



Item 3

# San Diego County Regional Airport Authority

Review of the Unaudited Financial  
Statements for the Five Months  
Ended November 30, 2010

**Revised 12/17/10**

Presented by:

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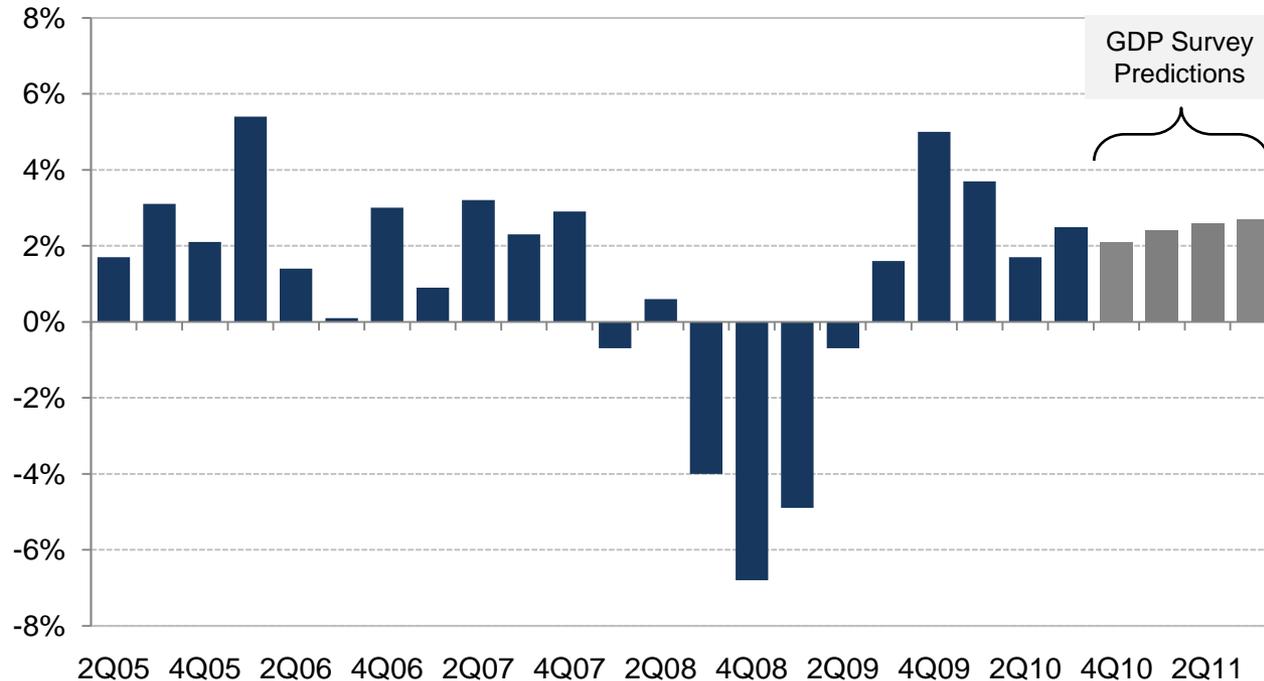
Vice-President-Finance/Treasurer and CFO

December 20, 2010

# 3rd Quarter 2010 GDP Revised Higher

- GDP was revised to 2.5% from the initial release of 2.0% growth for the third quarter 2010. This revision was especially good as it came in large part from a 0.6% revision to final sales of domestic products and final sales to domestic purchasers, which were revised higher by 0.4%. This release indicates better than expected consumer demand, which is important in a consumer-driven economy. However, economic growth is expected to remain weak over the coming year.

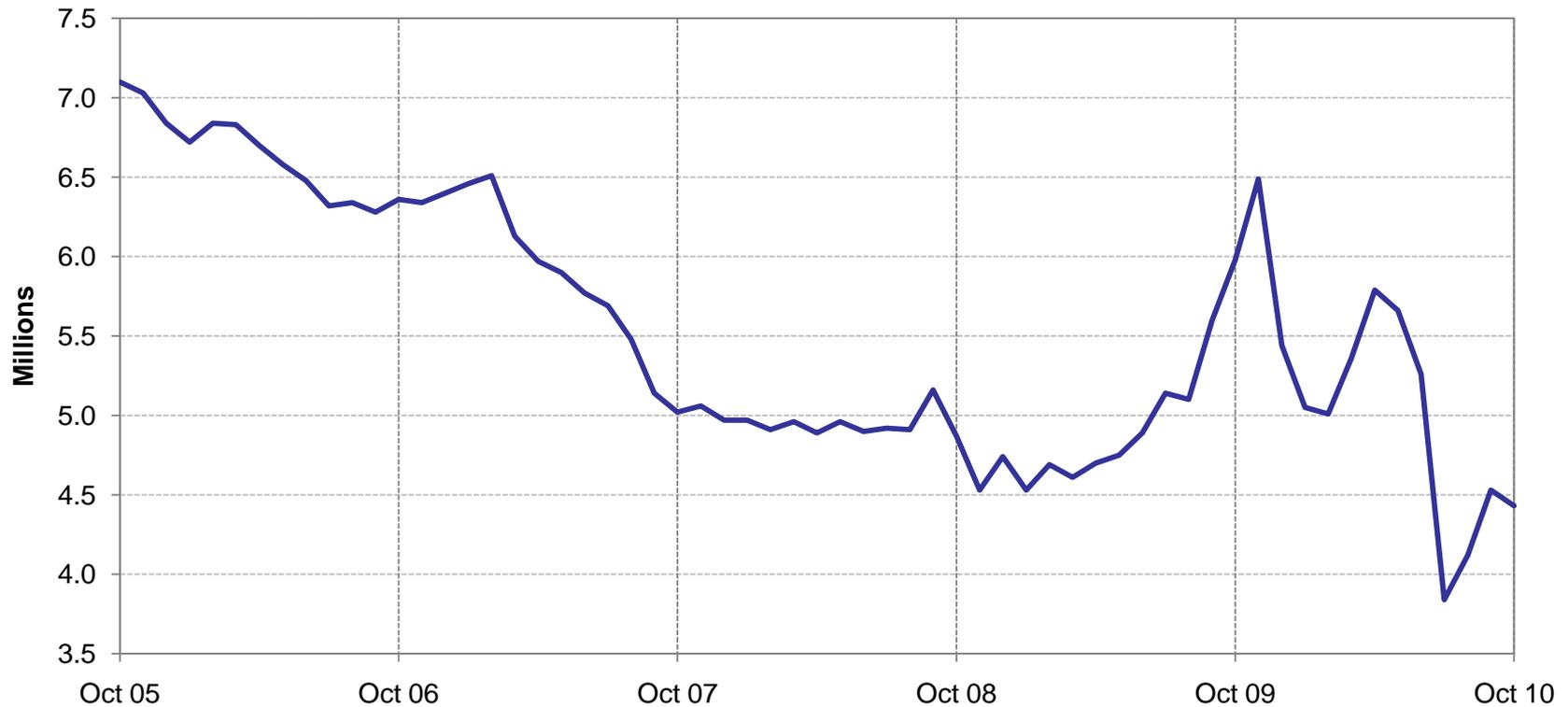
**Gross Domestic Product (Quarter over Quarter)**  
Second Quarter 2005 – Third Quarter 2011



# Existing Home Sales Fall Slightly

- Existing home sales fell slightly to 4.43 million, which is a drop of 2.2% month over month. Analysts' estimates showed an expected drop to 4.5 million. Lack of demand caused prices to fall, as the median price of an existing home dipped to \$170,500, losing value for the fourth consecutive month. The average months on the market for a home is still poor at 10.5 months, indicating the real estate market is still struggling, and consumers are still wary of investment in homes.

