



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Communication

Date: May 3, 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 Nine Months Ended March 31, 2012

RECOMMENDATION: The Finance Committee recommends that the Board accept the report.

At the April 19, 2012 Executive/Finance Committee meeting, the Committee voted unanimously to forward this item to the May 3, 2012 Board meeting.



San Diego County Regional Airport Authority



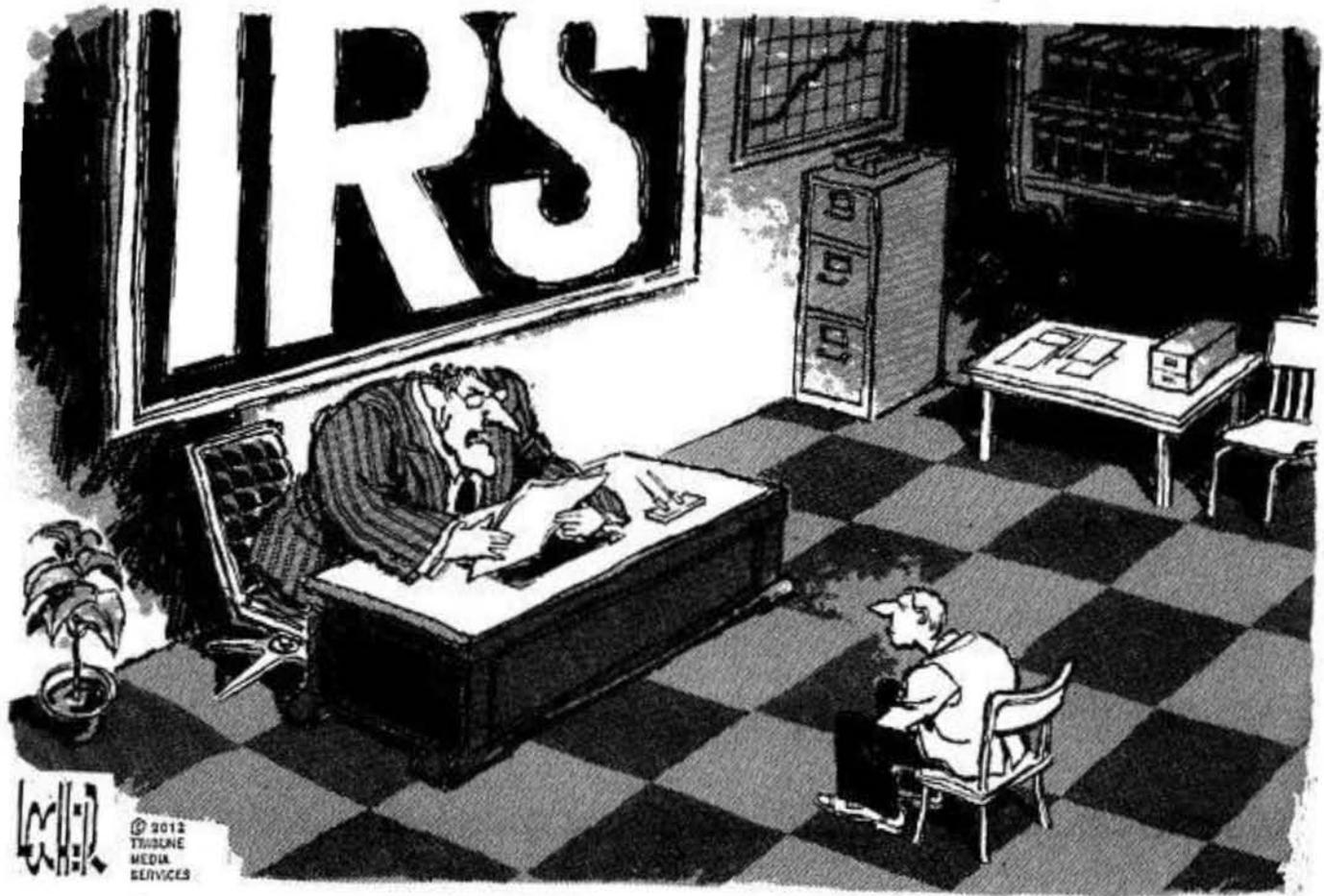
Review of the Unaudited Financial Statements for the Nine Months Ended March 31, 2012

Presented by:

Vernon D. Evans, CPA

Vice President, Finance / Treasurer & CFO

May 3, 2012



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SERVICES

"You cannot deduct last year's taxes as a bad investment!"



