



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Communication

Date: September 2, 2010

To: Board Members

Via: Thella F. Bowens, President/CEO

From: Vernon D. Evans, Vice President, Finance/Treasurer

Subject: Unaudited Financial Statements for the Year Ended
June 30, 2010

At the August 23, 2010 meeting, the Finance Committee recommended that the attached report be forwarded to the Board to be received at the September 2, 2010 Board meeting.





Item 6

San Diego County Regional Airport Authority

Review of the Unaudited Financial Statements for the Year Ended June 30, 2010

Presented by:

Vernon D. Evans, CPA

Vice-President-Finance/Treasurer and CFO

September 2, 2010

Where is the economy headed?



 University of San Diego

AIRPORTS FUEL
REGIONAL ECONOMIES

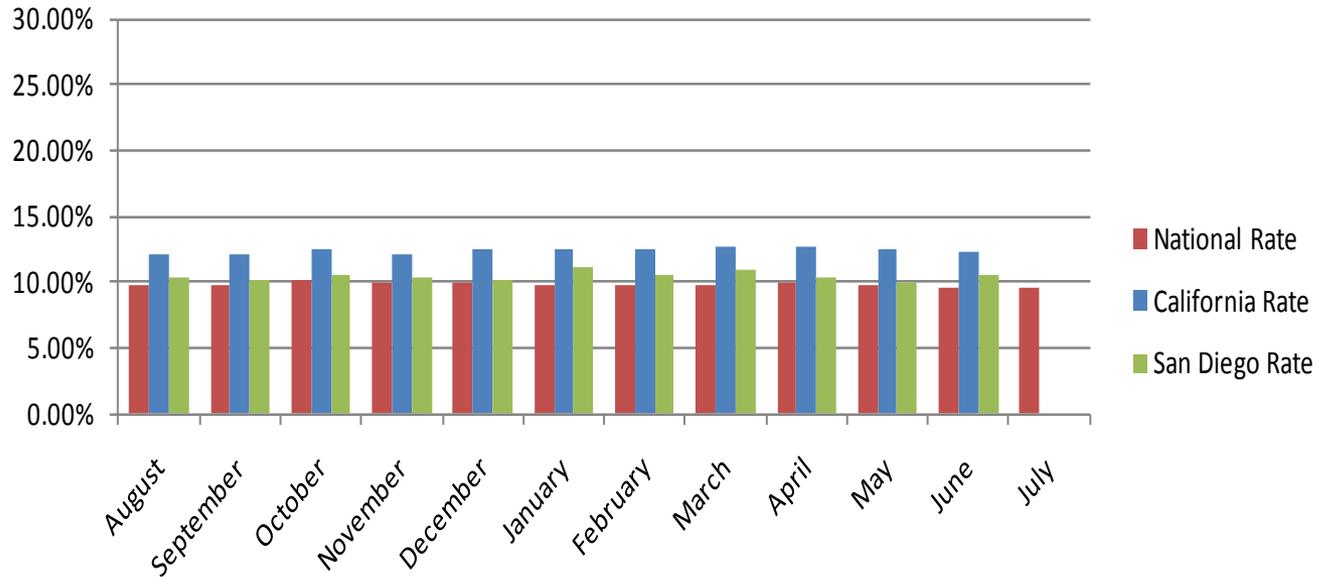
BURNHAM-MOORES
CENTER FOR REAL ESTATE
UNIVERSITY OF SAN DIEGO

Unemployment Rate This Fiscal Year

The California unemployment rate of 12.3% remains much higher than the National average, 9.5%. The U-6 rate slightly decreased from 16.6% to 16.5% in June.

San Diego unemployment increased .5% to 10.5% in June. (To Be Updated When Available)

Unemployment Rates

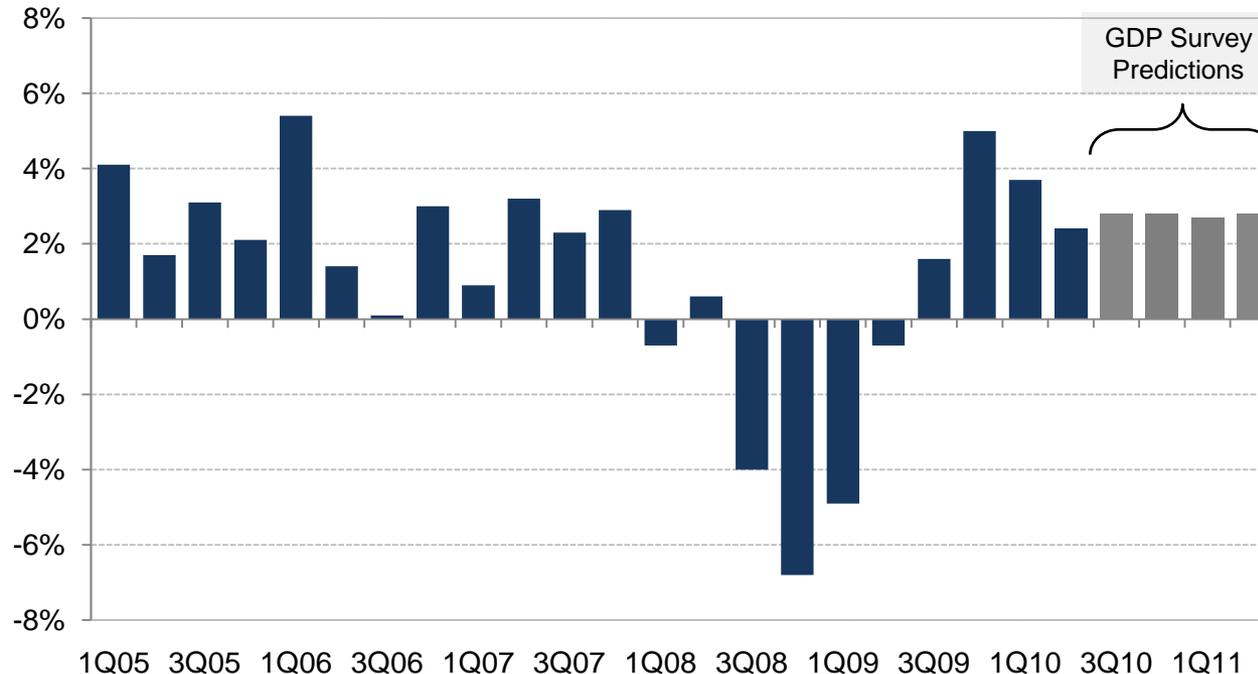


GDP: Growth Slows, But Recovery Is Still Underway



- The recovery continued at a moderate pace in the second quarter despite growing negative sentiment surrounding the economy. Second quarter 2010 GDP came in at an annualized 2.4% growth, just barely below analysts' consensus of 2.5%. Analysts attribute the results to improvements in residential investment, along with increased investment in equipment, software, and inventories. Although the second quarter release was slightly lower than projected, the report also included surprisingly positive annual revisions going back three years. For example, first quarter 2010 GDP was revised a full percentage point upwards from the prior estimate of 2.7%.

Gross Domestic Product (Quarter over Quarter)
First Quarter 2005 – Second Quarter 2011



