



Item B

San Diego County Regional Airport Authority

The Authority's Financial Update Revised 11/2/10

Presented by:

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Vice-President-Finance/Treasurer and CFO

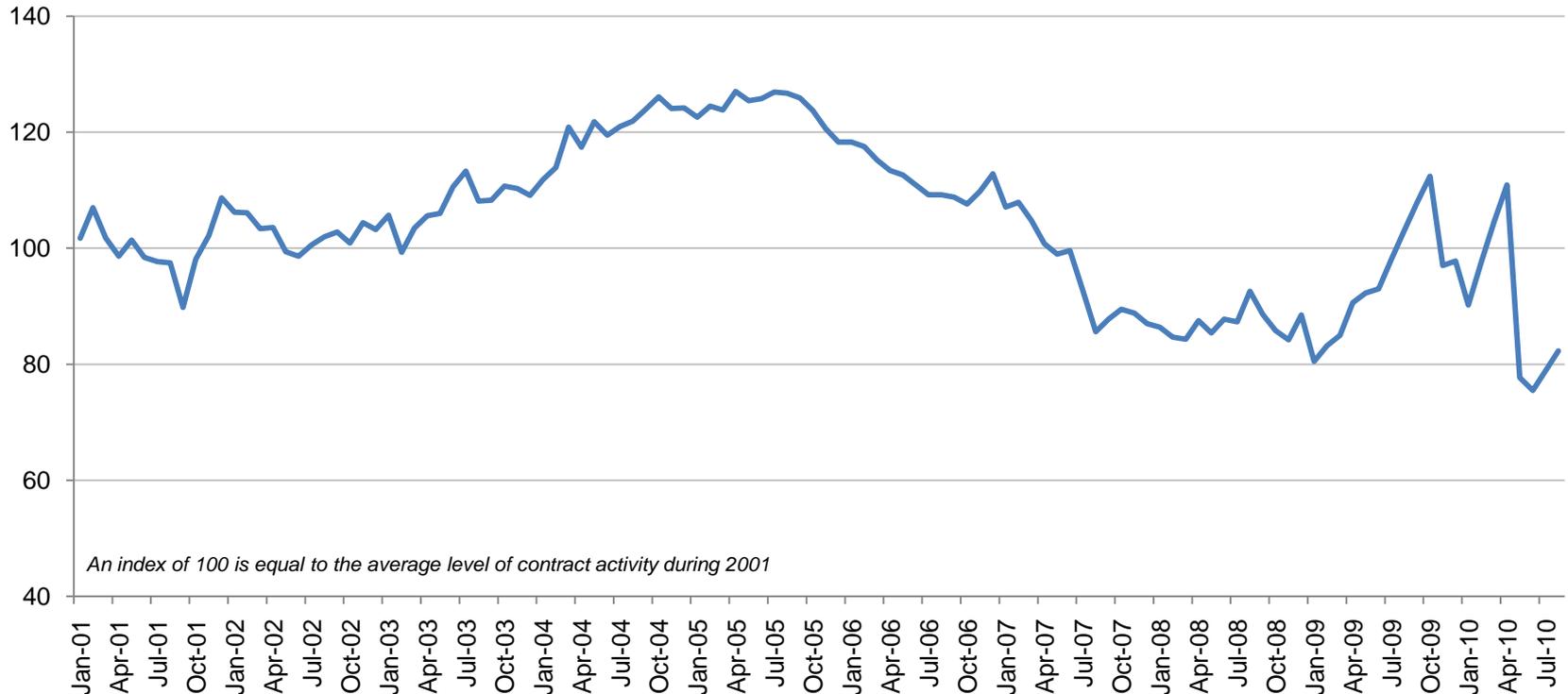
November 4, 2010

Pending Home Sales Up In August



- In August, the pending home sales index rose to 82.3 up from 78.9 in July, but it is well below the level of 103.0 in August 2009 when home sales received a boost from the federal tax credit.
- The improvement in August may suggest that continued low mortgage rates may be bringing buyers back into the market. However, high low employment and low consumer confidence continue impede a recovery in the housing market..

Pending Home Sale Index
January 2001– August 2010



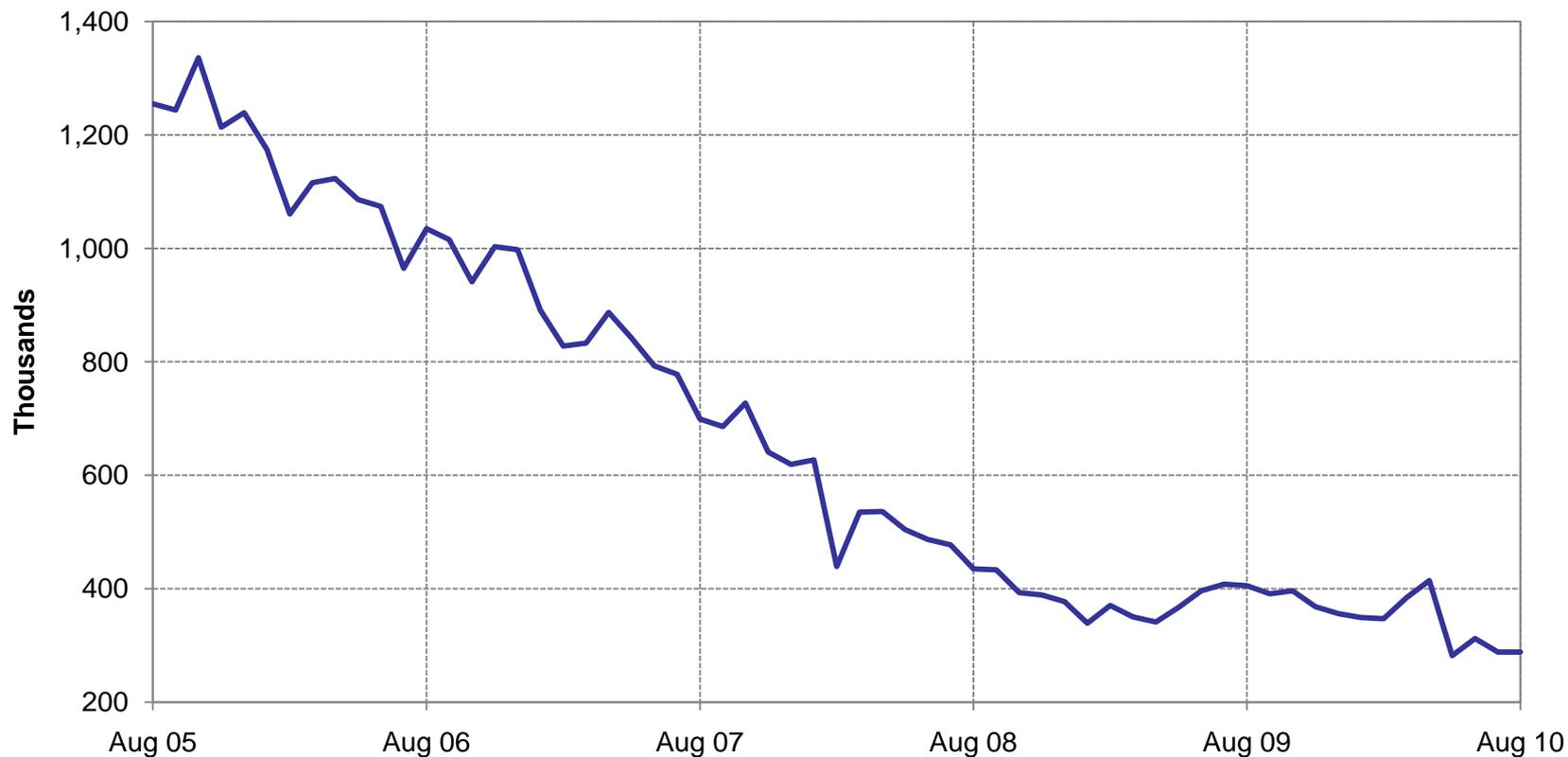
Pending home sales is a leading indicator of existing home sales. A pending sale is one in which a contract was signed, but not yet closed. It usually takes four to six weeks to close a contracted sale.

New Home Sales Remain Near Bottom



- New home sales were unchanged in August. The low level of new home sales is indicative of the continued weakness in the housing market.

