



Item D

# San Diego County Regional Airport Authority

## The Authority's Financial Update

Presented by:

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Vice-President-Finance/Treasurer and CFO

September 2, 2010

# Where is the economy headed?



 University of San Diego

AIRPORTS FUEL  
REGIONAL ECONOMIES

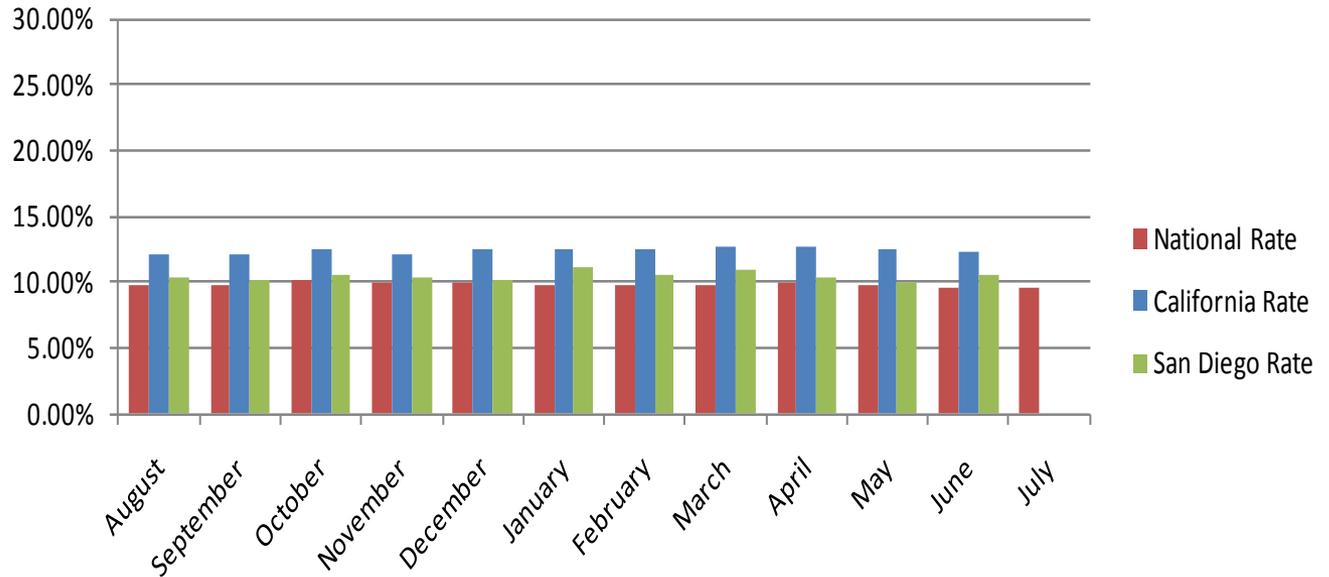
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# Unemployment Rate This Fiscal Year

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

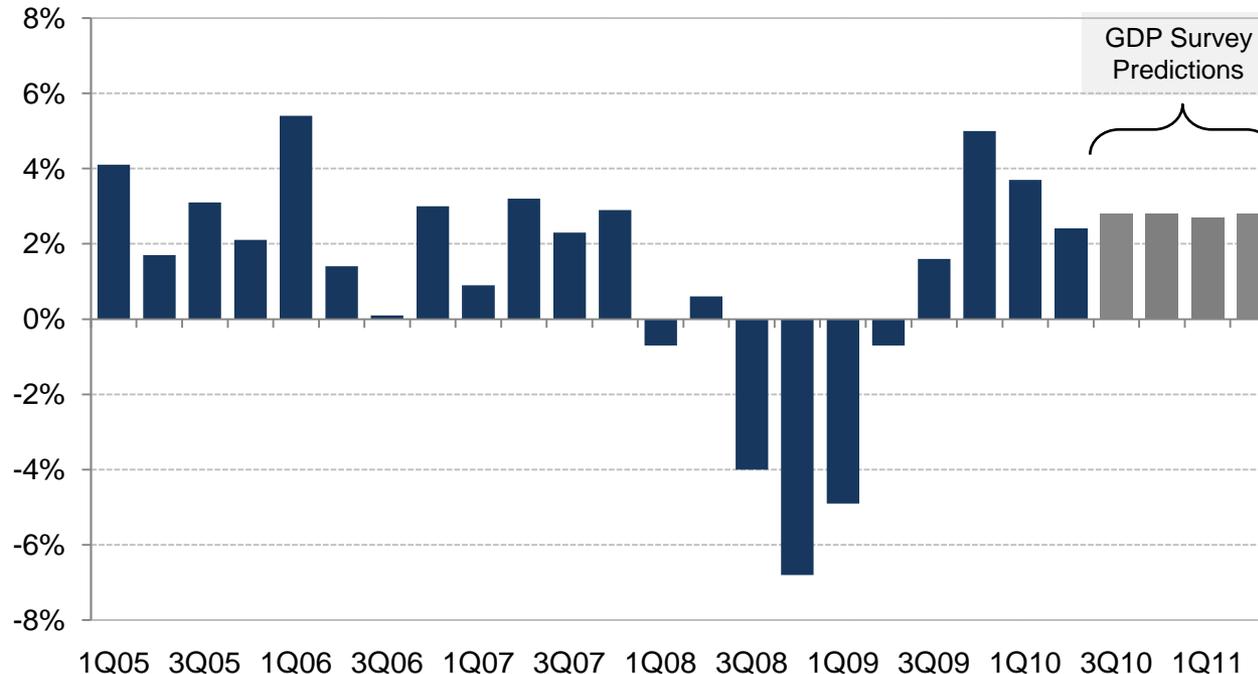


# GDP: Growth Slows, But Recovery Is Still Underway



- 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



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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 30<sup>th</sup> 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

