



# SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

## Board Communication

**Date:** February 9, 2012  
**To:** Board Members  
**Via:** Thella F. Bowens, President/CEO  
**From:** Vernon D. Evans, Vice President, Finance/Treasurer  
**Subject:** Accept the Unaudited Financial Statements for the Six Months Ended December 31, 2011:

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**RECOMMENDATION:** The Executive Committee recommends that the Board accept the report.

At the January 30, 2012 Executive/Finance Committee meeting, the Committee voted unanimously to forward this item to the February 9, 2012 Board meeting.



Item 11

# San Diego County Regional Airport Authority

Accept the Unaudited Financial  
Statements for the Six Months  
Ended December 31, 2011



Presented by:  
Vernon D. Evans, CPA  
Vice President, Finance / Treasurer & CFO

February 9, 2012



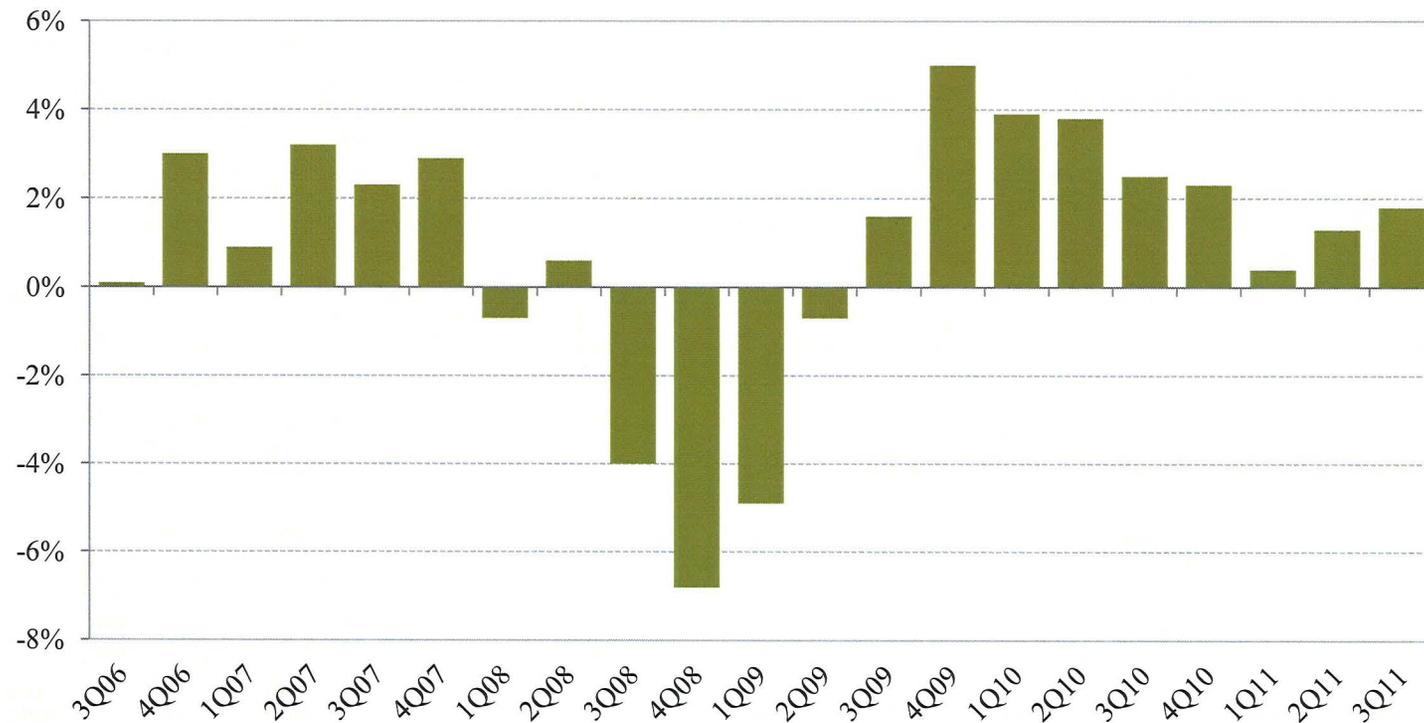
## Third Quarter GDP Revised Downward



The third estimate of 2011Q3 GDP was revised downward to 1.8% compared to the initial estimate of 2.5%. The downward revision was due to lower levels for business inventories and less personal spending on health care.

Economists have raised their 2011Q4 GDP estimate to 2.75% and lowered 2012Q1 to 1.90%. In October, consensus forecasts were for 2.0% growth both quarters.

**U.S. GDP**  
2Q 2006 – 3Q 2011



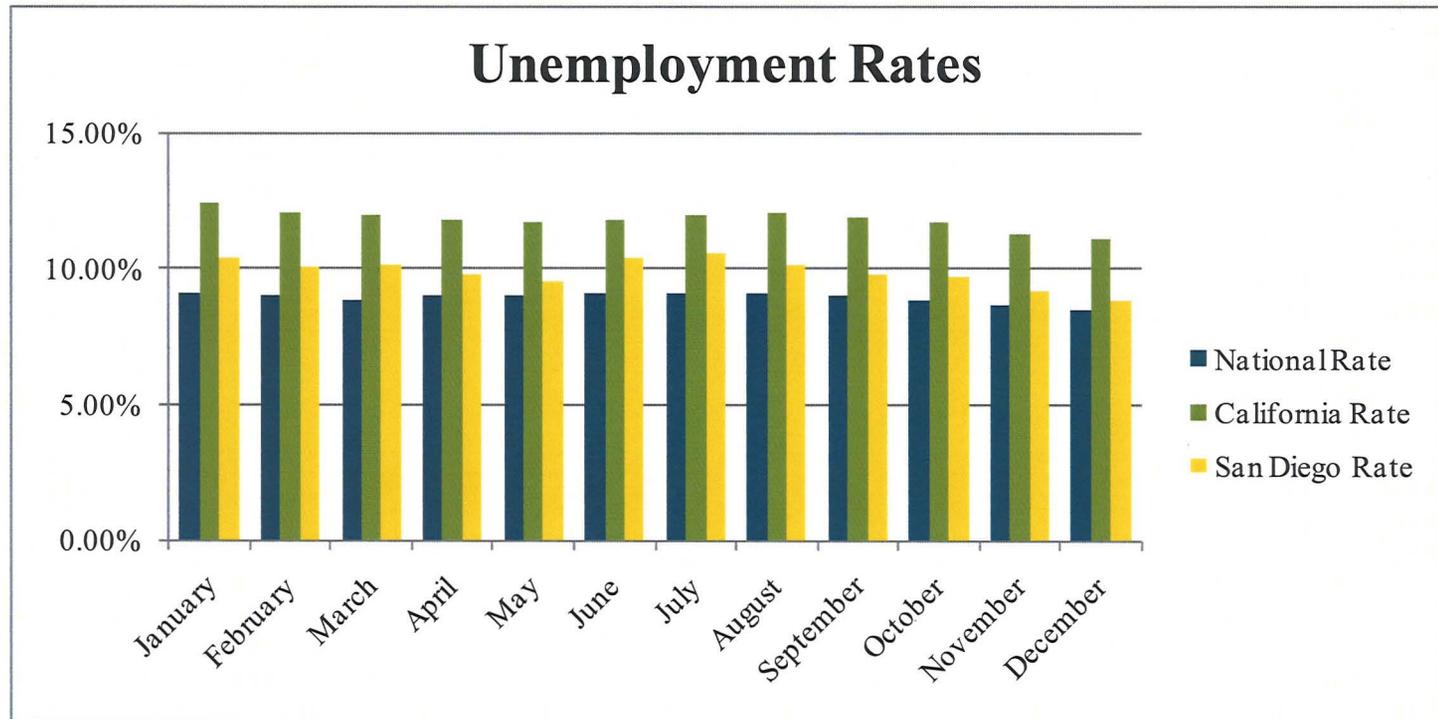




# Unemployment Rate Remains High



The Federal unemployment rate decreased to 8.5% for the month of December. The California unemployment rate decreased to 11.1% in December, but continued to be higher than the national average. The U-6 rate decreased to 15.2% for December. San Diego's unemployment rate decreased to 8.9% for December, 2011.