**Existing Home Sales**  
October 2005 – October 2010



# New Home Sales Fall

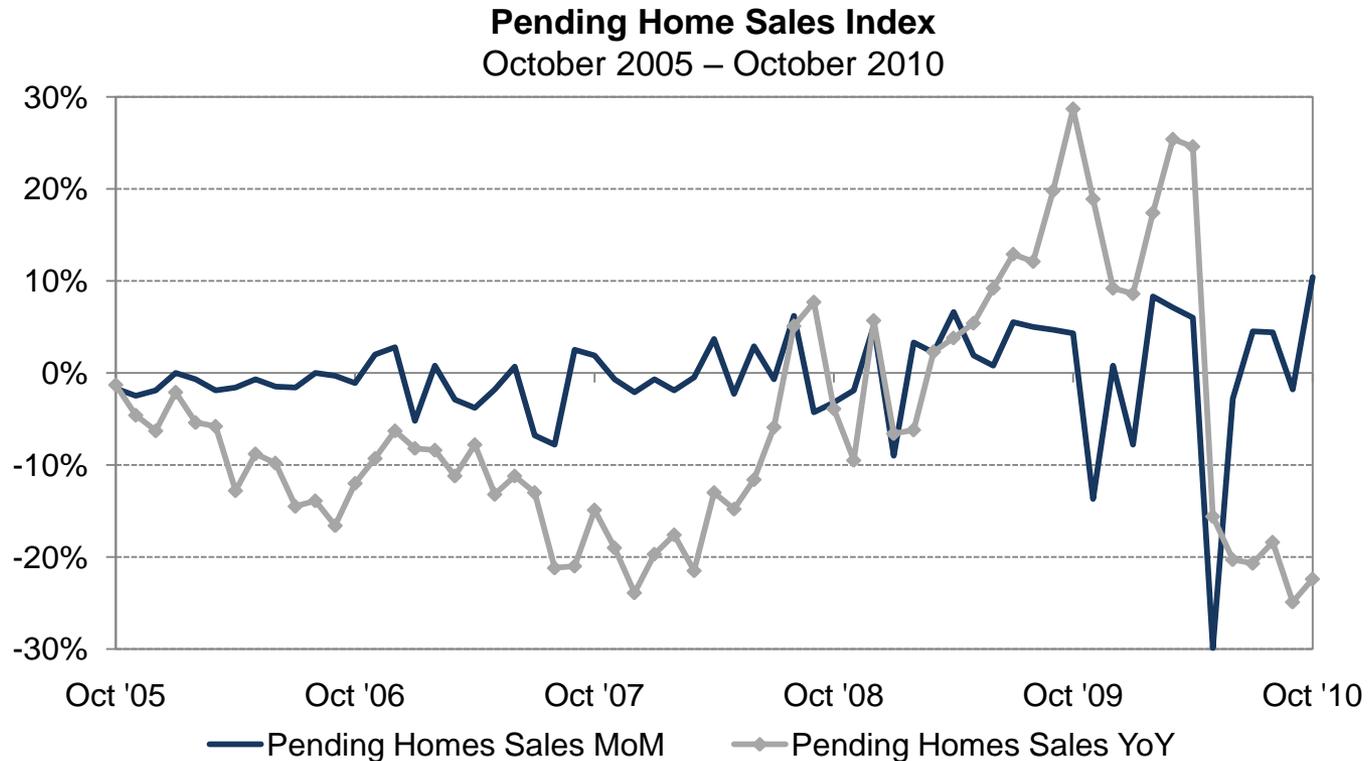
- New home sales fell by 8.1% in October. After a temporary boost from the tax credit, which expired earlier this year, housing continues to experience an uneven recovery. Despite continued low interest rates, high unemployment, tight credit, foreclosure issues and price declines continue to impede the recovery in the housing market.

**New Home Sales**  
October 2005 – October 2010



# Pending Home Sales Have Strong Month

- One positive sign in the housing market is that pending home sales had a very strong month, rising 10.4% month over month in October. Low home prices, as well as low rates, seem to be helping demand in the real estate market. The Northeast and Midwest showed the most promise, with the South showing modest gains. In addition, existing home sales months supply has dropped to 10.5 in October from a high of 12.5 months in July, but still remains elevated over historical averages. Strength in pending home sales is much needed good news for the real estate sector, which has been struggling since the beginning of the financial crisis.



*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.*



# Consumer Confidence Improves

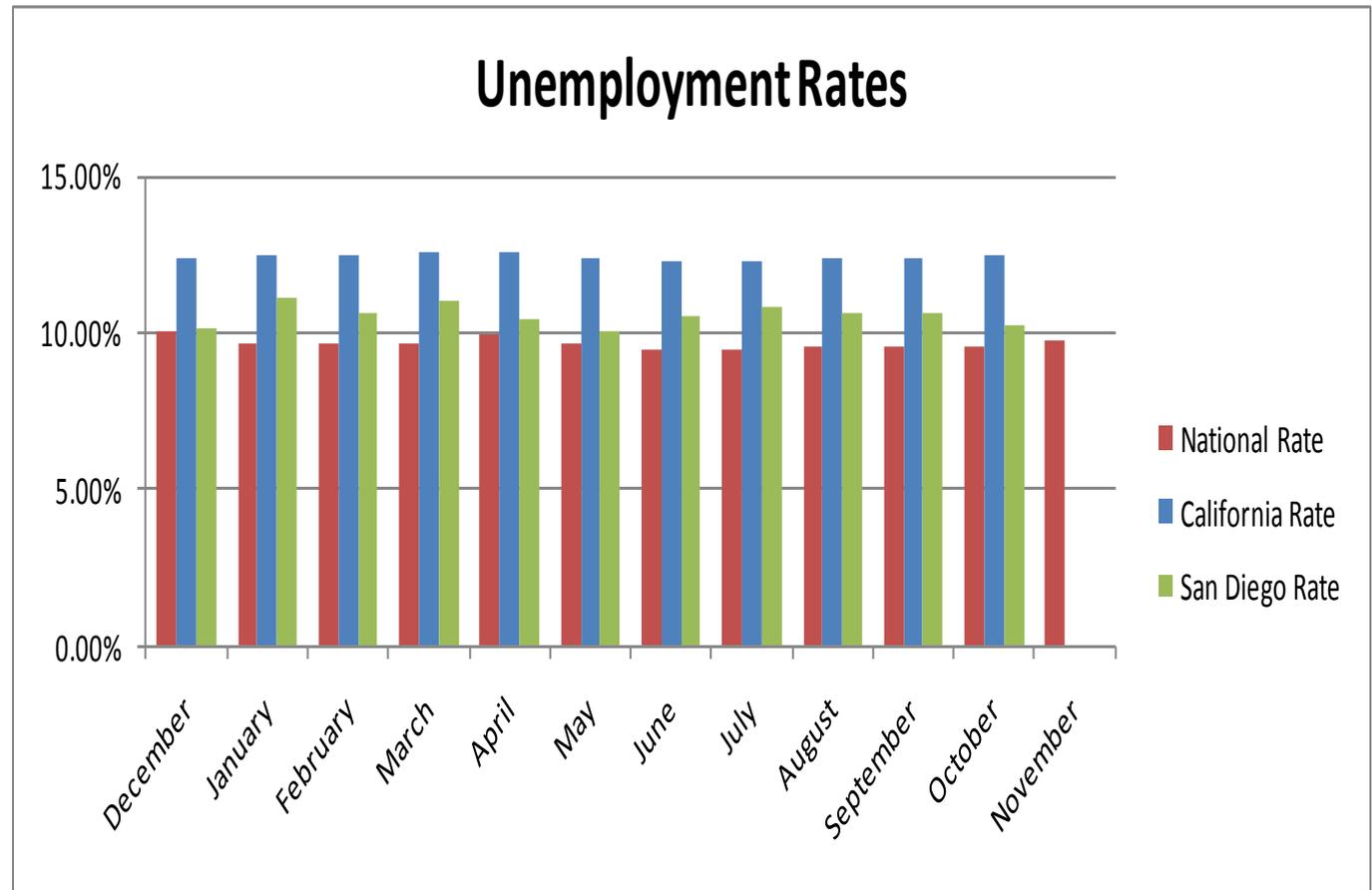
- Consumer confidence improved slightly in November for the second straight month. Consumer confidence is now at its highest level in five months. However, consumers remain concerned about the strength of the economic recovery.

**Consumer Confidence**  
November 2005 – November 2010



# Unemployment Rate This Fiscal Year

The California unemployment rate of 12.5% (to be updated) remains much higher than the National average, which increased in November to 9.8%. The U-6 rate remained at 17% for November. San Diego unemployment rate is 10.2% (to be updated).