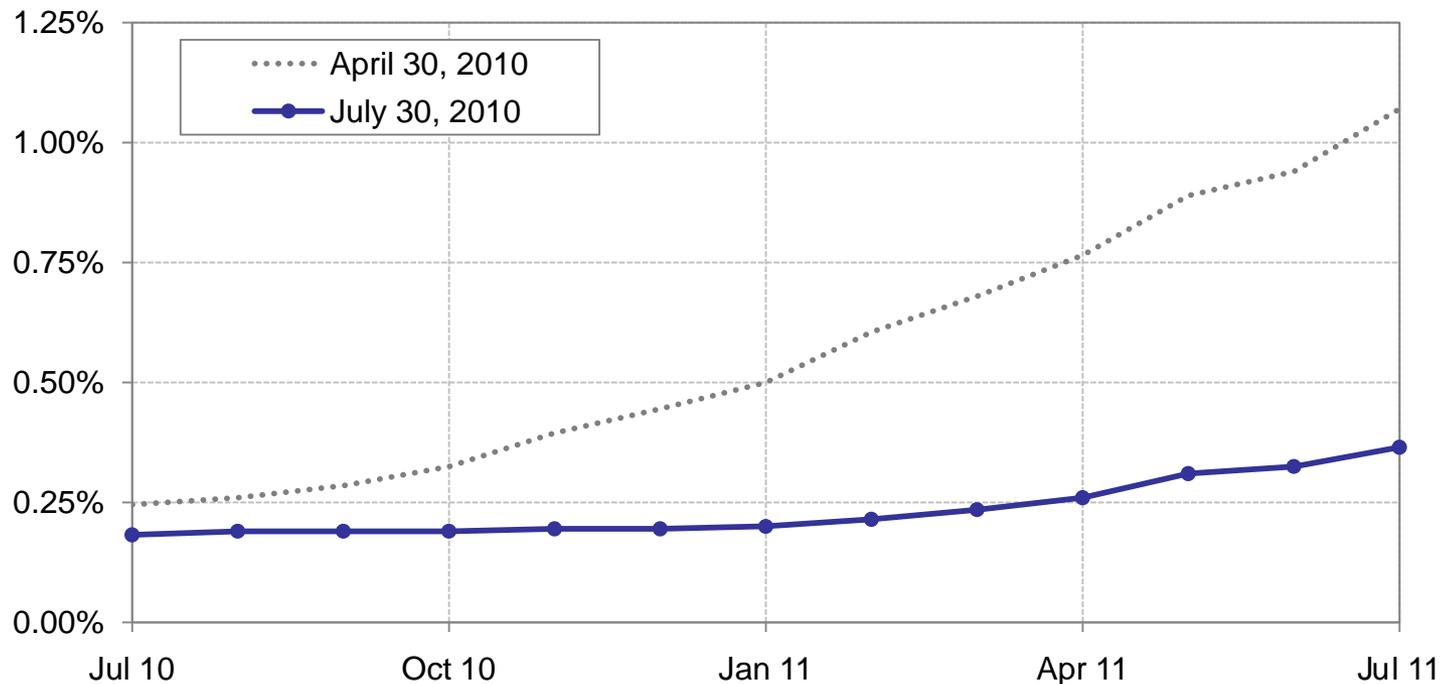


# Federal Funds Futures Decline



- 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

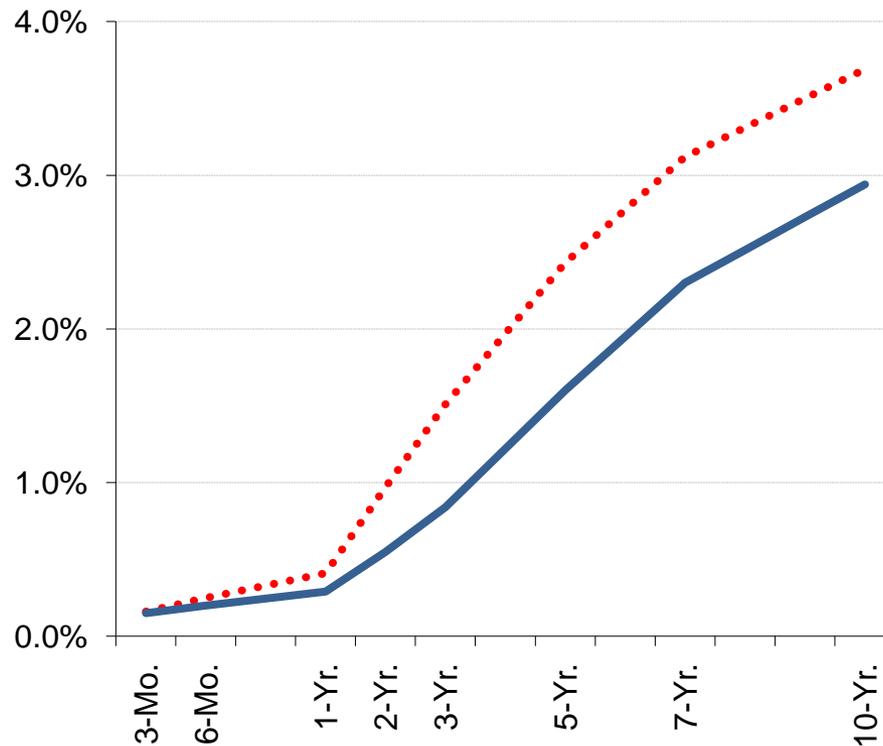


# U.S. Treasury Yield Curve Flattens



- 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
<b>3-Mo.</b>	0.16%	0.15%	(0.01%)
<b>6-Mo.</b>	0.25%	0.20%	(0.05%)
<b>1-Yr.</b>	0.41%	0.29%	(0.12%)
<b>2-Yr.</b>	0.97%	0.55%	(0.42%)
<b>3-Yr.</b>	1.51%	0.84%	(0.67%)
<b>5-Yr.</b>	2.43%	1.60%	(0.83%)
<b>10-Yr.</b>	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