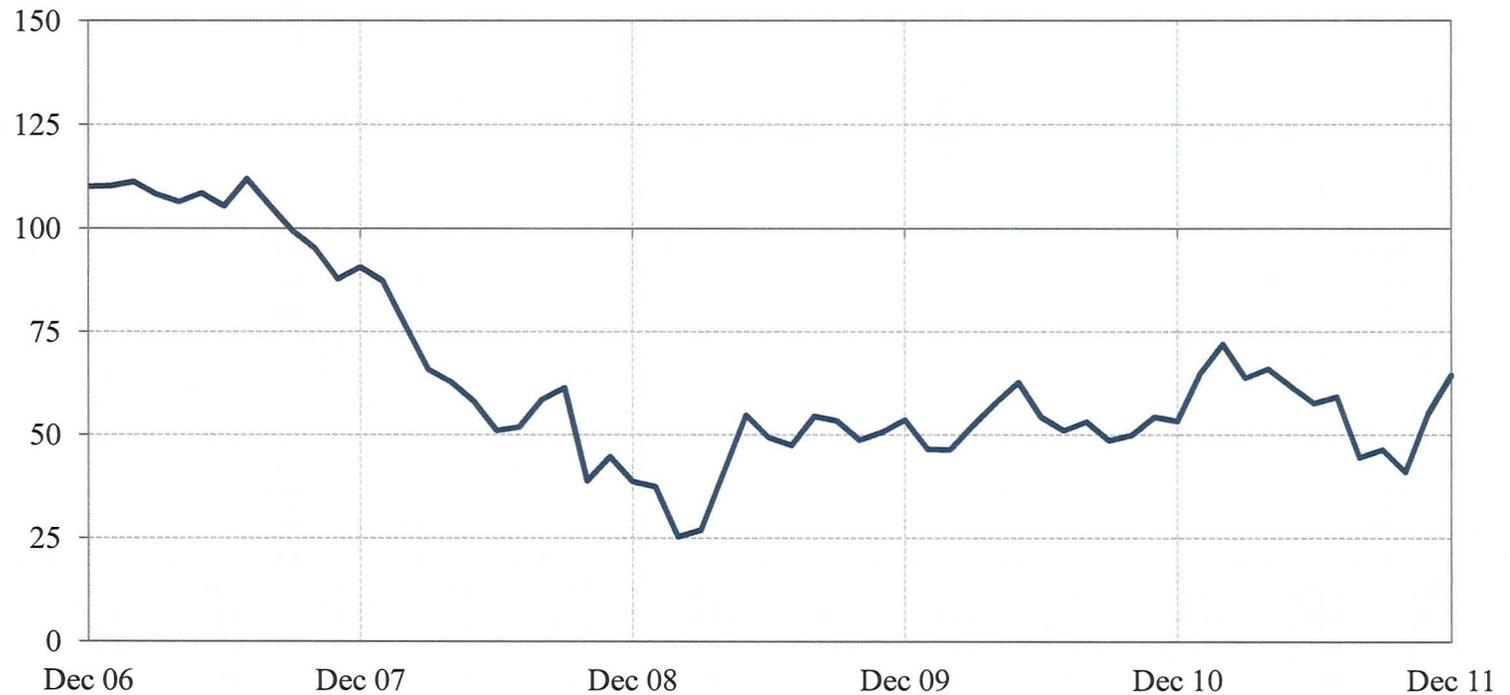


# Consumer Confidence Improves Further in December



Consumer confidence jumped 9.3 points to 64.5 in December (an increase of almost 24 points over the past two months). Consumer Confidence is now back at the levels seen in early spring before the U.S. debt ceiling debacle and S&P U.S. credit downgrade. The survey indicated that “consumers are more optimistic that business conditions, employment prospects and their financial situations will continue to get better.”

**Consumer Confidence**  
December 2006 – December 2011

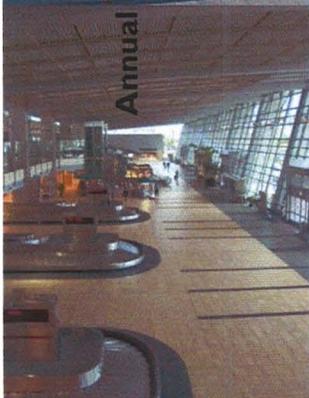
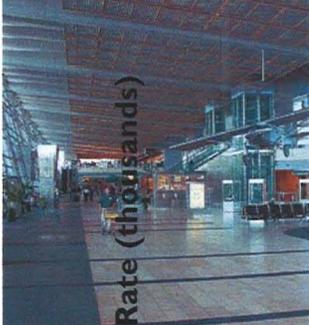




## New Home Sales Up Slightly



New home sales in November were up 1.6% to an annual rate of 315,000, the highest level in seven months. However, the overall sales level remains dismal. In a healthy market, new home sales are typically two to three times that level. Despite very low mortgage rates, a recovery in the housing market remains constrained by an oversupply of unsold homes, falling prices and high unemployment.



**New Home Sales**  
November 2001– November 2011





# Oil Prices Drop



Oil prices (WTI) slip to just under \$100 per barrel, on reports that Europe would hold off on an embargo on Iranian oil imports. Heightened tensions with Iran had propelled oil back above \$100 in the past month.

Continued higher prices could reduce economic growth. Every \$10 rise in the price of a barrel of oil subtracts about 0.3% to GDP

**Oil Price Per Barrel (WTI Spot)**

January 1, 2007 – January 11, 2012





# The Equity Markets Trend Upward



The U.S. equity markets have trended upward in recent weeks driven by generally favorable economic data and renewed investor confidence that the European will be able to resolve its debt crisis. However, a weakening in the economic data or new uncertainty surrounding the European debt crisis could result in additional volatility in the equity markets.



**Dow Jones Industrial Average and S&P 500 Indices**

January 1, 2007 – January 12, 2012





## 2 Year Treasury Yield Remains Range Bound

Since the end of September, the 2-year U.S. Treasury has traded in a narrow range around 0.25%.



**2-Year U.S. Treasury Yields**  
January 1, 2010 – January 12, 2012



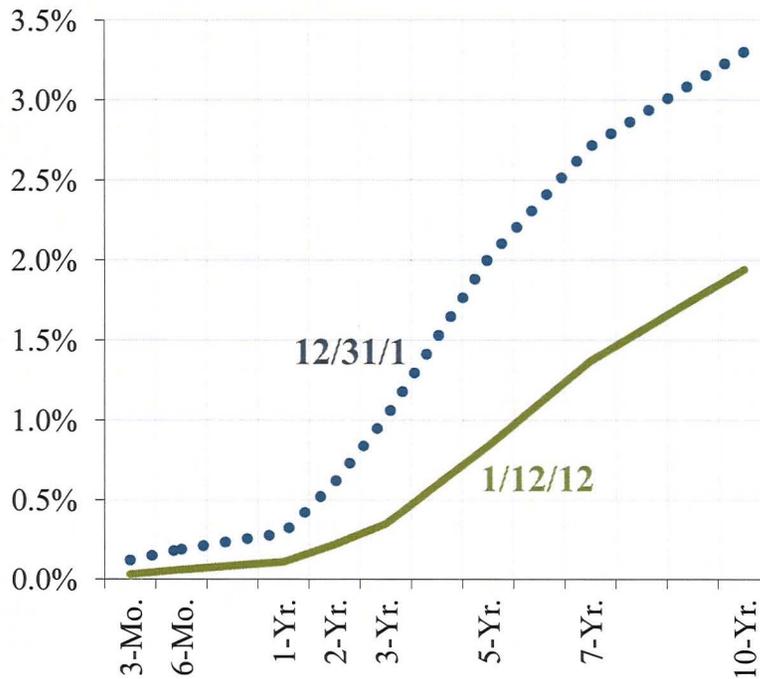


# Yield Curve Flattens



The yield curve remains relatively flat. Slow economic growth, uncertainty in Europe, and Fed actions continue to place downward pressures on yields.