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

Crude Oil Prices Drop Overnight Below \$77 per Barrel

Business & Financial News Published: Aug 12, 2010

Crude Oil Prices 2007 - Present



AIRPORTS FUEL
REGIONAL ECONOMIES

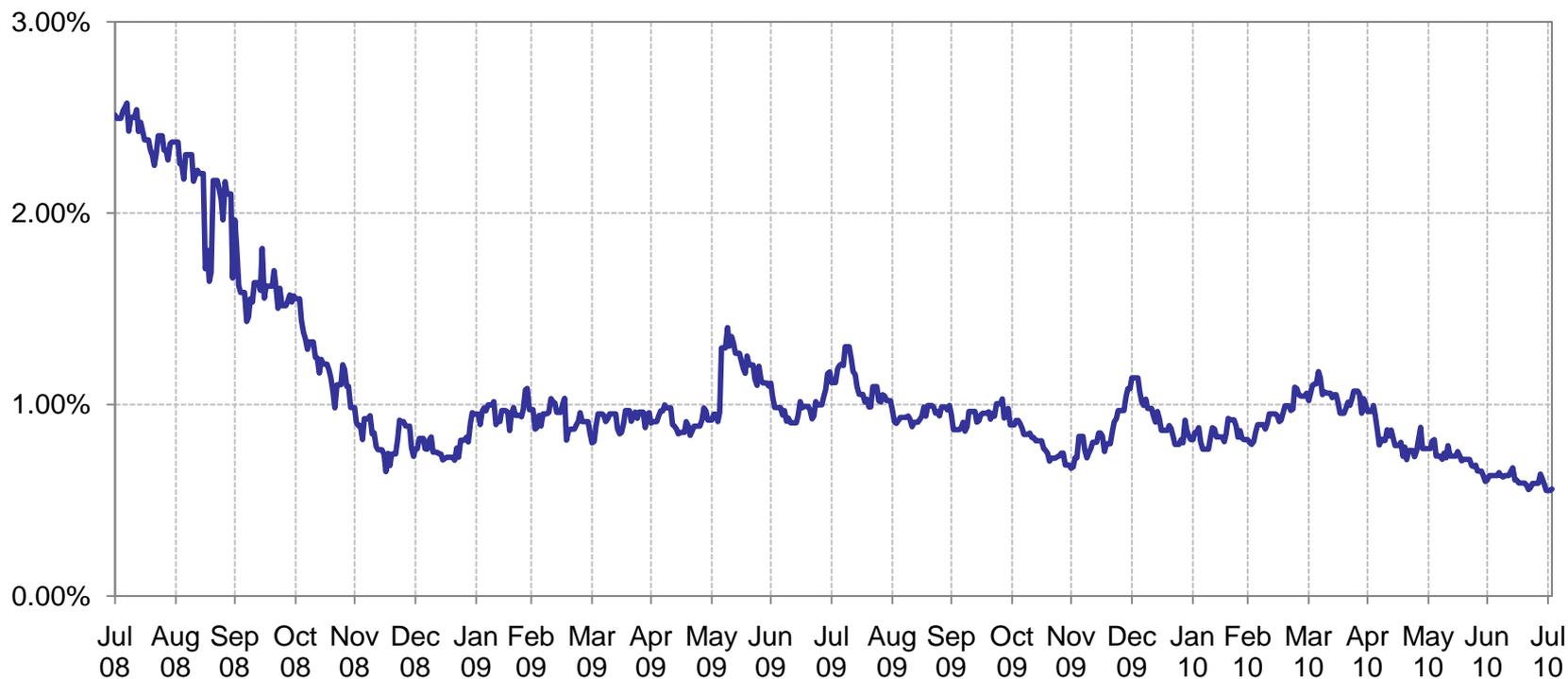
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2-Year U. S. Treasury Yields Hit New All-Time Low



- The yield on the 2-year U.S. Treasury hit an all-time low of 0.546% on July 30th following a drop in consumer confidence, a somewhat pessimistic Fed beige book, and weaker than expected second quarter GDP.

2-Year U.S. Treasury Yields
July 31, 2008 – August 2, 2010

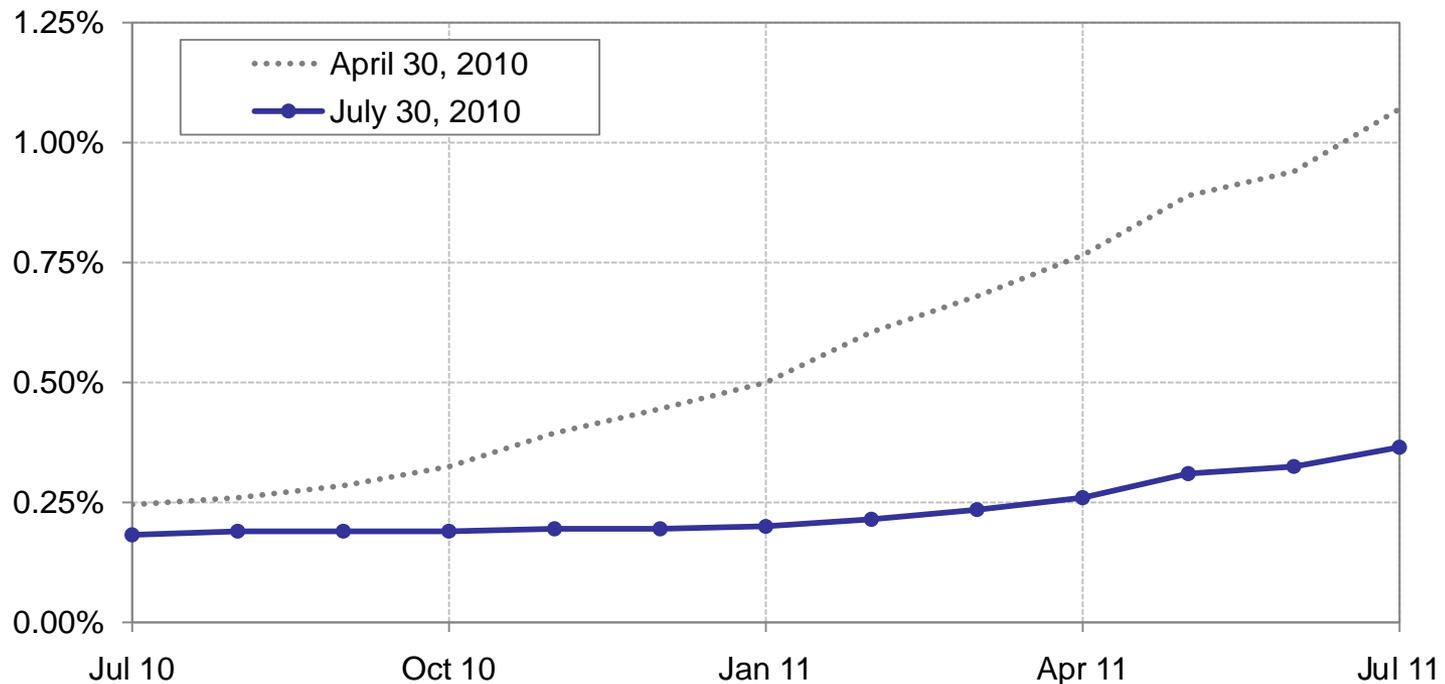


Federal Funds Futures Decline



- Federal Funds futures have fallen over the past couple of months as expectations of future economic growth have weakened. At its June 2010 meeting, the Federal Reserve's Federal Open Market Committee meeting reaffirmed its commitment to "exceptionally low" rates for "an extended period," indicating that no increases to the Federal Funds target rate should be expected in the remainder of 2010 or well into 2011.

Federal Funds Futures
April 30, 2010 versus July 30, 2010

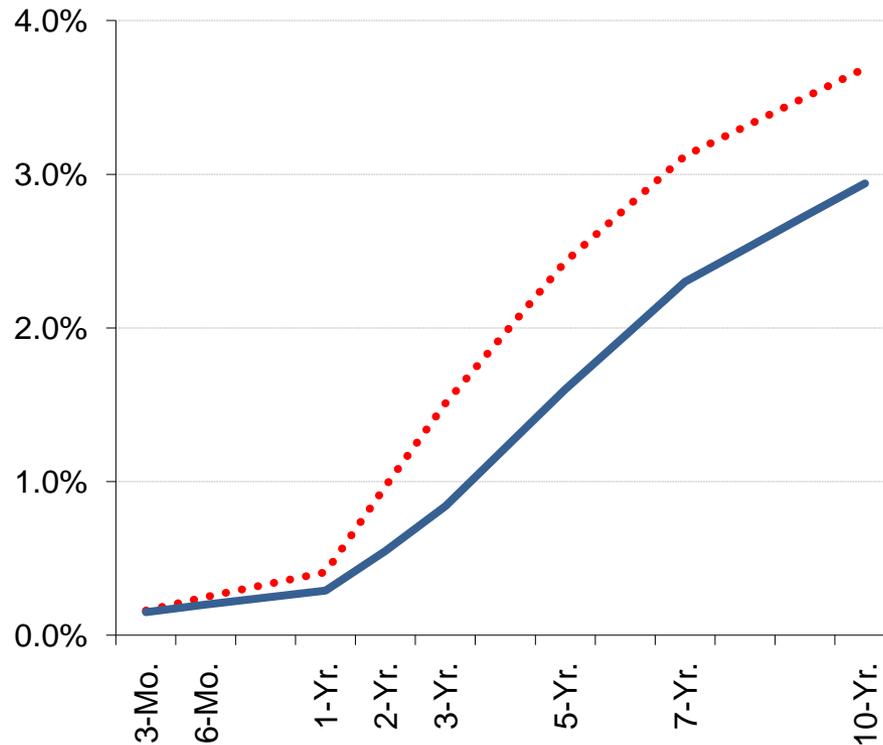


U.S. Treasury Yield Curve Flattens



- The yield curve has flattened on renewed economic concerns and the low expectations that the Fed will begin raising interest rates any time soon.

U.S. Treasury Yield Curve
April 30, 2010 versus July 30, 2010



	4/30/10	7/30/10	Change
3-Mo.	0.16%	0.15%	(0.01%)
6-Mo.	0.25%	0.20%	(0.05%)
1-Yr.	0.41%	0.29%	(0.12%)
2-Yr.	0.97%	0.55%	(0.42%)
3-Yr.	1.51%	0.84%	(0.67%)
5-Yr.	2.43%	1.60%	(0.83%)
10-Yr.	3.69%	2.94%	(0.75%)

New Home Sales Rebound off Historic Low



- New home sales rebounded in June off the historic low reached in May. Although up 23.6% from May, the pace of sales remains well below historical sales averages. New home sales rose strongly in three out of the four regions. The only region where sales fell in June was the West where new home sales fell by 6.6% to a new record low.