New Home Sales
August 2005 – August 2010

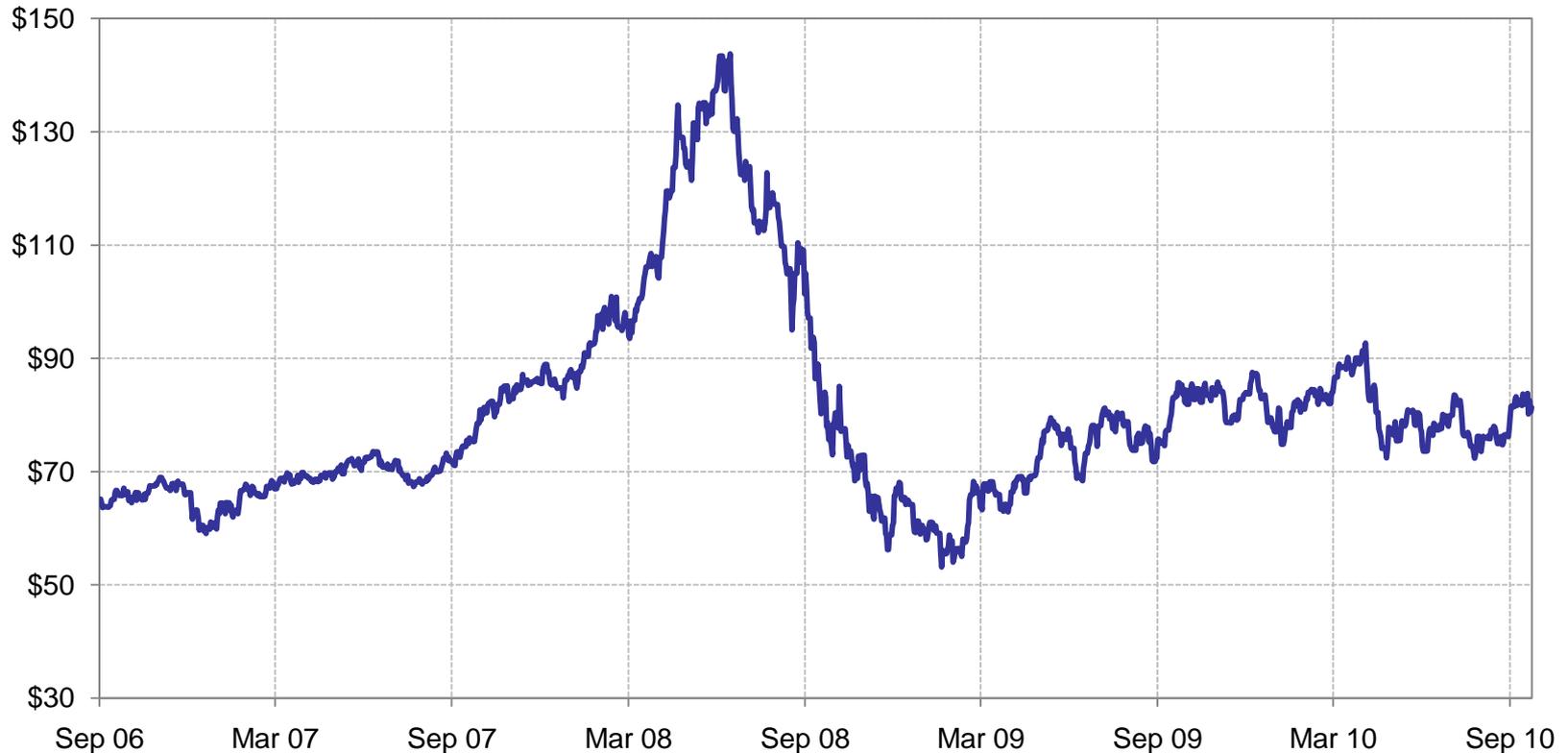


Oil Prices Up In Recent Weeks



- Oil and other commodity prices have surged over the past month as the dollar remains under pressure with the market expecting another round of quantitative easing by the Federal Reserve.

Oil Prices WTI Cushing Spot per Barrel
September 2006 – October 2010

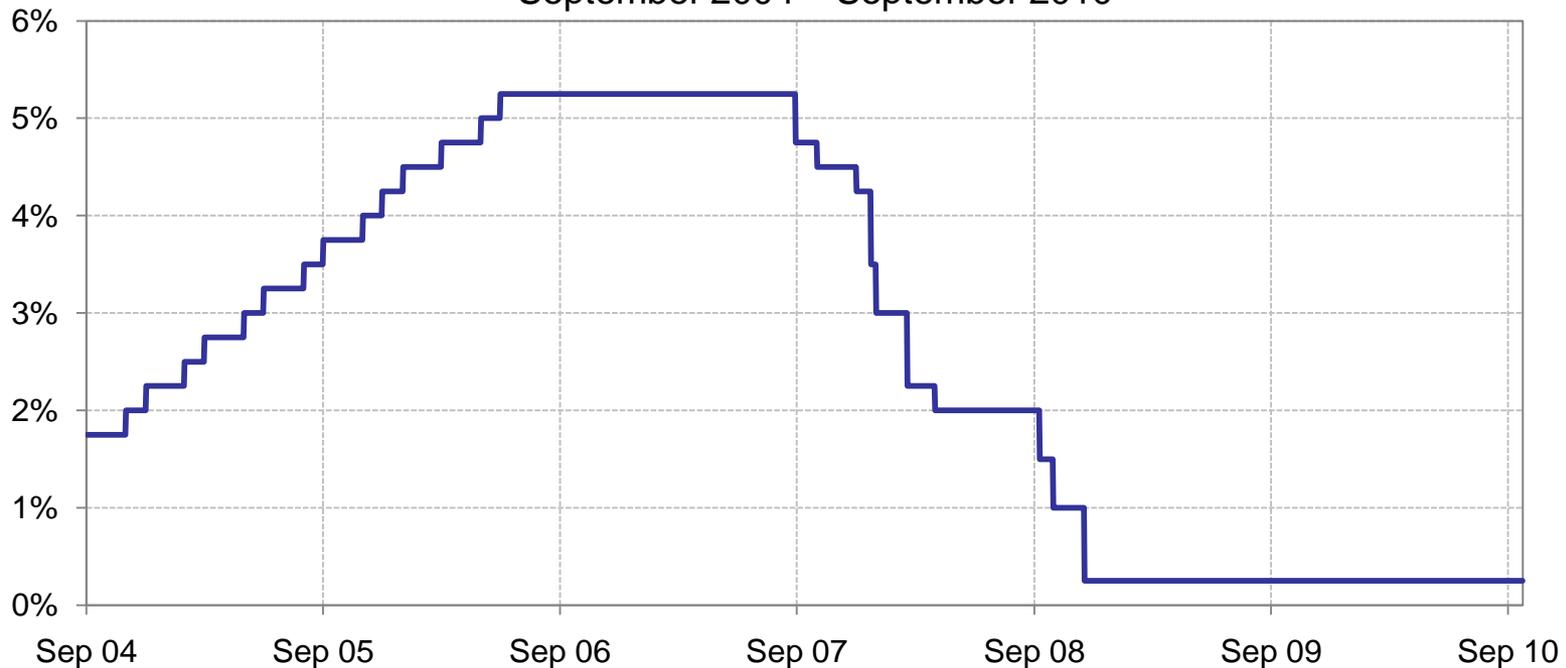


FOMC To Continue Policy Of Principal Reinvestment



- At their September 21 policy meeting the Federal Reserve did not change the target overnight rate as expected, keeping it in the range from 0-0.25%. The committee also affirmed that it will “maintain its existing policy of reinvesting principal payments from its security holdings.”
- The Federal Reserve’s next meeting is on November 2nd and 3rd

Fed Funds Target Rate
September 2004 – September 2010



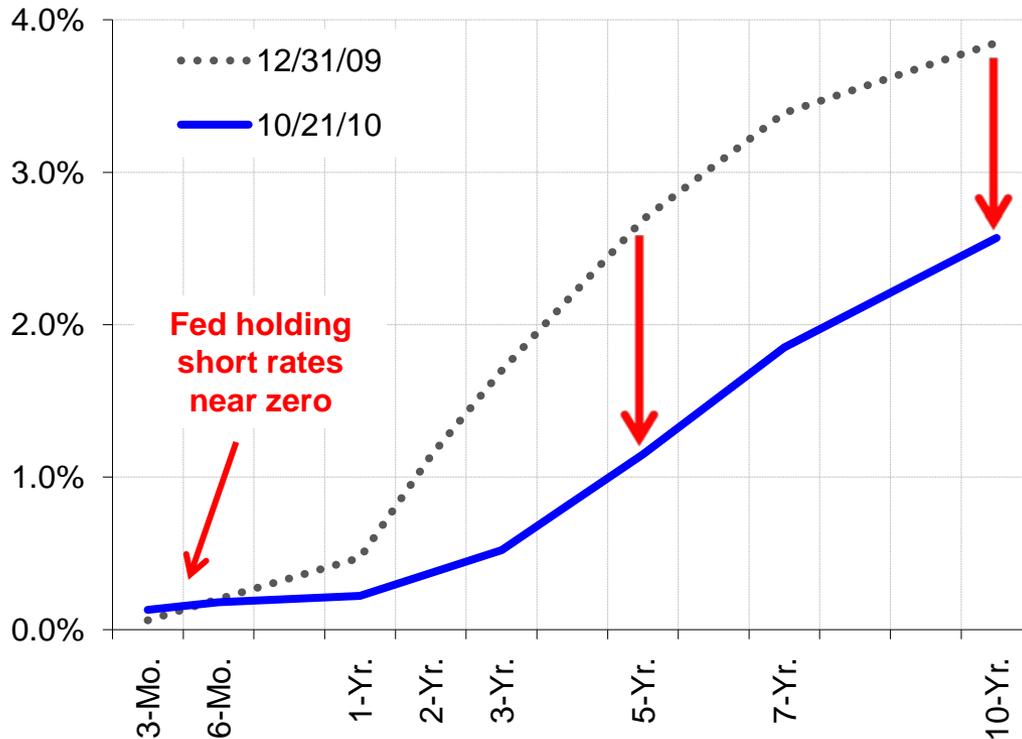
The Fed chooses whether or not to change the fed funds target rate at each Federal Open Market Committee (FOMC) meeting. It sets its rate based on whether it wants to stimulate or slow economic activity. The target rate is currently set low to stimulate the economy. Short term interest rates are closely tied to the fed funds target rate.

Yield Curve Flattens on Economic Concerns



- The yield curve has flattened due to: (i) disappointing economic news, (ii) expectations that the Federal Reserve will be on hold for one to two years, (iii) continued low inflation expectations, and (iv) the likelihood of a second round of quantitative easing by the Federal Reserve.