**U.S. Treasury Yield Curve**  
December 31, 2010 vs. January 12, 2012



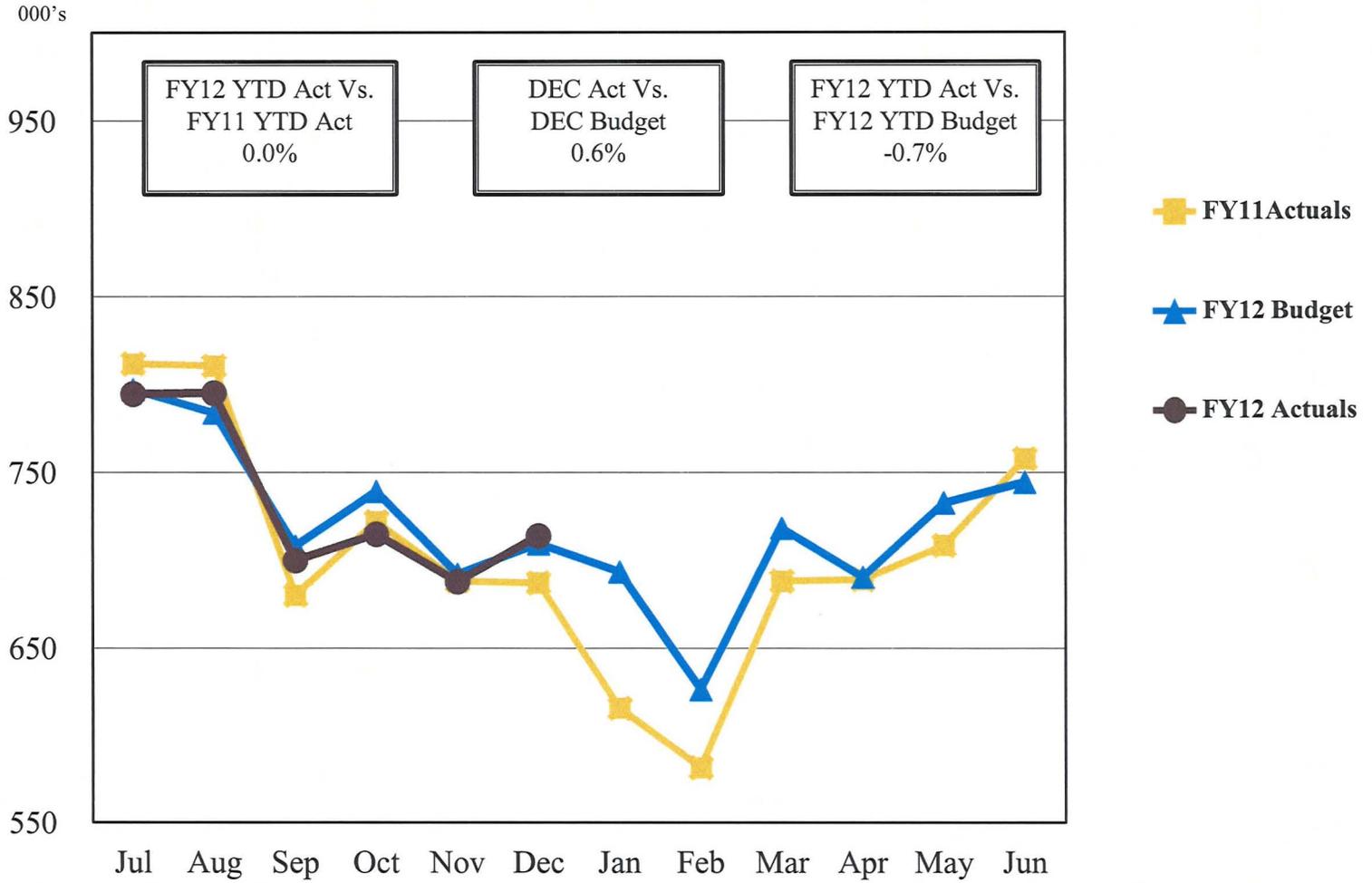
	12/31/10	1/12/12	Change
<b>3-Mo.</b>	0.12%	0.03%	(0.09%)
<b>6-Mo.</b>	0.19%	0.06%	(0.13%)
<b>1-Yr.</b>	0.29%	0.11%	(0.18%)
<b>2-Yr.</b>	0.61%	0.22%	(0.39%)
<b>3-Yr.</b>	1.02%	0.35%	(0.67%)
<b>5-Yr.</b>	2.01%	0.84%	(1.17%)
<b>10-Yr.</b>	3.30%	1.94%	(1.36%)