# Oil Prices Trend Higher

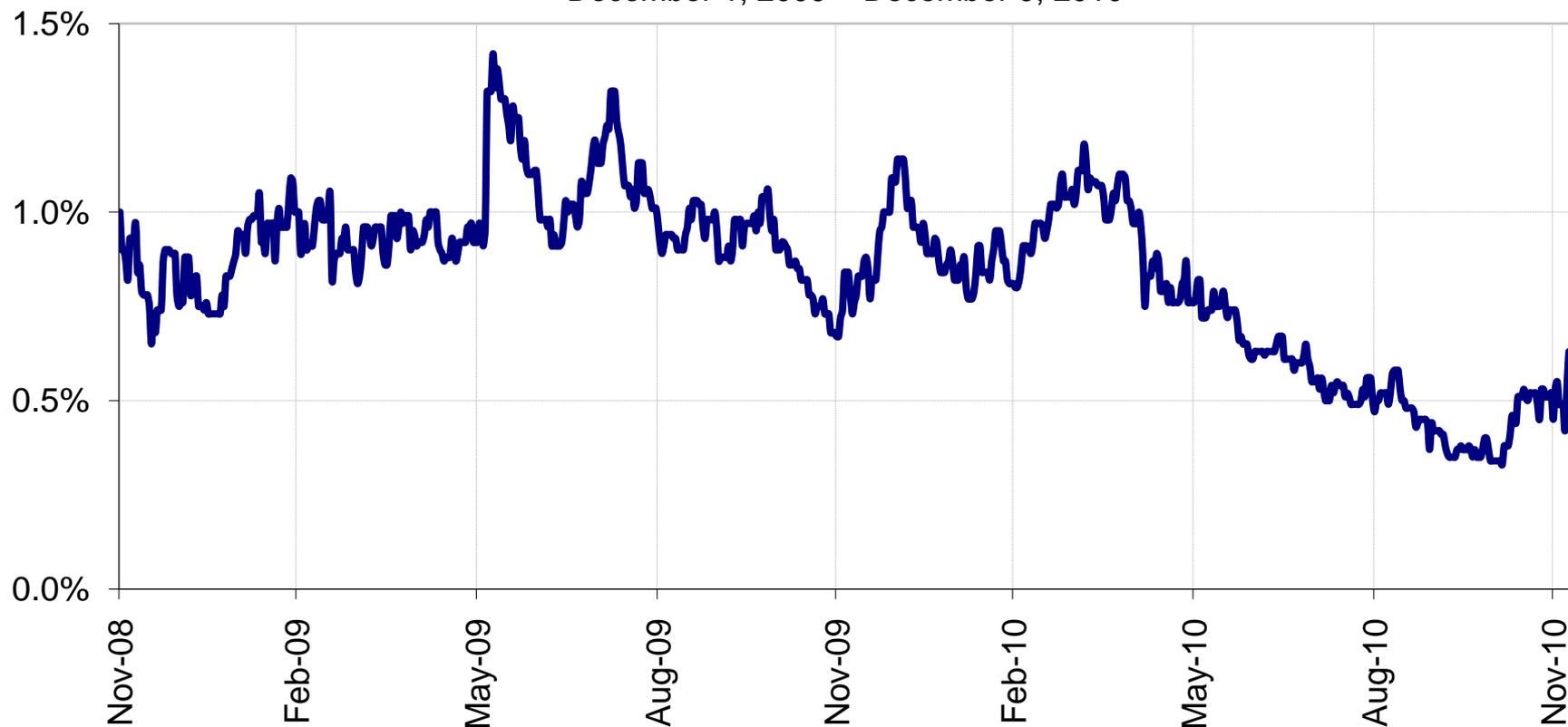
- Oil prices are up over 21% during the past twelve months. Increased global demand and a weakening dollar have helped fuel the increase in recent months.



## 2-Year U. S. Treasury Yields Increase

- 2-year U.S. Treasury yields moved up in the week as the European Union announced that it would continue support for countries struggling with debt issues, especially Ireland. Yields were also buoyed by positive economic data in the week, including strong pending home sales data. The 2-year Treasury yield reached 0.63% on December 8<sup>th</sup>, its highest level since July.

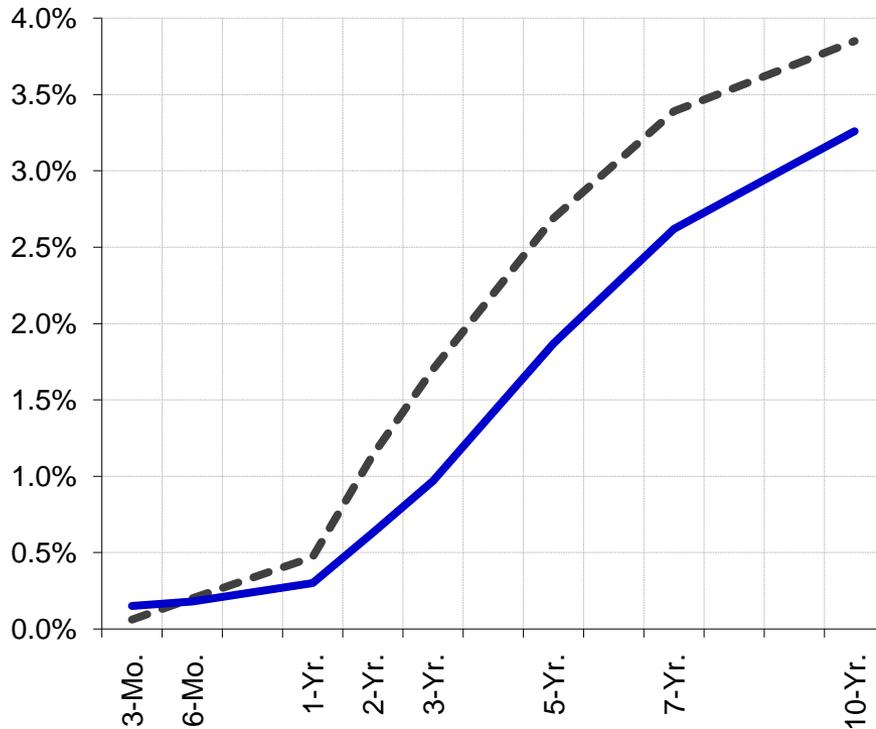
**2-Year U.S. Treasury Yields**  
December 1, 2009 – December 9, 2010



# U.S. Treasury Yield Curve

- Although Treasury yield have increased sharply in recent weeks, they are still down for the year.

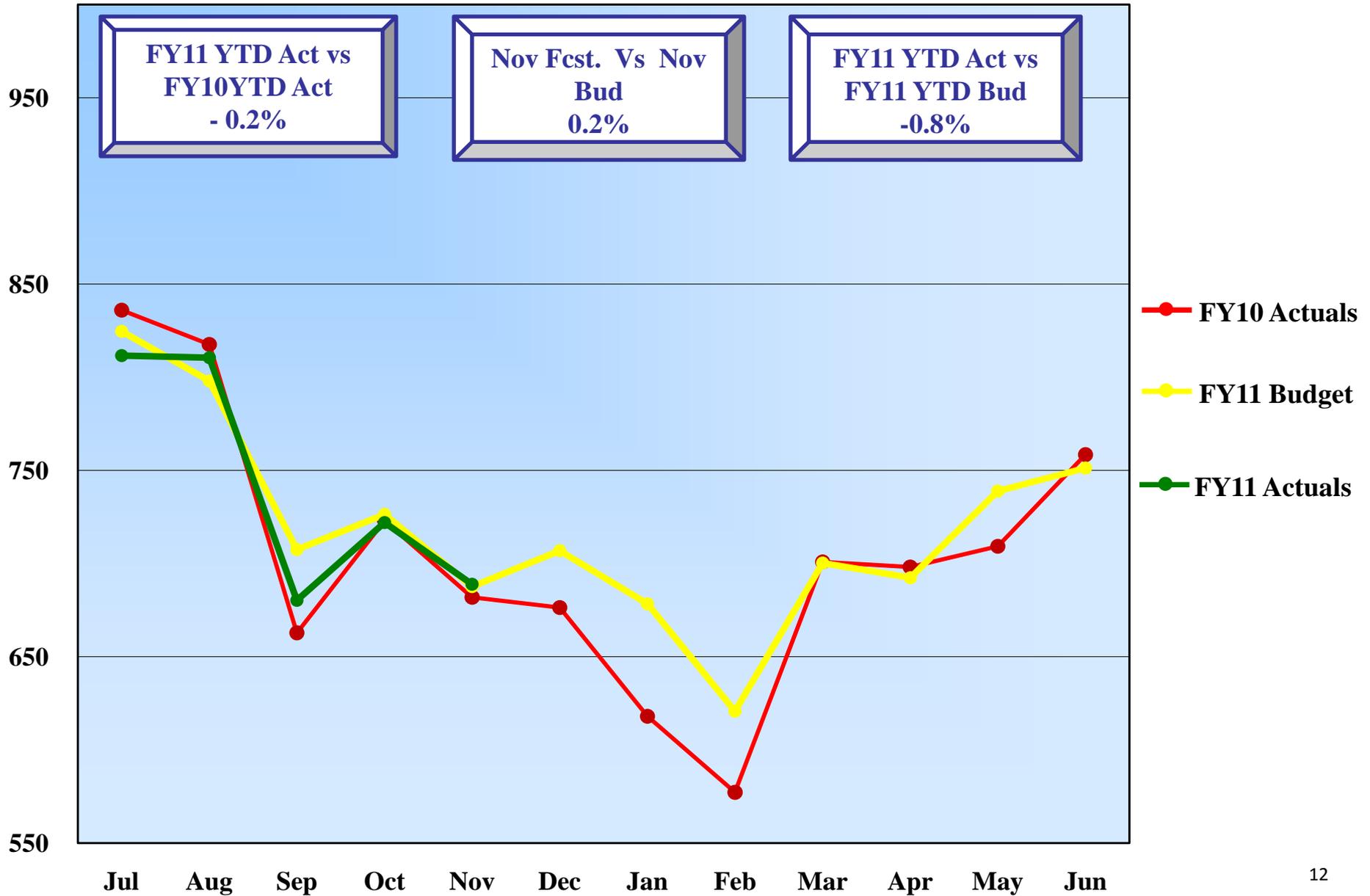
**U.S. Treasury Yield Curve**  
December 31, 2009 vs. December 8, 2010