New Home Sales
June 2000 – June 2010



Existing Home Sales Fall as Tax Credits Expire



- June existing home sales were down 5.1% from May following the expiration of the home buyer tax credits, which drove the surge in sales earlier this year. The June sales figure, which still reflects some of the benefit from tax credit with some sales not closed due to delays, was up 9.8% over June 2009. Without the benefit of the tax credit, new home sales could fall further in the coming month as unemployment and the overall level of economic uncertainty remain high.

Existing Home Sales
June 2000 – June 2010

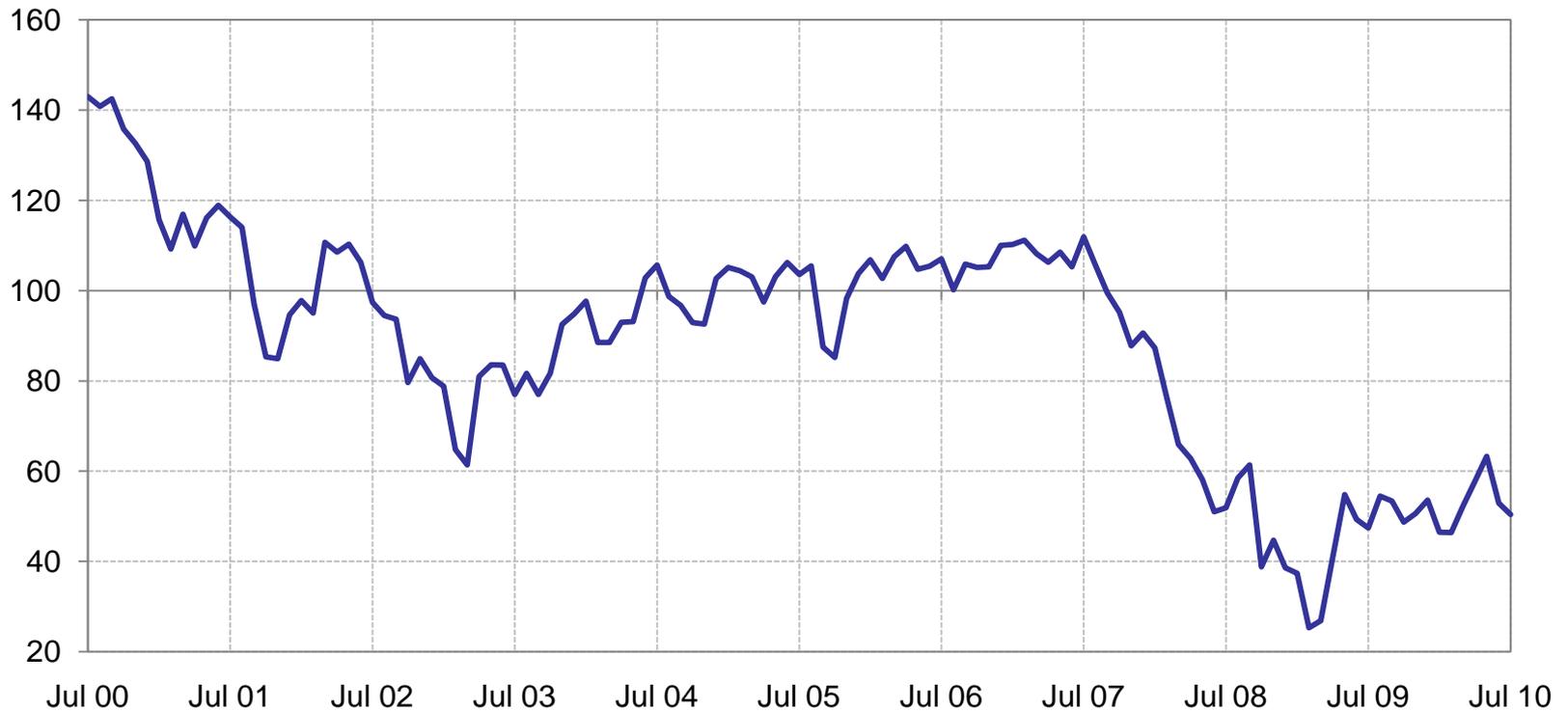


Consumer Confidence Falls on Economic Worries



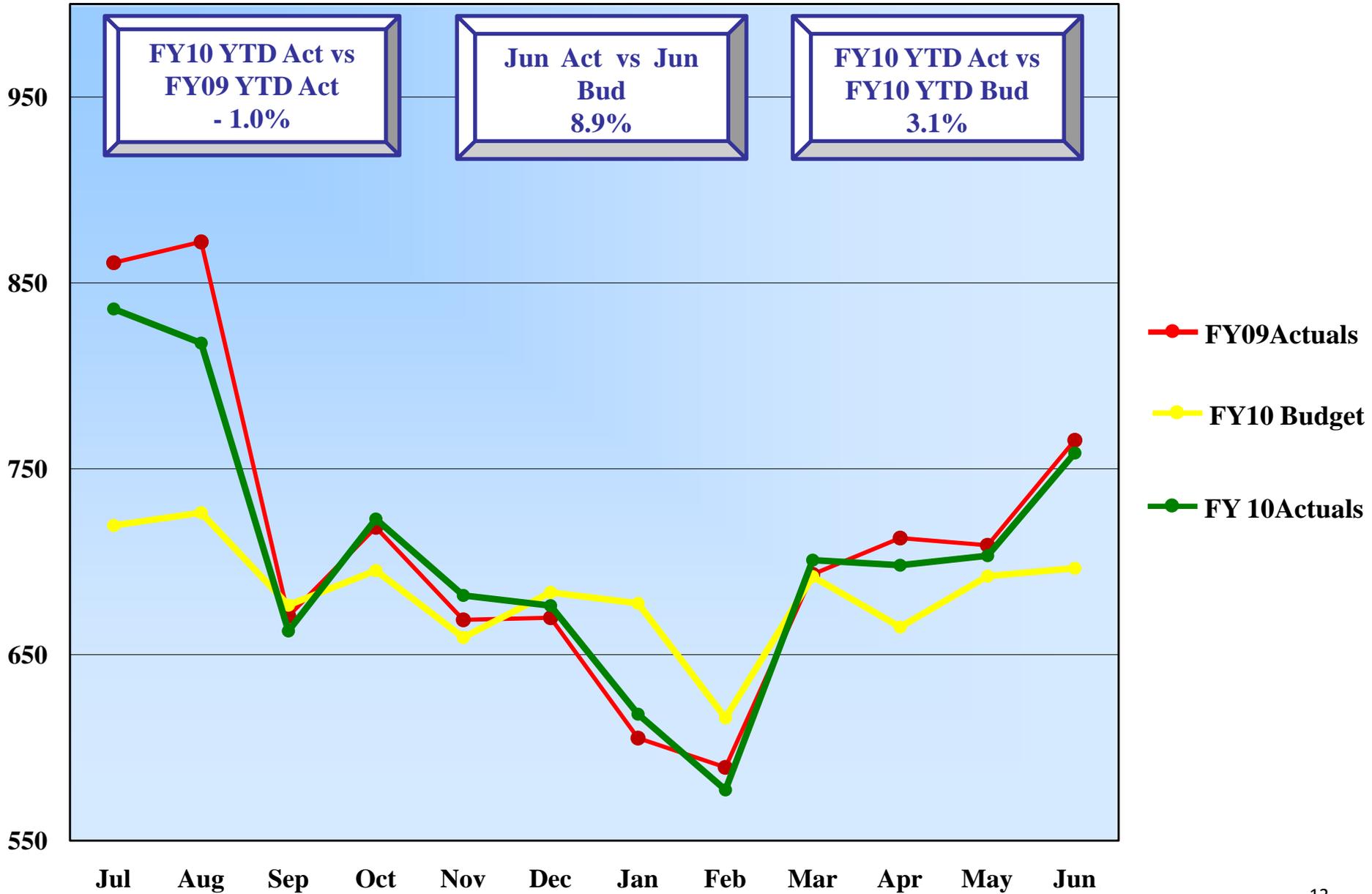
- Consumer confidence fell again in July as consumers grew increasingly pessimistic about the economic outlook with persistently high unemployment and continued economic uncertainty.