U.S. Treasury Yield Curve
December 31, 2009 versus October 6, 2010



| | 12/31/09 | 10/21/10 | Change |
|---------------|----------|----------|---------|
| 3-Mo. | 0.06% | 0.13% | 0.07% |
| 6-Mo. | 0.20% | 0.18% | (0.02%) |
| 1-Yr. | 0.47% | 0.22% | (0.25%) |
| 2-Yr. | 1.14% | 0.37% | (0.77%) |
| 3-Yr. | 1.70% | 0.52% | (1.18%) |
| 5-Yr. | 2.69% | 1.15% | (1.54%) |
| 10-Yr. | 3.85% | 2.57% | (1.28%) |

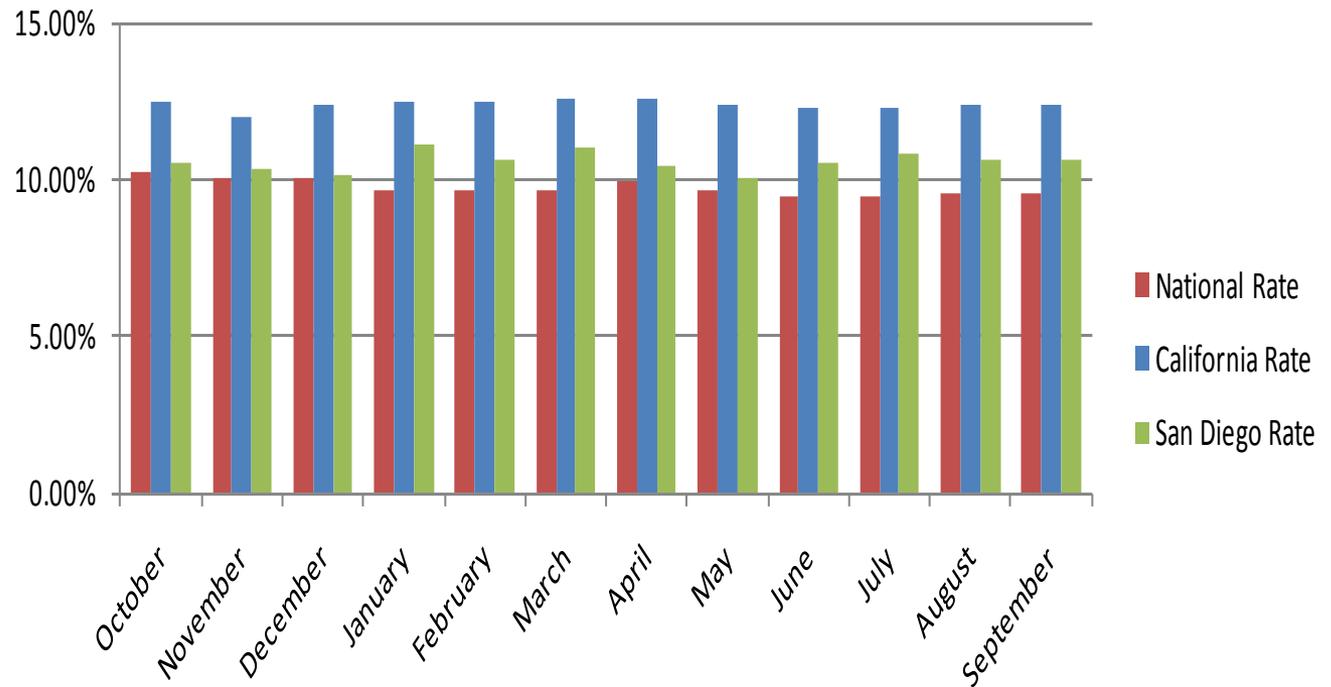
Bloomberg

Unemployment Rate This Fiscal Year

The California unemployment rate of 12.4% remains much higher than the National average, 9.6%. The U-6 rate slightly increased from 16.7% to 17.1% in September.

San Diego unemployment rate is 10.6%.

Unemployment Rates



Consumer Confidence Drops



- After improving in August, Consumer Confidence fell in September as consumers remain concerned about the state of the economy and the weak labor market.