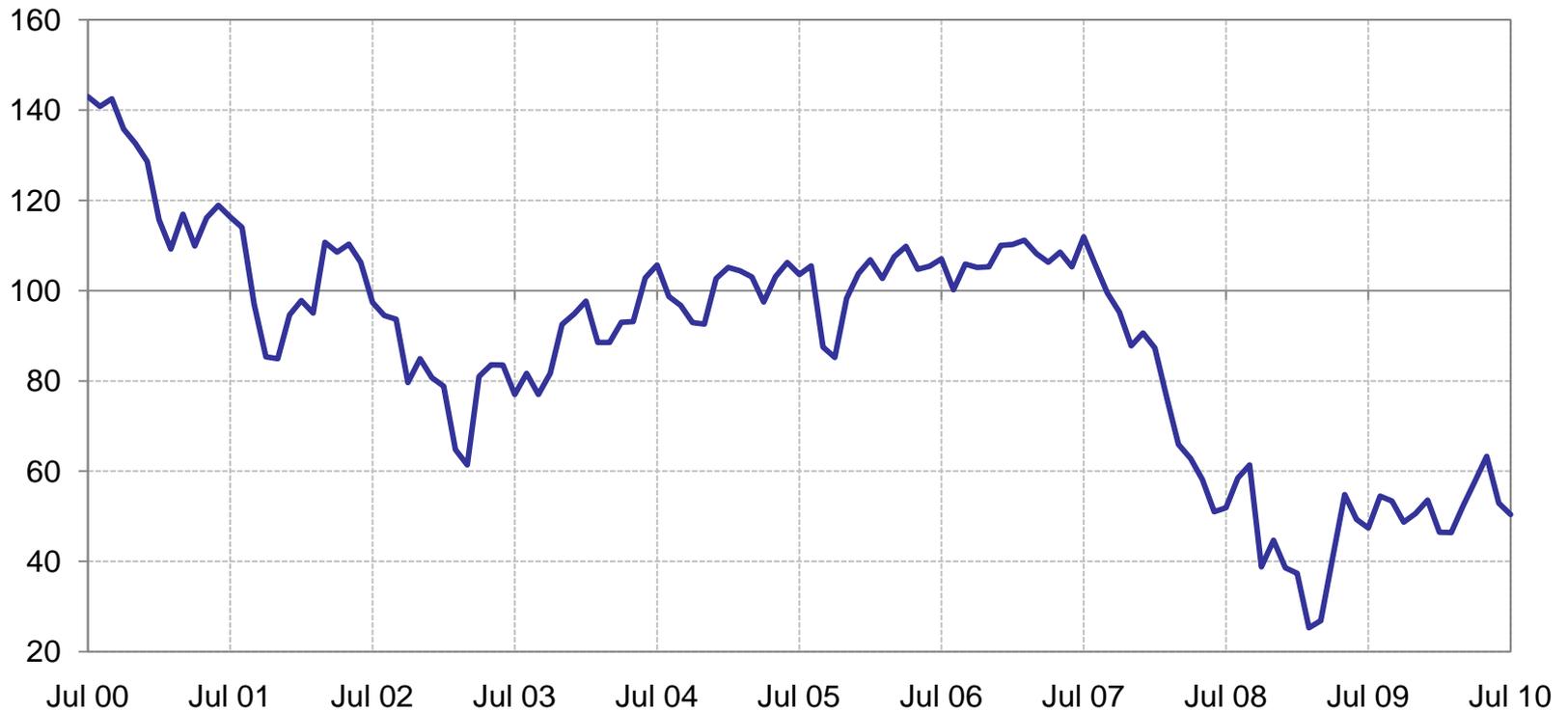


# Consumer Confidence Falls on Economic Worries



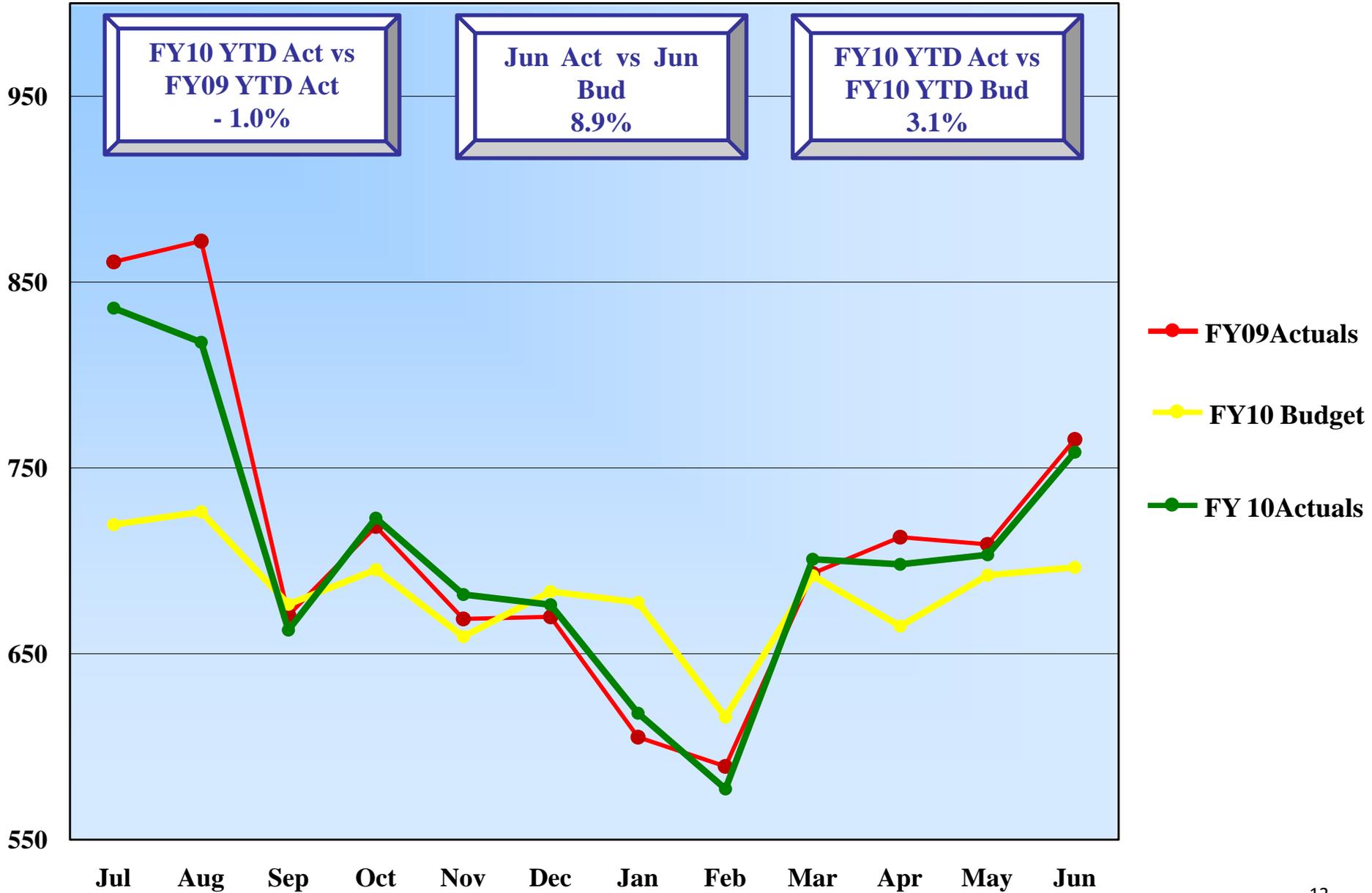
- Consumer confidence fell again in July as consumers grew increasingly pessimistic about the economic outlook with persistently high unemployment and continued economic uncertainty.