Consumer Confidence
July 2000 – July 2010



Enplanements

000s



000s

Gross Landing Weight Units (000 lbs)

1350

1150

950

750

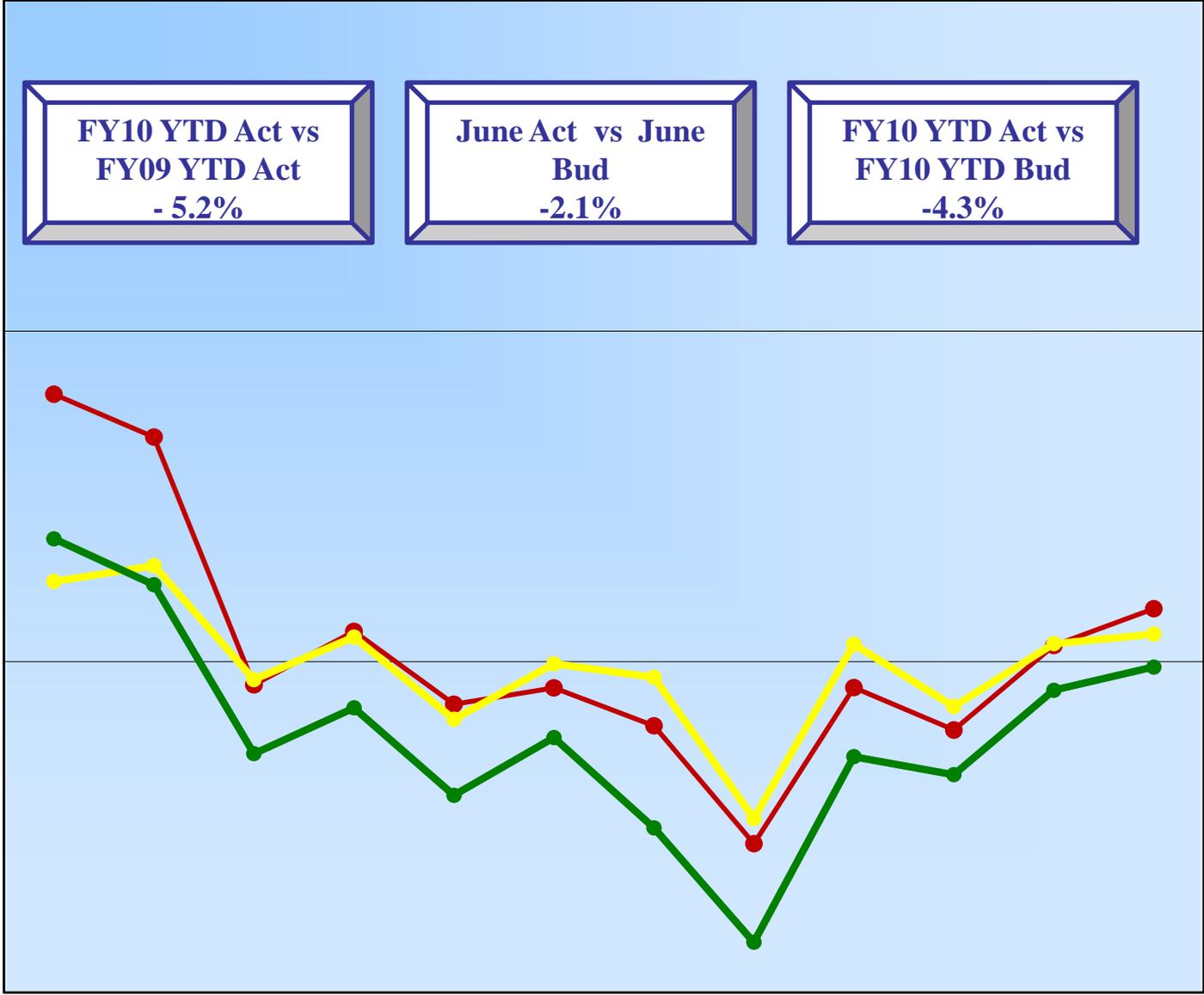
**FY10 YTD Act vs
FY09 YTD Act**
- 5.2%

**June Act vs June
Bud**
-2.1%

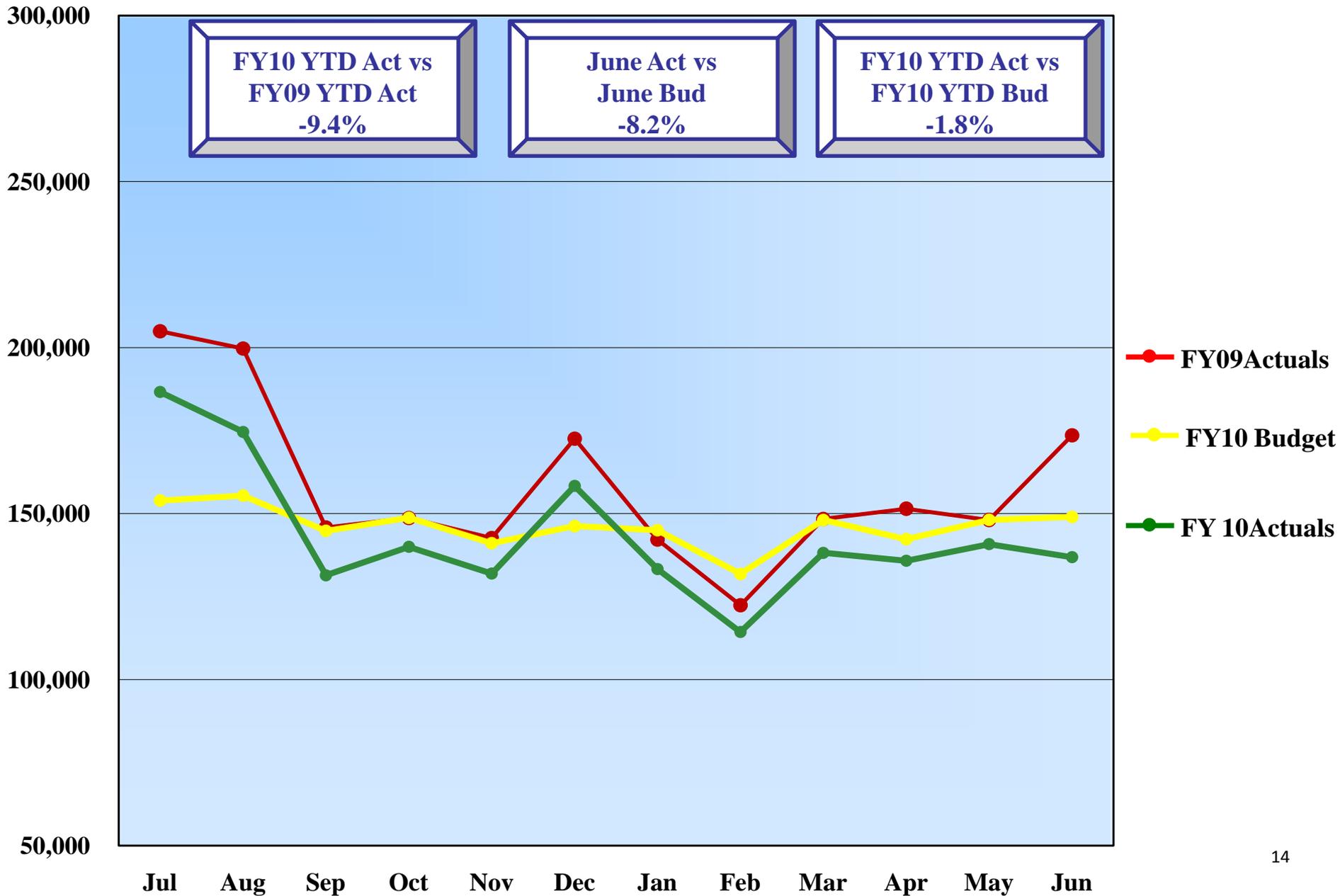
**FY10 YTD Act vs
FY10 YTD Bud**
-4.3%

- FY09Actuals**
- FY10 Budget**
- FY 10Actuals**

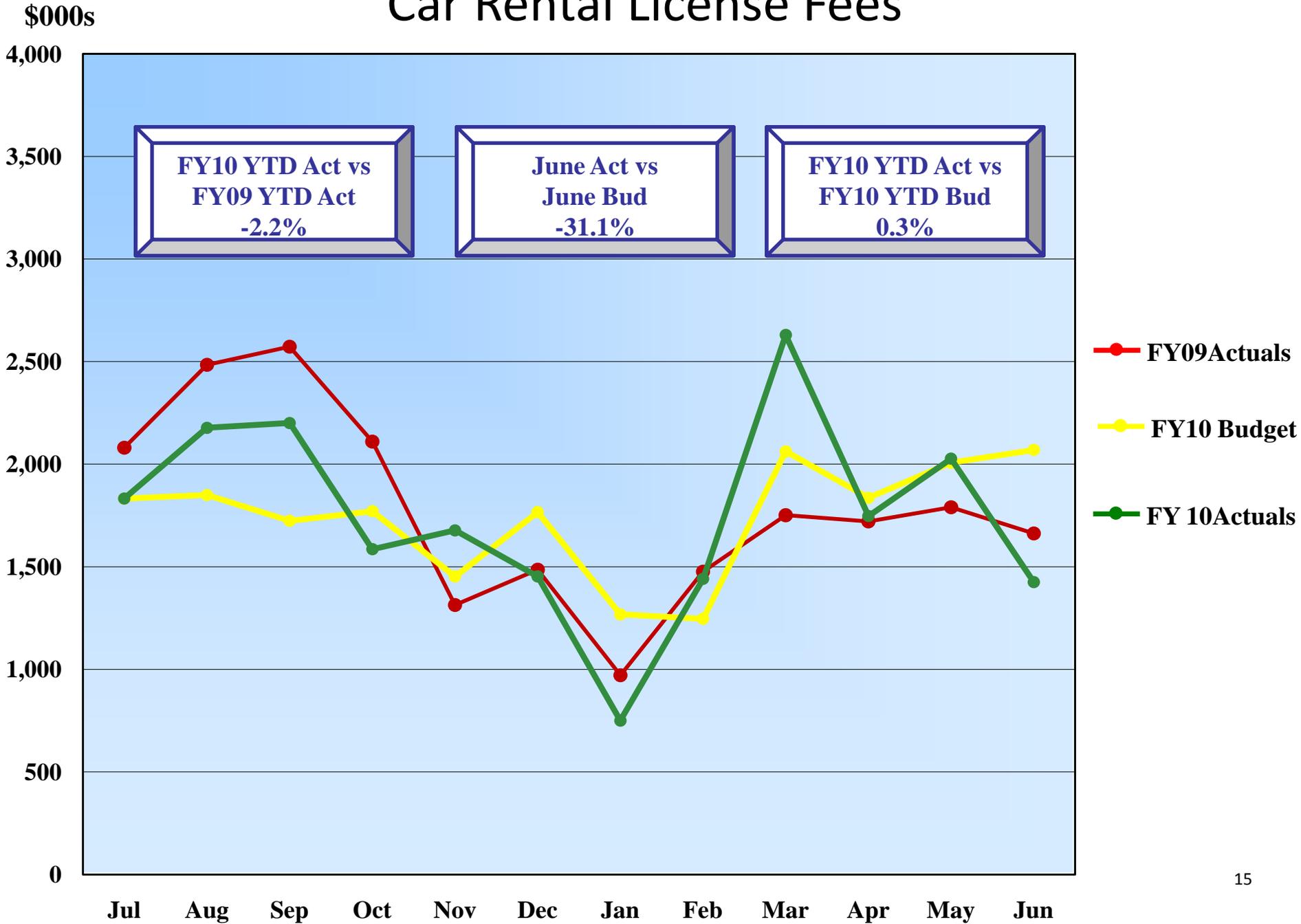
Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun



Airport Parking Transactions



Car Rental License Fees



Unaudited Financial Statements For the Year Ended June 30, 2010



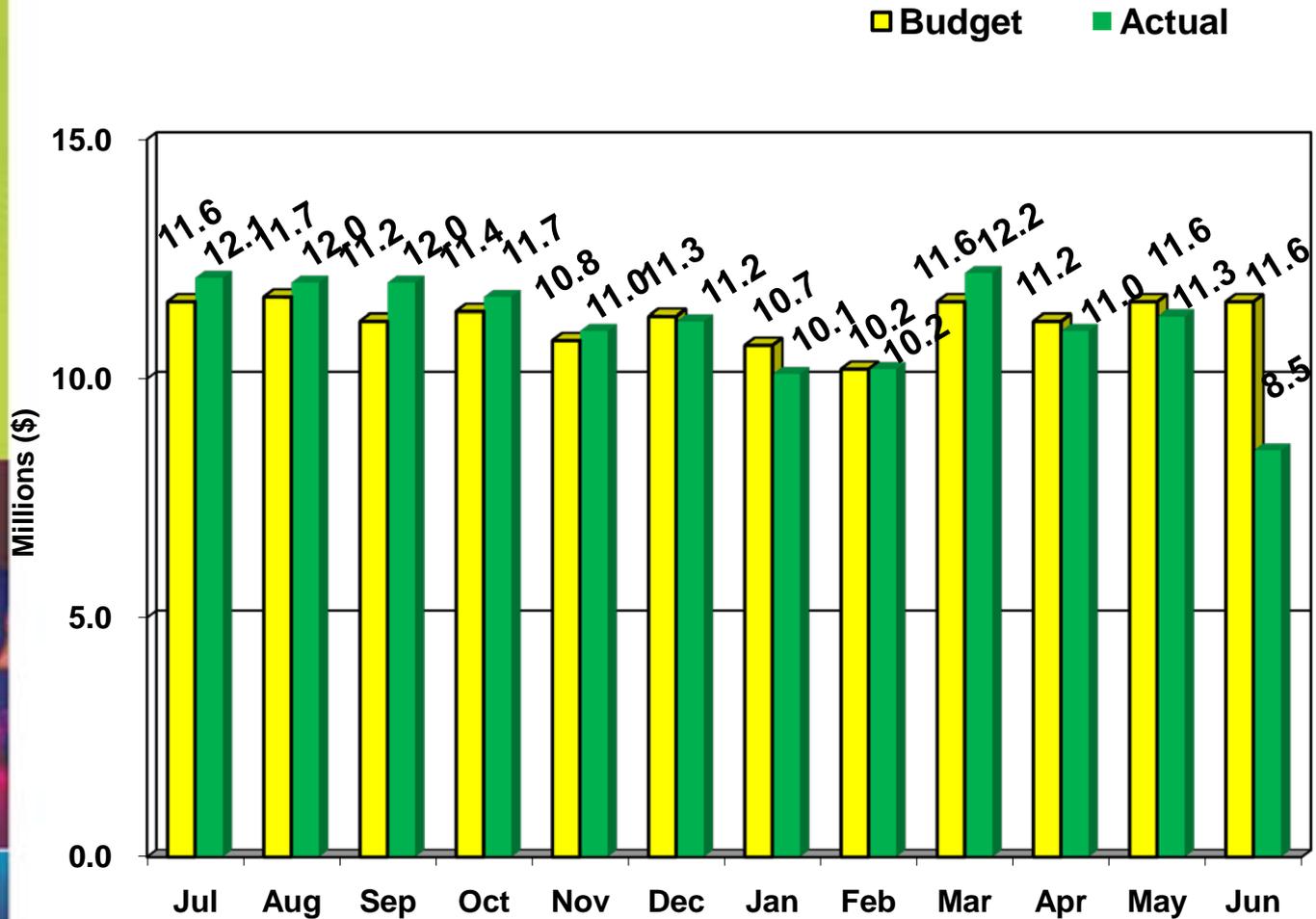
Revenues and Expenses (Unaudited)

For the year ended June 30, 2010



Monthly Operating Revenue, FY 2010

(Unaudited)



Operating Revenues For the Years Ended June 30, 2010 and 2009

(In thousands)	Budget	Unaudited Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 20,146	\$ 17,330	\$ (2,816)	(14)%	\$ 18,689
Aircraft parking fees	3,276	3,406	130	4%	3,222
Building rentals	26,479	24,850	(1,629)	(6)%	23,057
Security surcharge	12,058	12,048	(10)	-	10,204
Other aviation revenue	1,570	1,584	14	1%	1,565
Total aviation revenue	\$ 63,529	\$ 59,218	\$ (4,311)	(7)%	\$ 56,737

Operating Revenues

For the Years Ended

June 30, 2010 and 2009

(In thousands)	Budget	Unaudited Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Concession revenue:					
Terminal concession revenue:					
Food and beverage	\$ 6,088	\$ 6,082	\$ (6)	-	\$ 6,054
Gifts and news	3,702	3,614	(88)	(2)%	3,756
Other	2,164	2,625	461	21%	2,066
Total terminal concession revenue	11,954	12,321	367	3%	11,876
Car rental and license fee revenue:					
Rental car and license fees	20,883	20,945	62	-	21,417
License fees-other	2,747	2,827	80	3%	2,987
Total rental car and license fees	23,630	23,772	142	1%	24,404
Total concession revenue	\$ 35,584	\$ 36,093	\$ 509	1%	\$ 36,280