Unaudited Financial Statements  
For the Six Months Ended  
December 31, 2011





# Enplanements

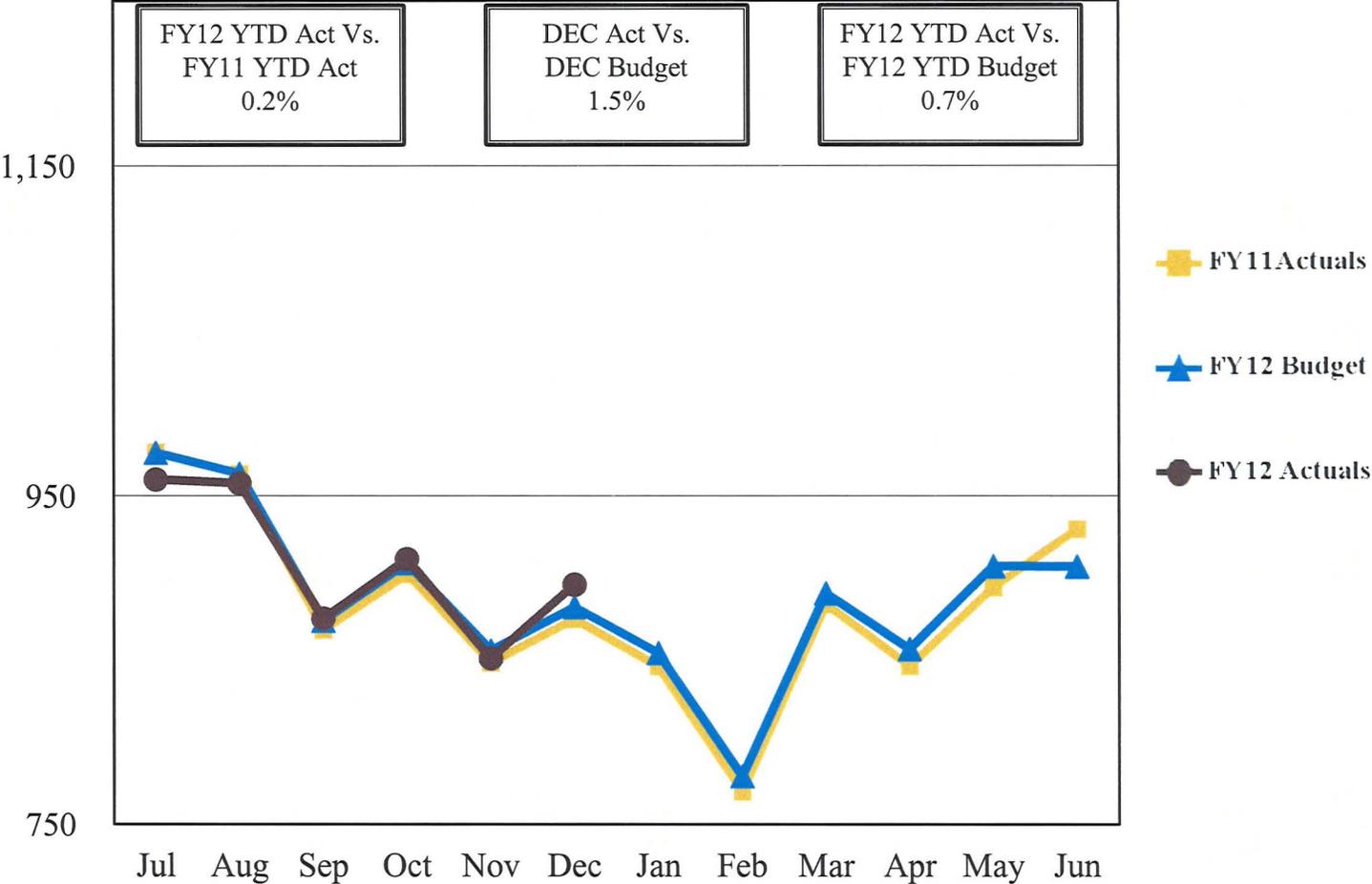




# Gross Landing Weight Units (000 lbs)

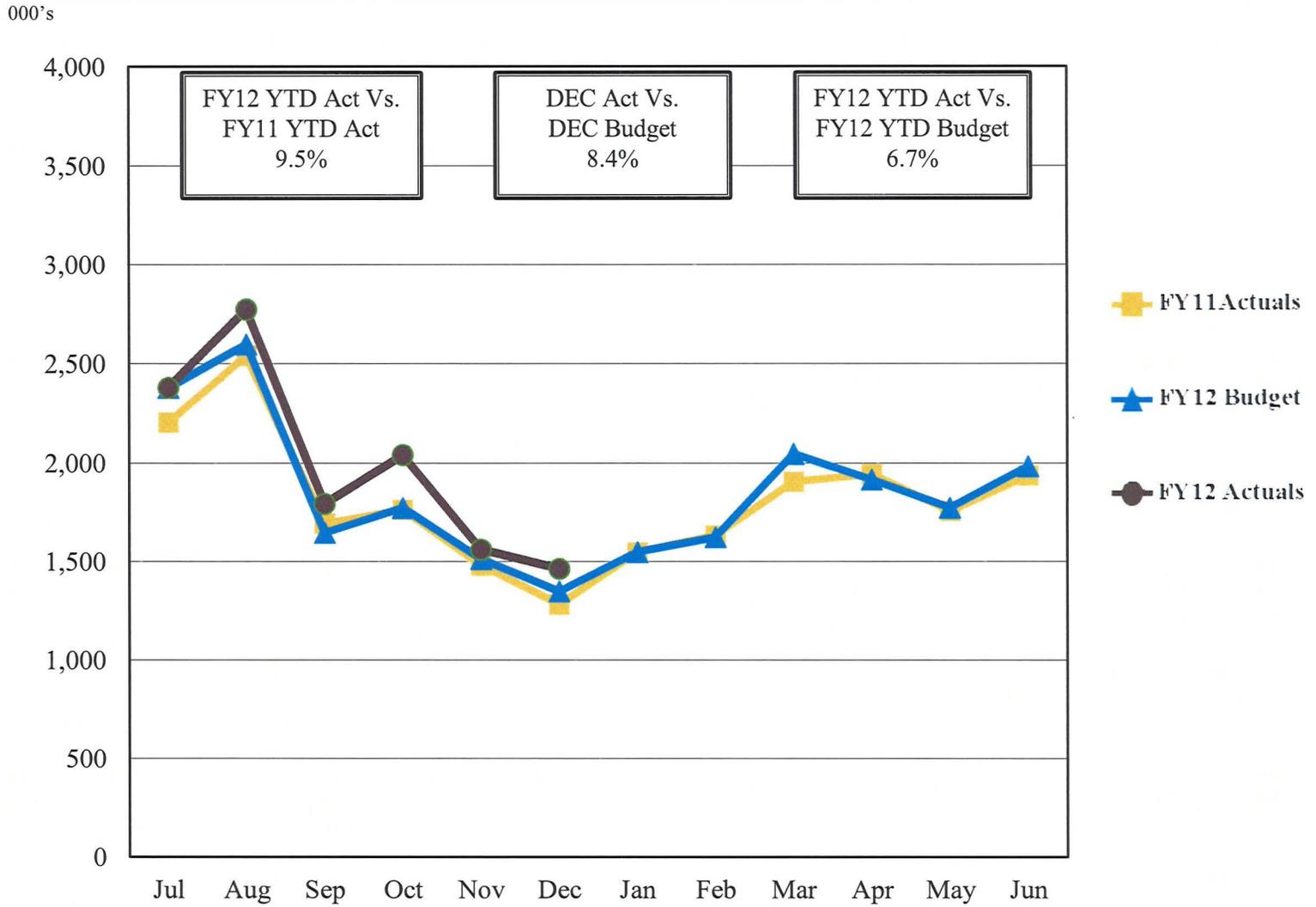


000's





# Car Rental License Fees



Revenues & Expenses (Unaudited)  
For the Month Ended  
December 31, 2011





# Operating Revenues

## for the Month Ended December 31, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Aviation revenue:</b>					
Landing fees	\$ 1,638	\$ 1,677	\$ 39	2%	\$ 1,526
Aircraft parking fees	253	277	24	10%	245
Building rentals	2,659	2,652	(7)	-	2,332
Security surcharge	1,394	1,412	18	1%	1,232
Other aviation revenue	130	135	5	4%	133
<b>Total aviation revenue</b>	<b>\$ 6,074</b>	<b>\$ 6,153</b>	<b>\$ 79</b>	<b>1%</b>	<b>\$ 5,468</b>



# Operating Revenues

for the Month Ended December 31, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Terminal rent non-airline</b>	\$ 75	\$ 77	\$ 2	2%	\$ 72
<b>Concession revenue:</b>					
<b>Terminal concession revenue:</b>					
Food and beverage	520	547	27	5%	520
Gifts and news	300	301	1	-	286
Other	235	237	2	1%	255
<b>Total terminal concession revenue</b>	<u>1,055</u>	<u>1,085</u>	<u>30</u>	<u>3%</u>	<u>1,061</u>
<b>Car rental and license fee revenue:</b>					
Rental car and license fees	1,349	1,463	114	8%	1,283
License fees-other	229	240	11	5%	202
<b>Total rental car and license fees</b>	<u>1,578</u>	<u>1,703</u>	<u>125</u>	<u>8%</u>	<u>1,485</u>
<b>Total concession revenue</b>	<u>\$ 2,633</u>	<u>\$ 2,788</u>	<u>\$ 155</u>	<u>6%</u>	<u>\$ 2,546</u>



# Operating Revenues

## for the Month Ended December 31, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Parking revenue:</b>					
Short-term parking revenue	\$ 753	\$ 409	\$ (344)	(46)%	\$ 649
Long-term parking revenue	1,945	1,863	(82)	(4)%	1,894
<b>Total parking revenue</b>	<b>2,698</b>	<b>2,272</b>	<b>(426)</b>	<b>(16)%</b>	<b>2,543</b>
Ground transportation permits and citations	140	105	(35)	(24)%	53
Ground rentals	575	569	(6)	(1)%	1,372
Grant reimbursements	18	14	(4)	(25)%	17
Other operating revenue	61	67	5	9%	56
Subtotal	3,492	3,027	(465)	(13)%	4,041
<b>Total operating revenues</b>	<b>\$12,274</b>	<b>\$12,045</b>	<b>\$ (229)</b>	<b>(2)%</b>	<b>\$12,127</b>



# Operating Expenses

## for the Month Ended December 31, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Operating expenses:</b>					
Salaries and benefits	\$ 4,139	\$ 4,004	\$ 135	3%	\$ 4,389
Contractual services	2,359	2,617	(258)	(11)%	2,225
Safety and security	2,191	2,313	(122)	(6)%	2,345
Space rental	951	952	(1)	-	910
Utilities	513	457	56	11%	506
Maintenance	727	667	60	8%	736
Equipment and systems	69	24	45	65%	75
Materials and supplies	26	21	5	18%	25
Insurance	85	64	21	25%	90
Employee development and support	87	80	7	8%	181
Business development	173	297	(125)	(72)%	170
Equipment rental and repairs	129	89	40	31%	109
<b>Total operating expenses</b>	<b>\$ 11,449</b>	<b>\$ 11,585</b>	<b>\$ (136)</b>	<b>(1)%</b>	<b>\$ 11,761</b>



# Financial Summary

## for the Month Ended December 31, 2011 (Unaudited)



(In thousands)	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>% Change</b>	<b>Prior Year</b>
Total operating revenues	\$12,274	\$12,045	\$ (229)	(2)%	\$12,127
Total operating expenses	11,449	11,585	\$ (136)	(1)%	11,761
<b>Income from operations</b>	<b>825</b>	<b>460</b>	<b>(365)</b>	<b>(44)%</b>	<b>366</b>
Depreciation	3,733	3,802	(69)	(2)%	4,111
<b>Operating income (loss)</b>	<b>\$ (2,908)</b>	<b>\$ (3,342)</b>	<b>\$ (434)</b>	<b>(15)%</b>	<b>\$ (3,745)</b>