**Consumer Confidence**  
July 2000 – July 2010



# Enplanements

000s



000s

# Gross Landing Weight Units (000 lbs)

1350

1150

950

750

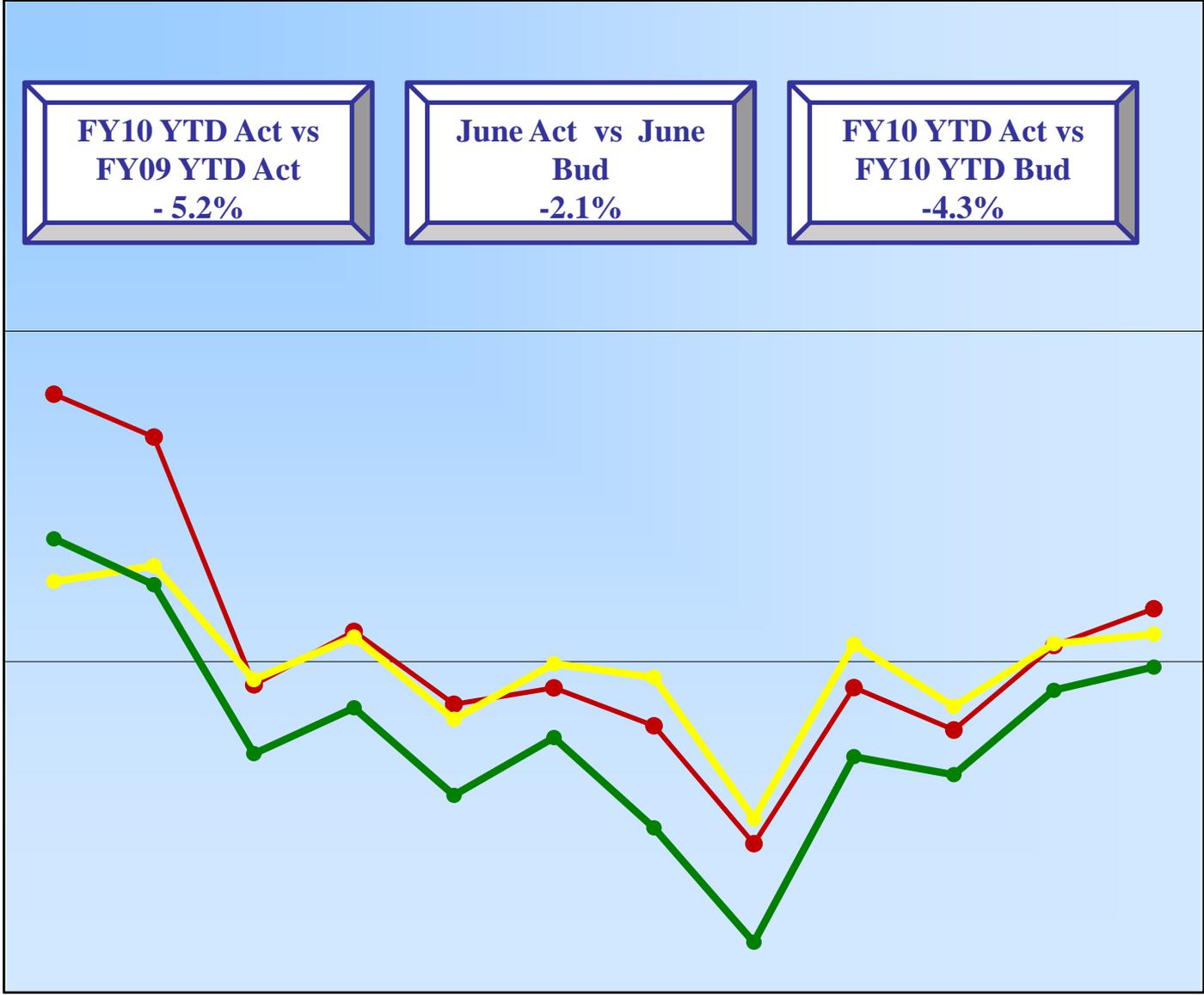
**FY10 YTD Act vs  
FY09 YTD Act**  
- 5.2%