Consumer Confidence
September 2005 – September 2010





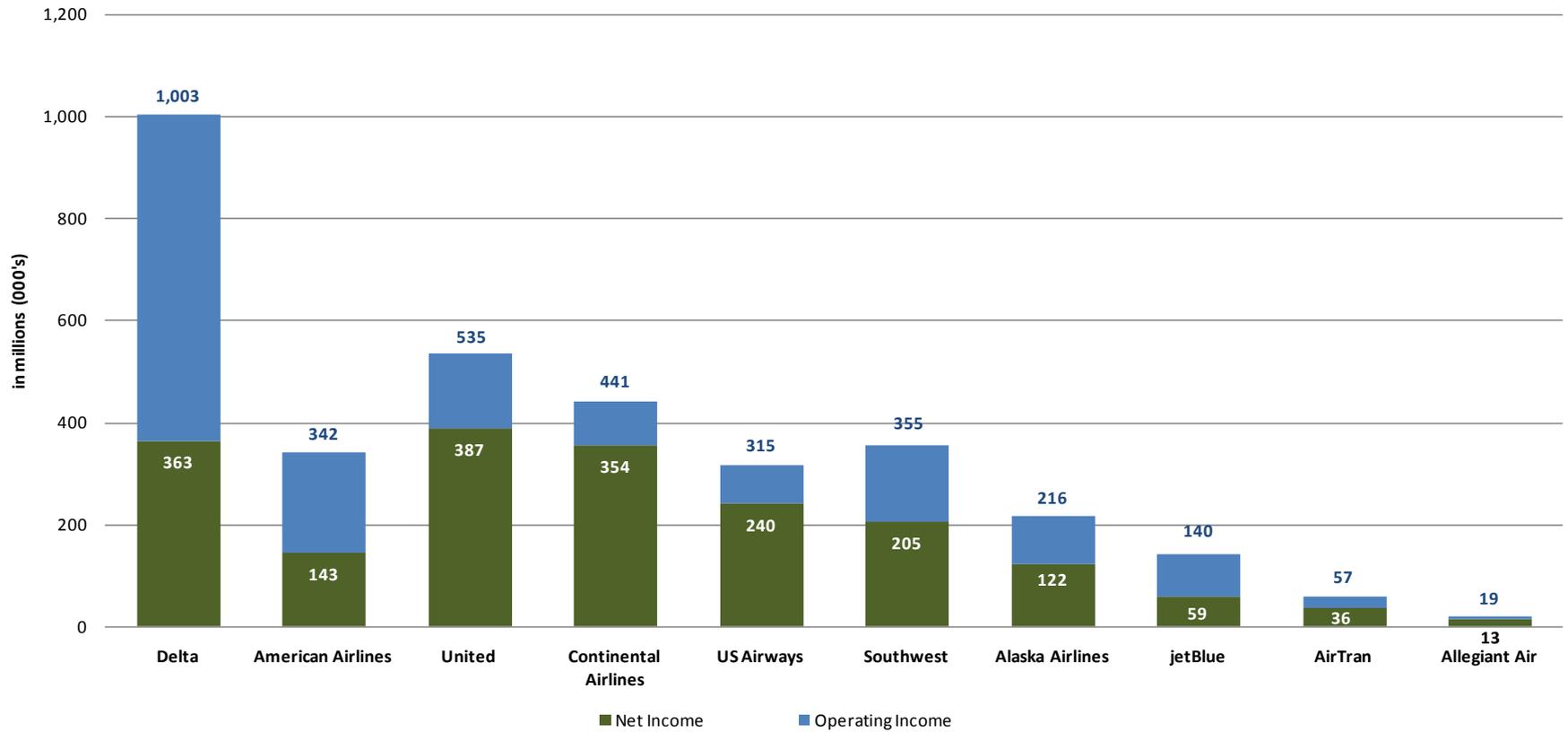
JEFF PARKER
Florida Today

ECONOMIC MOOD SWING

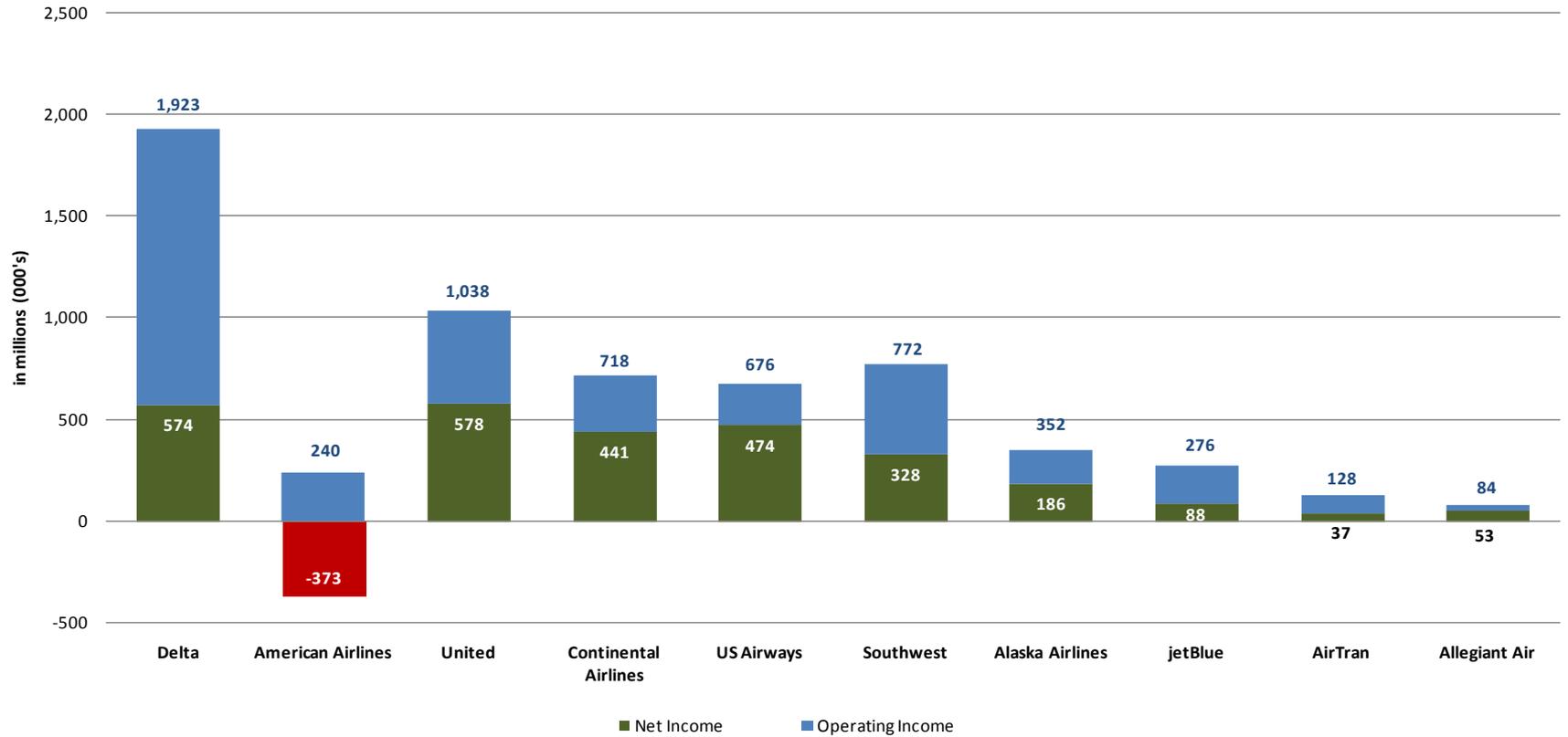


AIRPORTS FUEL
REGIONAL ECONOMIES

Q3 Airline Income

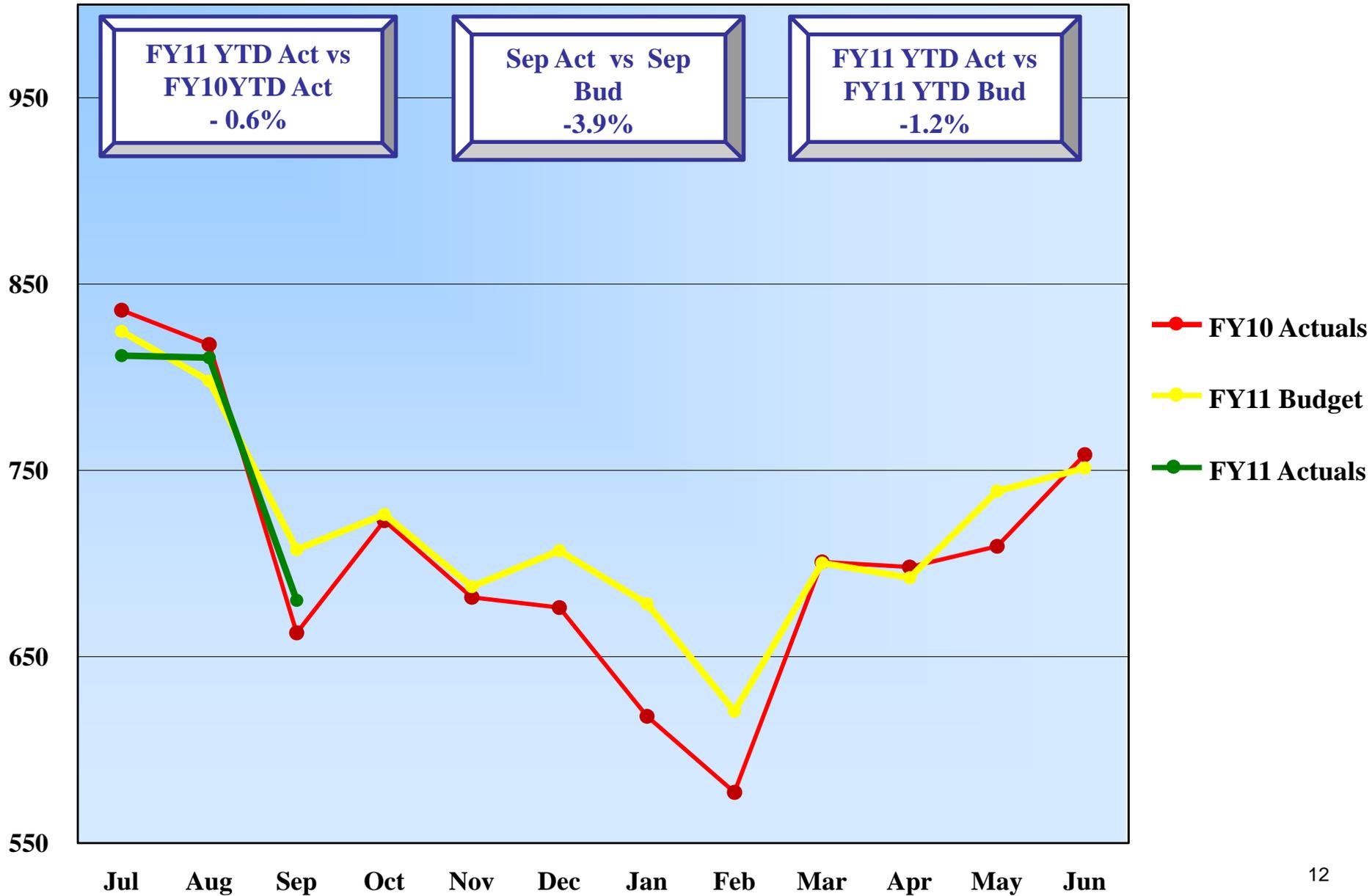


YTD Airline Income



Enplanements

000s



Gross Landing Weight Units (000 lbs)

