ 239,217,000	\$ (17,445,700)	-6.8%	\$ (2,283,000)	-0.9%	\$ 264,320,000	\$ 25,103,000	10.5%

* Other Operating Revenue includes finger printing fees, utilities reimbursements, service charges, equipment rental and miscellaneous revenues.

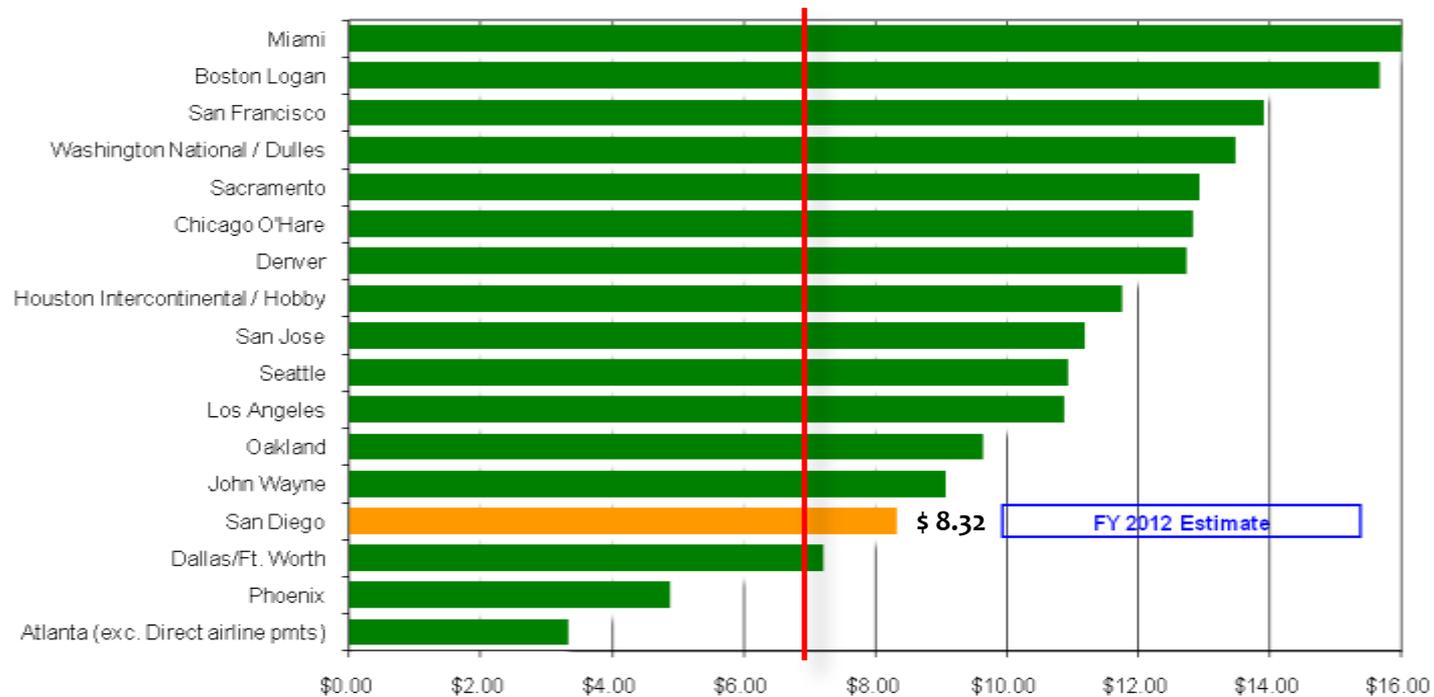
Increase Airline Cost per Enplaned Passenger

Airline derived costs per enplaned passengers includes landing fees, aircraft parking fees, terminal rents and security surcharge.



^ Fuel farm cost recovery and fuel franchise fees are excluded from the FY 2009 through FY 2013 calculations per new Airline Operating Agreement methodology.

Airline Cost per Enplaned Passenger by Select Airports



Most Recent Available National Median for all Moody's rated airports \$7.10
Source: Moody's Investor Service, MFRA Database, as of April 2011