	12/31/09	12/8/10	Change
<b>3-Mo.</b>	0.06%	0.15%	0.09%
<b>6-Mo.</b>	0.20%	0.18%	(0.02%)
<b>1-Yr.</b>	0.47%	0.30%	(0.17%)
<b>2-Yr.</b>	1.14%	0.63%	(0.51%)
<b>3-Yr.</b>	1.70%	0.97%	(0.73%)
<b>5-Yr.</b>	2.69%	1.87%	(0.82%)
<b>10-Yr.</b>	3.85%	3.26%	(0.59%)

# Enplanements

000s



000s

# Gross Landing Weight Units (000 lbs)

**FY11 YTD Act vs  
FY10 YTD Act  
- 2.9%**

**Nov Act vs Nov  
Bud  
-0.5%**

**FY11 YTD Act vs  
FY11 YTD Bud  
-2.9%**

1,150

950

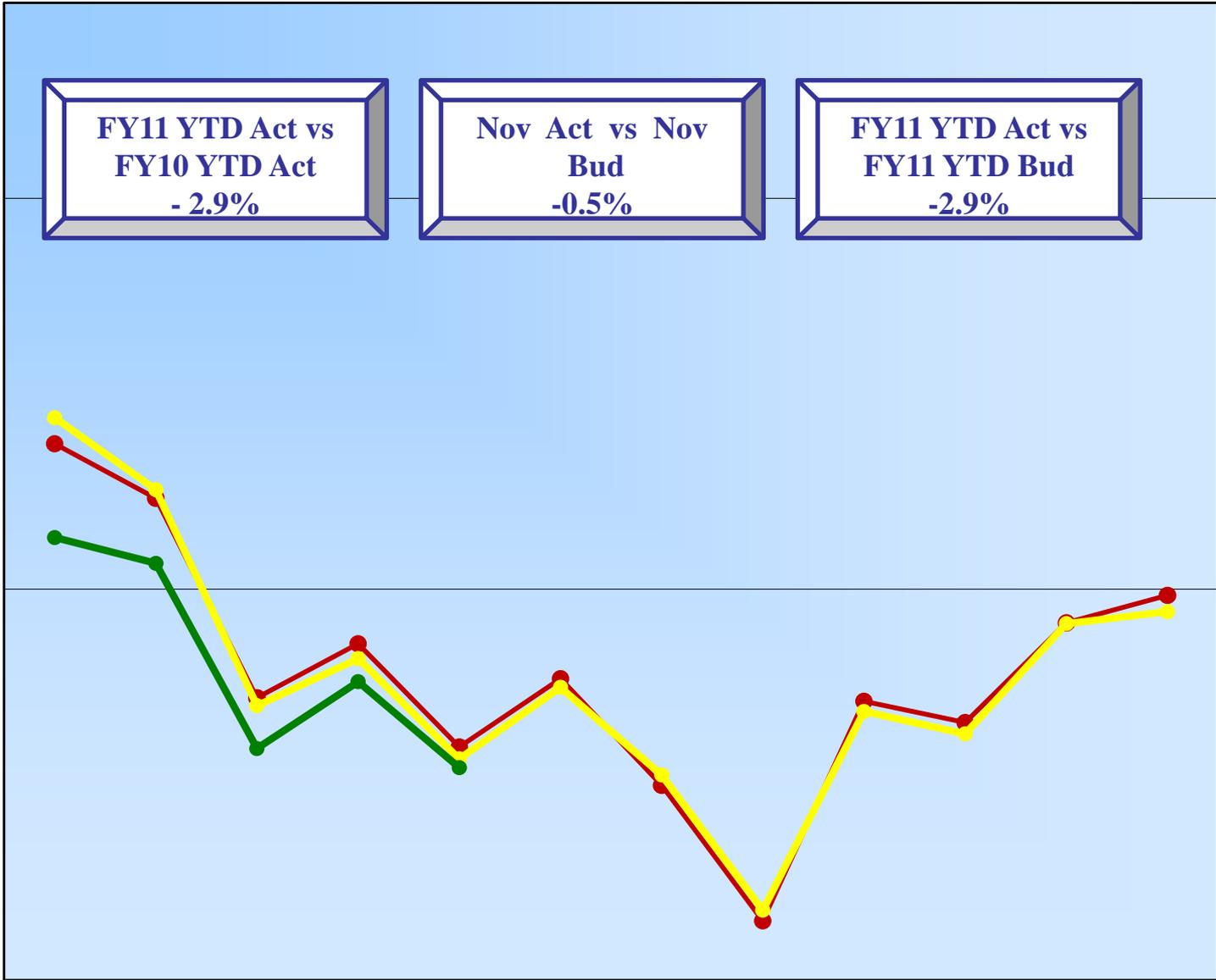
750

**FY10 Actuals**

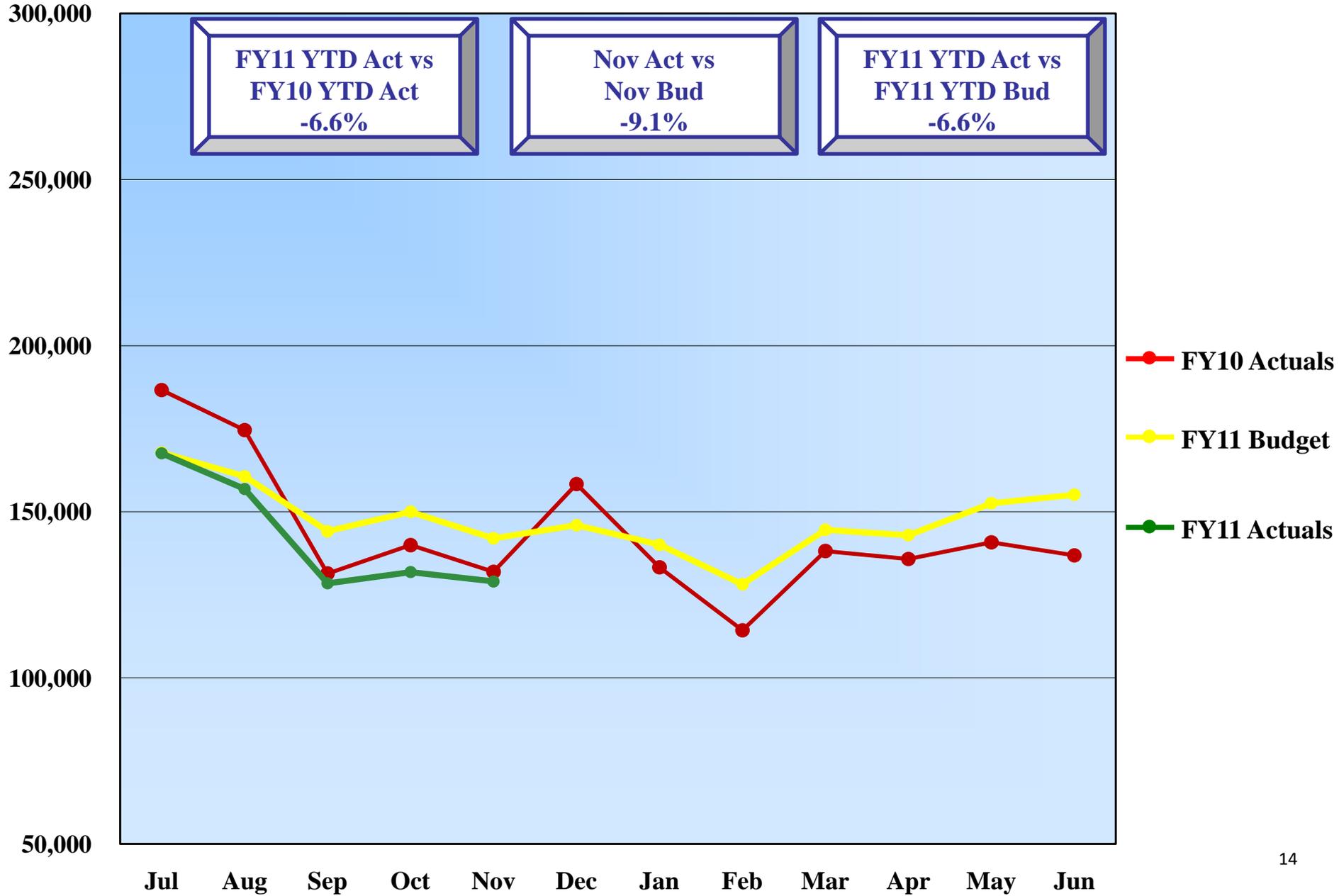
**FY11 Budget**

**FY 11Actuals**

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

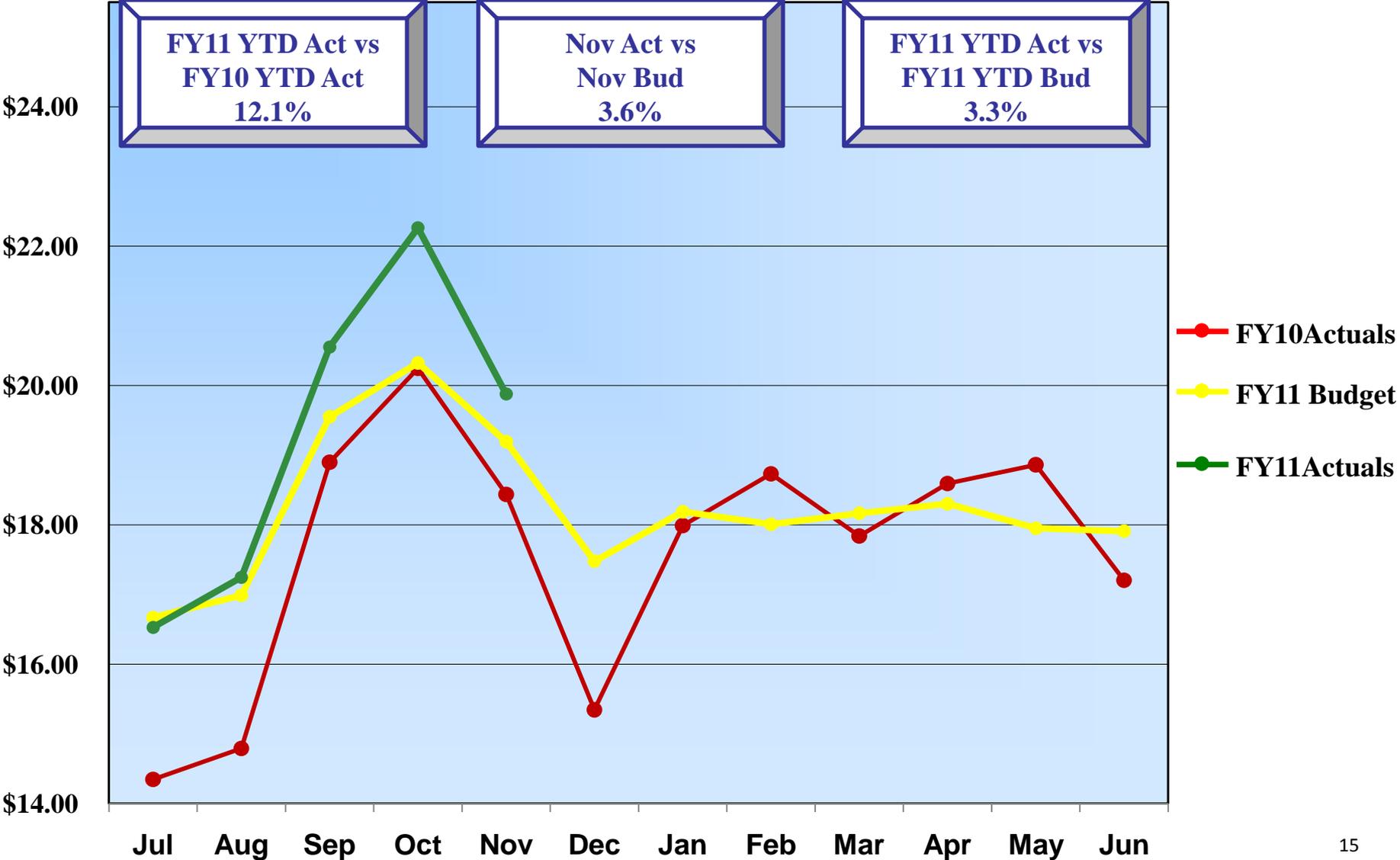