Operating Revenues

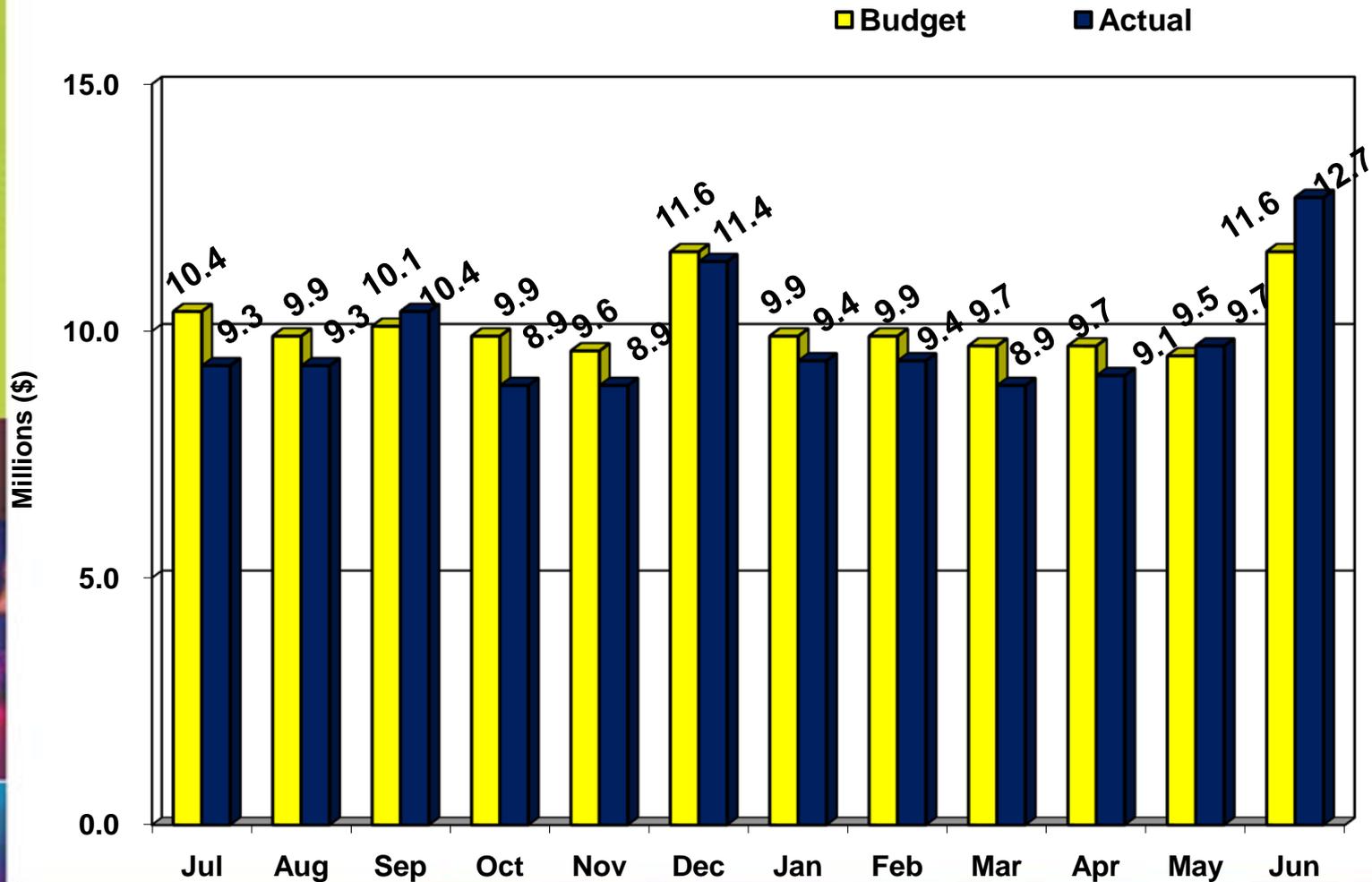
For the Years Ended June 30, 2010 and 2009

(In thousands)	Budget	Unaudited Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
On-airport parking revenue	\$ 17,059	\$ 18,734	\$ 1,675	10%	\$ 19,501
Off-airport parking revenue	11,020	11,241	221	2%	11,618
Total parking revenue	28,079	29,975	1,896	7%	31,119
Ground transportation permits and citations	600	321	(279)	(47)%	373
Ground rentals	5,761	5,923	162	3%	5,776
Grant reimbursement	944	1,257	313	33%	237
Other operating revenue	412	550	138	33%	456
Subtotal	35,796	38,026	2,230	6%	37,961
Total operating revenues	\$ 134,909	\$ 133,337	\$ (1,572)	(1)%	\$ 130,978



Monthly Operating Expenses, FY 2010

(Unaudited)



Operating Expenses

For the Years Ended June 30, 2010 and 2009

(In thousands)	Budget	Unaudited Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 36,726	\$ 35,397	\$ 1,329	4%	\$ 34,741
Contractual services	29,793	28,032	1,761	6%	27,465
Safety and security	20,481	20,123	358	2%	19,930
Space rental	10,910	10,906	4	-	10,888
Utilities	6,520	6,871	(351)	(5)%	6,912
Maintenance	9,132	9,410	(278)	(3)%	8,002
Equipment and systems	666	886	(220)	(33)%	678
Materials and supplies	531	414	117	22%	641
Insurance	1,228	1,166	62	5%	1,096
Employee development and support	1,458	986	472	32%	1,030
Business development	2,851	2,000	851	30%	2,509
Equipment rental and repairs	1,618	1,282	336	21%	1,387
Total operating expenses	\$ 121,914	\$ 117,473	\$ 4,441	4%	\$ 115,279

Financial Summary

For the Years Ended June 30, 2010 and 2009

(In thousands)	Budget	Unaudited Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$ 134,909	\$ 133,337	\$ (1,572)	(1)%	\$ 130,978
Total operating expenses	121,914	117,473	4,441	4%	115,279
Income from operations	12,995	15,864	2,869	22%	15,699
Depreciation	43,895	42,348	1,547	4%	38,123
Operating income (loss)	\$ (30,900)	\$ (26,484)	\$ 4,416	14%	\$ (22,424)

Nonoperating Revenues and (Expenses)

For the Years Ended June 30, 2010 and 2009

(In thousands)	Budget	Unaudited Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 32,039	\$ 33,667	\$ 1,628	5%	\$ 33,219
Customer facility charges (ConRAC Facility)	11,808	10,783	(1,025)	(9)%	1,695
Quieter Home Program	(3,894)	(1,857)	2,037	52%	(5,753)
Interest income	5,398	6,667	1,269	24%	9,753
Interest expense	(3,685)	(2,691)	994	27%	(2,998)
Bond amortization cost	(60)	(74)	(14)	(23)%	(74)
Other nonoperating revenue (expenses)	(50)	(994)	(944)	-	(3)
Nonoperating revenue, net	41,556	45,501	3,945	9%	35,839
Income before grant contributions	10,656	19,017	8,361	78%	13,415
Capital grant contributions	23,353	27,350	3,997	17%	4,646
Net income	\$ 34,009	\$ 46,367	\$ 12,358	36%	\$ 18,061

Balance Sheets (2010 Unaudited)

ASSETS

	(In thousands)	
	2010	2009
Current assets:		
Cash and investments	\$ 105,183	\$ 58,706
Tenant lease receivable, net of allowance of 2010: \$59,341 and 2009: \$381,728	5,958	5,279
Grants receivable	3,868	3,155
Notes receivable-current portion	1,613	1,763
Prepaid expenses and other current assets	7,403	5,959
Total current assets	124,025	74,862
Cash designated for capital projects and other	\$ 20,896	\$ 6,151



Balance Sheets (2010 Unaudited)

ASSETS

	(In thousands)	
	2010	2009
Restricted assets:		
Cash and investments:		
Bonds reserve	\$ 45,708	\$ 47,303
Passenger facility charges and interest unapplied	57,758	100,366
Customer facility charges and interest applied*	10,841	662
Commercial paper reserve	63	95
SBD bond guarantee	4,000	4,000
Bond proceeds held by trustee	9,623	9,543
Commercial paper interest held by trustee	13	13
Passenger facility charges receivable	4,633	4,941
Customer facility charges receivable*	1,236	1,034
OCIP insurance reserve	6,400	1,066
Total restricted assets	\$ 140,275	\$ 169,023

*ConRAC Facility

Balance Sheets (2010 Unaudited)

ASSETS

	(In thousands)	
	2010	2009
Noncurrent assets:		
Capital assets:		
Land and land improvements	\$ 23,454	\$ 23,582
Runways, roads and parking lots	228,189	228,861
Buildings and structures	461,273	409,515
Machinery and equipment	9,997	7,770
Vehicles	5,239	5,620
Office furniture and equipment	29,810	23,829
Works of art	2,257	2,122
Construction-in-progress	182,308	103,275
Total capital assets	942,527	804,574
Less: accumulated depreciation	(459,137)	(424,025)
Total capital assets, net	\$ 483,390	\$ 380,549

Balance Sheets (2010 Unaudited)

