

San Diego County Regional Airport Authority

Discussion Regarding
Fiscal Year 2013 and
Fiscal Year 2014
Operating Budgets

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Agenda

- Organizational Strategies
- Sustainability Goals
- Budget Objectives
- US Economic Update
- US Airline Industry Snapshot
- SDIA Snapshot
- Budget Challenges
- Budget Guidelines
- Status and Timeline

Organizational Strategies

Financial Strategy	Enhance the financial position of the Authority
Customer Strategy	Achieve the highest level of internal and external customer satisfaction
Operations Strategy	Operate our airport in a safe, secure, environmentally-sound, effective, and efficient manner
Employee Strategy	Ensure the highest level of employee satisfaction
Community Strategy	Be a trusted and highly responsive regional agency

Sustainability Goals

Economic Viability

- Airport/Authority Financial Health (Revenue Streams, Cost Reduction/Containment, Profitability, Net Asset Preservation/Growth)
- Regional and Local Economic Impact

Operational Excellence

- Life Cycle and Total Cost Management
- Customer Satisfaction
- Airfield Operations

Natural Resource Conservation

- Air, Land, and Water Quality
- Waste Disposal and Recycling
- Wildlife Habitat Conservation and Preservation

Social Responsibility

- Community Commitments (e.g. Small Business Development)
- Charitable Commitments & Sponsorships

Budget Objectives

- ▶ Contain Costs by Reducing Expenses
- ▶ Maintain Current Bond Rating (A+)
- ▶ Ensure Optimal Green Build and North Side Development Support
- ▶ Ensure Adequate Funding for Safety & Security
- ▶ Address Regulatory, Legal, & Contractual Requirements

Budget Objectives (cont.)

- ▶ Address Maintenance Needs of Aging Facilities
- ▶ Continue to Serve the Region with a High Level of Customer Service
- ▶ Enhance Staff Performance, Capacity, and Efficiency through Training Development and Best Business Practices
- ▶ Promote New Domestic and International Air Service

Key U.S. Economic Data Shows Positive Trends

US economy is slowly turning around...

- ▶ GDP grew by 3.9% in 2011 following a 4.2% increase in 2010
- ▶ National unemployment rate still high but improving
 - ▶ 8.3% Nationally (Jan 2012); 11.1% in California (Dec 2011)
 - ▶ Initial unemployment claims for Feb 11, 2012 declined 21% from same time in 2011
 - ▶ Over 2.5 million jobs added since October 2010

Key U.S. Economic Data Shows Positive Trends (cont.)

- ▶ Interest rates continue at all-time low (Fed funds at 0%-0.25%)
- ▶ Consumer Confidence continues to increase
- ▶ Dow Jones Index back to 2008 pre-crash levels
- ▶ Potential risks to the recovery that could change the near term outlook include the Eurozone and oil prices

Moody's US Airports Outlook

- Another Difficult Year Ahead -

- Outlook for US airport sector is negative
- Declining enplanements
 - Expect enplanement growth to be in the +1% to -4% range
- Economic conditions do not favor growth
- Airport financials have weakened
- Federal funding support remains uncertain

SOURCE: MOODY'S INVESTORS SERVICE



President Signs FAA Modernization & Reform Act of 2012

- ▶ FAA Modernization & Reform Act of 2012 signed into law on February 15, 2012
- ▶ Bill will fund FAA through September 30, 2015
 - ▶ Keeps the federal cap on local PFCs to \$4.50
 - ▶ Authorizes \$3.35 billion annually for AIP through Fiscal Year 2015

U.S. Airline Industry Snapshot

Airline Industry Profitability Doesn't Necessarily Equal Increased Capacity at Airports

- ▶ U.S. airlines were solidly profitable in 2011 (\$500M on a GAAP basis, \$2.5B excluding special items) despite sluggish economic growth and oil prices near historical highs. Reasons for the positive results include:
 - ▶ Continued industry consolidation in the form of airline mergers
 - ▶ Operational efficiencies realized through joint ventures and code shares
 - ▶ Limited capacity growth despite moderate consumer demand growth
 - ▶ Ancillary revenue growth due to industry shift towards “a la carte” pricing model