# Airport Parking Transactions

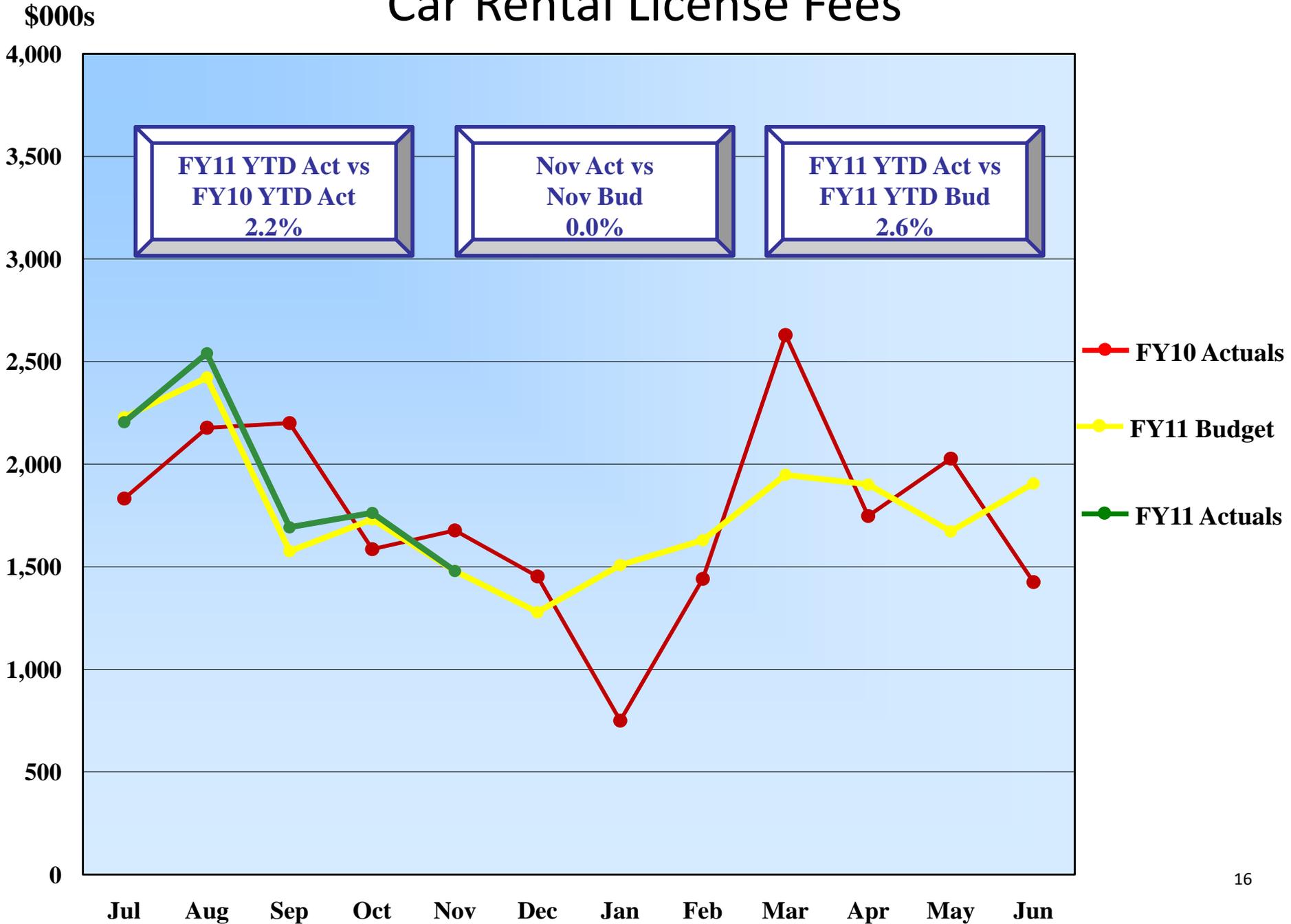


# Airport Parking

Revenue (\$) / Transaction



# Car Rental License Fees



# Unaudited Financial Statements For the Five Months Ended November 30, 2010



# Revenues and Expenses (Unaudited)

## For the month ended November 30, 2010



# Operating Revenues For the Month Ended November 30, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Aviation revenue:</b>					
Landing fees	\$ 1,507	\$ 1,500	\$ (7)	-	\$ 1,541
Aircraft parking fees	236	245	9	4%	286
Building rentals	2,312	2,322	10	-	2,126
Security surcharge	1,232	1,232	(0)	-	992
Other aviation revenue	130	128	(2)	(2)%	133
<b>Total aviation revenue</b>	<b>\$ 5,417</b>	<b>\$ 5,427</b>	<b>\$ 10</b>	<b>-</b>	<b>\$ 5,078</b>