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

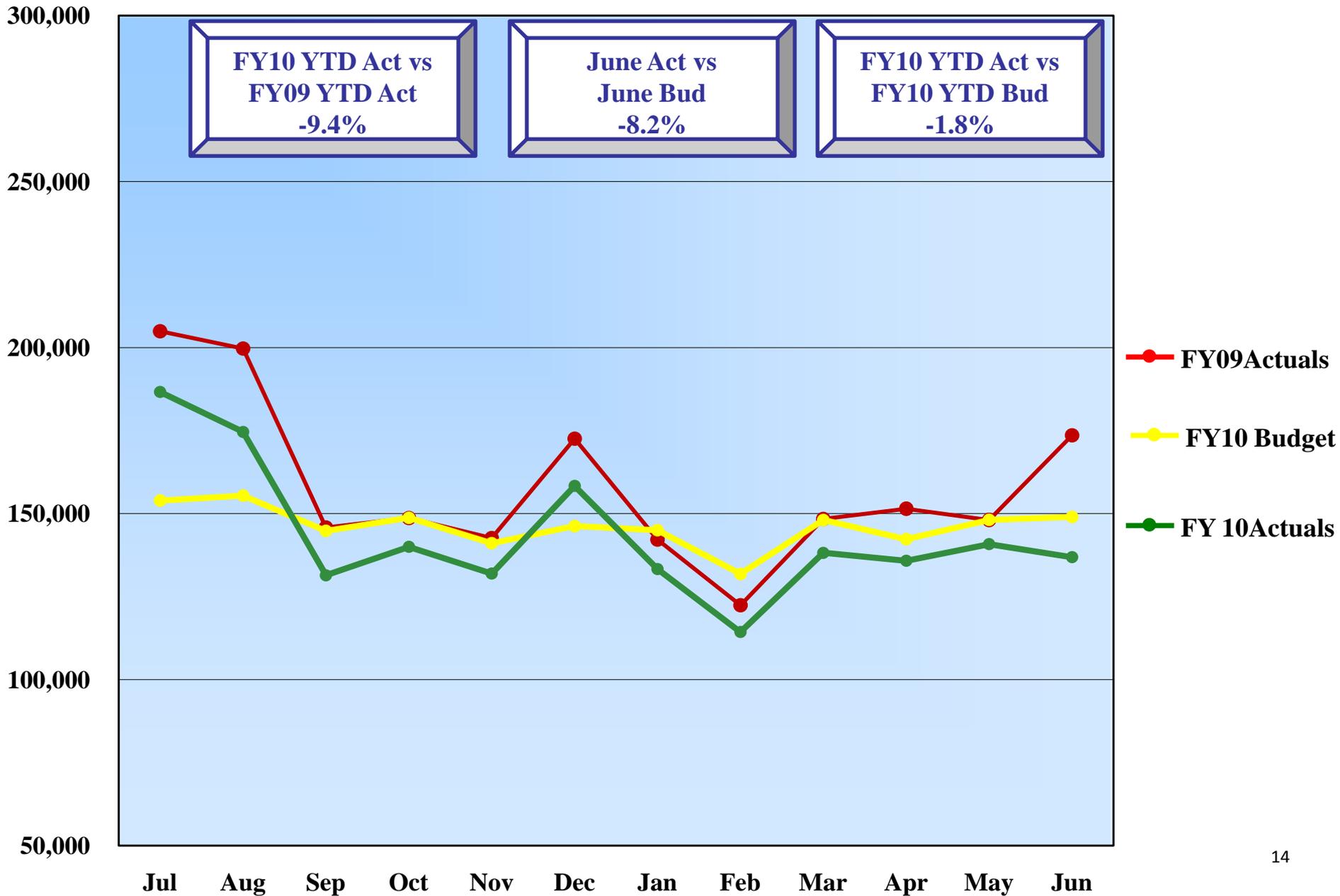
**FY10 YTD Act vs  
FY10 YTD Bud**  
-4.3%

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

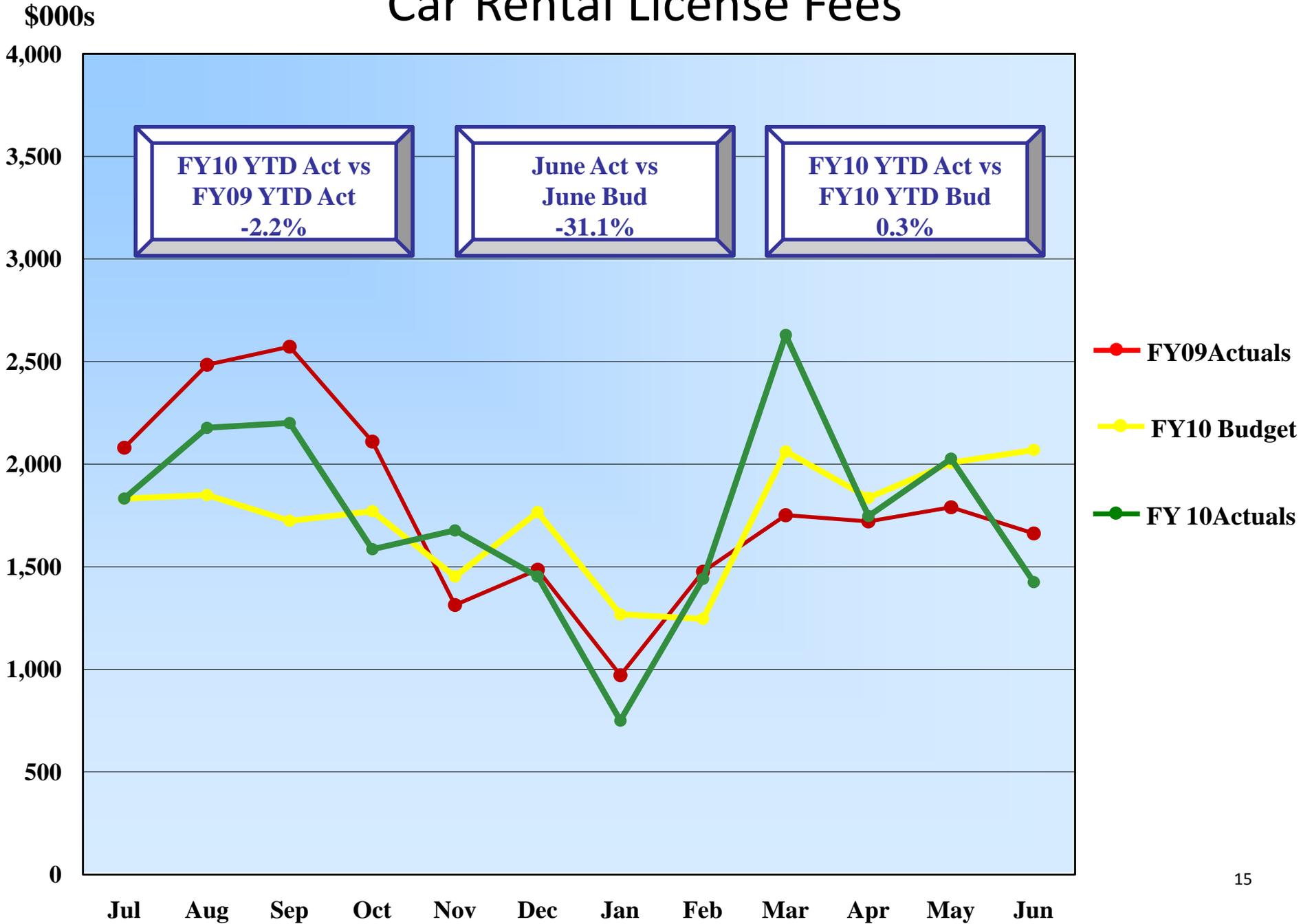
**Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun**