# Nonoperating Revenues & Expenses for the Month Ended December 31, 2011 (Unaudited)



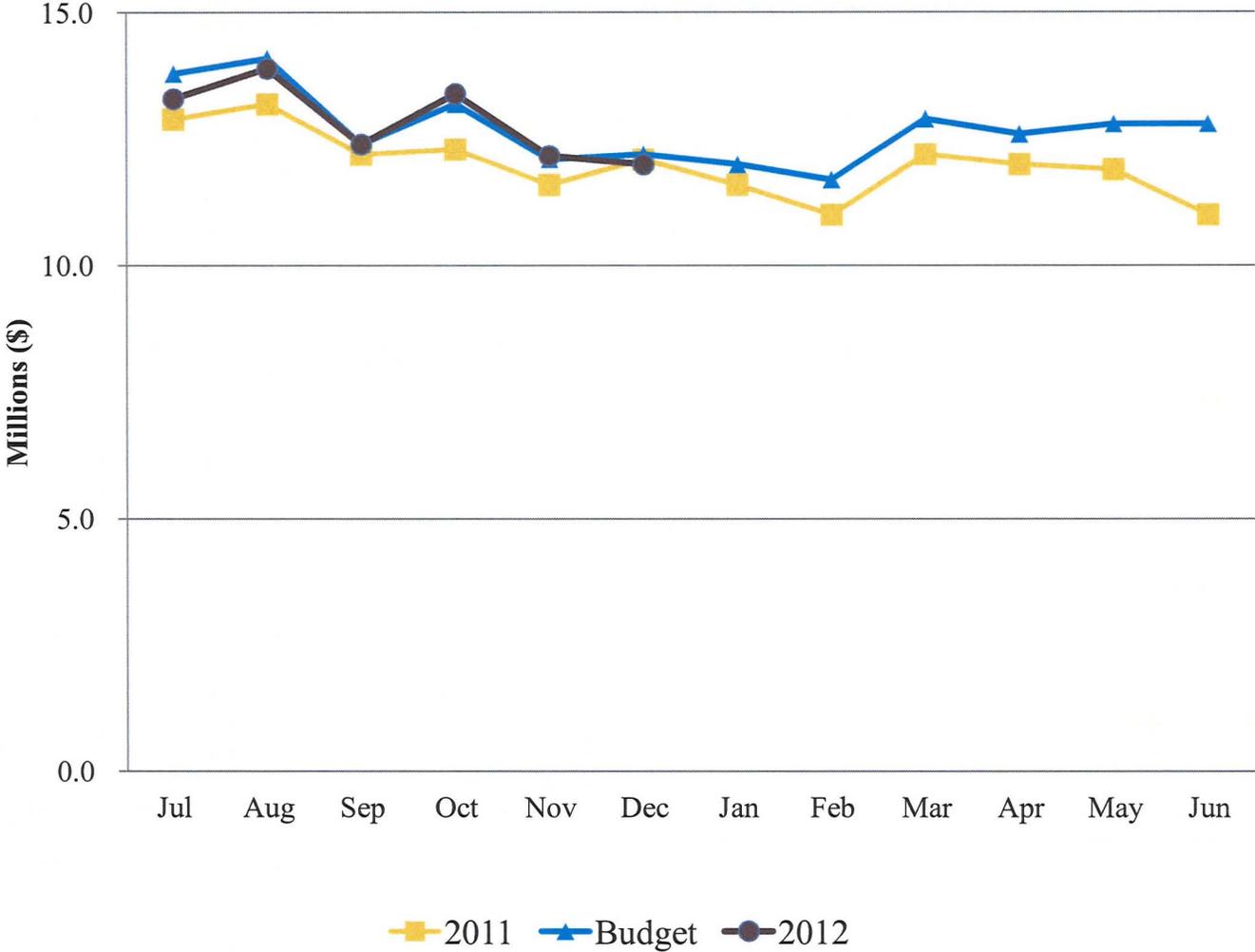
(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Nonoperating revenues (expenses):</b>					
Passenger facility charges	\$ 2,522	\$ 2,551	\$ 29	1%	\$ 2,462
Customer facility charges (ConRAC Facility)	715	797	82	11%	705
Quieter Home Program	(229)	(169)	59	26%	(205)
Interest income	445	501	56	13%	627
BAB interest rebate	416	416	-	-	398
Interest expense	(1,017)	(370)	647	64%	(1,419)
Bond amortization	54	91	37	69%	54
Other nonoperating revenue (expenses)	-	(298)	(298)	-	473
<b>Nonoperating revenue, net</b>	<b>2,906</b>	<b>3,519</b>	<b>613</b>	<b>21%</b>	<b>3,095</b>
<b>Income before grant contributions</b>	<b>(2)</b>	<b>177</b>	<b>179</b>	<b>-</b>	<b>(650)</b>
Capital grant contributions	2,002	1,858	(144)	(7)%	1,650
<b>Net income</b>	<b>\$ 2,000</b>	<b>\$ 2,035</b>	<b>\$ 35</b>	<b>2%</b>	<b>\$ 1,000</b>

Revenues & Expenses (Unaudited)  
For the Six Months Ended  
December 31, 2011





# Monthly Operating Revenue, FY 2012 (Unaudited)





# Operating Revenues

for the Six Months Ended December 31, 2011 (Unaudited)



(In thousands)	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>% Change</b>	<b>Prior Year</b>
<b>Aviation revenue:</b>					
Landing fees	\$10,119	\$10,048	\$ (71)	(1)%	\$ 9,544
Aircraft parking fees	1,515	1,603	88	6%	1,494
Building rentals	15,954	16,158	204	1%	14,025
Security surcharge	8,366	8,419	53	1%	7,417
Other aviation revenue	790	798	8	1%	797
<b>Total aviation revenue</b>	<b>\$36,744</b>	<b>\$37,026</b>	<b>\$ 282</b>	<b>1%</b>	<b>\$33,277</b>



# Operating Revenues

for the Six Months Ended December 31, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Terminal rent non-airline</b>	\$ 452	\$ 447	\$ (5)	(1)%	\$ 407
<b>Concession revenue:</b>					
<b>Terminal concession revenue:</b>					
Food and beverage	3,055	3,236	181	6%	3,103
Gifts and news	1,987	2,062	75	4%	1,970
Other	1,456	1,453	(3)	-	1,431
<b>Total terminal concession revenue</b>	6,498	6,751	253	4%	6,504
<b>Car rental and license fee revenue:</b>					
Rental car license fees	11,256	12,008	752	7%	10,962
License fees-other	1,360	1,414	54	4%	1,368
Total rental car and license fees	12,616	13,422	806	6%	12,330
<b>Total concession revenue</b>	\$ 19,114	\$ 20,173	\$ 1,059	6%	\$ 18,834



# Operating Revenues

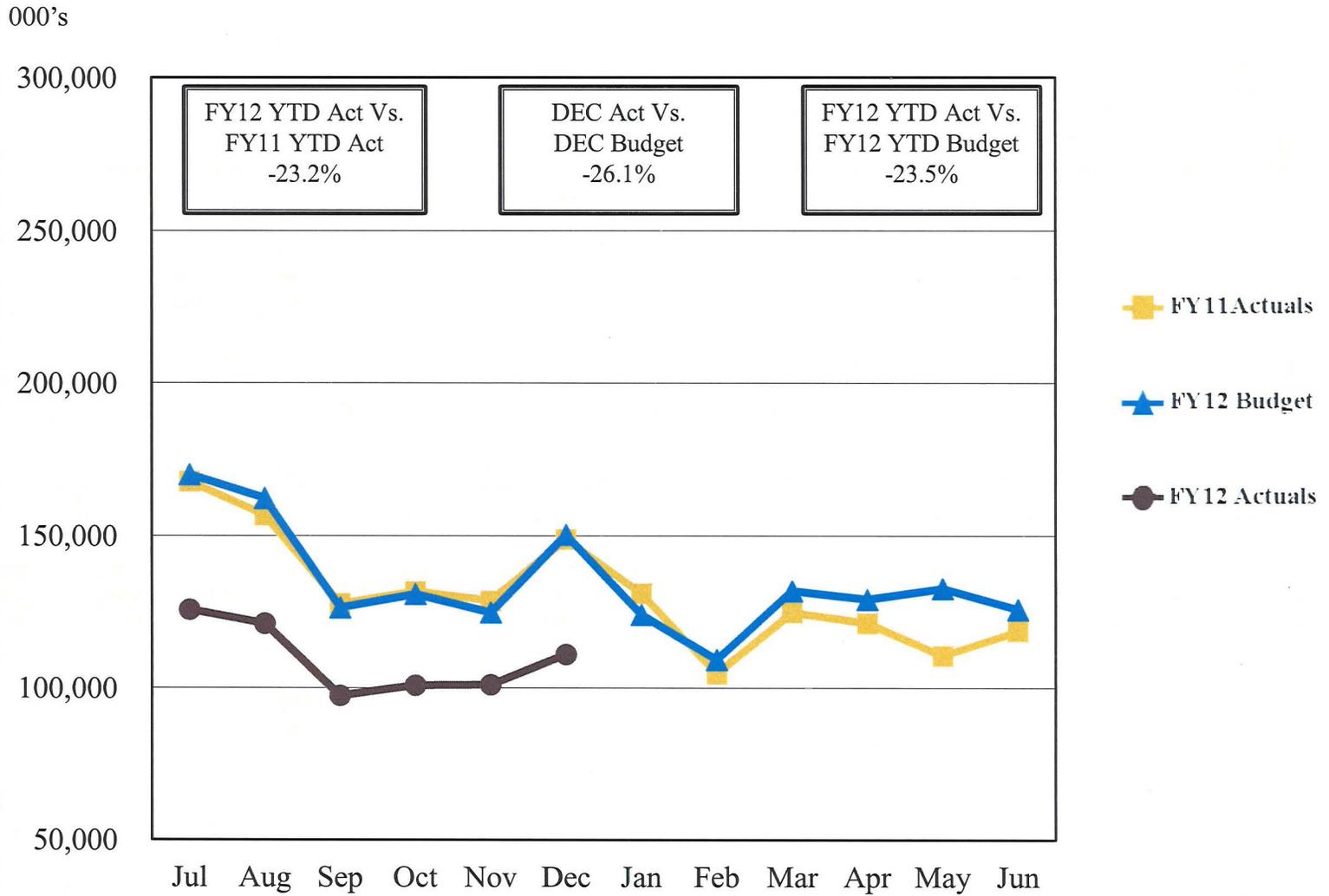
for the Six Months Ended December 31, 2011 (Unaudited)