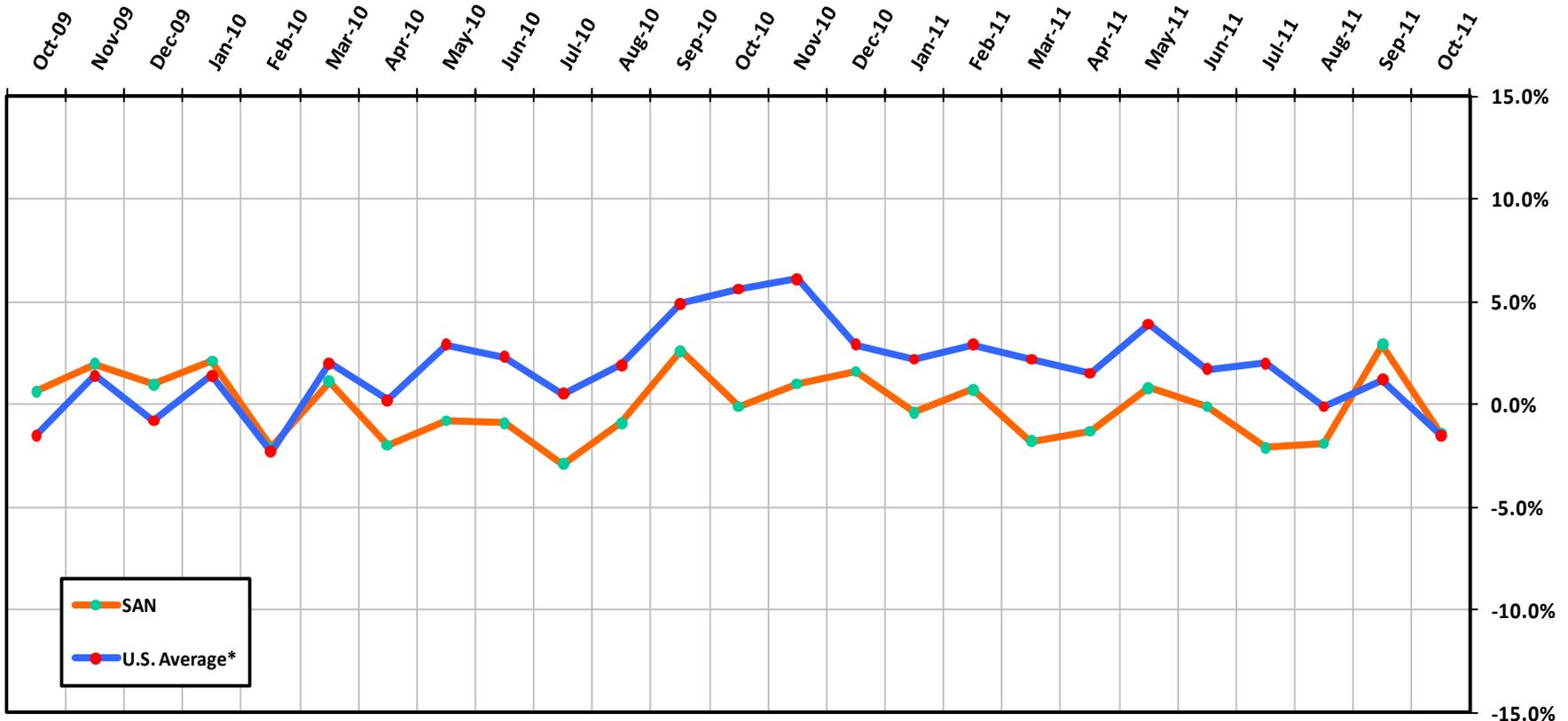
U.S. Airline Industry Snapshot (cont.)