Expense Budget Overview

FY 2012 Expense Summary by Category

	FY 2011 Amended Budget	FY 2012 Conceptual Budget	FY 2012 Workshop Presented Budget	Inc/(Dec) FY12 Proposed vs FY12 Presented	FY 2012 Proposed Budget	Inc/(Dec) FY12 Proposed vs FY11 Amended	% Change	Inc/(Dec) FY12 Proposed vs FY12 Conceptual	% Change
Operating Expenses:									
Personnel Expenses									
Salaries and Wages	\$ 28,277,634	\$ 28,691,213	\$ 27,958,951	\$ -	\$ 27,958,951	\$ (318,683)	-1.1%	\$ (732,263)	-2.6%
Premium Overtime	973,658	979,500	809,810	-	809,810	(163,848)	-16.8%	(169,690)	-17.3%
Employee Benefits	15,824,400	18,172,379	15,914,912	(184,000)	15,730,912	(93,488)	-0.6%	(2,441,466)	-13.4%
Subtotal	45,075,692	47,843,092	44,683,673	(184,000)	44,499,673	(576,019)	-1.3%	(3,343,418)	-7.0%
<i>Less: Capitalized Labor</i>	<i>(5,464,036)</i>	<i>(5,666,698)</i>	<i>(5,392,908)</i>	-	<i>(5,392,908)</i>	71,128	-1.3%	273,790	-4.8%
<i>Less: QHP - Labor/Burden/Labor Overhead</i>	<i>(1,054,231)</i>	<i>(1,112,047)</i>	<i>(718,409)</i>	-	<i>(718,409)</i>	335,822	-31.9%	393,638	-35.4%
Total Personnel Expenses	38,557,425	41,064,346	38,572,356	(184,000)	38,388,356	(169,069)	-0.4%	(2,675,990)	-6.5%
Non-Personnel Expenses									
Contractual Services	29,291,161	29,072,753	27,157,202	-	27,157,202	(2,133,959)	-7.3%	(1,915,551)	-6.6%
Safety and Security	20,657,433	20,772,833	20,850,032	-	20,850,032	192,599	0.9%	77,199	0.4%
Space Rental	10,905,339	10,905,979	11,416,345	-	11,416,345	511,006	4.7%	510,366	4.7%
Utilities	7,048,000	7,239,715	6,666,515	-	6,666,515	(381,485)	-5.4%	(573,200)	-7.9%
Maintenance	7,938,898	8,016,640	7,722,794	-	7,722,794	(216,104)	-2.7%	(293,846)	-3.7%
Operating Equipment & Systems	529,516	455,894	355,679	-	355,679	(173,837)	-32.8%	(100,215)	-22.0%
Operating Supplies	381,379	417,037	317,658	-	317,658	(63,721)	-16.7%	(99,379)	-23.8%
Insurance	1,222,750	1,211,560	1,020,000	-	1,020,000	(202,750)	-16.6%	(191,560)	-15.8%
Employee Programs	1,340,969	1,365,427	1,120,966	-	1,120,966	(220,003)	-16.4%	(244,461)	-17.9%
Business Development	2,202,076	2,478,340	2,340,378	-	2,340,378	138,302	6.3%	(137,962)	-5.6%
Equipment Rentals & Repairs	1,574,373	1,616,421	1,678,046	-	1,678,046	103,673	6.6%	61,625	3.8%
Total Non-Personnel Expenses	83,091,894	83,552,599	80,645,614	-	80,645,614	(2,446,280)	-2.9%	(2,906,984)	-3.5%
Total Operating Expenses	\$ 121,649,319	\$ 124,616,945	\$ 119,217,970	\$ -	\$ 119,033,970	\$ (2,615,349)	-2.1%	\$ (5,582,975)	-4.5%



Expense Budget Overview

Continued

FY 2012 Expense Summary by Category (cont.)

	FY 2011 Amended Budget	FY 2012 Conceptual Budget	FY 2012 Workshop Presented Budget	Inc/(Dec) FY12 Proposed vs FY12 Presented	FY 2012 Proposed Budget	Inc/(Dec) FY12 Proposed vs FY11 Amended	% Change	Inc/(Dec) FY12 Proposed vs FY12 Conceptual	% Change
Non-Operating Expenses:									
Joint Studies/Sound Attenuation	18,375,000	15,375,000	15,264,946	-	15,264,946	(3,110,054)	-16.9%	(110,054)	-0.7%
Debt Service	17,537,681	14,759,410	16,783,084	-	16,783,084	(754,597)	-4.3%	2,023,674	13.7%
Legal Settlements Expense	40,000	40,000	20,000	-	20,000	(20,000)	-50.0%	(20,000)	-50.0%
Total Non-Operating Expenses	35,952,681	30,174,410	32,068,030	-	32,068,030	(3,884,651)	-10.8%	1,893,620	6.3%
Total Expenses	157,602,000	154,791,355	151,286,000	(184,000)	151,102,000	(6,500,000)	-4.1%	(3,689,354)	-2.4%
Equipment Outlay	293,000	513,645	198,000	-	198,000	(95,000)	-32.4%	(315,645)	-61.5%
Total Authority Expenses incl Equip Outlay	\$ 157,895,000	\$ 155,305,000	\$ 151,484,000	\$ (184,000)	\$ 151,300,000	\$ (6,595,000)	-4.2%	\$ (4,005,000)	-2.6%

FY 2013 Expense Summary by Category

	FY 2012 Proposed Budget	FY 2013 Workshop Presented Conceptual Budget	Inc/(Dec) FY13 Proposed Concept vs FY13 Presented	FY 2013 Proposed Conceptual Budget	Inc/(Dec) FY13 Proposed Concept vs FY12 Proposed	% Change
Operating Expenses:						
Personnel Expenses						
Salaries and Wages	\$ 27,958,951	\$ 29,259,763	\$ -	\$ 29,259,763	\$ 1,300,812	4.7%
Premium Overtime	809,810	874,810	-	874,810	65,000	8.0%
Employee Benefits	15,730,912	17,741,121	(642,000)	17,099,121	1,368,209	8.7%
Subtotal	44,499,673	47,875,694	(642,000)	47,233,694	2,734,021	6.1%
<i>Less: Capitalized Labor</i>	<i>(5,392,908)</i>	<i>(5,610,661)</i>	-	<i>(5,610,661)</i>	<i>(217,753)</i>	4.0%
<i>Less: QHP - Labor/Burden/Labor Overhead</i>	<i>(718,409)</i>	<i>(757,809)</i>	-	<i>(757,809)</i>	<i>(39,400)</i>	5.5%
Total Personnel Expenses	38,388,356	41,507,224	(642,000)	40,865,224	2,476,869	6.5%
Non-Personnel Expenses						
Contractual Services	27,157,202	28,309,667	-	28,309,667	1,152,465	4.2%
Safety and Security	20,850,032	20,850,032	-	20,850,032	-	0.0%
Space Rental	11,416,345	11,419,471	-	11,419,471	3,126	0.0%
Utilities	6,666,515	7,625,215	-	7,625,215	958,700	14.4%
Maintenance	7,722,794	8,504,357	-	8,504,357	781,563	10.1%
Operating Equipment & Systems	355,679	363,595	-	363,595	7,917	2.2%
Operating Supplies	317,658	348,007	-	348,007	30,349	9.6%
Insurance	1,020,000	1,020,000	-	1,020,000	-	0.0%
Employee Programs	1,120,966	1,134,785	-	1,134,785	13,819	1.2%
Business Development	2,340,378	2,906,883	-	2,906,883	566,505	24.2%
Equipment Rentals & Repairs	1,678,046	1,750,179	-	1,750,179	72,133	4.3%
Total Non-Personnel Expenses	80,645,614	84,232,191	-	84,232,191	3,586,577	4.4%
Total Operating Expenses	\$ 119,033,970	\$ 125,739,415	\$ (642,000)	\$ 125,097,415	\$ 6,063,445	5.1%