# Airport Parking Transactions



# Car Rental License Fees



# Unaudited Financial Statements For the Year Ended June 30, 2010



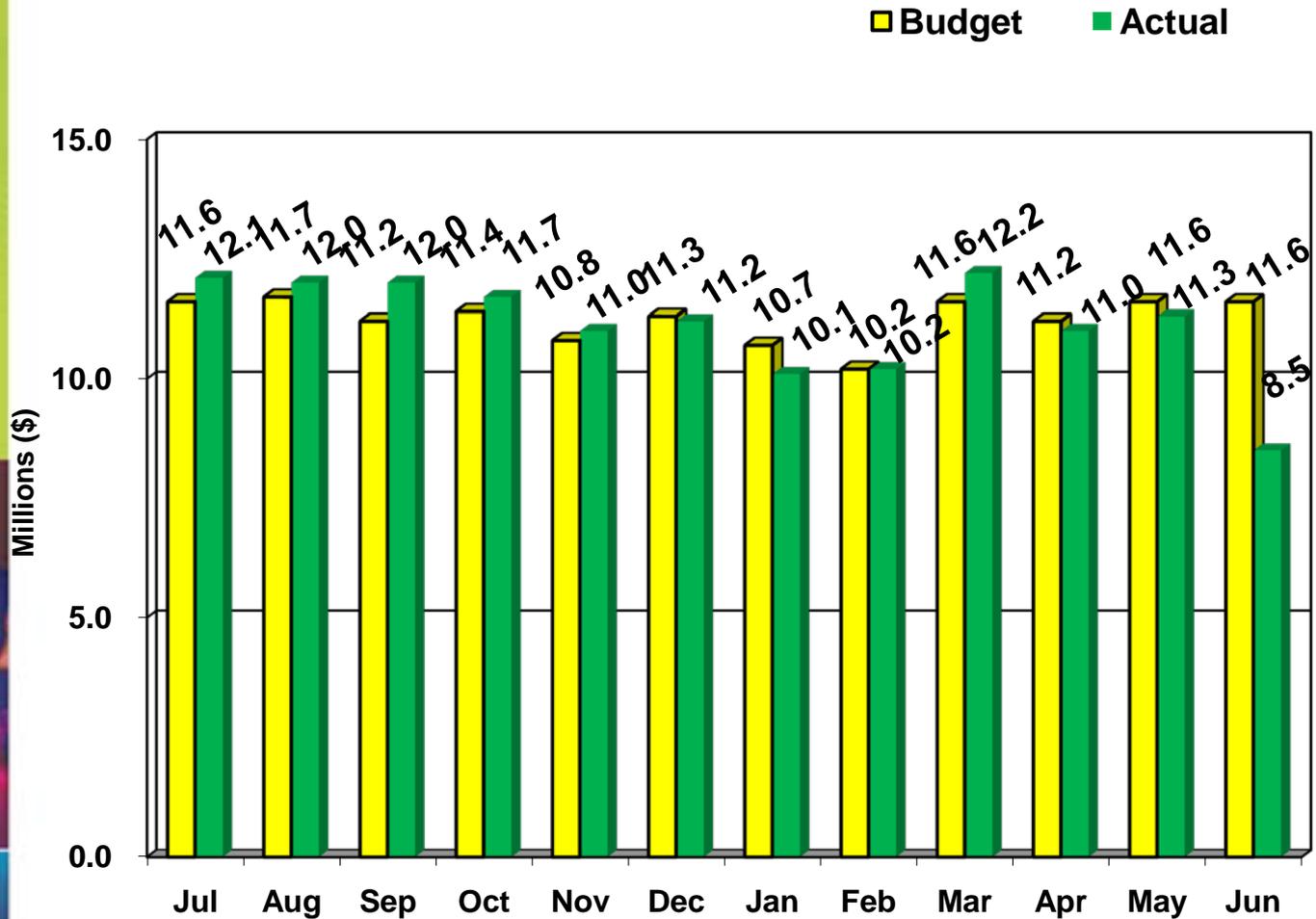
# Revenues and Expenses (Unaudited)

## 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
<b>Aviation revenue:</b>					
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
<b>Total aviation revenue</b>	<b>\$ 63,529</b>	<b>\$ 59,218</b>	<b>\$ (4,311)</b>	<b>(7)%</b>	<b>\$ 56,737</b>