000s

1,350

1,150

950

750

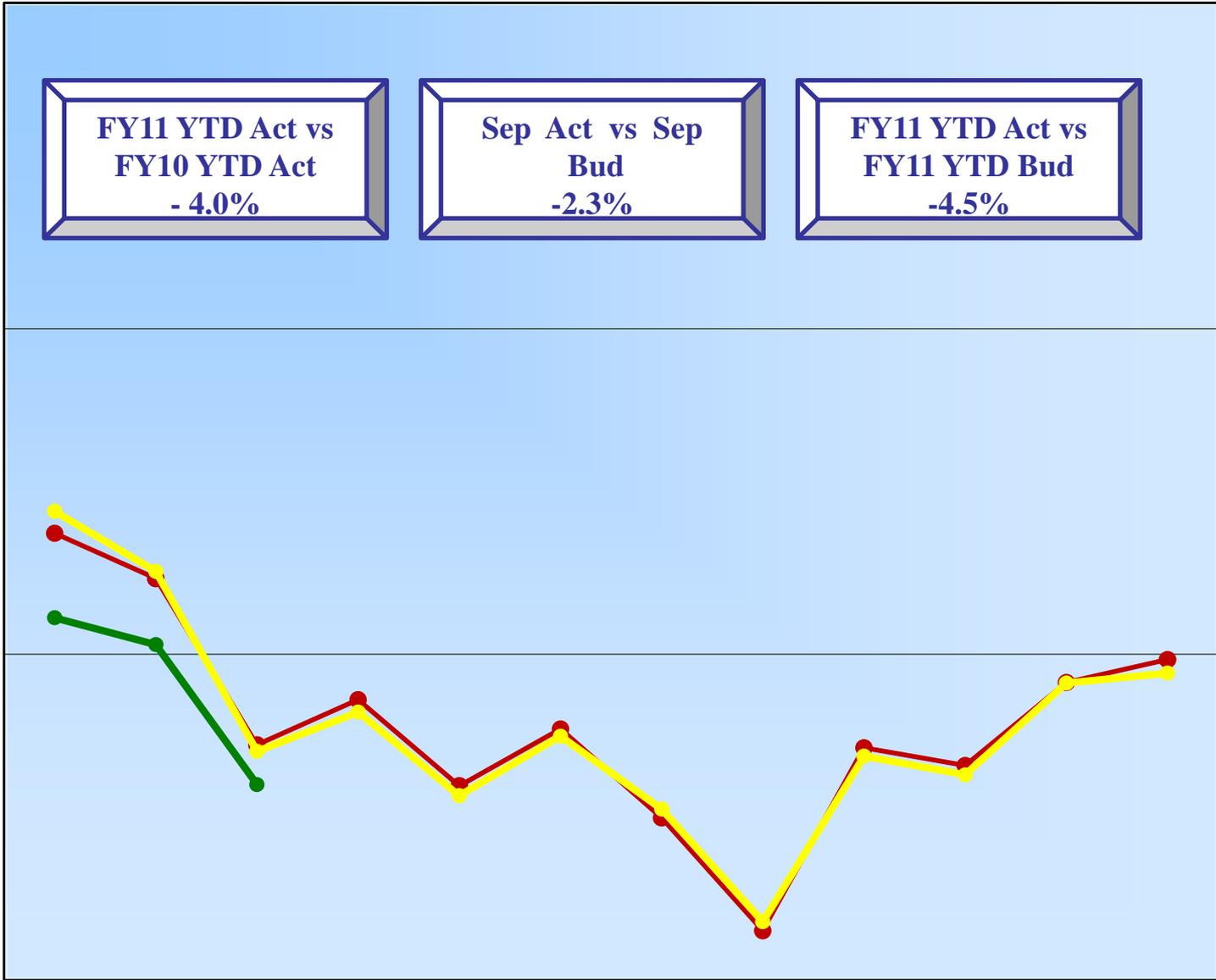
**FY11 YTD Act vs
FY10 YTD Act
- 4.0%**

**Sep Act vs Sep
Bud
-2.3%**

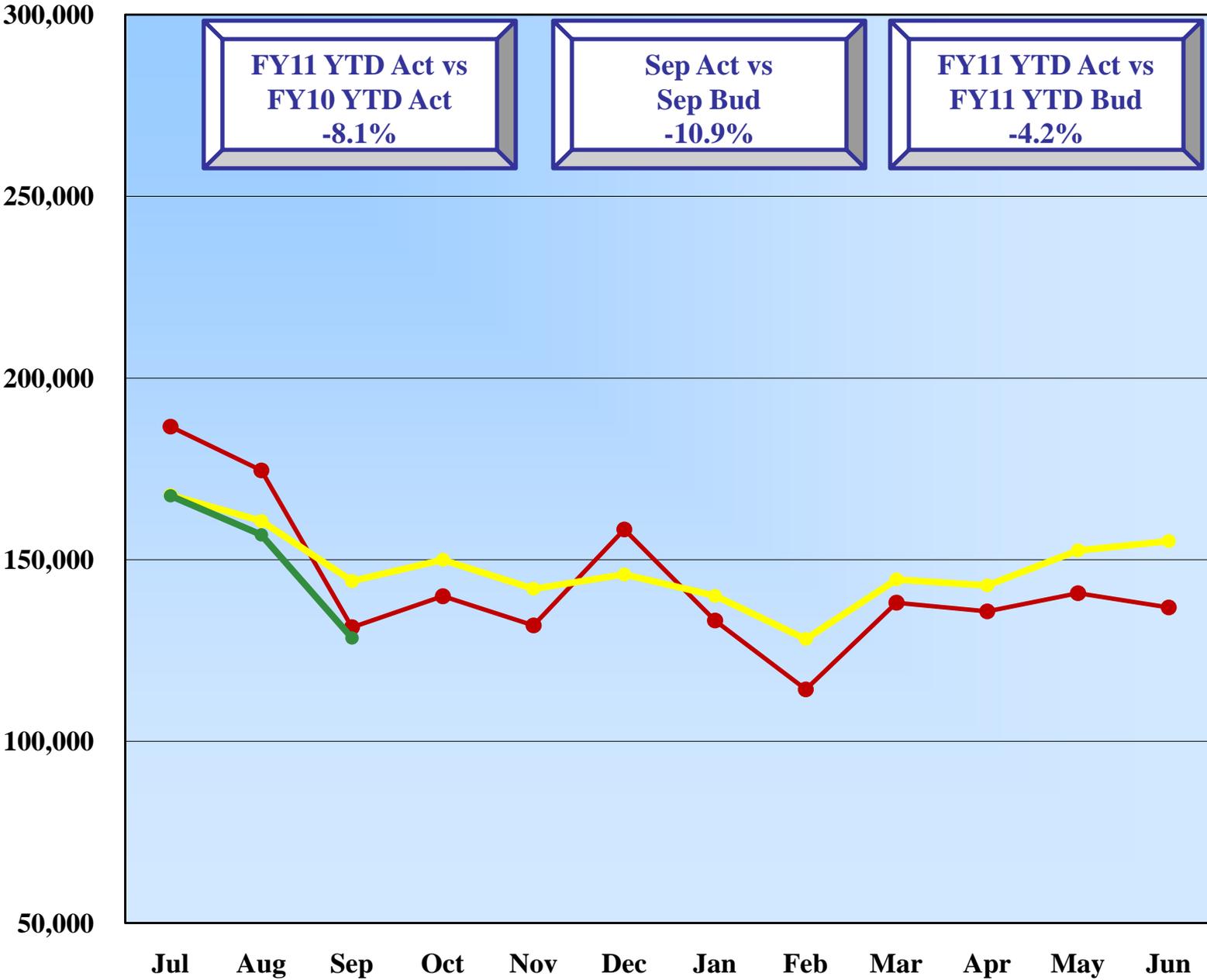
**FY11 YTD Act vs
FY11 YTD Bud
-4.5%**

- FY10 Actuals**
- FY11 Budget**
- FY 11Actuals**

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

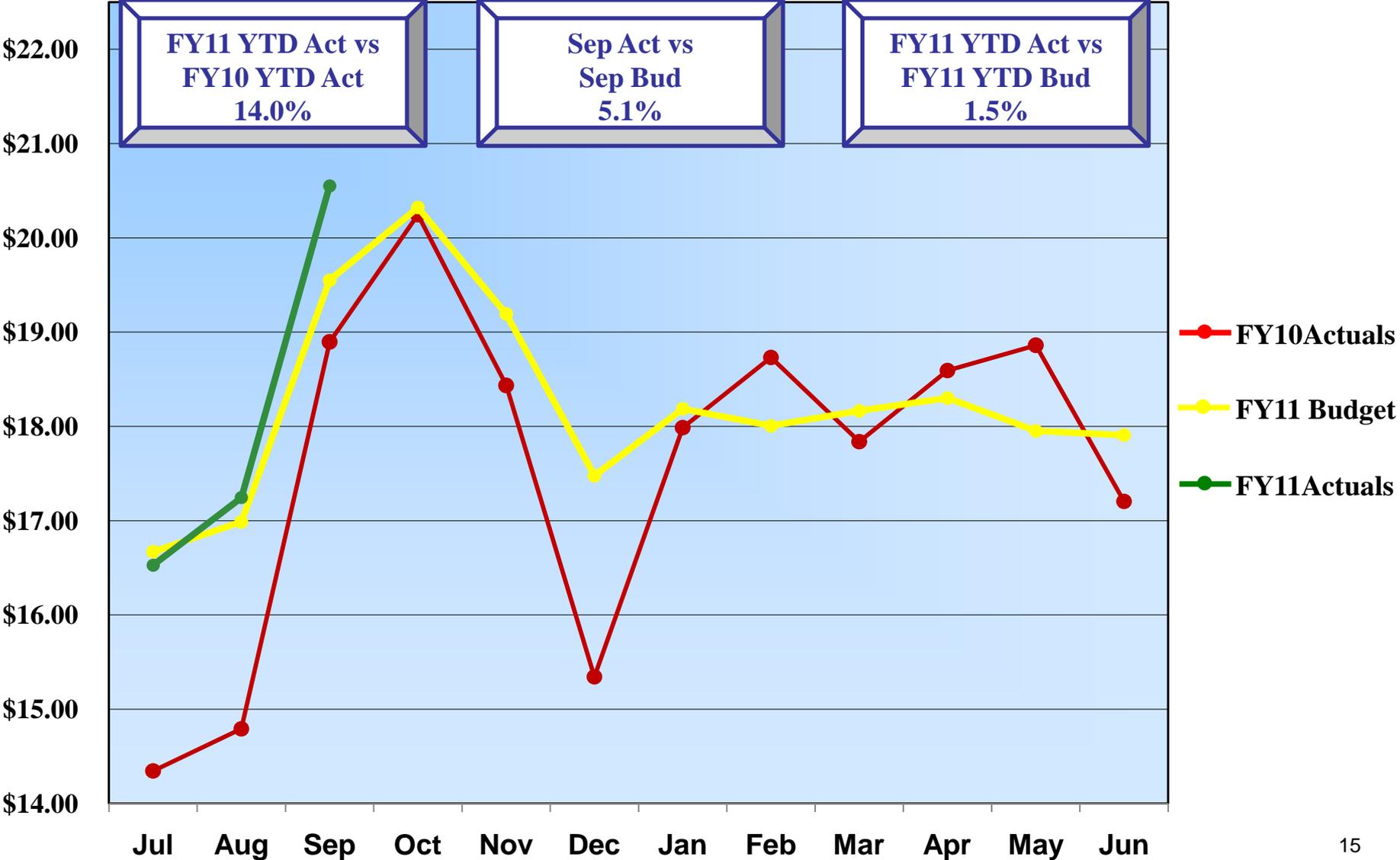


Airport Parking Transactions

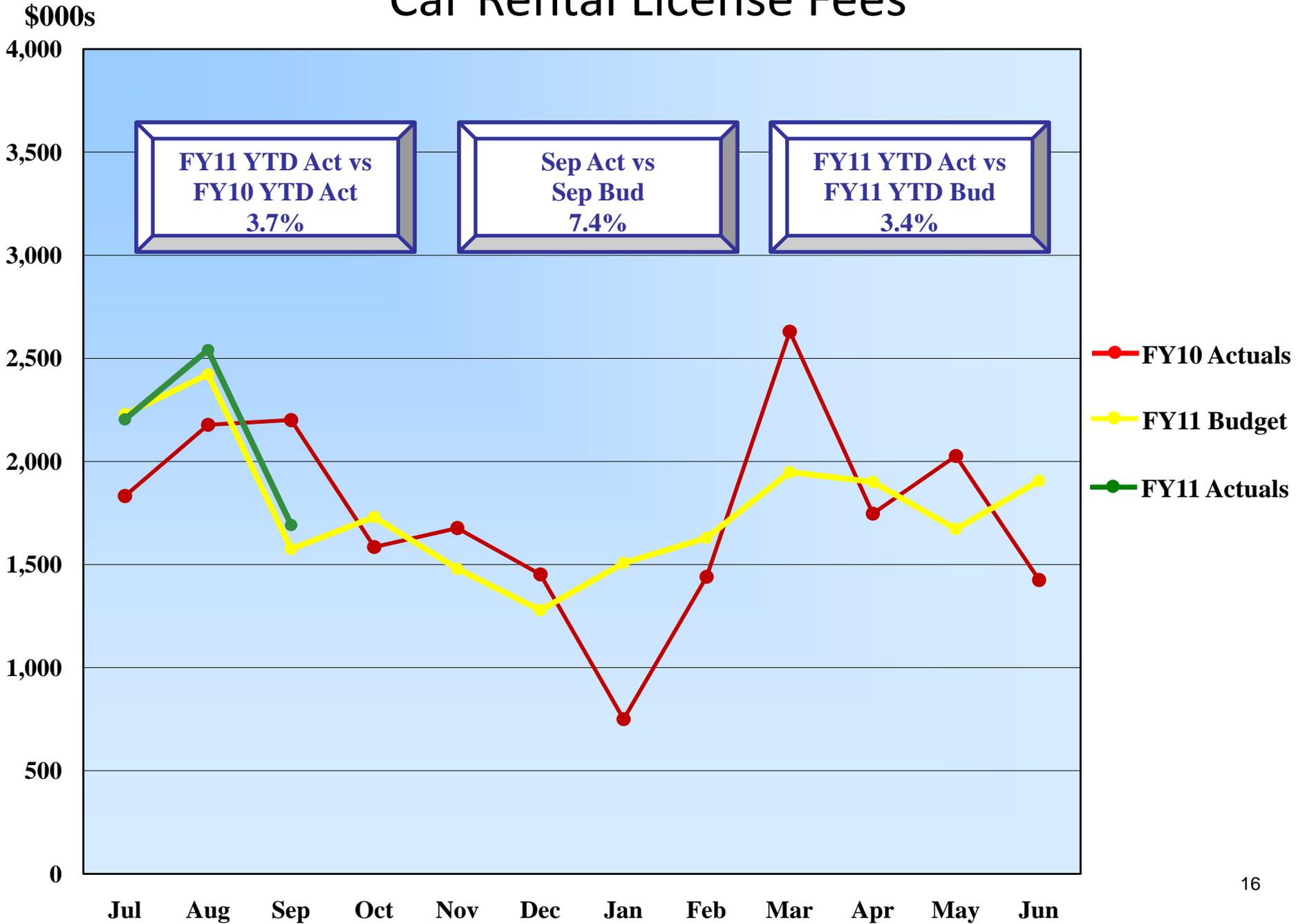


Airport Parking

Revenue (\$) / Transaction



Car Rental License Fees



Unaudited Financial Statements For the Three Months Ended September 30, 2010



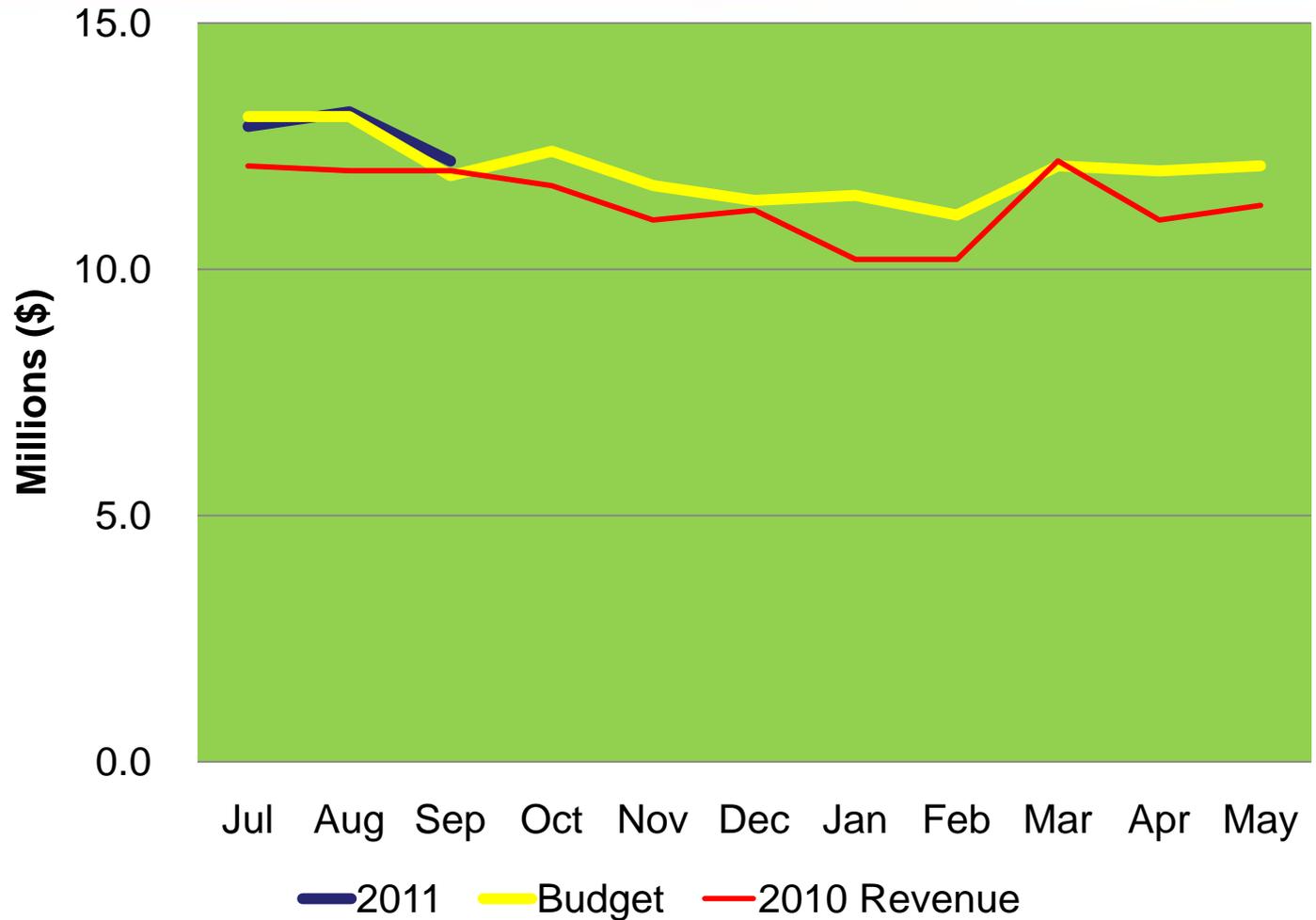
Revenues and Expenses (Unaudited)

For the three months ended September 30, 2010



Monthly Operating Revenue, FY 2011

(Unaudited)



Operating Revenues

For the Three Months Ended

September 30, 2010 (Unaudited)

| (In thousands) | Budget | Actual | Variance Favorable (Unfavorable) | % Change | Prior Year |
|-------------------------------|------------------|------------------|--|-------------|------------------|
| Aviation revenue: | | | | | |
| Landing fees | \$ 5,144 | \$ 4,910 | \$ (234) | (5)% | \$ 5,166 |
| Aircraft parking fees | 707 | 759 | 52 | 7% | 886 |