Expense Budget Overview

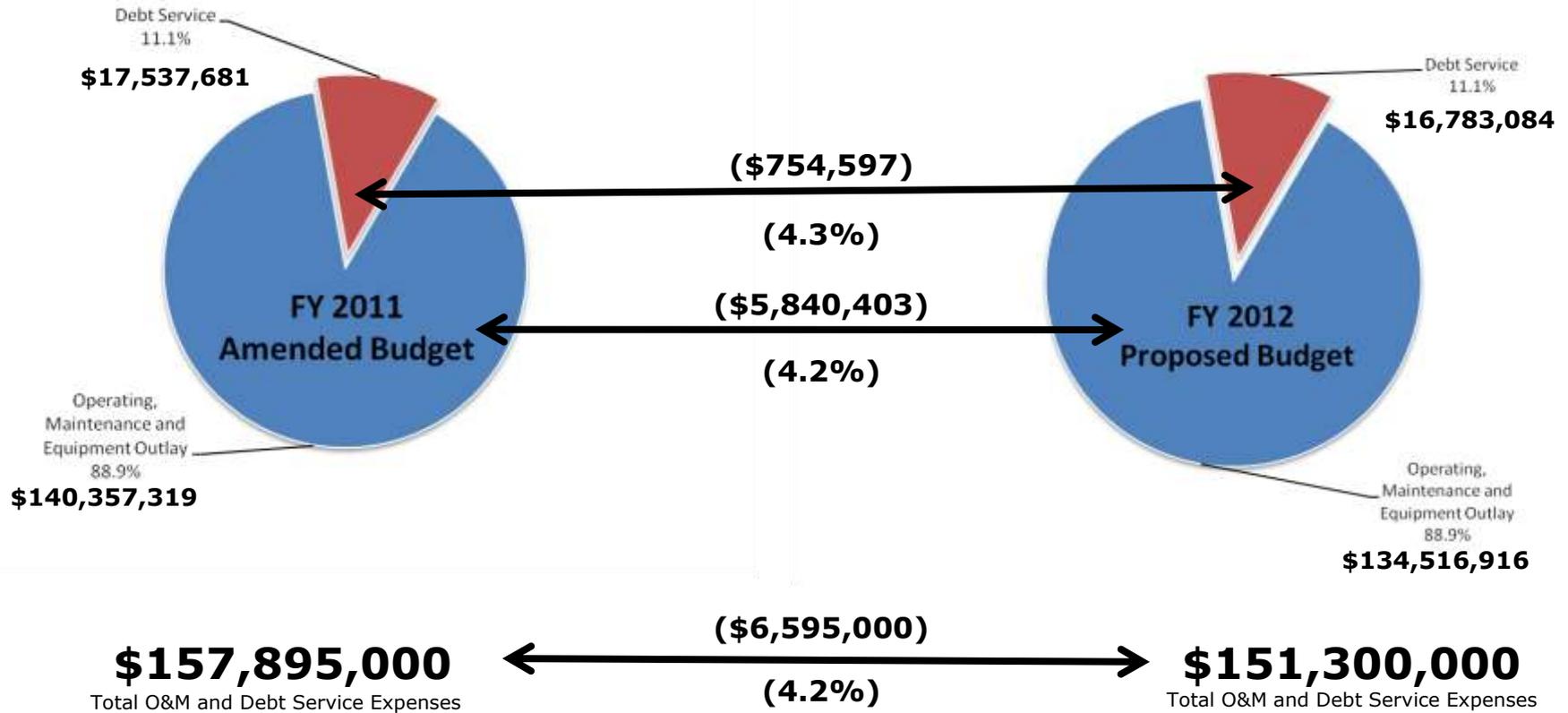
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FY 2013 Expense Summary by Category (cont.)