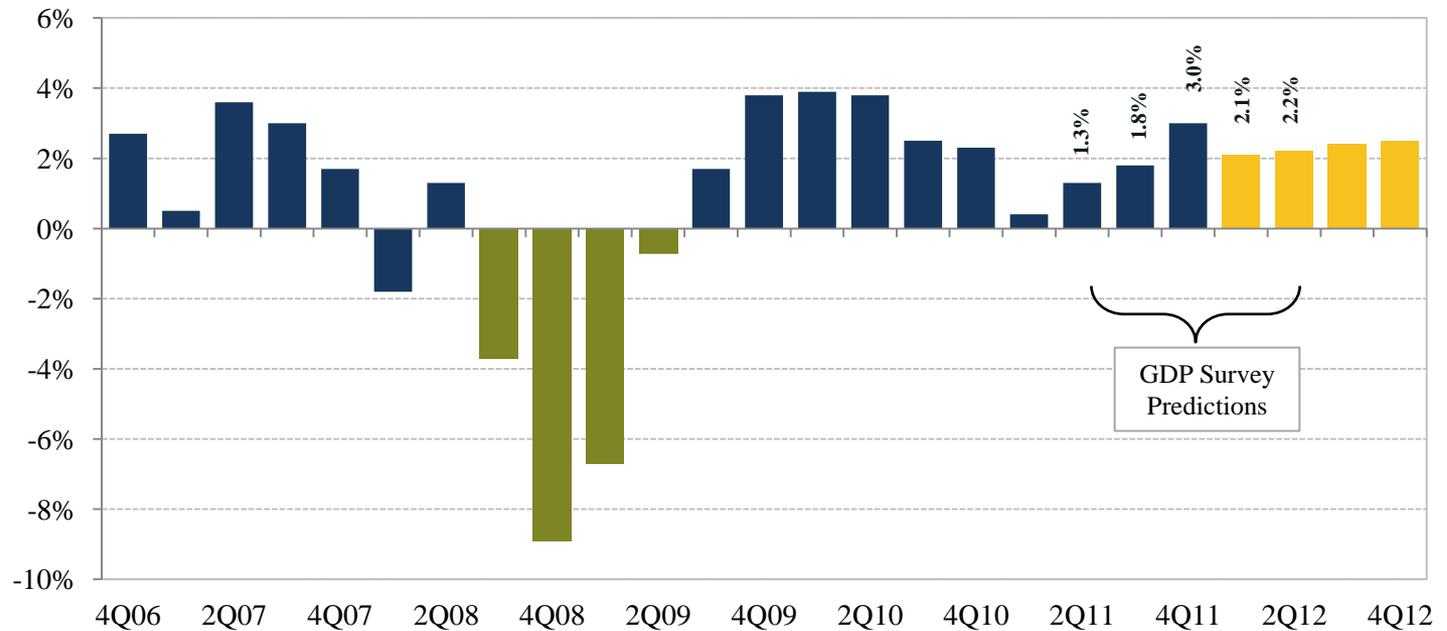
4Q11 GDP Final Revision Unchanged

Fourth quarter real GDP was left unchanged at 3.0% in the final revision. GDP had been increased to 3.0% in the first revision from the initial forecast of 2.8%.

Wall Street economists raised their Q1 forecasts after February's strong retail sales.



Gross Domestic Product (Quarter on Quarter) Fourth Quarter 2006 – Fourth Quarter 2012



Gross Domestic Product (GDP) is a measure of the United States' production over the quarter, often shown as quarter on quarter change. GDP includes consumption, government spending, investment, and net exports. It is the measure of economic activity in the United States.