# Operating Revenues

## For the Month Ended

### November 30, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 72	\$ 67	\$ (5)	(7)%	\$ 65
<b>Concession revenue:</b>					
<b>Terminal concession revenue:</b>					
Food and beverage	479	475	(4)	(1)%	506
Gifts and news	311	304	(7)	(2)%	300
Other	230	230	-	-	172
<b>Total terminal concession revenue</b>	<b>1,020</b>	<b>1,009</b>	<b>(11)</b>	<b>(1)%</b>	<b>978</b>
<b>Car rental and license fee revenue:</b>					
Rental car and license fees	1,479	1,479	0	-	1,677
License fees-other	255	210	(45)	(18)%	212
Total rental car and license fees	1,734	1,689	(45)	(3)%	1,889
<b>Total concession revenue</b>	<b>\$ 2,754</b>	<b>\$ 2,698</b>	<b>\$ (56)</b>	<b>(2)%</b>	<b>\$ 2,867</b>

# Operating Revenues For the Month Ended November 30, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Parking revenue:</b>					
On-airport parking revenue	\$ 1,801	\$ 1,583	\$ (218)	(12)%	\$ 1,467
Off-airport parking revenue	924	981	57	6%	965
<b>Total parking revenue</b>	<b>2,725</b>	<b>2,564</b>	<b>(161)</b>	<b>(6)%</b>	<b>2,432</b>
Ground transportation permits and citations	49	37	(12)	(24)%	53
Ground rentals	514	506	(8)	(2)%	477
Grant reimbursement	90	221	131	146%	35
Other operating revenue	60	64	4	7%	37
Subtotal	3,438	3,392	(46)	(1)%	3,034
<b>Total operating revenues</b>	<b>\$ 11,681</b>	<b>\$ 11,584</b>	<b>\$ (97)</b>	<b>(1)%</b>	<b>\$ 11,044</b>

# Operating Expenses For the Month Ended November 30, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Operating expenses:</b>					
Salaries and benefits	\$ 2,985	\$ 2,886	\$ 99	3%	\$ 2,731
Contractual services	2,429	2,448	(19)	(1)%	2,303
Safety and security	1,606	1,538	68	4%	1,569
Space rental	909	908	1	-	908
Utilities	536	509	27	5%	355
Maintenance	656	587	69	11%	585
Equipment and systems	68	95	(27)	(40)%	104
Materials and supplies	35	54	(19)	(54)%	15
Insurance	102	90	12	12%	99
Employee development and support	81	73	8	10%	56
Business development	257	168	89	35%	170
Equipment rental and repairs	125	142	(17)	(14)%	40
<b>Total operating expenses</b>	<b>\$ 9,789</b>	<b>\$ 9,498</b>	<b>\$ 291</b>	<b>3%</b>	<b>\$ 8,935</b>

# Financial Summary

## For the Month Ended

### November 30, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$ 11,681	\$11,584	\$ (97)	(1)%	\$ 11,044
Total operating expenses	9,789	9,498	291	3%	8,935
<b>Income from operations</b>	<b>1,892</b>	<b>2,086</b>	<b>194</b>	<b>10%</b>	<b>2,109</b>
Depreciation	4,370	4,110	260	6%	3,294
<b>Operating income (loss)</b>	<b>\$ (2,478)</b>	<b>\$ (2,024)</b>	<b>\$ 454</b>	<b>18%</b>	<b>\$ (1,185)</b>



# Nonoperating Revenues and (Expenses) For the Month Ended November 30, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Nonoperating revenues (expenses):</b>					
Passenger facility charges	\$ 2,687	\$ 2,829	\$ 141	5%	\$ 2,937
Customer facility charges (ConRAC Facility)	815	837	\$ 22	3%	915
Quieter Home Program	(342)	(428)	\$ (86)	(25)%	(214)
Interest income	498	439	\$ (59)	(12)%	558
BAB interest rebate	-	795	\$ 795	-	-
Interest expense	(548)	(2,603)	\$ (2,055)	(375)%	(181)
Bond amortization cost	(12)	54	\$ 66	550%	(6)
Other nonoperating revenue (expenses)	(3)	102	\$ 106	3533%	(125)
<b>Nonoperating revenue, net</b>	<b>3,095</b>	<b>2,025</b>	<b>(1,070)</b>	<b>(35)%</b>	<b>3,884</b>
<b>Income before grant contributions</b>	<b>617</b>	<b>1</b>	<b>(616)</b>	<b>(100)%</b>	<b>2,699</b>
Capital grant contributions	2,744	1,245	(1,499)	(55)%	1,572
<b>Net income</b>	<b>\$ 3,361</b>	<b>\$ 1,246</b>	<b>\$ (2,115)</b>	<b>(63)%</b>	<b>\$ 4,271</b>

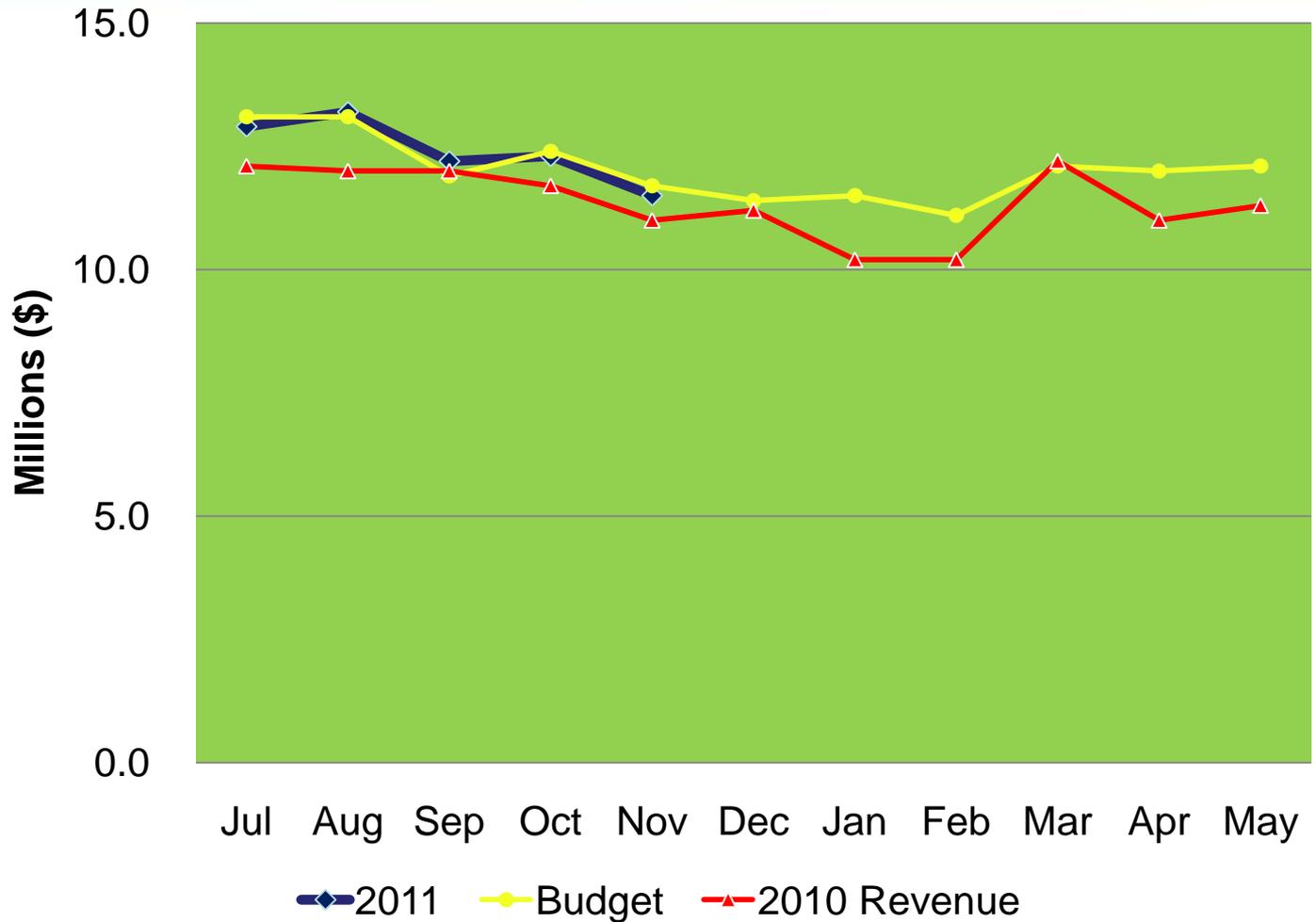
# Revenues and Expenses (Unaudited)