ASSETS

	(In thousands)	
	2010	2009
Other assets:		
Notes receivable - long-term portion	\$ 44,610	\$ 46,223
Investments - long-term portion	951	9,536
Deferred costs - bonds (net)	788	857
Net pension asset	8,317	4,018
Total other assets	54,666	60,634
Total noncurrent assets	538,056	441,183
TOTAL ASSETS	\$ 823,252	\$ 691,219



Balance Sheets (2010 Unaudited)

LIABILITIES AND NET ASSETS

	(In thousands)	
	2010	2009
Current liabilities:		
Accounts payable and accrued liabilities	\$ 50,362	\$ 40,337
Deposits and other current liabilities	1,395	2,357
Total current liabilities	51,757	42,694
Current liabilities - payable from restricted assets:		
Current portion of long-term debt	3,105	2,950
Accrued interest on bonds and commercial paper	1,186	1,297
Total liabilities payable from restricted assets	\$ 4,291	\$ 4,247



Balance Sheets (2010 Unaudited)

LIABILITIES AND NET ASSETS

	(In thousands)	
	2010	2009
Long-term liabilities - other:		
Commercial paper notes payable	\$ 164,430	\$ 84,430
Deferred rent liability	674	1,299
Other long-term liabilities	1,372	1,087
Long-term debt - bonds net of amortized premium	41,179	44,279
	207,655	131,095
Total long-term liabilities		
Total liabilities	\$ 263,703	\$ 178,036



Balance Sheets (2010 Unaudited)

LIABILITIES AND NET ASSETS

	(In thousands)	
	2010	2009
Authority net assets:		
Invested in capital assets, net of related debt	\$ 275,230	\$ 249,498
Other restricted	140,747	167,827
Unrestricted:		
Designated	33,213	13,676
Undesignated	110,359	82,182
Total net assets	559,549	513,183
TOTAL LIABILITIES AND NET ASSETS	\$ 823,252	\$ 691,219

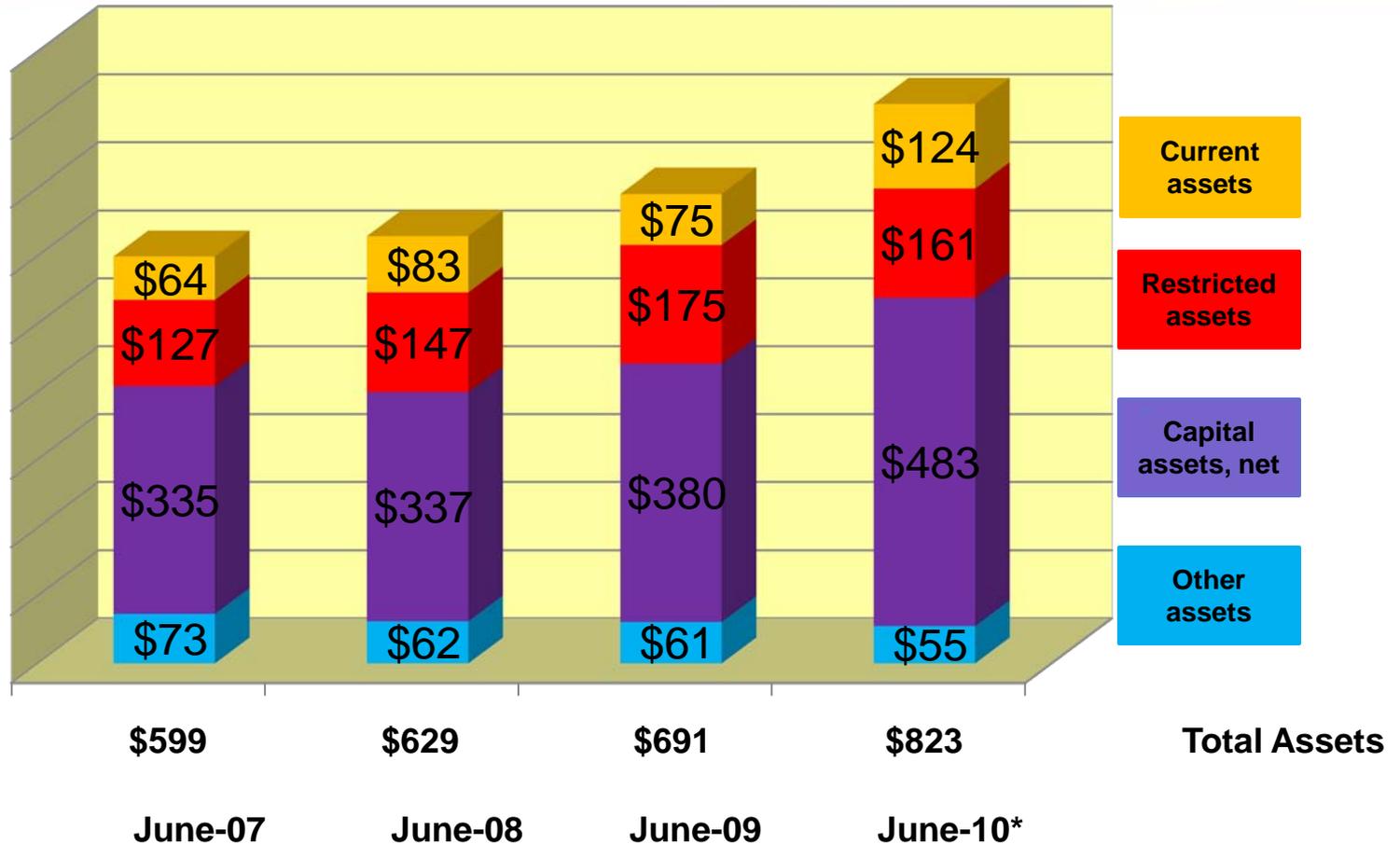
Trended Financial Statements (Unaudited)

For the Years Ended June 30, 2007-2010



Balance Sheets Authority Assets

(In millions)

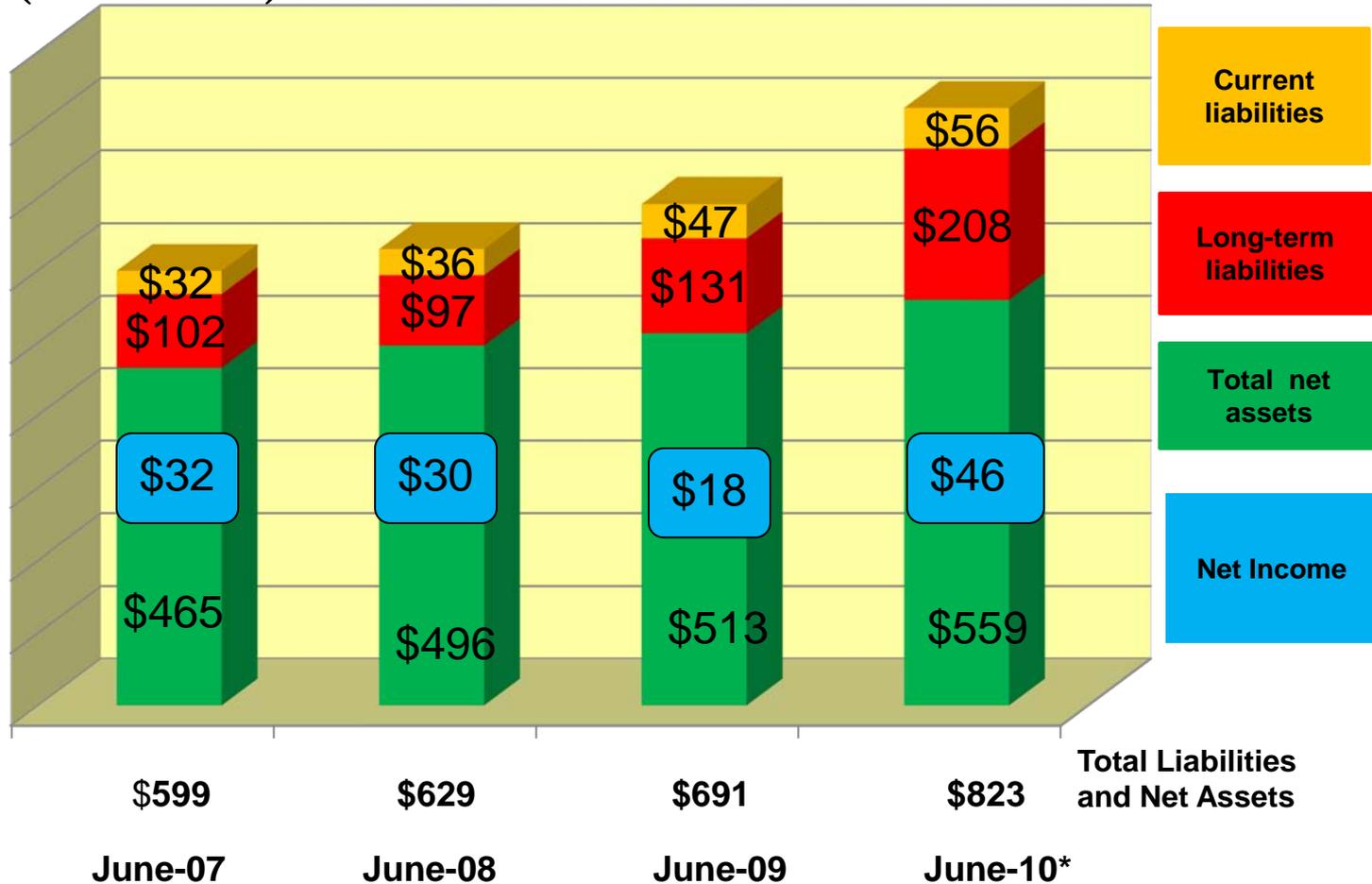


*2010 unaudited

Balance Sheets

Authority Liabilities and Net Assets

(In millions)