Initial Jobless Claims Trending Downward

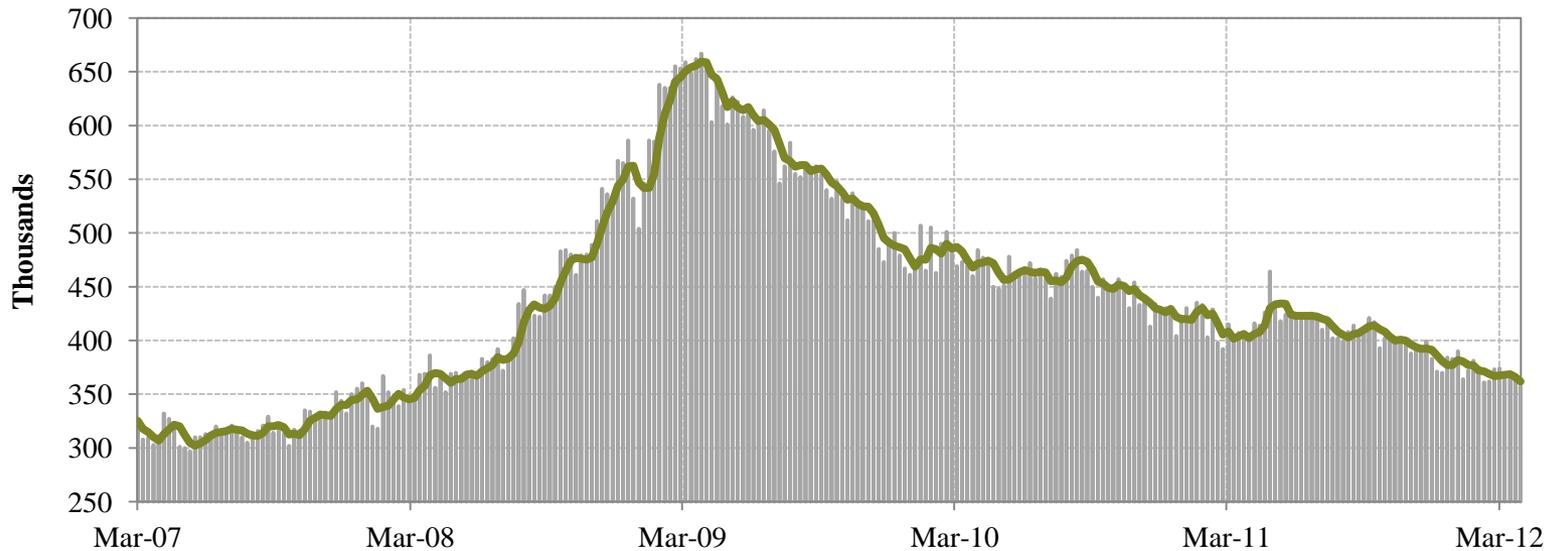


Initial claims (seasonally adjusted) for unemployment for the week ending March 31st declined by 6,000 to 357,000, its lowest level in four years.

The four week average continued its downward trend declining to 361,750.

According to research by Deutsche Bank, since 1948 the Fed always hikes rates well within a year after the Jobless Claims' 4-week moving average hits 350,000.

Weekly Initial Jobless Claims
March 2007 – March 2012



Weekly initial jobless claims is the actual number of people who have filed for Unemployment benefits for the first time. The following five (5) eligibility criteria must be met in order to file for unemployment benefits: 1. Meet the requirements of time worked during a 1 year period (full time or not). 2. Become unemployed through no fault of your own (cannot be fired). 3. Must be able to work; no physical or mental holdbacks. 4. Must be available for work. 5. Must be actively seeking work.



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Look! The economy isn't so bad. Four thousand people were hired last week to process the latest flood of unemployment claims.