(In thousands)	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>% Change</u>	<u>Prior Year</u>
<b>Parking revenue:</b>					
Short-term parking revenue	\$ 4,184	\$ 2,440	\$ (1,744)	(42)%	\$ 3,579
Long-term parking revenue	12,607	12,320	(287)	(2)%	12,578
<b>Total parking revenue</b>	<b>16,791</b>	<b>14,760</b>	<b>(2,031)</b>	<b>(12)%</b>	<b>16,157</b>
Ground transportation permits and citations	833	756	(77)	(9)%	443
Ground rentals	3,336	3,364	28	1%	4,254
Grant reimbursements	108	206	98	91%	408
Other operating revenue	369	447	78	21%	407
Subtotal	<u>21,436</u>	<u>19,533</u>	<u>(1,903)</u>	<u>(9)%</u>	<u>21,668</u>
<b>Total operating revenues</b>	<b>\$77,747</b>	<b>\$77,179</b>	<b>\$ (568)</b>	<b>(1)%</b>	<b>\$74,187</b>



# Airport Parking Transactions

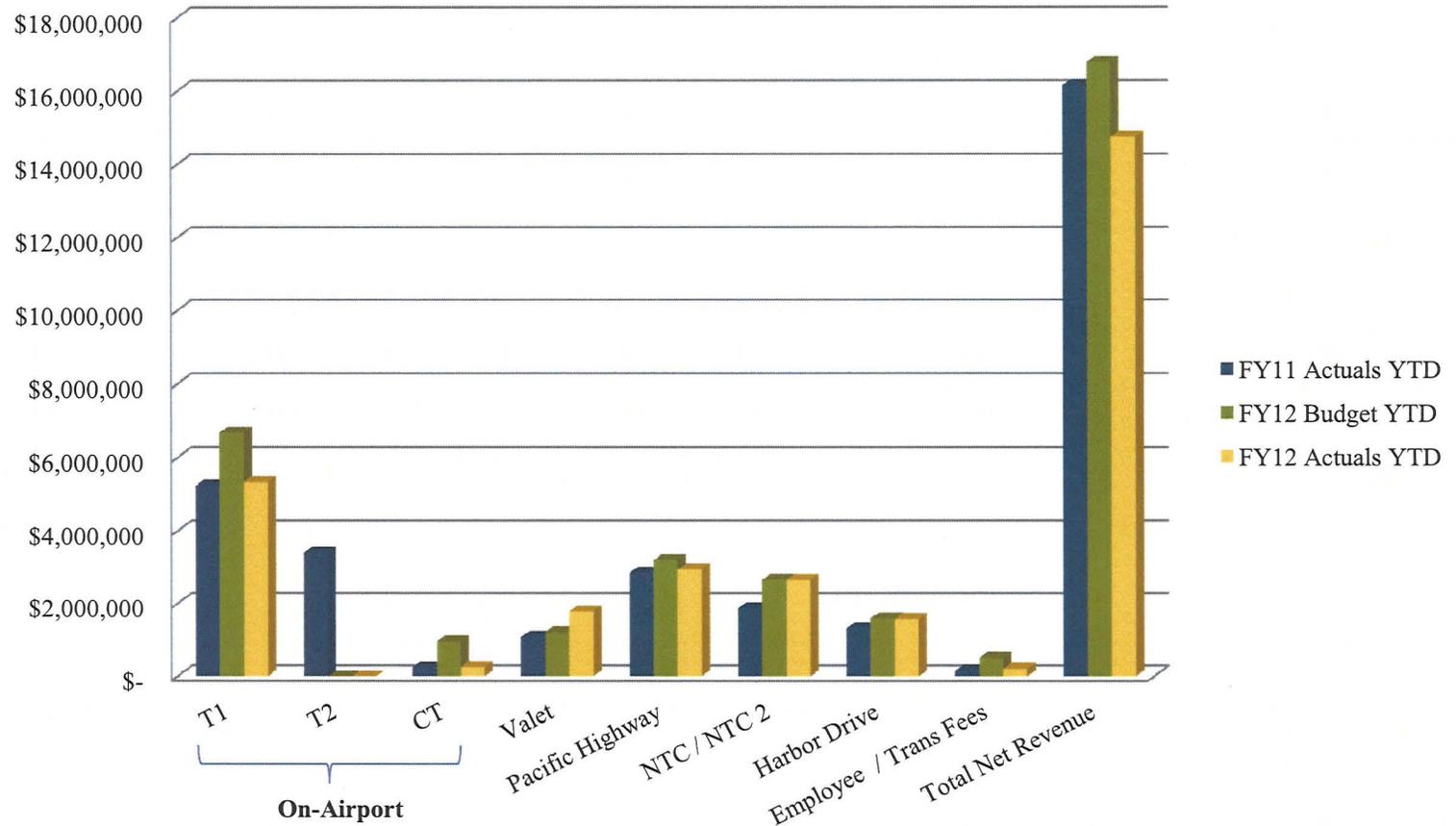




# Parking Revenue



## Parking Revenue (\$) Six Months Ended December 2011

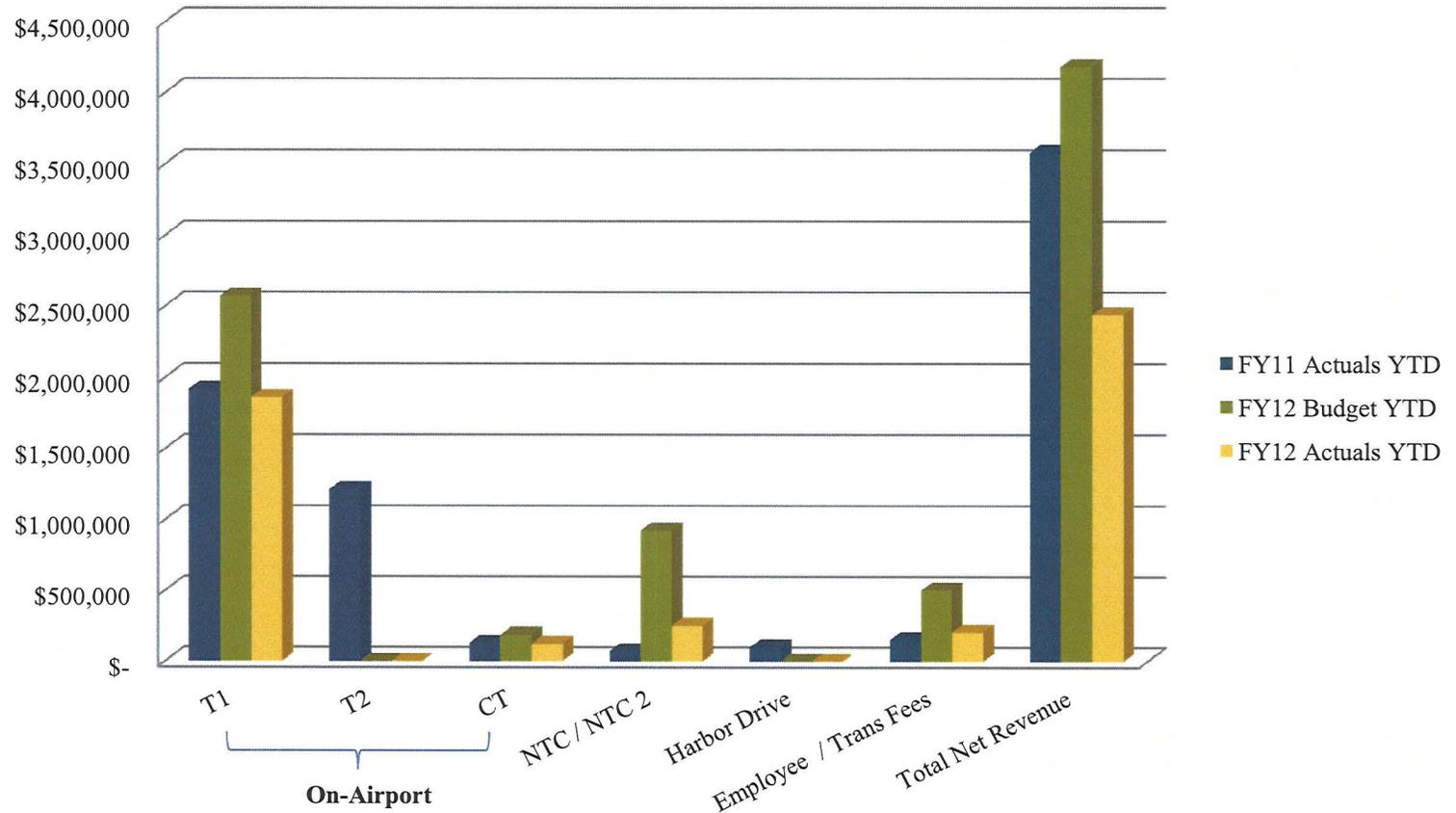




# Short Term Parking Revenue



**Short Term Parking Revenue (\$)  
Six Months Ended December 2011**