| Building rentals | 6,942 | 7,046 | 104 | 1% | 6,434 |
| Security surcharge | 3,696 | 3,721 | 25 | 1% | 3,014 |
| Other aviation revenue | 399 | 400 | 1 | - | 397 |
| Total aviation revenue | \$ 16,888 | \$ 16,836 | \$ (52) | - | \$ 15,897 |

Operating Revenues

For the Three Months Ended

September 30, 2010 (Unaudited)

| (In thousands) | Budget | Actual | Variance Favorable (Unfavorable) | % Change | Prior Year |
|-------------------------------------|-----------|-----------|--|-------------|---------------|
| Terminal rent non-airline | \$ 217 | \$ 201 | \$ (16) | (7)% | \$ 199 |
| Concession revenue: | | | | | |
| Terminal concession revenue: | | | | | |
| Food and beverage | 1,587 | 1,583 | (4) | - | 1,635 |
| Gifts and news | 1,049 | 1,046 | (3) | - | 1,011 |
| Other | 757 | 703 | (54) | (7)% | 587 |
| Total terminal concession revenue | 3,393 | 3,332 | (61) | (2)% | 3,233 |
| Car rental and license fee revenue: | | | | | |
| Rental car license fees | 6,226 | 6,437 | 211 | 3% | 6,211 |
| License fees-other | 838 | 740 | (98) | (12)% | 740 |
| Total rental car and license fees | 7,064 | 7,177 | 113 | 2% | 6,951 |
| Total concession revenue | \$ 10,457 | \$ 10,509 | \$ 52 | - | \$ 10,184 |