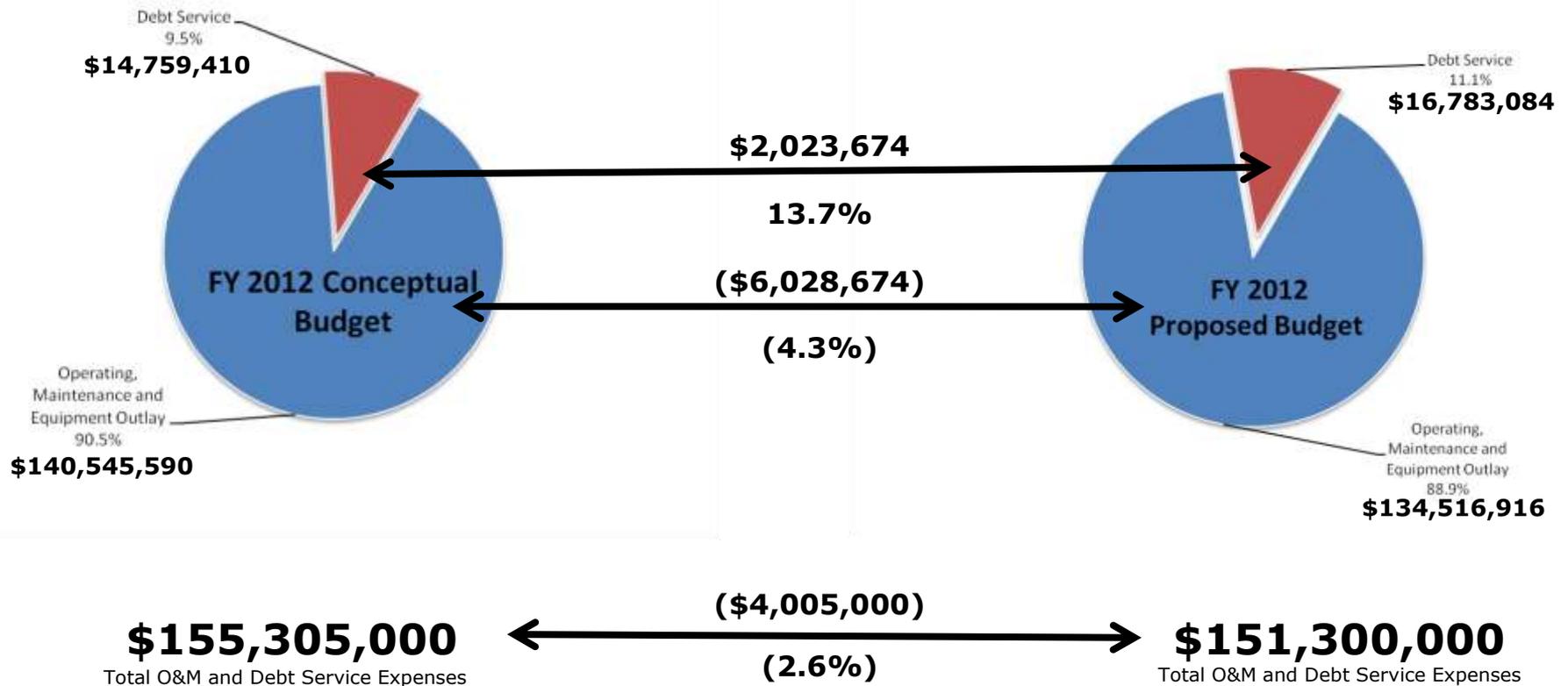
	FY 2012 Proposed Budget	FY 2013 Workshop Presented Conceptual Budget	Inc/(Dec) FY13 Proposed Concept vs FY13 Presented	FY 2013 Proposed Conceptual Budget	Inc/(Dec) FY13 Proposed Concept vs FY12 Proposed	% Change
Non-Operating Expenses:						
Joint Studies/Sound Attenuation	15,264,946	15,264,946	-	15,264,946	-	0.0%
Debt Service	16,783,084	19,456,639	-	19,456,639	2,673,555	15.9%
Legal Settlements Expense	20,000	20,000	-	20,000	-	0.0%
Total Non-Operating Expenses	32,068,030	34,741,585	-	34,741,585	2,673,555	8.3%
Total Expenses	151,102,000	160,481,000	(642,000)	159,839,000	8,737,000	5.8%
Equipment Outlay	198,000	198,000	-	198,000	-	0.0%
Total Authority Expenses incl Equip Outlay	\$ 151,300,000	\$ 160,679,000	\$ (642,000)	\$ 160,037,000	\$ 8,737,000	5.8%

Expense Budget Overview

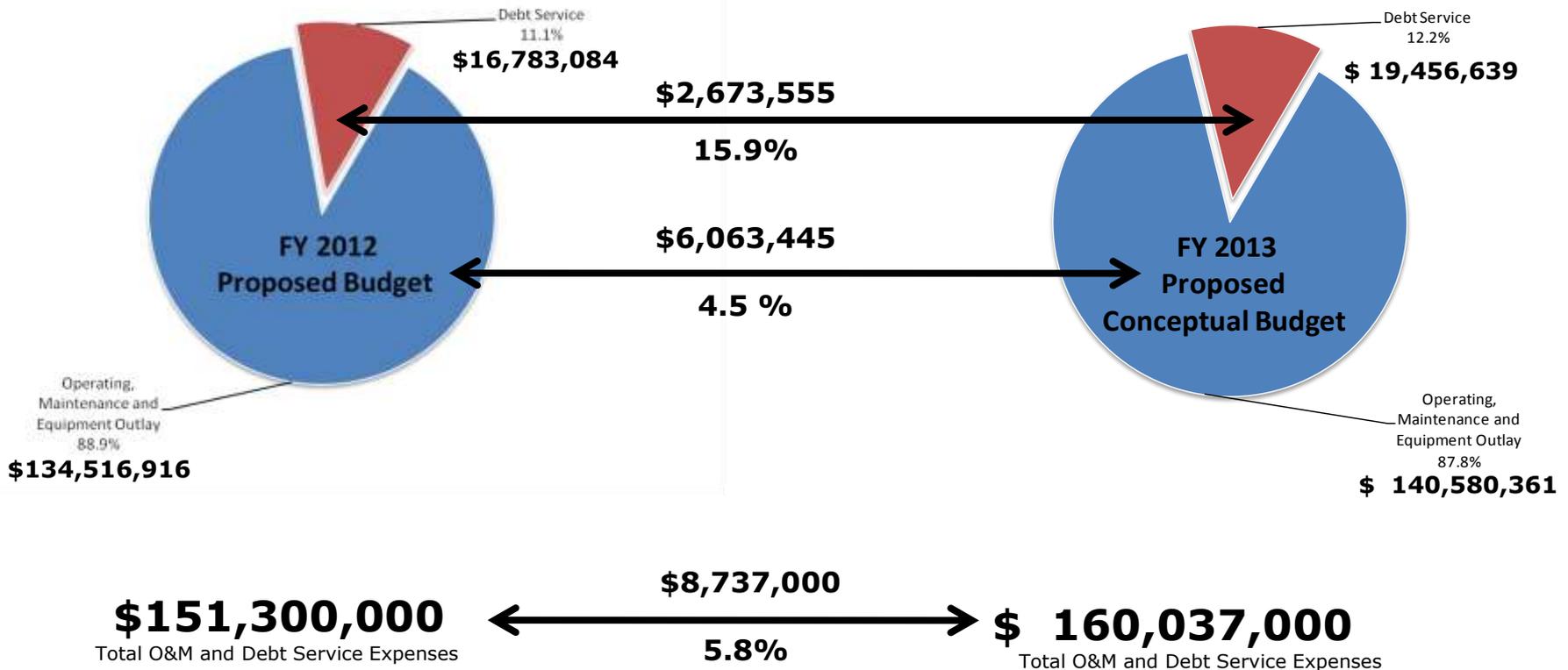
FY 2011 Amended Budget vs. FY 2012 Proposed Budget Expense Comparison