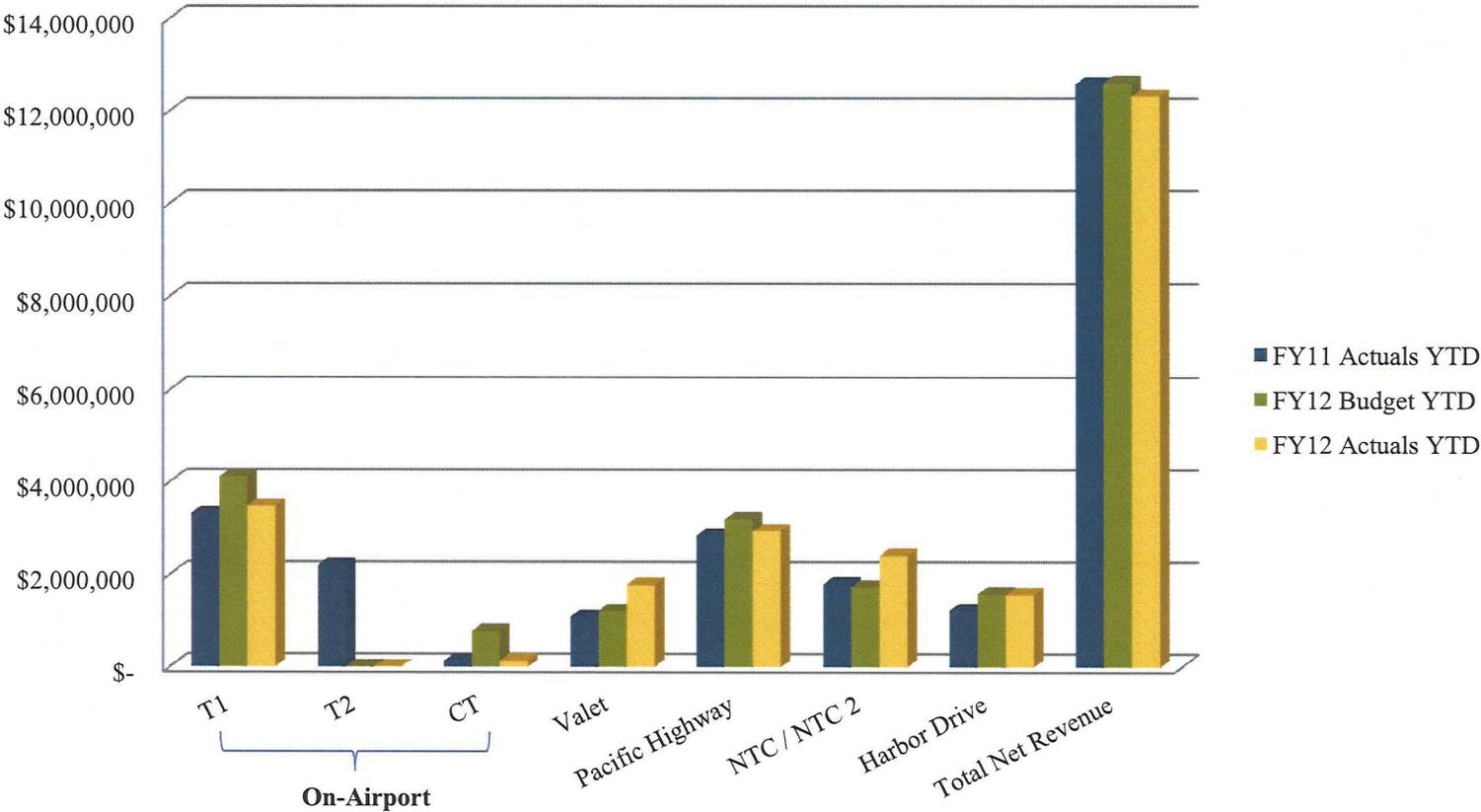




# Long Term Parking Revenue

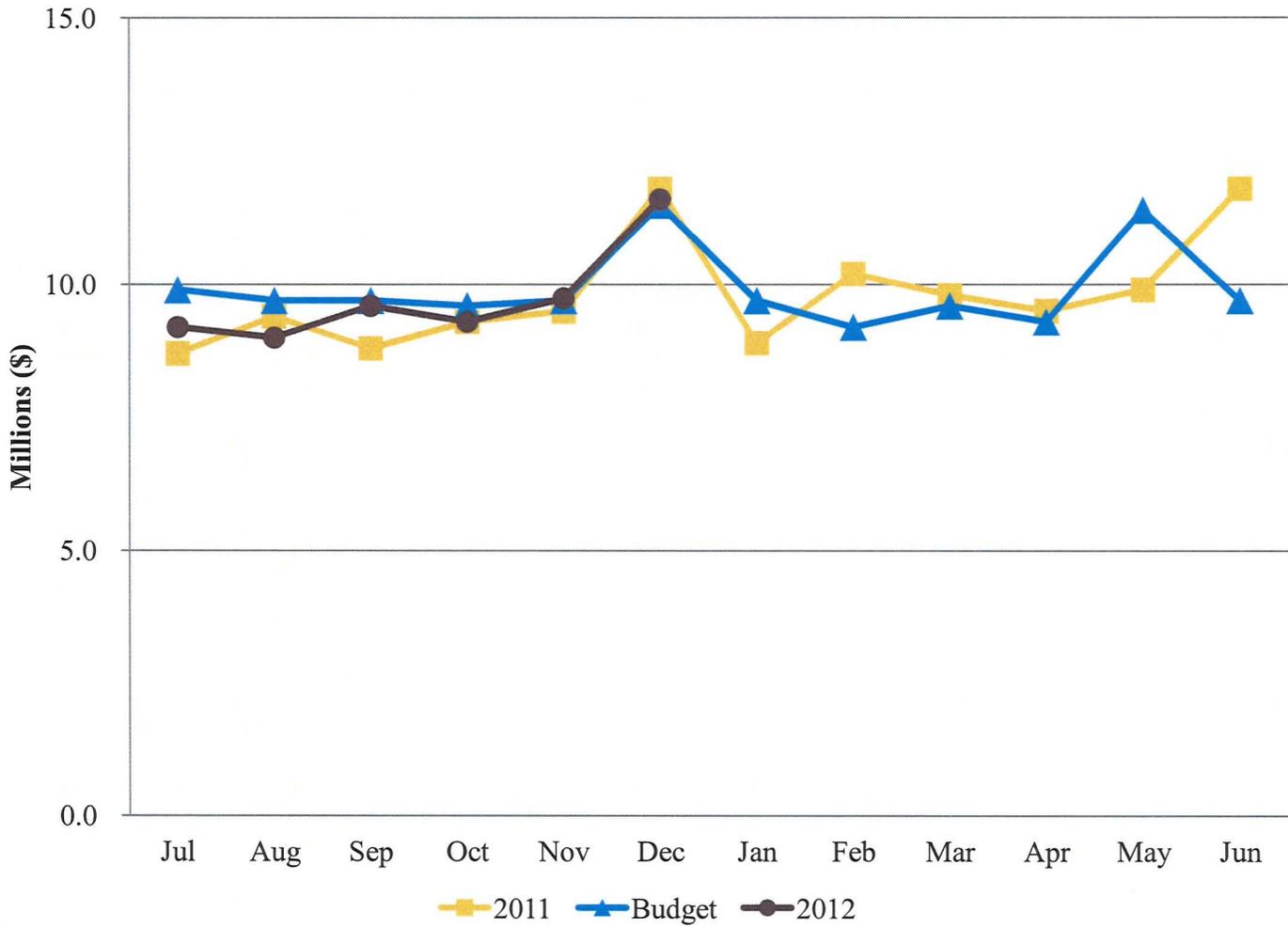


**Long Term Parking Revenue (\$)  
Six Months Ended December 2011**





# Monthly Operating Expenses, FY 2012 (Unaudited)





# Operating Expenses

for the Six Months Ended December 31, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Operating expenses:</b>					
Salaries and benefits	\$18,955	\$17,956	\$ 999	5%	\$18,800
Contractual services	13,702	13,658	44	0%	13,052
Safety and security	10,413	10,999	(586)	(6)%	10,132
Space rental	5,708	5,708	-	-	5,454
Utilities	3,431	3,615	(184)	(5)%	3,290
Maintenance	4,313	3,889	424	10%	3,847
Equipment and systems	192	70	122	64%	278
Materials and supplies	155	102	53	34%	157
Insurance	510	376	134	26%	541
Employee development and support	517	331	186	36%	486
Business development	1,309	905	404	31%	799
Equipment rental and repairs	920	788	132	14%	653
<b>Total operating expenses</b>	<b>\$60,125</b>	<b>\$58,397</b>	<b>\$ 1,728</b>	<b>3%</b>	<b>\$57,489</b>