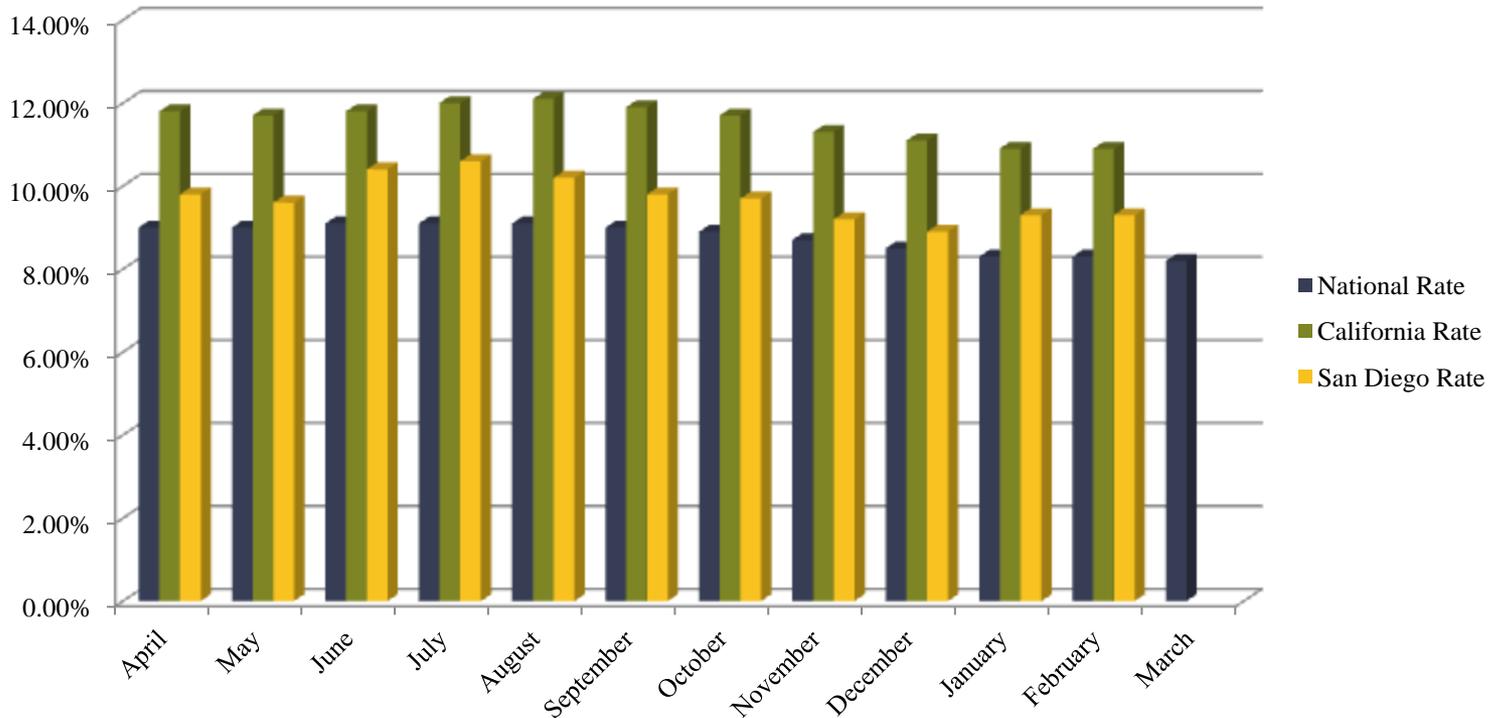
Unemployment Rate Remains High



The Federal unemployment rate decreased to 8.2% for the month of March, 2012. The California unemployment rate remained unchanged at 10.9% for January and February, but continues to be higher than the national average. The National U-6 rate decreased to 14.5% for March, while California remained much higher at 20.9% in February 2012. Locally, San Diego's unemployment rate held at 9.3% for the months of January and February, 2012.

Note: The CA EDD will not release the employment data for March 2012 until April 20th, 2012. Only the Federal Unemployment and National U-6 data shown below is updated for March 2012.