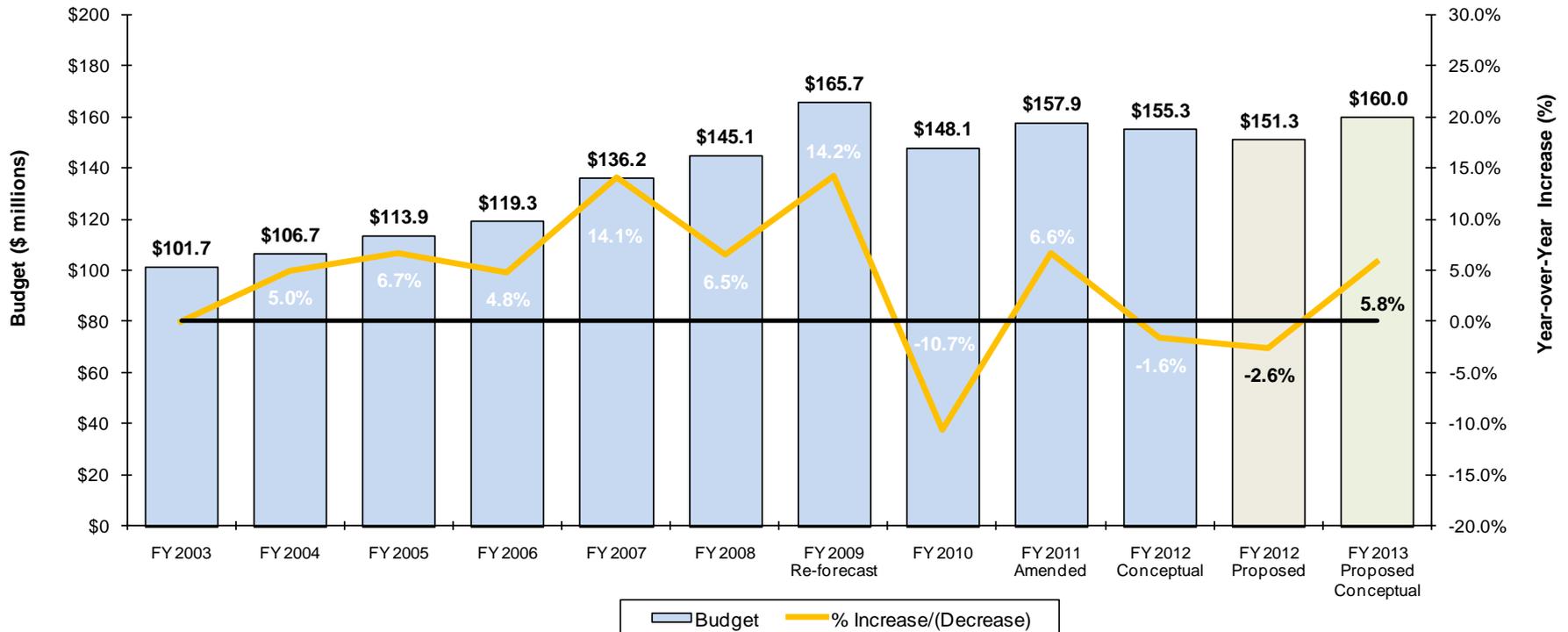
FY 2012 Conceptual Budget vs. FY 2012 Proposed Budget Expense Comparison



FY 2012 Proposed Budget vs. FY 2013 Proposed Conceptual Budget Expense Comparison



Expense Budget FY 2003 – FY 2013





**Proposed
Capital Improvement Program
FY 2012 – FY 2016**



Capital Improvement Program

Summary

FY 2011-2015 Capital Improvement Program	\$ 376,923,089
FY2010-2011 Project Closeouts	(157,665,633)
FY2011 Program Savings	<u>(3,095,274)</u>
Subtotal	\$ 216,162,182
FY2012-2016 Proposed Projects	89,720,211
The Green Build	<u>864,612,702</u>
Proposed FY 2012-16 Capital Improvement Program	\$ <u>1,170,495,095</u>



FY2012 - FY2016 Proposed CIP Projects

Project Title	Current Cost Estimate
TDY Site Demolition Budget Augmentation	\$4.2M
Reconstruction of Lot 8	\$3.5M
Airport Electrical Distribution System	\$19.9M
Washington Extension to CRDC	\$1.7M
Master Plan Update	\$5.0M
Terminal 1 Concessions	\$7.3M
Concession Development Program Support	\$2.3M



FY2012-FY2016 Proposed CIP Projects

Project Title	Current Cost Estimate
Relocate Solar Turbines Employee Parking	\$3.0M
Relocate Lot 6 Employee Parking	\$7.4M
Revenue Control System – TDY Parking	\$1.8M
Washington St. Parking & Revenue Control	\$12.8M
Relocate Revenue Control-Pacific Hwy.	\$1.3M
Rehabilitate Runway 9-27	\$19.6M
Total FY2012-FY2016 CIP Proposed Projects	\$89.8M