# Operating Revenues

## For the Years Ended

### June 30, 2010 and 2009

(In thousands)	Budget	Unaudited Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Concession revenue:</b>					
<b>Terminal concession revenue:</b>					
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
<b>Total terminal concession revenue</b>	<b>11,954</b>	<b>12,321</b>	<b>367</b>	<b>3%</b>	<b>11,876</b>
<b>Car rental and license fee revenue:</b>					
Rental car and license fees	20,883	20,945	62	-	21,417
License fees-other	2,747	2,827	80	3%	2,987
<b>Total rental car and license fees</b>	<b>23,630</b>	<b>23,772</b>	<b>142</b>	<b>1%</b>	<b>24,404</b>
<b>Total concession revenue</b>	<b>\$ 35,584</b>	<b>\$ 36,093</b>	<b>\$ 509</b>	<b>1%</b>	<b>\$ 36,280</b>

# Operating Revenues

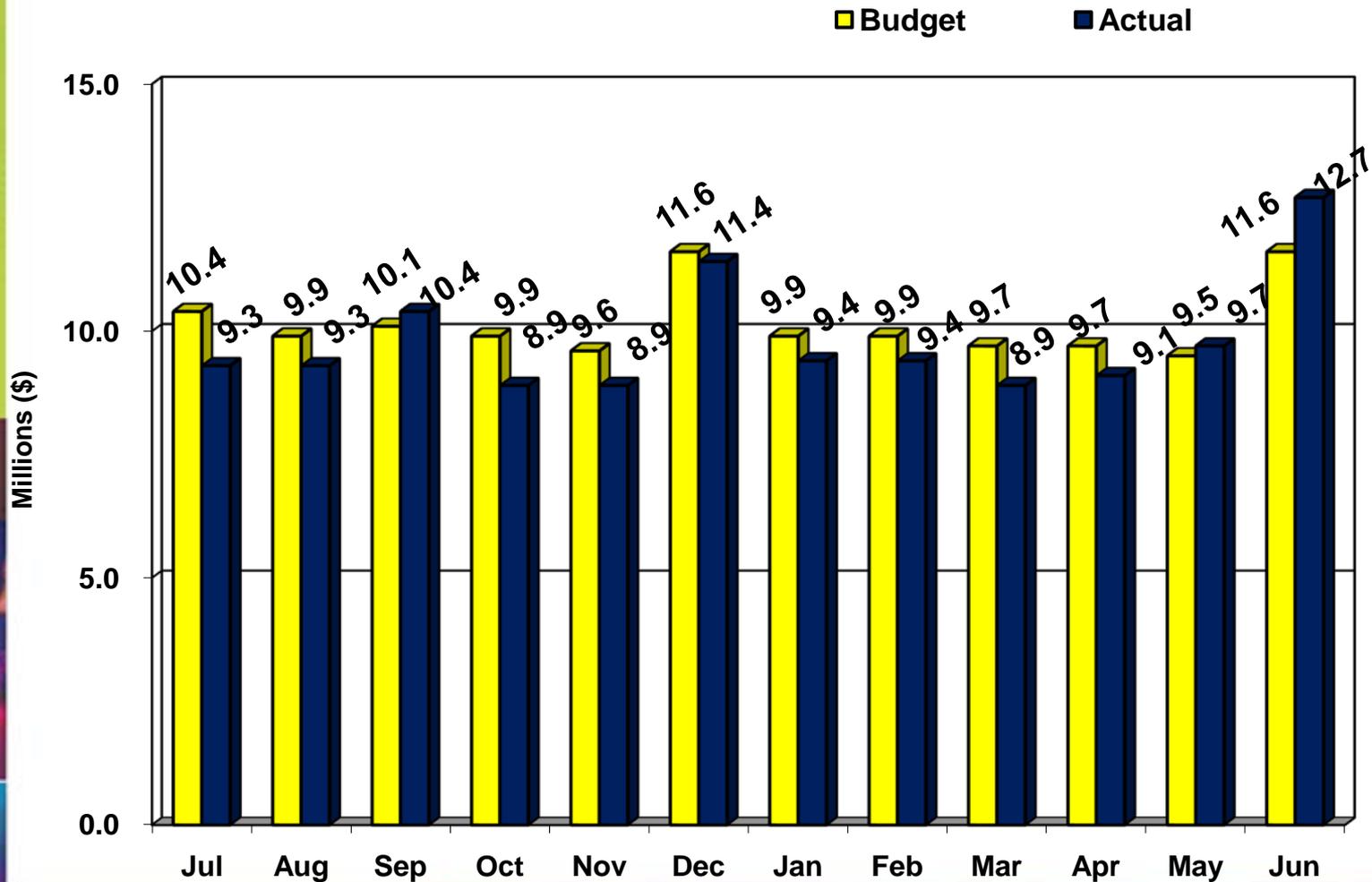
## For the Years Ended June 30, 2010 and 2009

(In thousands)	Budget	Unaudited Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Parking revenue:</b>					
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
<b>Total parking revenue</b>	<b>28,079</b>	<b>29,975</b>	<b>1,896</b>	<b>7%</b>	<b>31,119</b>
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
<b>Total operating revenues</b>	<b>\$ 134,909</b>	<b>\$ 133,337</b>	<b>\$ (1,572)</b>	<b>(1)%</b>	<b>\$ 130,978</b>



# 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
<b>Operating expenses:</b>					
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
<b>Total operating expenses</b>	<b>\$ 121,914</b>	<b>\$ 117,473</b>	<b>\$ 4,441</b>	<b>4%</b>	<b>\$ 115,279</b>