# Financial Summary

## for the Six Months Ended December 31, 2011 (Unaudited)



(In thousands)	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>% Change</b>	<b>Prior Year</b>
Total operating revenues	\$77,747	\$77,179	\$ (568)	(1)%	\$74,187
Total operating expenses	60,125	58,397	1,728	3%	57,489
<b>Income from operations</b>	<b>17,622</b>	<b>18,782</b>	<b>1,160</b>	<b>7%</b>	<b>16,699</b>
Depreciation	23,498	23,511	(13)	-	24,686
<b>Operating income (loss)</b>	<b>\$ (5,876)</b>	<b>\$ (4,729)</b>	<b>\$ 1,147</b>	<b>20%</b>	<b>\$ (7,988)</b>



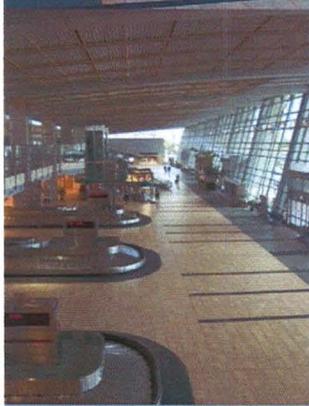
## Nonoperating Revenues & Expenses for the Six Months Ended December 31, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
<b>Nonoperating revenues (expenses):</b>					
Passenger facility charges	\$ 16,598	\$ 16,765	\$ 167	1%	\$ 16,818
Customer facility charges (ConRAC Facility)	5,200	5,571	371	7%	5,385
Quieter Home Program	(1,506)	(932)	574	38%	(1,705)
Interest income	2,669	3,063	394	15%	2,756
BAB interest rebate	2,498	2,498	-	-	1,193
Interest expense	(6,062)	(2,124)	3,938	65%	(5,132)
Bond amortization	325	514	189	58%	144
Other nonoperating revenue (expenses)	-	652	652	-	655
<b>Nonoperating revenue, net</b>	<b>19,722</b>	<b>26,007</b>	<b>6,285</b>	<b>32%</b>	<b>20,114</b>
<b>Income before grant contributions</b>	<b>13,846</b>	<b>21,278</b>	<b>7,432</b>	<b>54%</b>	<b>12,126</b>
Capital grant contributions	8,227	13,342	5,115	62%	13,530
<b>Net income</b>	<b>\$ 22,073</b>	<b>\$ 34,620</b>	<b>\$ 12,547</b>	<b>57%</b>	<b>\$ 25,656</b>



## Balance Sheets (Unaudited)



	(In thousands)	
	<b>December</b>	
	<u>2011</u>	<u>2010</u>
<b>Current assets:</b>		
Cash and investments	\$ 93,843	\$ 110,327
Tenant lease receivable, net of allowance of 2011: \$54,982 and 2010: \$30,980	5,193	5,770
Grants receivable	7,710	4,503
Notes receivable-current portion	1,696	1,613
Prepaid expenses and other current assets	8,733	12,368
<b>Total current assets</b>	<b>117,175</b>	<b>134,581</b>
<b>Cash designated for capital projects and other</b>	<b>\$ 8,278</b>	<b>\$ 5,254</b>



# Balance Sheets (Unaudited)



(In thousands)

**December**

**Restricted assets:**

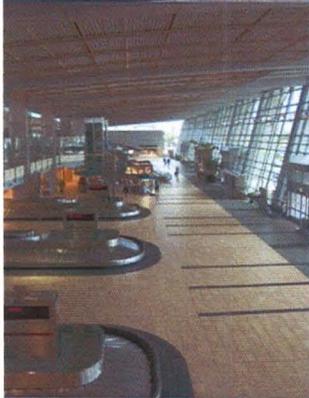
Cash and investments:

	<u>2011</u>	<u>2010</u>
Bonds reserve	\$ 45,098	\$ 45,708
Passenger facility charges and interest unapplied	59,086	68,738
Customer facility charges and interest applied*	25,597	15,472
Commercial paper reserve	41	168
SBD bond guarantee	4,000	4,000
Bond proceeds held by trustee	305,816	429,441
Commercial paper interest held by trustee	13	140
Passenger facility charges receivable	4,187	3,789
Customer facility charges receivable*	864	935
OCIP insurance reserve	6,239	6,400
<b>Total restricted assets</b>	<b>\$ 450,941</b>	<b>\$ 574,791</b>

\*ConRAC Facility



# Balance Sheets (Unaudited)



## Noncurrent assets:

### Capital assets:

- Land and land improvements
- Runways, roads and parking lots
- Buildings and structures
- Machinery and equipment
- Vehicles
- Office furniture and equipment
- Works of art
- Construction-in-progress

### **Total capital assets**

Less: accumulated depreciation

### **Total capital assets, net**

(In thousands)

**December**

**2011**

**2010**

	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 24,489	\$ 23,454
Runways, roads and parking lots	274,536	236,947
Buildings and structures	465,476	463,108
Machinery and equipment	11,179	10,211
Vehicles	5,423	5,469
Office furniture and equipment	30,938	30,099
Works of art	2,476	2,411
Construction-in-progress	455,046	253,592
<b>Total capital assets</b>	<b>1,269,563</b>	<b>1,025,291</b>
Less: accumulated depreciation	(531,439)	(483,826)
<b>Total capital assets, net</b>	<b>\$ 738,124</b>	<b>\$ 541,465</b>



## Balance Sheets (Unaudited)



(In thousands)

December

**Other assets:**

Notes receivable - long-term portion

Investments - long-term portion

Deferred costs - bonds (net)

Net pension asset

Security deposit

**Total other assets**

**Total noncurrent assets**

**TOTAL ASSETS**

	<u>2011</u>	<u>2010</u>
\$	42,084	\$ 43,823
	9,045	8,383
	4,809	5,134
	7,483	8,039
	500	-
<b>Total other assets</b>	<u>63,921</u>	<u>65,379</u>
<b>Total noncurrent assets</b>	<u>802,045</u>	<u>606,844</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,378,439</u>	<u>\$ 1,321,470</u>



## Balance Sheets (Unaudited)



(In thousands)

**December**

**Current liabilities:**

Accounts payable and accrued liabilities

	2011	2010
\$	58,745	\$ 59,727
	3,636	3,285
<b>Total current liabilities</b>	<b>62,381</b>	<b>63,012</b>
<b>Current liabilities - payable from restricted assets:</b>		
Current portion of long-term debt	5,190	4,725
Accrued interest on bonds		
and commercial paper	16,906	8,818
<b>Total liabilities payable from restricted assets</b>	<b>\$ 22,096</b>	<b>\$ 13,543</b>

Deposits and other current liabilities

**Total current liabilities**

**Current liabilities - payable from restricted assets:**

Current portion of long-term debt

Accrued interest on bonds

and commercial paper

**Total liabilities payable from restricted assets**



## Balance Sheets (Unaudited)



(In thousands)

December

### Long-term liabilities - other:

Commercial paper notes payable

Deferred rent liability

Other long-term liabilities

Long-term debt - bonds net of amortized premium

**Total long-term liabilities**

**Total liabilities**

	<u>2011</u>	<u>2010</u>
\$ 20,729	\$ 21,509	
94	406	
1,524	1,188	
629,740	635,702	
<b>652,087</b>	<b>658,805</b>	
<b>\$ 736,564</b>	<b>\$ 735,360</b>	



## Balance Sheets (Unaudited)



	(In thousands)	
	<b>December</b>	
	<u>2011</u>	<u>2010</u>
<b>Authority net assets:</b>		
Invested in capital assets, net of related debt	\$ 386,730	\$ 307,442
Other restricted	154,914	155,055
Unrestricted:		
Designated	15,761	17,293
Undesignated	84,470	106,320
<b>Total net assets</b>	<u><b>641,875</b></u>	<u><b>586,110</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$1,378,439</b></u>	<u><b>\$1,321,470</b></u>

# Questions