Plan of Finance
FY 2012 – FY 2016

Uses of Funds by Location

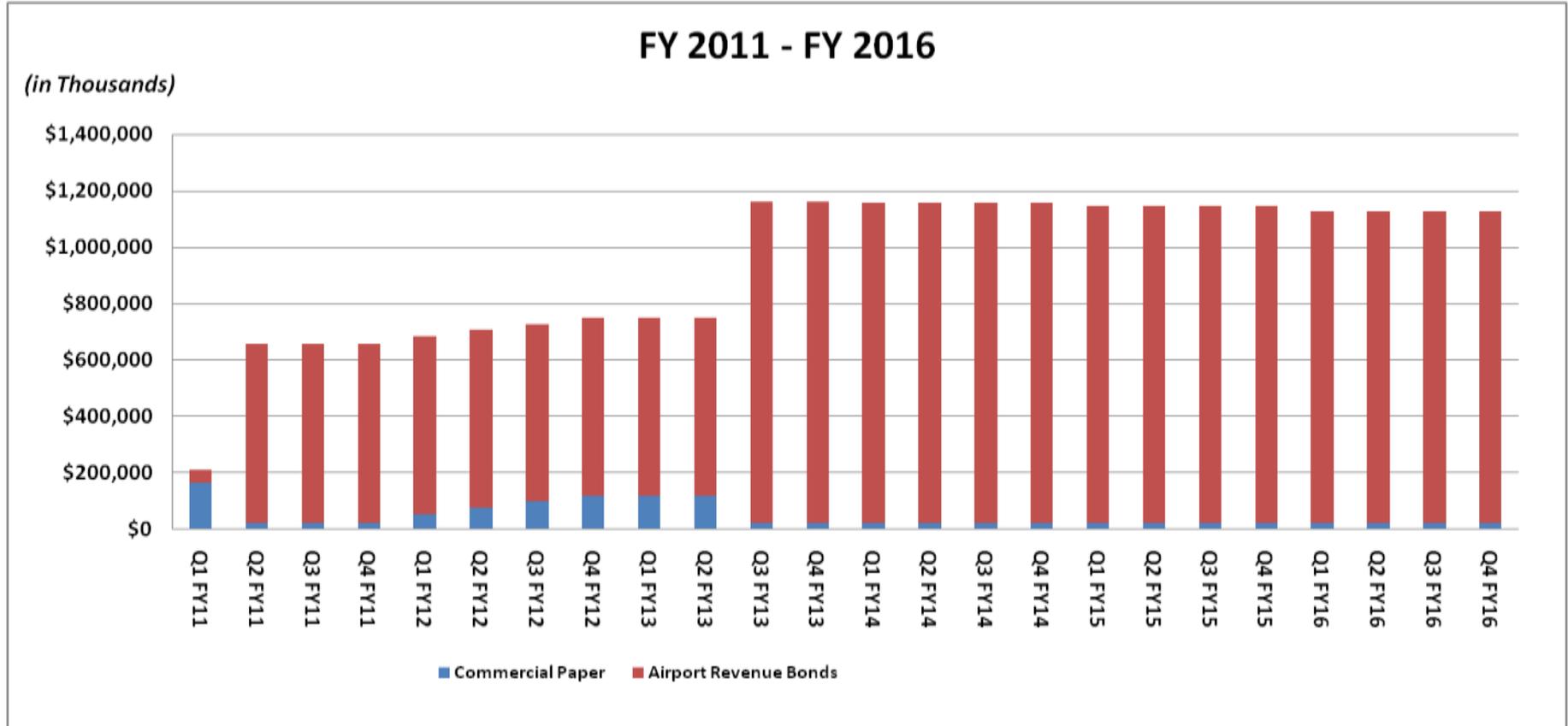
Total Use of Funds by Location			
Pre FY2012 - FY 2016			
(in thousands)			
<u>Location</u>	<u>Green Build / TDP</u>	<u>CIP</u>	<u>Total</u>
Terminal	\$ 564,875	\$ 86,372	\$ 651,247
Landside	225,929	117,596	343,525
Airside	73,809	79,706	153,515
Admin	-	22,208	22,208
	\$ 864,613	\$ 305,882	\$ 1,170,495
Finance Costs	91,593	68,836	160,430
Total	\$ 956,206	\$ 374,719	\$ 1,330,925