## For the five months ended November 30, 2010



# Monthly Operating Revenue, FY 2011

(Unaudited)



# Operating Revenues

## For the Five Months Ended

### November 30, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Aviation revenue:</b>					
Landing fees	\$ 8,248	\$ 8,018	\$ (230)	(3)%	\$ 8,340
Aircraft parking fees	1,177	1,249	72	6%	1,458
Building rentals	11,572	11,692	120	1%	10,700
Security surcharge	6,161	6,186	25	-	5,012
Other aviation revenue	661	664	3	-	662
<b>Total aviation revenue</b>	<b>\$ 27,819</b>	<b>\$ 27,809</b>	<b>\$ (10)</b>	<b>-</b>	<b>\$ 26,172</b>

# Operating Revenues

## For the Five Months Ended

### November 30, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	%	Prior Year
				Change	
<b>Terminal rent non-airline</b>	\$ 362	\$ 334	\$ (28)	(8)%	\$ 329
<b>Concession revenue:</b>					
<b>Terminal concession revenue:</b>					
Food and beverage	2,591	2,584	(7)	-	2,633
Gifts and news	1,694	1,684	(10)	(1)%	1,605
Other	1,226	1,176	(50)	(4)%	948
<b>Total terminal concession revenue</b>	<b>5,511</b>	<b>5,444</b>	<b>(67)</b>	<b>(1)%</b>	<b>5,186</b>
<b>Car rental and license fee revenue:</b>					
Rental car license fees	9,436	9,679	243	3%	9,473
License fees-other	1,352	1,166	(186)	(14)%	1,172
Total rental car and license fees	10,788	10,845	57	1%	10,645
<b>Total concession revenue</b>	<b>\$ 16,299</b>	<b>\$ 16,289</b>	<b>\$ (10)</b>	<b>-</b>	<b>\$ 15,831</b>

# Operating Revenues

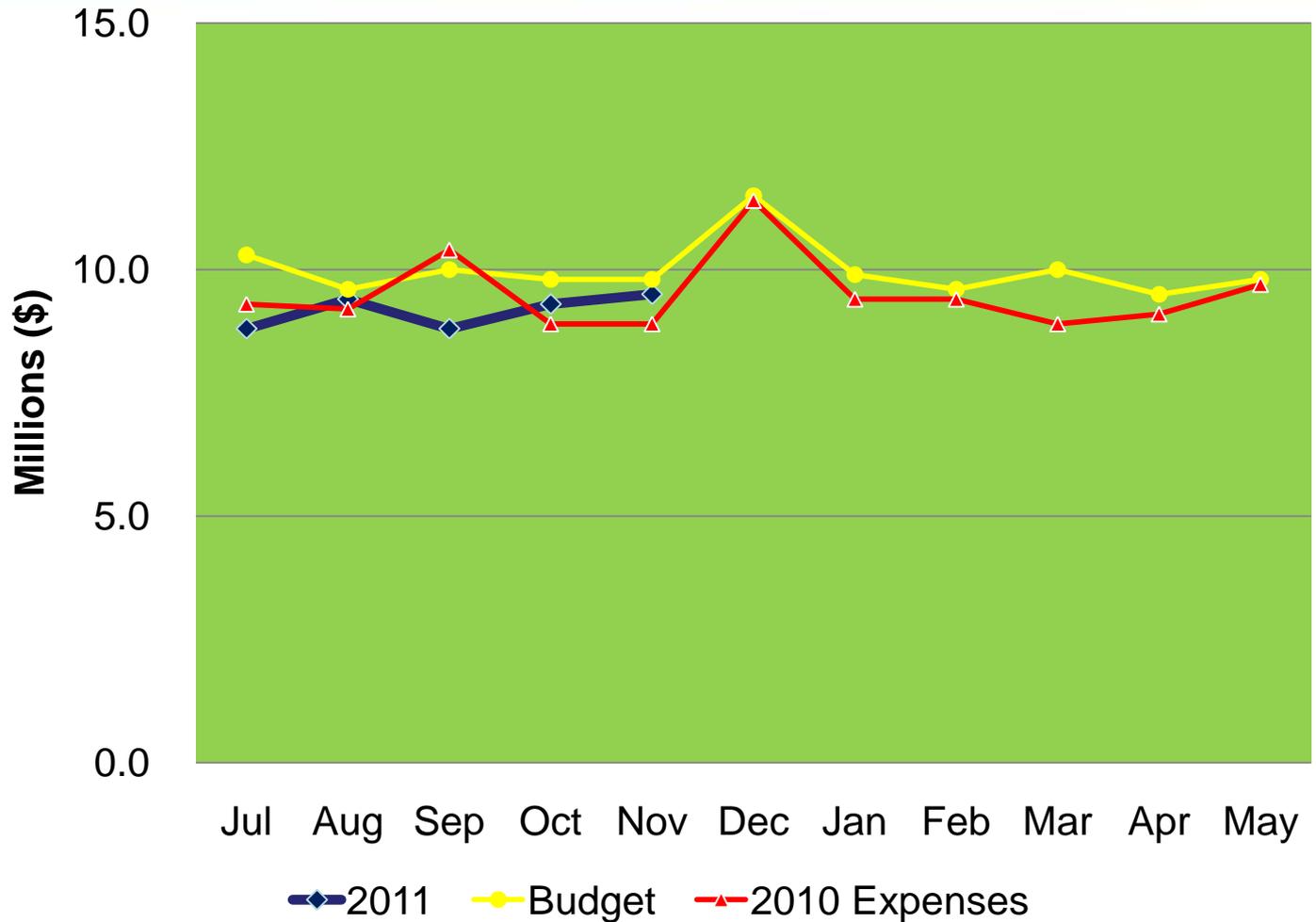
## For the Five Months Ended

### November 30, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Parking revenue:</b>					
On-airport parking revenue	\$ 8,872	\$ 8,592	\$ (280)	(3)%	\$ 8,086
Off-airport parking revenue	5,245	5,022	(223)	(4)%	4,922
<b>Total parking revenue</b>	<b>14,117</b>	<b>13,614</b>	<b>(503)</b>	<b>(4)%</b>	<b>13,008</b>
Ground transportation permits and citations	264	391	127	48%	200
Ground rentals	2,569	2,882	313	12%	2,476
Grant reimbursement	453	390	(63)	(14)%	545
Other operating revenue	301	350	49	16%	197
Subtotal	17,704	17,627	(77)	-	16,426
<b>Total operating revenues</b>	<b>\$ 62,184</b>	<b>\$ 62,059</b>	<b>\$ (125)</b>	-	<b>\$ 58,758</b>

# Monthly Operating Expenses, FY 2011

(Unaudited)



# Operating Expenses

## For the Five Months Ended

### November 30, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Operating expenses:</b>					
Salaries and benefits	\$ 15,013	\$ 14,411	\$ 602	4%	\$ 13,482
Contractual services	12,377	10,827	1,550	13%	11,217
Safety and security	8,099	7,786	313	4%	7,842
Space rental	4,545	4,544	1	-	4,543
Utilities	3,163	2,783	380	12%	3,091
Maintenance	3,377	3,110	267	8%	4,105
Equipment and systems	229	203	26	11%	231
Materials and supplies	167	132	35	21%	157
Insurance	509	451	58	11%	491
Employee development and support	477	305	172	36%	292
Business development	899	629	270	30%	752
Equipment rental and repairs	619	544	75	12%	630
<b>Total operating expenses</b>	<b>\$ 49,474</b>	<b>\$ 45,725</b>	<b>\$ 3,749</b>	<b>8%</b>	<b>\$ 46,833</b>