- ▶ Airlines are cutting and pulling down capacity on underperforming routes and focusing on operations at hubs and other profitable markets
- ▶ Airfares likely to increase, putting additional pressure on consumer demand
- ▶ Possibility of further industry consolidation could further alter air service
- ▶ Increasing fuel prices and other potential shocks to the economy could have adverse impacts

SDIA Snapshot

SDIA Traffic Has Generally Lagged The Nation Since 2010

TOTAL EPAX - % CHANGE OVER PRIOR YEAR



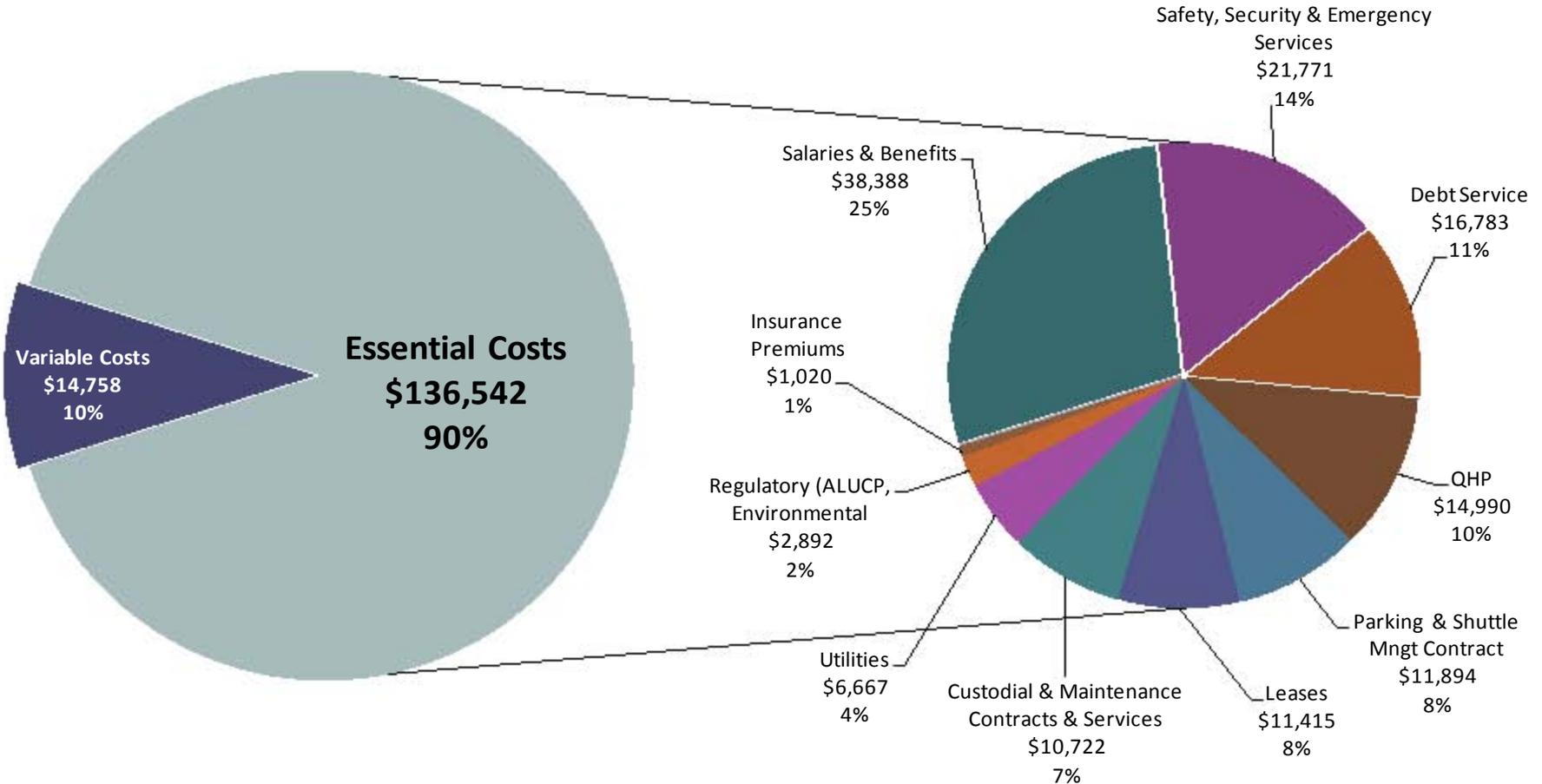
*U.S. Average is based on T-100 Market Reporting Data from the DOT Bureau of Transportation Statistics.