*2010 unaudited

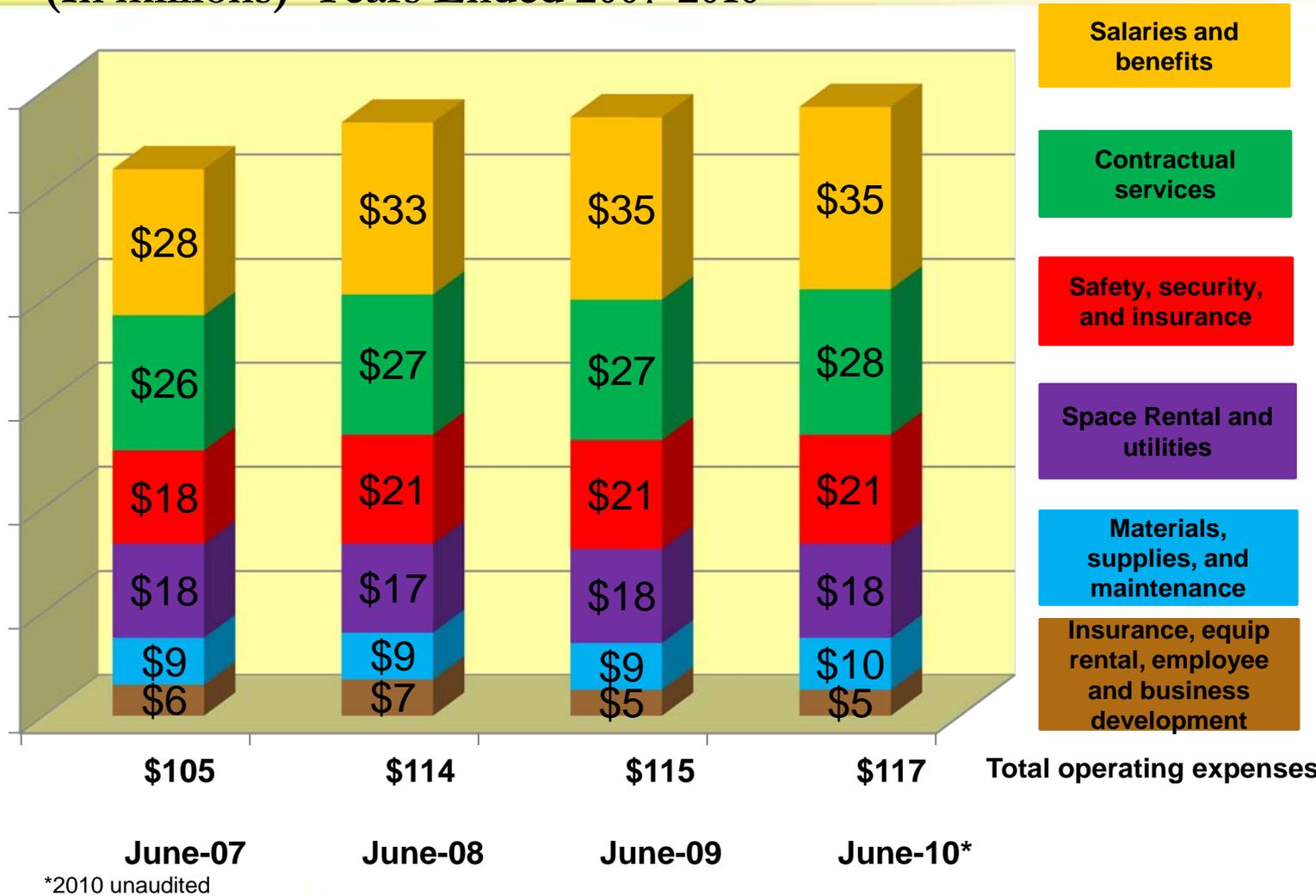
Operating Revenues

(In millions) Years to Date 2007-2010



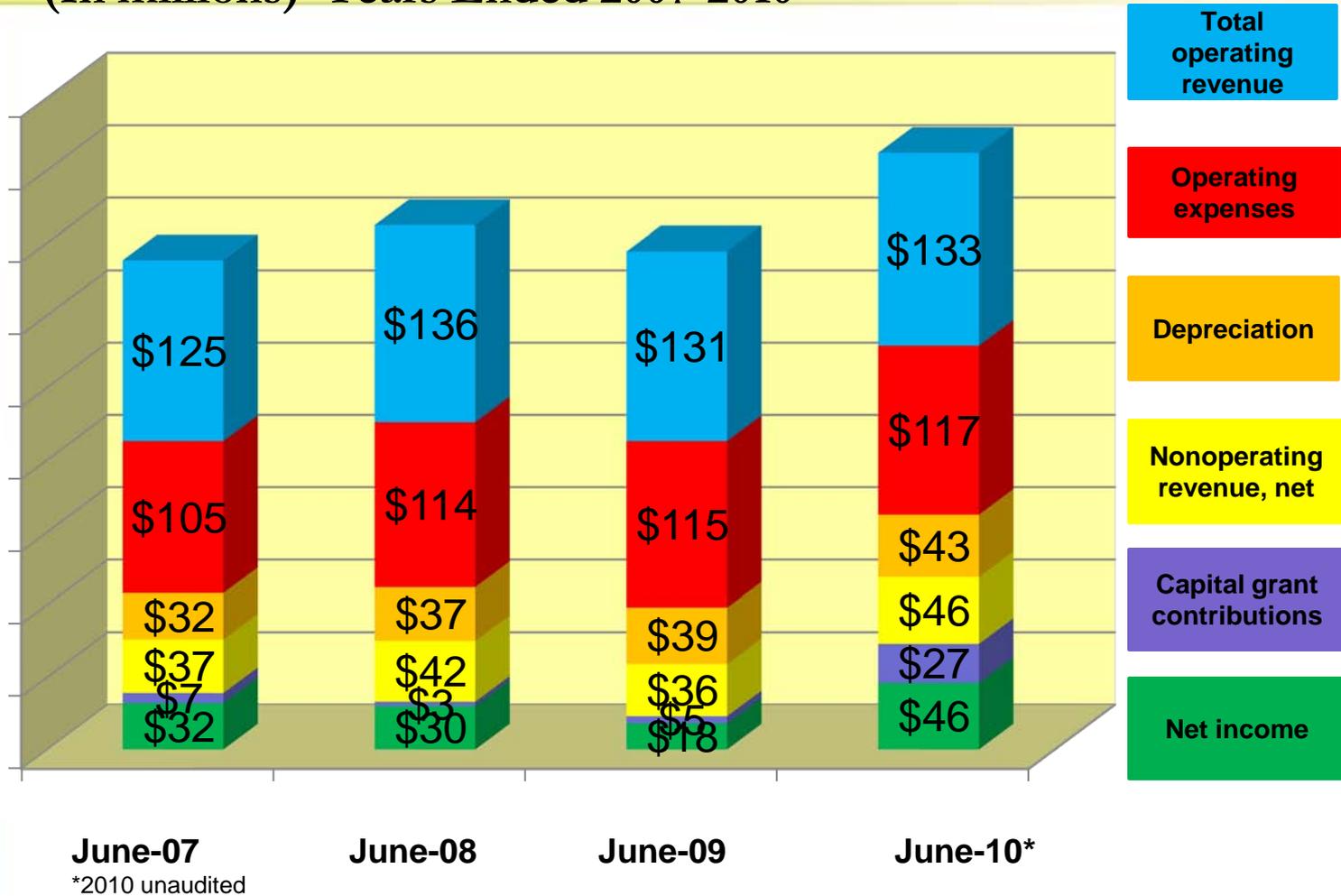
Operating Expenses

(In millions) Years Ended 2007-2010



Authority Net Income

(In millions) Years Ended 2007-2010



Questions