Uses and Sources of Funds

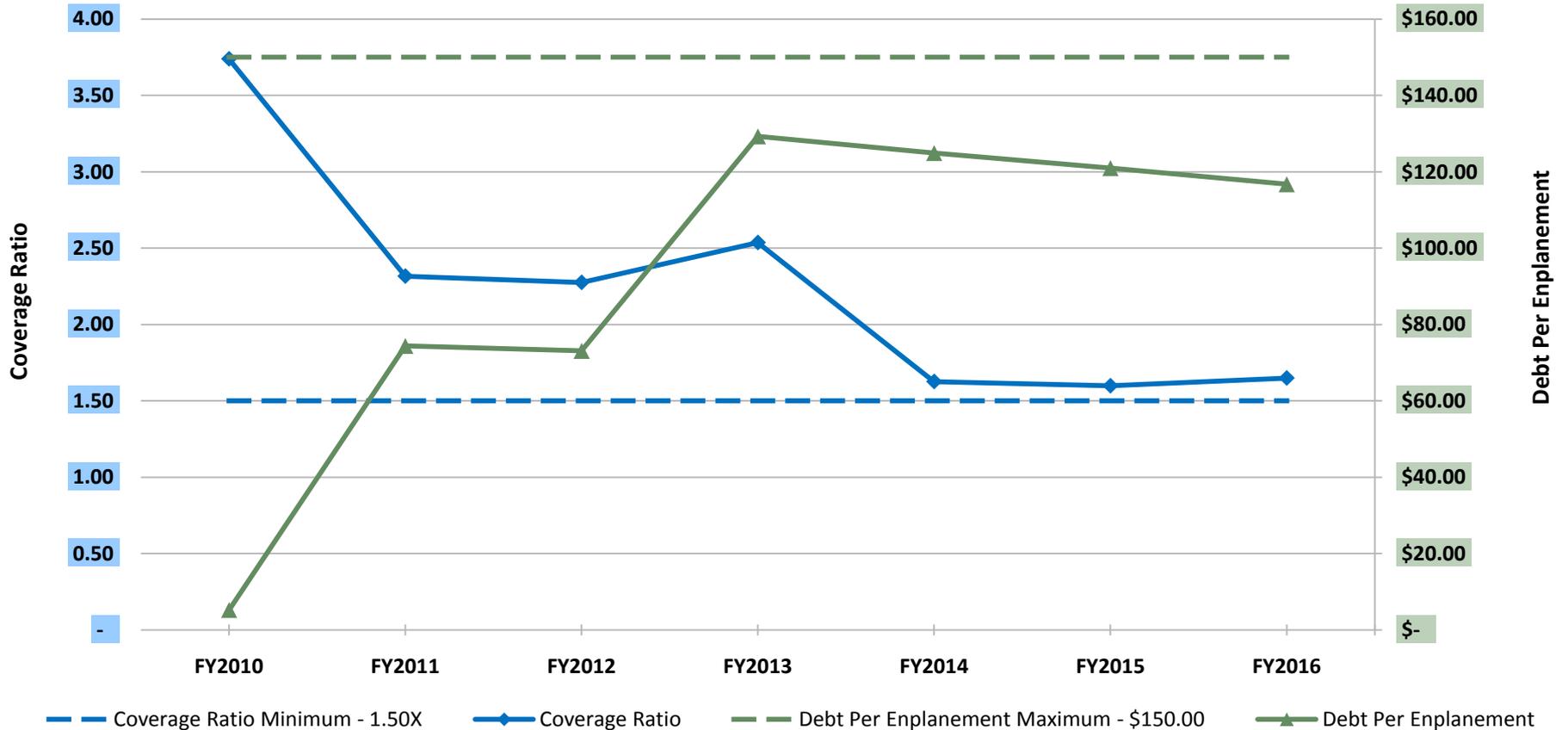
Total Use of Funds										
<i>(in thousands)</i>	Pre FY2012	FY2012	FY2013	FY2014	FY2015	FY2016	Total			
Green Build (TDP)	\$ 255,763	\$ 329,962	\$ 278,887	\$ -	\$ -	\$ -	\$	\$	\$	\$ 864,613
CIP	23,154	71,903	113,418	38,193	46,360	12,854				305,882
Finance Costs	109,509	-	50,921	-	-	-				160,430
Total	\$ 388,426	\$ 401,865	\$ 443,226	\$ 38,193	\$ 46,360	\$ 12,854	\$	\$	\$	1,330,925

Total Sources of Funds										
<i>(in thousands)</i>	Pre FY2012	FY2012	FY2013	FY2014	FY2015	FY2016	Total			
Federal Grants	\$ 31,320	\$ 36,177	\$ 5,932	\$ 19,103	\$ 25,388	\$ 352	\$	\$	\$	118,271
Passenger Facility Charges	98,373	15,978	14,147	3,325	3,325	57				135,205
Airport Revenue Bonds	251,357	336,823	402,166	12,908	17,647	12,445				1,033,345
Airport Cash	3,934	8,614	5,036	-	-	-				17,585
Customer Facility Charges	3,443	4,274	15,946	2,857	-	-				26,519
TOTAL SOURCES OF FUNDS	\$ 388,426	\$ 401,865	\$ 443,226	\$ 38,193	\$ 46,360	\$ 12,854	\$	\$	\$	1,330,925

Aggregate Debt Issuance



Coverage Ratio & Debt Per Enplanement



Conclusion

SDCRAA FY 2012 Proposed & FY 2013 Proposed Conceptual Budget

- Demonstrates prudence during continued economic uncertainty
- Meets mandated airport safety and security requirements
- Honors the Authority's legislated regional responsibilities
- Supports Regional Transportation Partnerships and Community Outreach
- Provides necessary resources to accomplish the Authority's Strategies and Sustainable Goals
- Addresses maintenance of aging facilities
- Maintains equitable rates for airline tenants and airport users
- Is supported by airport users... no local taxpayer dollars





ITEM 18

Fiscal Year 2012 Proposed and 2013 Proposed Conceptual Budgets:

Airport Authority Employee Benefits: Past, Present and Future

Presented by:

Jeffrey A. Woodson

Vice President, Administration

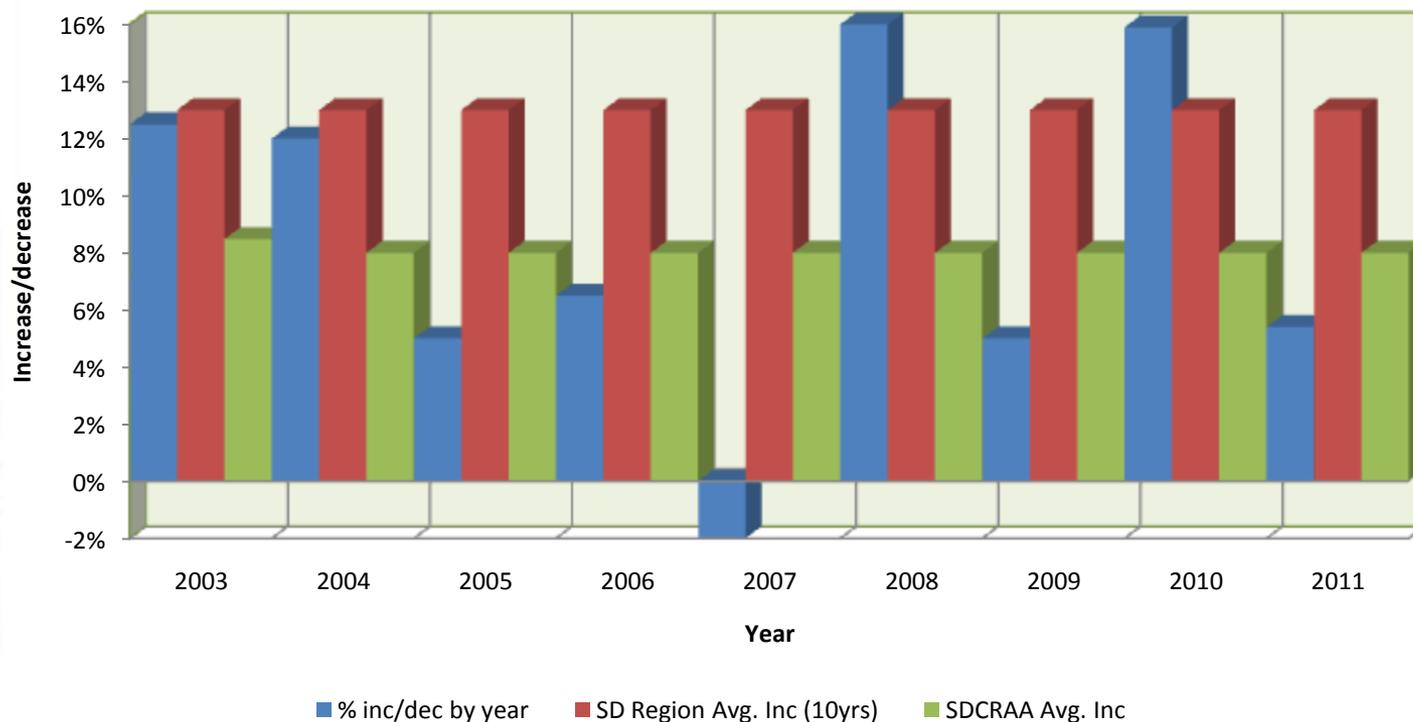
June 2, 2011

HISTORICAL PERSPECTIVE: HEALTHCARE



Historical Perspective: Healthcare

Medical Premium Increases Year over Year



Historical Perspective: Healthcare

- For all but 2 of the past 8 years, Authority has beat region average
- A major reason is because of our prudent management and drive toward consumerism:
 - This includes plan design changes
 - Also included was increasing employee co-pays and deductibles



Historical Perspective: Healthcare

- In each of the last several years, the Authority has not spent it's allocated benefits budget
 - FY 07 to present Actual to Budget variance for Employee Benefits line item ranges from -5% to -32%
 - Part of prudent management led to executive decisions to only fill essential positions resulting in decreased benefit expenditures



HISTORICAL PERSPECTIVE: RETIREMENT



Historical Perspective: Retirement

Annual Pension Contributions

Fiscal Year	Annual Required Contribution	Funded Level
2012	\$3.8 million	N/A
2011	\$4.3 million	N/A
2010	\$3.0 million	96%
2009	\$3.0 million	86.9%*
2008	\$2.2 million	102.3%
2007	\$2.6 million	109%

*Board direction requires a strategy for 95% funded ratio

Historical Perspective: Retirement

- Employees hired May 2006 (October 2008 for represented) and beyond become eligible for Second Generation Retiree Healthcare program
 - 2009 Board action resulted in creation of 2nd Generation vehicle: VEBA
- Employees hired October 2006 and beyond are not eligible to:
 - Participate in DROP
 - Purchase service credits (“air time”)
 - Receive supplemental benefits (13th check)



Historical Perspective: Retirement

- Because of past Authority action, GASB liability is reduced:
 - Second Generation Retiree Healthcare plan saves a net \$35.0 million in future cash flow
 - Example can be seen in 2013 First Generation GASB liability of \$1.9 million compared to anticipated Second Generation expenditure of \$55,700



Present

- Employee wellness and safety initiatives have saved the Authority \$1.2 million in direct insurance costs over past 3 years
- Total employee benefit cost increases from approved FY 11 budget to conceptual FY 13 budget average 5.9% per year



Proposed Budget Expenses

Excerpted from 2012 Budget presentation

Account Name	FY 2010 Actuals	FY 2011 Budget	Inc/(Dec) FY 11 vs. FY 10	FY 2012 Proposed Budget	Inc/(Dec) FY12 vs. FY11	FY 2013 Proposed Budget	Inc/(Dec) FY 13 vs. FY 12
Health Insurance-Group	\$ 4,459,883	\$ 4,998,451	\$ 538,568	\$ 5,684,201	\$ 685,750	\$ 6,813,736	\$ 1,129,535
Retirement & Retirement Amort	5,300,733	7,614,106	2,313,373	6,854,572	(759,534)	7,319,212	464,640
Other*	2,906,545	3,211,843	305,298	3,376,140	164,297	3,608,173	232,034
Employee Benefits	\$ 12,667,161	\$ 15,824,400	\$ 3,157,240	\$ 15,914,912	\$ 90,512	\$ 17,741,121	\$ 1,826,209

*Taxes & Medicare, Workers' Comp, Dental, Life, Vision, Disability, Unemployment Insurance



Present

- Authority received guidance from Alliant Insurance Services to anticipate a 25% increase in premiums for calendar years 2012 and 2013
 - Insurance carriers are facing unknown risks associated with implementing Healthcare Reform
 - Increased and anticipated risk exposure result in increased premiums
 - Anecdotally, the Authority's broker representative has recently presented 30%-35% premium increases to clients



Today's Actions to Address the Future

- Re-convene an Employee Benefits Task Force
 - Immediate focus is on healthcare cost containment strategies that will still enable the Authority to be an Employer of Choice
 - Second phase will be to look at retirement plan sustainability
- In both cases, the Task Force is expected to address quality and affordability



Today's Actions to Address the Future

- Authority decision making has historically demonstrated an effective balance of fiscal prudence while striving to maintain Employer of Choice status in San Diego region
- The intention remains to maintain focus on quality and competitive benefits at an affordable cost
- CEO direction is to budget for no greater than 14% increase in health insurance budget line item



Questions?