Budget Challenges

- ▶ Revised Enplanements
- ▶ Green Build Phasing – Operating Costs Accelerated into FY 2013
- ▶ Harbor Police Cost Increase
- ▶ Utilities Cost Increase – (Green Build, CIP)
- ▶ Increased Staffing Needs
- ▶ Concessions Development Program (CDP) Transition – Maintaining Revenue Through Transition
- ▶ Parking Revenue – Construction Impacts
- ▶ Debt Issuance
- ▶ Identifying New Revenue Opportunities

FY 2012 BUDGET BREAKDOWN

Costs in \$000's



Enplanements Revised

Fiscal Year	FY12-13 Budget Enplanements (000's)	Growth Rate %
2012	8,636	
2013	8,830	2.2%
2014	9,095	3.0%
2015	9,304	2.3%
2016	9,497	2.1%
2017	9,675	1.9%
2018	9,846	1.8%
2019	10,020	1.8%

Revised Enplanements (000's)	Growth Rate %	Change	% Change
8,494		(142)	-1.6%
8,494	0.0%	(336)	-3.8%
8,579	1.0%	(516)	-5.7%
8,707	1.5%	(597)	-6.4%
8,881	2.0%	(616)	-6.5%
9,068	2.1%	(607)	-6.3%
9,258	2.1%	(588)	-6.0%
9,453	2.1%	(567)	-5.7%

Non-Airline Revenue Revised

Jan. 2012 Forecast vs. FY12-13 Budget

	FY12-13 Budget Non-Airline Ops Revenue (\$000's)	Change Due To Revised Enplanements (\$000's)	Change Due To Activity (\$000's)	Revised Non-Airline Ops Revenue (\$000's)
FY 12	\$ 79,555	\$ (1,080)	\$ (650)	\$ 77,826
FY 13	84,317	(2,597)	974	82,694
FY 14	91,632	(4,322)	3,501	90,811
FY 15	99,711	(5,184)	3,680	98,208
FY 16	105,566	(5,505)	3,358	103,419
FY 17	111,739	(5,664)	4,330	110,406
	\$ 572,521	\$ (24,351)	\$ 15,194	\$ 563,364

Estimated Impacts to Operating Budget*

**FY 2013
Conceptual**

**FY 2013
Inc/(Dec)**

**FY 2014
Inc/(Dec)**

Personnel Costs	\$ 25.5 Million	\$ 0.7 Million	\$ 0.7 Million
Additional Cost of New Heads Added In Prior Year	-	-	\$ 0.7 Million
GASB 45	\$ 1.9 Million	\$ 0.3 Million	\$ 0.1 Million
Medical	\$ 6.2 Million	\$ (0.3) Million	\$ 0.6 Million
Retirement Costs	\$ 7.3 Million	\$ (1.4) Million	\$ 0.4 Million
Harbor Police & Other Security Costs	\$ 20.9 Million	\$ 1.5 Million	\$ 1.0 Million
Utilities	\$ 7.6 Million	\$ 0.8 Million	\$ 0.7 Million
Maintenance Costs	\$ 7.4 Million	\$ 0.4 Million	\$ 0.9 Million
Ramp Control Tower Build Out & Operating Costs	-	\$ 0.7 Million	-
Parking & Shuttle Contracts	\$ 12.3 Million	\$ (0.3) Million	\$ 0.6 Million
Cleaning Costs	\$ 4.0 Million	\$ 1.1 Million	\$ 0.2 Million
Tenant Improvements	\$ 0.6 Million	\$ 0.1 Million	\$ 0.5 Million
CRDC Costs	\$ 0.9 Million	-	\$ 0.6 Million
Common Use Maintenance	-	-	\$ 0.3 Million
Leases	\$ 11.4 Million	-	\$ (0.5) Million
Air Services Advertising	\$ 0.3 Million	\$ 0.5 Million	\$ (0.5) Million
Marketing Promotion & Advertising	\$ 1.0 Million	\$ 0.4 Million	\$ (0.3) Million
Environmental Outside Services	\$ 0.5 Million	\$ 0.6 Million	-

* Preliminary Estimates: FY13 estimate is compared to Conceptually Approved FY13 Budget; FY14 estimate is compared to FY13 estimate