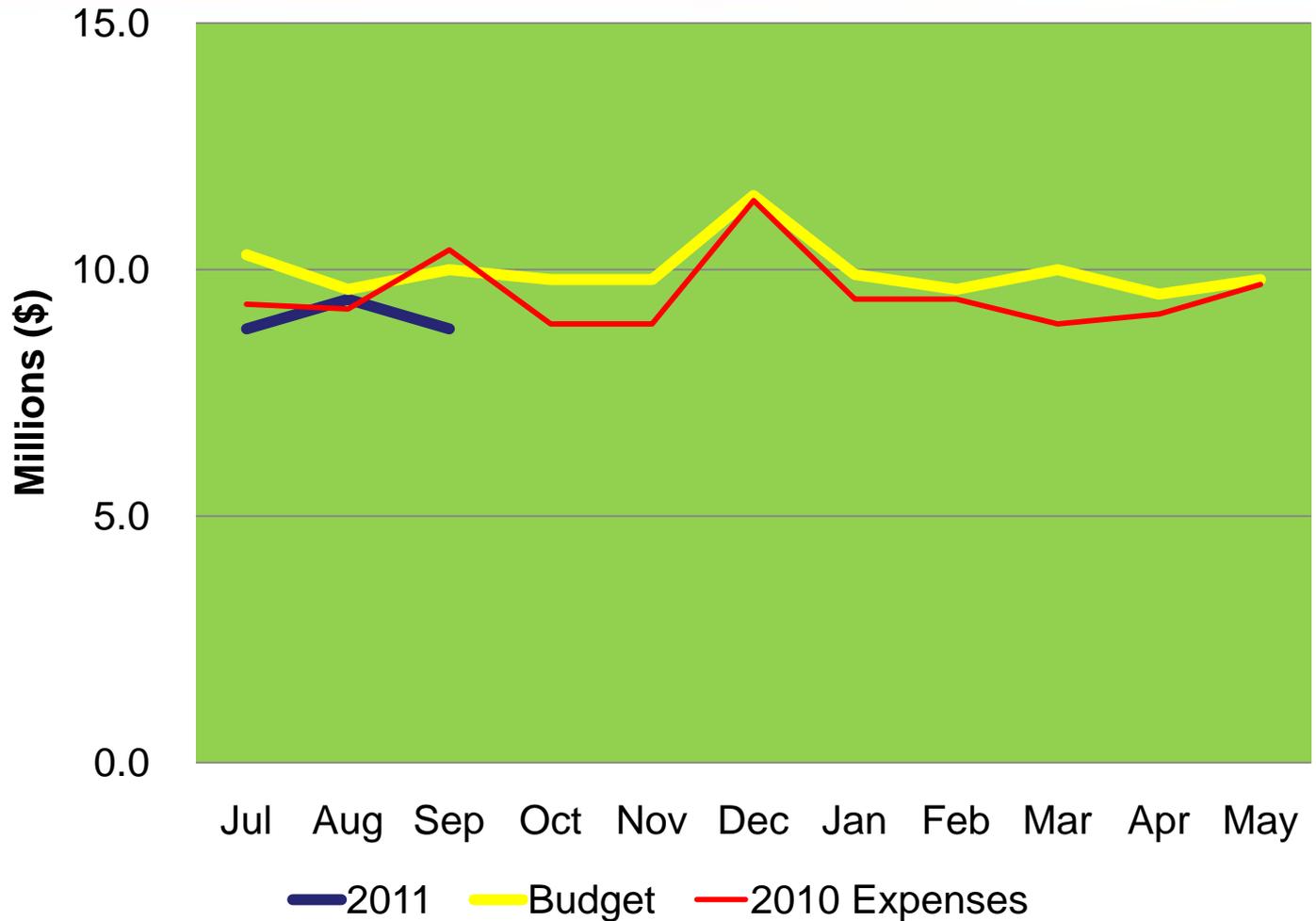
Operating Revenues

For the Three Months Ended September 30, 2010 (Unaudited)

| (In thousands) | Budget | Actual | Variance Favorable (Unfavorable) | % Change | Prior Year |
|---|------------------|------------------|--|-------------|------------------|
| Parking revenue: | | | | | |
| On-airport parking revenue | \$ 5,108 | \$ 5,102 | \$ (6) | - | \$ 4,843 |
| Off-airport parking revenue | 3,236 | 3,013 | (223) | (7)% | 2,900 |
| Total parking revenue | 8,344 | 8,115 | (229) | (3)% | 7,743 |
| Ground transportation permits and citations | 180 | 260 | 80 | 44% | 141 |
| Ground rentals | 1,553 | 1,897 | 344 | 22% | 1,426 |
| Grant reimbursement | 272 | 136 | (136) | (50)% | 345 |
| Other operating revenue | 180 | 252 | 72 | 40% | 116 |
| Subtotal | 10,529 | 10,660 | 131 | 1% | 9,771 |
| Total operating revenues | \$ 38,091 | \$ 38,206 | \$ 115 | 0% | \$ 36,051 |

Monthly Operating Expenses, FY 2011

(Unaudited)



Operating Expenses

For the Three Months Ended

September 30, 2010 (Unaudited)

| (In thousands) | Budget | Actual | Variance Favorable (Unfavorable) | % Change | Prior Year |
|----------------------------------|------------------|------------------|--|-------------|------------------|
| Operating expenses: | | | | | |
| Salaries and benefits | \$ 9,074 | \$ 8,645 | \$ 429 | 5% | \$ 8,140 |
| Contractual services | 7,420 | 6,103 | 1,317 | 18% | 6,851 |
| Safety and security | 4,740 | 4,725 | 15 | - | 4,788 |
| Space rental | 2,727 | 2,726 | 1 | - | 2,726 |
| Utilities | 2,027 | 1,845 | 182 | 9% | 2,040 |
| Maintenance | 2,222 | 1,705 | 517 | 23% | 2,750 |
| Equipment and systems | 124 | 62 | 62 | 50% | 100 |
| Materials and supplies | 101 | 69 | 32 | 32% | 112 |
| Insurance | 306 | 271 | 35 | 11% | 292 |
| Employee development and support | 276 | 161 | 115 | 42% | 173 |
| Business development | 445 | 324 | 121 | 27% | 538 |
| Equipment rental and repairs | 384 | 308 | 76 | 20% | 451 |
| Total operating expenses | \$ 29,846 | \$ 26,944 | \$ 2,902 | 10% | \$ 28,961 |



Financial Summary

For the Three Months Ended September 30, 2010 (Unaudited)

| (In thousands) | Budget | Actual | Variance Favorable (Unfavorable) | % Change | Prior Year |
|--------------------------|------------|------------|--|-------------|---------------|
| Total operating revenues | \$ 38,091 | \$ 38,206 | \$ 115 | - | \$ 36,051 |
| Total operating expenses | 29,846 | 26,944 | 2,902 | 10% | 28,961 |
| Income from operations | 8,245 | 11,262 | 3,017 | 37% | 7,090 |
| Depreciation | 12,315 | 12,314 | 1 | - | 9,868 |
| Operating income (loss) | \$ (4,070) | \$ (1,052) | \$ 3,018 | 74% | \$ (2,778) |

Nonoperating Revenues and (Expenses) For the Three Months Ended September 30, 2010 (Unaudited)

| (In thousands) | Budget | Actual | Variance Favorable (Unfavorable) | % Change | Prior Year |
|---|------------------|------------------|--|-------------|------------------|
| Nonoperating revenues (expenses): | | | | | |
| Passenger facility charges | \$ 9,104 | \$ 8,561 | \$ (543) | (6)% | \$ 8,753 |
| Customer facility charges (ConRAC Facility) | 2,720 | 2,852 | 132 | 5% | 2,855 |
| Quieter Home Program | (882) | (936) | (54) | (6)% | (196) |
| Interest income | 1,496 | 1,266 | (230) | (15)% | 2,346 |
| Interest expense | (729) | (686) | 43 | 6% | (698) |
| Bond amortization cost | (36) | (18) | 18 | 50% | (18) |
| Other nonoperating revenue (expenses) | (10) | 43 | 53 | - | (646) |
| Nonoperating revenue, net | 11,663 | 11,082 | (581) | (5)% | 12,396 |
| Income before grant contributions | 7,593 | 10,030 | 2,437 | 32% | 9,618 |
| Capital grant contributions | 10,830 | 8,992 | (1,838) | (17)% | 863 |
| Net income | \$ 18,423 | \$ 19,022 | \$ 599 | 3% | \$ 10,481 |

Balance Sheets (Unaudited)

ASSETS

| | (In thousands) | |
|--|------------------|------------------|
| | September | |
| | 2010 | 2009 |
| Current assets: | | |
| Cash and investments | \$ 73,787 | \$ 29,023 |
| Tenant lease receivable, net of allowance of 2010: \$20,055 and 2009: \$305,064 | 6,017 | 4,967 |
| Grants receivable | 7,285 | 2,946 |
| Notes receivable-current portion | 1,613 | 1,705 |
| Prepaid expenses and other current assets | 11,877 | 10,904 |
| Total current assets | 100,579 | 49,545 |
| Cash designated for capital projects and other | \$ 20,601 | \$ 10,796 |



Balance Sheets (Unaudited)

ASSETS

(In thousands)

September

2010

2009

Restricted assets:

Cash and investments:

Bonds reserve

\$ 45,708 \$ 47,303

Passenger facility charges and interest unapplied

63,539 107,502

Customer facility charges and interest applied*

13,029 3,470

Commercial paper reserve

280 206

SBD bond guarantee

4,000 4,000

Bond proceeds held by trustee

5,465 5,467

Commercial paper interest held by trustee

163 36

Passenger facility charges receivable

4,760 4,520

Customer facility charges receivable*

1,147 1,009

OCIP insurance reserve

6,400 1,066

Total restricted assets

\$ 144,491 \$ 174,579

*ConRAC Facility



Balance Sheets (Unaudited)

ASSETS

| | (In thousands) | |
|----------------------------------|-------------------|-------------------|
| | September | |
| | 2010 | 2009 |
| Noncurrent assets: | | |
| Capital assets: | | |
| Land and land improvements | \$ 23,454 | \$ 23,582 |
| Runways, roads and parking lots | 235,385 | 229,197 |
| Buildings and structures | 462,703 | 417,471 |
| Machinery and equipment | 10,074 | 7,771 |
| Vehicles | 5,295 | 5,620 |
| Office furniture and equipment | 30,072 | 24,122 |
| Works of art | 2,257 | 2,175 |
| Construction-in-progress | 205,940 | 128,876 |
| Total capital assets | 975,180 | 838,814 |
| Less: accumulated depreciation | (471,454) | (433,893) |
| Total capital assets, net | \$ 503,726 | \$ 404,921 |