# 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
<b>Nonoperating revenues (expenses):</b>					
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)
<b>Nonoperating revenue, net</b>	<b>41,556</b>	<b>45,501</b>	<b>3,945</b>	<b>9%</b>	<b>35,839</b>
<b>Income before grant contributions</b>	<b>10,656</b>	<b>19,017</b>	<b>8,361</b>	<b>78%</b>	<b>13,415</b>
Capital grant contributions	23,353	27,350	3,997	17%	4,646
<b>Net income</b>	<b>\$ 34,009</b>	<b>\$ 46,367</b>	<b>\$ 12,358</b>	<b>36%</b>	<b>\$ 18,061</b>

## Balance Sheets (2010 Unaudited)

### ASSETS

	(In thousands)	
	2010	2009
<b>Current assets:</b>		
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
<b>Total current assets</b>	<b>124,025</b>	<b>74,862</b>
<b>Cash designated for capital projects and other</b>	<b>\$ 20,896</b>	<b>\$ 6,151</b>



## Balance Sheets (2010 Unaudited)

### ASSETS

	(In thousands)	
	2010	2009
<b>Restricted assets:</b>		
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
<b>Total restricted assets</b>	<b>\$ 140,275</b>	<b>\$ 169,023</b>

\*ConRAC Facility

## Balance Sheets (2010 Unaudited)

### ASSETS

	(In thousands)	
	2010	2009
<b>Noncurrent assets:</b>		
<b>Capital assets:</b>		
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
<b>Total capital assets</b>	<b>942,527</b>	<b>804,574</b>
Less: accumulated depreciation	(459,137)	(424,025)
<b>Total capital assets, net</b>	<b>\$ 483,390</b>	<b>\$ 380,549</b>

## Balance Sheets (2010 Unaudited)

### ASSETS

	(In thousands)	
	2010	2009
<b>Other assets:</b>		
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
<b>Total other assets</b>	<b>54,666</b>	<b>60,634</b>
<b>Total noncurrent assets</b>	<b>538,056</b>	<b>441,183</b>
<b>TOTAL ASSETS</b>	<b>\$ 823,252</b>	<b>\$ 691,219</b>



## Balance Sheets (2010 Unaudited)

### LIABILITIES AND NET ASSETS

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



## Balance Sheets (2010 Unaudited)

### LIABILITIES AND NET ASSETS

	(In thousands)	
	2010	2009
<b>Long-term liabilities - other:</b>		
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
	<b>207,655</b>	<b>131,095</b>
<b>Total long-term liabilities</b>		
<b>Total liabilities</b>	<b>\$ 263,703</b>	<b>\$ 178,036</b>



## Balance Sheets (2010 Unaudited)

### LIABILITIES AND NET ASSETS

	(In thousands)	
	2010	2009
<b>Authority net assets:</b>		
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
<b>Total net assets</b>	<b>559,549</b>	<b>513,183</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 823,252</b>	<b>\$ 691,219</b>

# Authority's Investments



# Total Portfolio Summary

	Current Period 6/30/2010	Prior Period 3/31/2010	Change From Prior
Book Value	\$246,187,000	\$216,133,000	\$30,054,000
Market Value	\$246,197,000	\$215,888,000	\$30,309,000
Market Value%	100.14%	100.27%	(0.13%)
Unrealized Gain / (Loss)	\$10,000	(\$245,000)	\$255,000
Weighted Average Maturity (Days)	238 days	225 days	13
Weighted Average Yield as of Period End	1.17%	1.32%	(0.15%)
Cash Interest Received- Current Month	\$208,000	\$304,000	(\$96,000)
Cash Interest Received- Quarter-to-Date	\$662,000	\$951,000	(\$289,000)
Cash Interest Received-Year-to-Date	\$4,402,000	\$3,740,000	\$662,000
Accrued Interest	\$531,000	\$643,000	(\$112,000)

# Authority's Debt



# Summary of Outstanding Commercial Paper

## July 31, 2010

CUSIP Number	Issue Date	Principal	Maturity Date	Rate	# of Days	Interest	Interest Due
<b><u>SERIES A (Non-AMT)</u></b>							
79739TBA5	5/6/2010	\$ 1,000,000	8/5/2010	0.31%	91	\$ 773	8/4/2010
79739TBA5	5/6/2010	26,176,000	8/5/2010	0.31%	91	20,231	8/4/2010
79739TBA5	5/6/2010	750,000	8/5/2010	0.31%	91	580	8/4/2010
79739TBB3	6/2/2010	6,525,000	9/1/2010	0.32%	91	5,206	8/31/2010
79739TBC1	6/9/2010	6,525,000	9/3/2010	0.32%	86	4,920	9/2/2010
79739TBD9	6/25/2010	26,400,000	10/13/2010	0.34%	110	27,051	10/12/2010
Subtotal		<u>67,376,000</u>				<u>58,760</u>	
<b><u>SERIES B (AMT)</u></b>							
79739UAW5	7/8/2010	22,254,000	9/15/2010	0.29%	69	12,200	9/14/2010
79739UAX3	6/1/2010	1,000,000	9/3/2010	0.35%	94	901	9/2/2010
79739UAY1	6/1/2010	19,000,000	9/3/2010	0.35%	94	17,126	9/2/2010
79739UAZ8	5/6/2010	15,000,000	8/5/2010	0.34%	91	12,715	8/4/2010
Subtotal		<u>57,254,000</u>				<u>42,943</u>	
<b><u>SERIES C (TAXABLE)</u></b>							
79739VAG8	7/1/2010	2,200,000	8/3/2010	0.37%	33	736	8/2/2010
79739VAH6	7/8/2010	14,000,000	8/9/2010	0.34%	32	4,173	8/8/2010
79739VAJ2	6/25/2010	15,000,000	8/3/2010	0.37%	39	5,930	8/2/2010
79739VAJ2	6/25/2010	<u>8,600,000</u>	8/3/2010	0.37%	39	<u>3,400</u>	8/2/2010
		39,800,000				14,239	
<b>TOTAL</b>		<b><u>\$ 164,430,000</u></b>				<b><u>\$ 115,941</u></b>	
				Weighted Average Interest Rate	<b>0.33%</b>		

# Questions