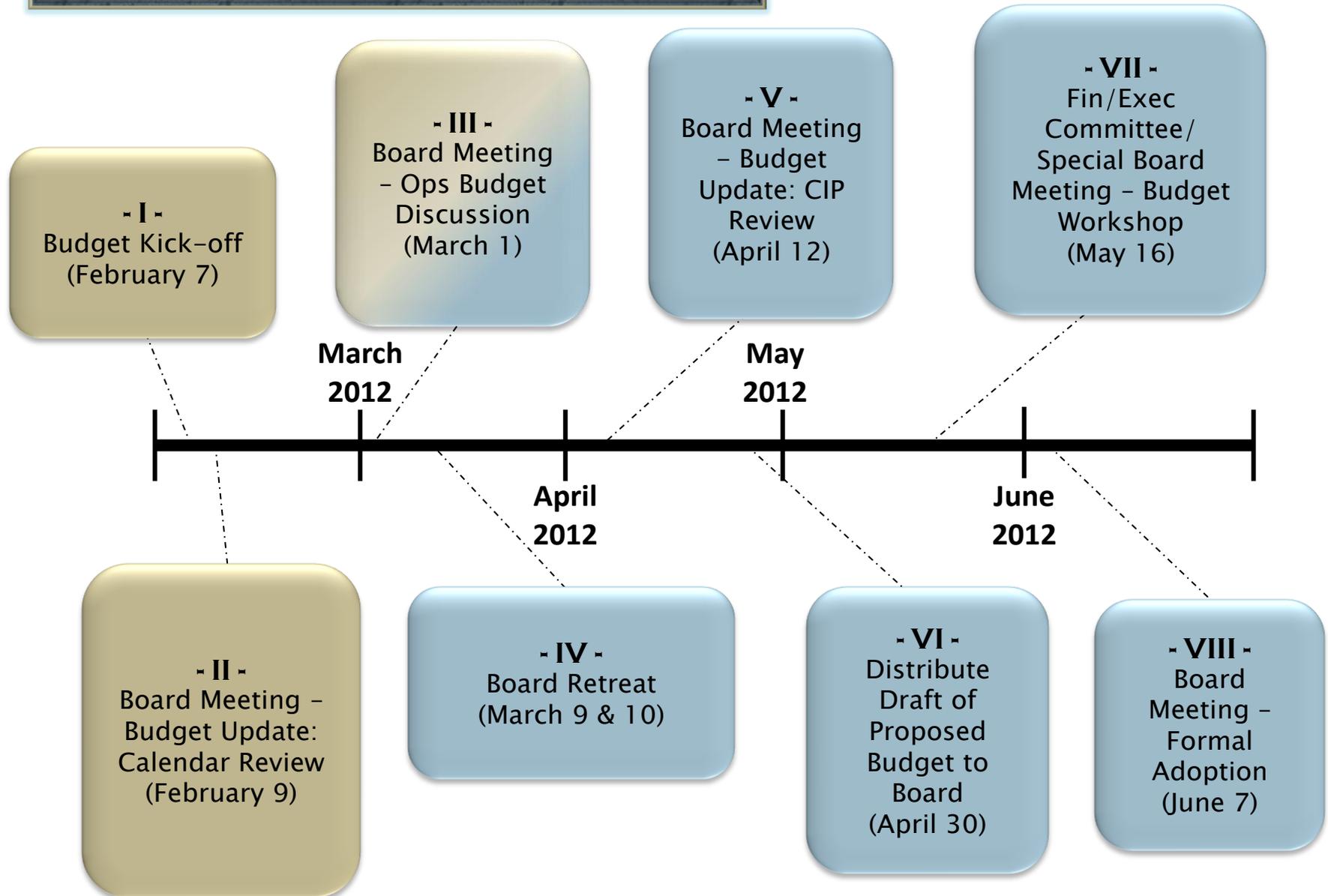
FY2013 – FY2014 BUDGET GUIDELINES

- ▶ The 5 Organizational Strategies remain the same
- ▶ Sustainability Goals
- ▶ FY13: Operating expenses not to exceed 7% over FY 2012 budget
 - ▶ No new positions & no change from unfunded to funded without justification
 - ▶ Include anticipated O&M increases due to capital projects coming online
- ▶ FY14: Operating expenses not to exceed 4% over FY 2013 budget
- ▶ Provide / Develop new or enhanced revenues

Status & Timeline

Tan = Completed

Blue = To Be Completed





Questions