Balance Sheets (Unaudited)

ASSETS

(In thousands)
September

| | 2010 | 2009 |
|--------------------------------------|-------------------|-------------------|
| Other assets: | | |
| Notes receivable - long-term portion | \$ 44,221 | \$ 45,854 |
| Investments - long-term portion | 8,383 | 13,563 |
| Deferred costs - bonds (net) | 771 | 840 |
| Net pension asset | 8,178 | 3,943 |
| Total other assets | 61,553 | 64,200 |
| Total noncurrent assets | 565,279 | 469,121 |
| TOTAL ASSETS | \$ 830,950 | \$ 704,041 |



Balance Sheets (Unaudited)

LIABILITIES AND NET ASSETS

| | (In thousands) | |
|--|------------------|-----------------|
| | September | |
| | 2010 | 2009 |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 39,893 | \$ 45,762 |
| Deposits and other current liabilities | 3,433 | 2,983 |
| Total current liabilities | 43,326 | 48,745 |
| Current liabilities - payable from restricted assets: | | |
| Current portion of long-term debt | 3,265 | 3,105 |
| Accrued interest on bonds and commercial paper | 803 | 767 |
| Total liabilities payable from restricted assets | \$ 4,068 | \$ 3,872 |



Balance Sheets (Unaudited)

LIABILITIES AND NET ASSETS

| | (In thousands) | |
|---|-------------------|-------------------|
| | September | |
| | 2010 | 2009 |
| Long-term liabilities - other: | | |
| Commercial paper notes payable | \$ 164,430 | \$ 84,430 |
| Deferred rent liability | 540 | 1,077 |
| Other long-term liabilities | 1,196 | 1,077 |
| Long-term debt - bonds net of amortized premium | 37,915 | 41,176 |
| Total long-term liabilities | 204,081 | 127,760 |
| Total liabilities | \$ 251,475 | \$ 180,377 |

Balance Sheets (Unaudited)

LIABILITIES AND NET ASSETS

| | (In thousands) | |
|---|-------------------|-------------------|
| | September | |
| | 2010 | 2009 |
| Authority net assets: | | |
| Invested in capital assets, net of related debt | \$ 298,656 | \$ 282,514 |
| Other restricted | 147,756 | 177,684 |
| Unrestricted: | | |
| Designated | 32,779 | 18,739 |
| Undesignated | 100,284 | 44,727 |
| Total net assets | 579,475 | 523,664 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 830,950 | \$ 704,041 |

Authority's Investments



Total Portfolio Summary

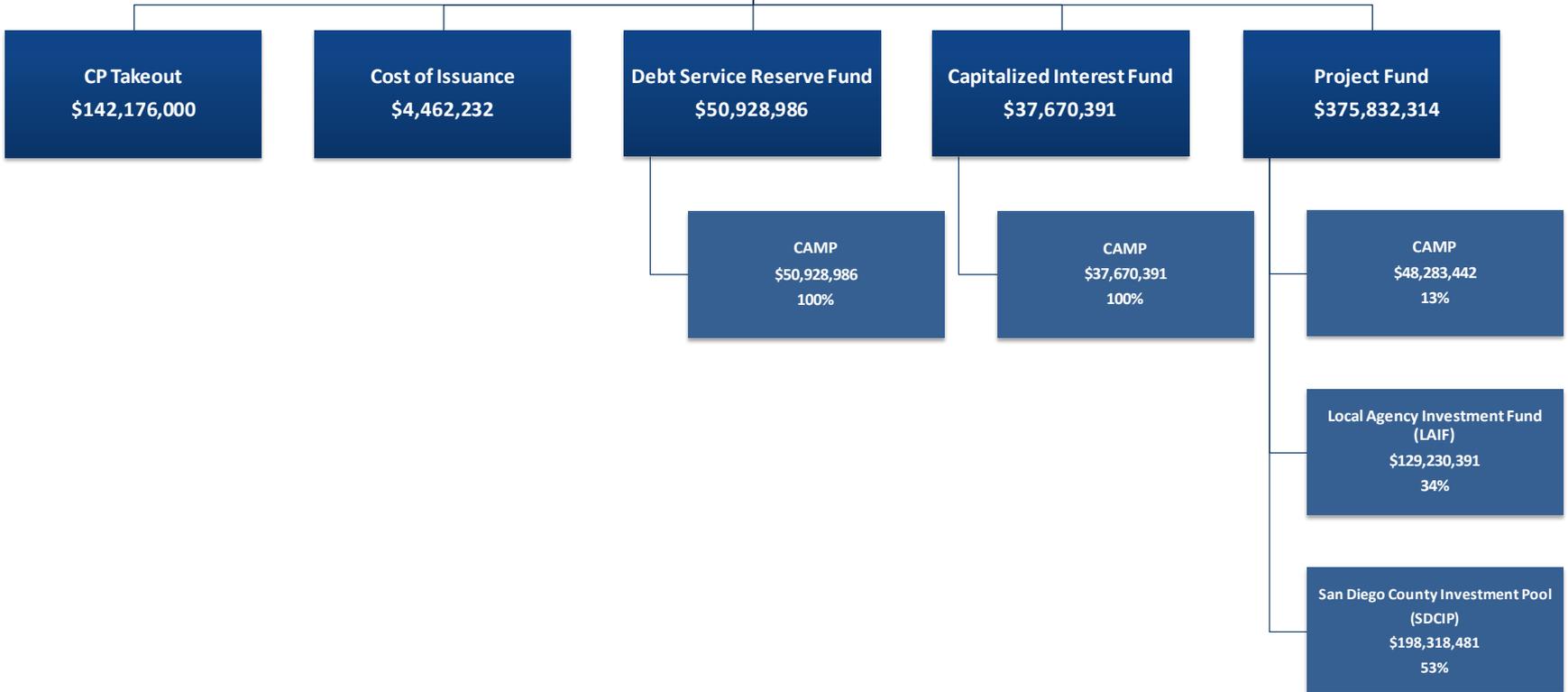
| | Current Period | Prior Period | Change From |
|---|--------------------|---------------|----------------|
| | September 30, 2010 | June 30, 2010 | Prior |
| Book Value | \$230,645,000 | \$246,187,000 | (\$15,542,000) |
| Market Value | \$230,579,000 | \$246,197,000 | (\$15,618,000) |
| Market Value% | 100.10% | 100.14% | (0.04%) |
| Unrealized Gain / (Loss) | (\$66,000) | \$10,000 | (\$76,000) |
| Weighted Average Maturity (Days) | 288 days | 238 days | 51 |
| Weighted Average Yield as of Period End | 1.03% | 1.17% | (0.14%) |
| Cash Interest Received- Current Month | \$188,000 | | |
| Cash Interest Received- Quarter-to-Date | \$678,000 | \$662,000 | \$16,000 |
| Accrued Interest | \$412,000 | \$531,000 | (\$119,000) |

Airport Revenue Bonds

\$572,565,000

\$22,933,582 in Original Issue Premium, \$12,350,579 in Unspent CP Proceeds & \$3,220,762 in Underwriter's Discount

*Total proceeds were \$611,069,923



Authority's Debt



Summary of Outstanding Commercial Paper September 30, 2010

| CUSIP Number | Issue Date | Principal | Maturity Date | Rate | # of Days | Interest | Interest Due |
|----------------------------------|------------|------------------------------|---------------|--------------------------------------|-----------|-------------------------|--------------|
| <u>SERIES A (Non-AMT)</u> | | | | | | | |
| 79739TBF4 | 9/1/2010 | \$ 6,525,000 | 10/6/2010 | 0.28% | 35 | \$ 1,752 | 10/5/2010 |
| 79739TBC1 | 9/3/2010 | 6,525,000 | 10/6/2010 | 0.26% | 33 | 1,534 | 10/5/2010 |
| 79739TBE7 | 8/5/2010 | 1,000,000 | 10/6/2010 | 0.26% | 62 | 442 | 10/5/2010 |
| 79739TBE7 | 8/5/2010 | 26,926,000 | 10/6/2010 | 0.26% | 62 | 11,892 | 10/5/2010 |
| 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>42,670</u> | |
| <u>SERIES B (AMT)</u> | | | | | | | |
| 79739UAW5 | 9/15/2010 | 22,254,000 | 10/6/2010 | 0.27% | 21 | 3,457 | 10/5/2010 |
| 79739UAX3 | 9/3/2010 | 20,000,000 | 10/6/2010 | 0.29% | 33 | 5,244 | 10/5/2010 |
| 79739UBK0 | 8/5/2010 | 15,000,000 | 10/6/2010 | 0.29% | 62 | 7,389 | 10/5/2010 |
| Subtotal | | <u>57,254,000</u> | | | | <u>16,090</u> | |
| <u>SERIES C (TAXABLE)</u> | | | | | | | |
| 79739VAH6 | 9/15/2010 | 31,600,000 | 10/6/2010 | 0.27% | 21 | 4,909 | 10/5/2010 |
| 79739VAN3 | 9/8/2010 | 8,200,000 | 10/6/2010 | 0.27% | 28 | 1,698 | 10/5/2010 |
| | | <u>39,800,000</u> | | | | <u>6,607</u> | |
| TOTAL | | <u>\$ 164,430,000</u> | | | | <u>\$ 65,367</u> | |
| | | | | Weighted Average Interest Rate | | | 0.30% |

Questions