# Financial Summary

## For the Five Months Ended

### November 30, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$ 62,184	\$ 62,059	\$ (125)	-	\$ 58,758
Total operating expenses	49,474	45,725	3,749	8%	46,833
<b>Income from operations</b>	<b>12,710</b>	<b>16,334</b>	<b>3,624</b>	<b>29%</b>	<b>11,925</b>
Depreciation	21,125	20,575	550	3%	16,454
<b>Operating income (loss)</b>	<b>\$ (8,415)</b>	<b>\$ (4,241)</b>	<b>\$ 4,174</b>	<b>50%</b>	<b>\$ (4,529)</b>

# Nonoperating Revenues and (Expenses) For the Five Months Ended November 30, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Nonoperating revenues (expenses):</b>					
Passenger facility charges	\$ 14,630	\$ 14,356	\$ (274)	(2)%	\$ 14,648
Customer facility charges (ConRAC Facility)	4,485	4,679	194	4%	4,666
Quieter Home Program	(1,526)	(1,500)	26	2%	(1,025)
Interest income	2,493	2,129	(364)	(15)%	3,459
BAB interest rebate	-	795	795	-	-
Interest expense	(1,836)	(3,712)	(1,081)	(102)%	(1,104)
Bond amortization cost	(60)	90	150	250%	(31)
Other nonoperating revenue (expenses)	(17)	182	199	-	(875)
<b>Nonoperating revenue, net</b>	<b>18,169</b>	<b>17,019</b>	<b>(1,150)</b>	<b>(6)%</b>	<b>19,738</b>
<b>Income before grant contributions</b>	<b>9,754</b>	<b>12,777</b>	<b>3,024</b>	<b>31%</b>	<b>15,209</b>
Capital grant contributions	15,397	11,881	(3,516)	(23)%	5,819
<b>Net income</b>	<b>\$ 25,151</b>	<b>\$ 24,658</b>	<b>\$ (492)</b>	<b>(2)%</b>	<b>\$ 21,028</b>

# Build America Bonds

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- The Authority sold \$215.4 million of 30-year Build America Bonds (BABs), which are taxable bonds that receive a 35% interest rate subsidy from the U.S. Treasury
- The BABs were issued at an interest rate of 6.628%
- The effective yield for the BABs (after the 35% subsidy) was 4.31% while the yield to maturity for the 30-year tax exempt maturity was 4.79%
- This equates to a 0.48% favorable effective yield for BABs vs. tax-exempt bonds, or \$16.0 million in net present value savings
- The BABs included a 10-year call provision at par to maintain flexibility for the Authority

# Series A, B and Build America Bonds – Accounting Implications

- Accounting looks to Finance Accounting Standards Board, FASB 62, for bond eligibility to capitalize interest versus recording the interest as an expense.
- Under FASB 62, interest can be capitalized to designated and existing projects immediately if the debt is tax exempt.
- The BAB bonds tax exempt status does not apply under FASB 62, but does apply to Series A and B. BAB bonds interest is recorded under “old” FASB 34 guidance.
- BAB bond interest cannot be capitalized to the designated project until the money is spent. All unspent borrowings continue to be recorded as interest expense.
- BAB bond 35% federal interest rebate cannot be netted with the interest expense but must be separately recorded as interest income.
- This does not change the actual cash flow of the bonds. This is accounting treatment only.
- Therefore, the interest expense is projected for the fiscal year end to show a negative variance of \$7,185,000 and the Federal Government rebate on the Build America Bonds is projected to show a positive variance of \$3,691,000. As shown below, the net effect is a negative variance of \$4,021,000 with the current budget.

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)
BAB interest rebate	\$ -	\$ 3,691	\$ 3,691
Interest expense	(5,359)	(13,071)	(7,712)
	\$ (5,359)	\$ (9,380)	\$ (4,021)

## Balance Sheets (Unaudited)

### ASSETS

	(In thousands)	
	<b>November</b>	
	<b>2010</b>	<b>2009</b>
<b>Current assets:</b>		
Cash and investments	\$ 103,497	\$ 90,320
Tenant lease receivable, net of allowance of 2010: \$20,055 and 2009: \$197,737	4,830	5,150
Grants receivable	4,549	4,016
Notes receivable-current portion	1,613	1,666
Prepaid expenses and other current assets	11,600	9,717
<b>Total current assets</b>	<b>126,089</b>	<b>110,869</b>
<b>Cash designated for capital projects and other</b>	<b>\$ 2,714</b>	<b>\$ 9,438</b>



# Balance Sheets (Unaudited)

## ASSETS

(In thousands)

**November**

**2010**

**2009**

### Restricted assets:

#### Cash and investments:

Bonds reserve

\$ 45,708      \$ 47,303

Passenger facility charges and interest unapplied

65,404      61,773

Customer facility charges and interest applied\*

14,847      5,227

Commercial paper reserve

168      238

SBD bond guarantee

4,000      4,000

Bond proceeds held by trustee

440,508      5,513

Commercial paper interest held by trustee

140      36

Passenger facility charges receivable

3,847      2,800

Customer facility charges receivable\*

828      977

OCIP insurance reserve

6,400      5,282

### **Total restricted assets**

**\$ 581,850      \$ 133,149**

\*ConRAC Facility

## Balance Sheets (Unaudited)

### ASSETS

	(In thousands)	
	<b>November</b>	
	<b>2010</b>	<b>2009</b>
<b>Noncurrent assets:</b>		
<b>Capital assets:</b>		
Land and land improvements	\$ 23,454	\$ 23,582
Runways, roads and parking lots	235,606	229,216
Buildings and structures	463,051	418,052
Machinery and equipment	10,193	7,771
Vehicles	5,469	4,983
Office furniture and equipment	30,078	24,191
Works of art	2,411	2,175
Construction-in-progress	234,350	146,817
<b>Total capital assets</b>	<b>1,004,612</b>	<b>856,787</b>
Less: accumulated depreciation	(479,715)	(439,841)
<b>Total capital assets, net</b>	<b>\$ 524,897</b>	<b>\$ 416,946</b>

## Balance Sheets (Unaudited)

### ASSETS

	(In thousands)	
	<b>November</b>	
	<b>2010</b>	<b>2009</b>
<b>Other assets:</b>		
Notes receivable - long-term portion	\$ 43,954	\$ 45,603
Investments - long-term portion	8,383	18,418
Deferred costs - bonds (net)	4,905	828
Net pension asset	8,085	3,892
<b>Total other assets</b>	<b>65,327</b>	<b>68,741</b>
<b>Total noncurrent assets</b>	<b>590,224</b>	<b>485,687</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,300,877</b>	<b>\$ 739,144</b>



## Balance Sheets (Unaudited)

### LIABILITIES AND NET ASSETS

	(In thousands)	
	<b>November</b>	
	<b>2010</b>	<b>2009</b>
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 42,502	\$ 39,708
Deposits and other current liabilities	3,518	3,262
<b>Total current liabilities</b>	<b>46,020</b>	<b>42,970</b>
<b>Current liabilities - payable from restricted assets:</b>		
Current portion of long-term debt	4,725	3,105
Accrued interest on bonds and commercial paper	6,098	1,173
<b>Total liabilities payable from restricted assets</b>	<b>\$ 10,823</b>	<b>\$ 4,278</b>



## Balance Sheets (Unaudited)

### LIABILITIES AND NET ASSETS

	(In thousands)	
	<b>November</b>	
	<b>2010</b>	<b>2009</b>
<b>Long-term liabilities - other:</b>		
Commercial paper notes payable	\$ 21,509	\$ 114,430
Deferred rent liability	451	988
Other long-term liabilities	1,188	1,090
Long-term debt - bonds net of amortized premium	635,775	41,176
<b>Total long-term liabilities</b>	<b>658,923</b>	<b>157,685</b>
<b>Total liabilities</b>	<b>\$ 715,766</b>	<b>\$ 204,932</b>



## Balance Sheets (Unaudited)

### LIABILITIES AND NET ASSETS

	(In thousands)	
	<b>November</b>	
	<b>2010</b>	<b>2009</b>
<b>Authority net assets:</b>		
Invested in capital assets, net of related debt	\$ 302,790	\$ 264,607
Other restricted	151,579	136,255
Unrestricted:		
Designated	14,799	17,331
Undesignated	115,943	116,019
<b>Total net assets</b>	<b>585,111</b>	<b>534,212</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,300,877</b>	<b>\$ 739,144</b>

# Questions