Unemployment Rates



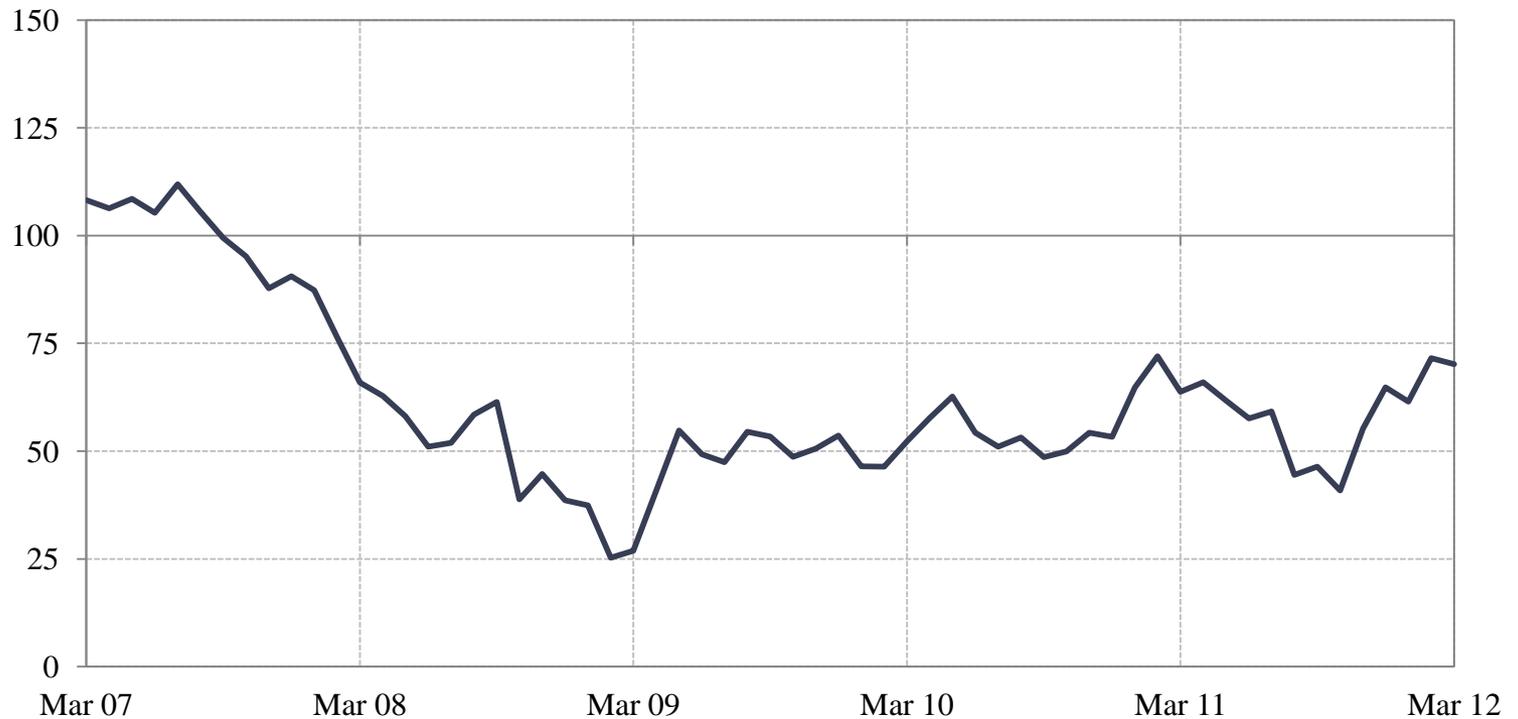


Consumer Confidence Off Slightly in March



Consumer confidence, which had jumped to 71.6 in February, declined slightly to 70.2 in March. Compared to February, consumers were more pessimistic about business and labor market conditions in the next six months.

Consumer Confidence
March 2007 – March 2012





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He says home prices will go up this year? Yeah, and if I go outside every morning and predict rain, eventually I'll be right, too.



Existing Home Sales Decline



Existing home sales, which have been trending upward since July 2011, were down slightly by 0.9% in February to an annual rate of 4.59 million.

Despite very low mortgage rates, a recovery in the housing market remains constrained by an oversupply of unsold homes, falling prices and high unemployment.

Existing Home Sales
February 2002 – February 2012







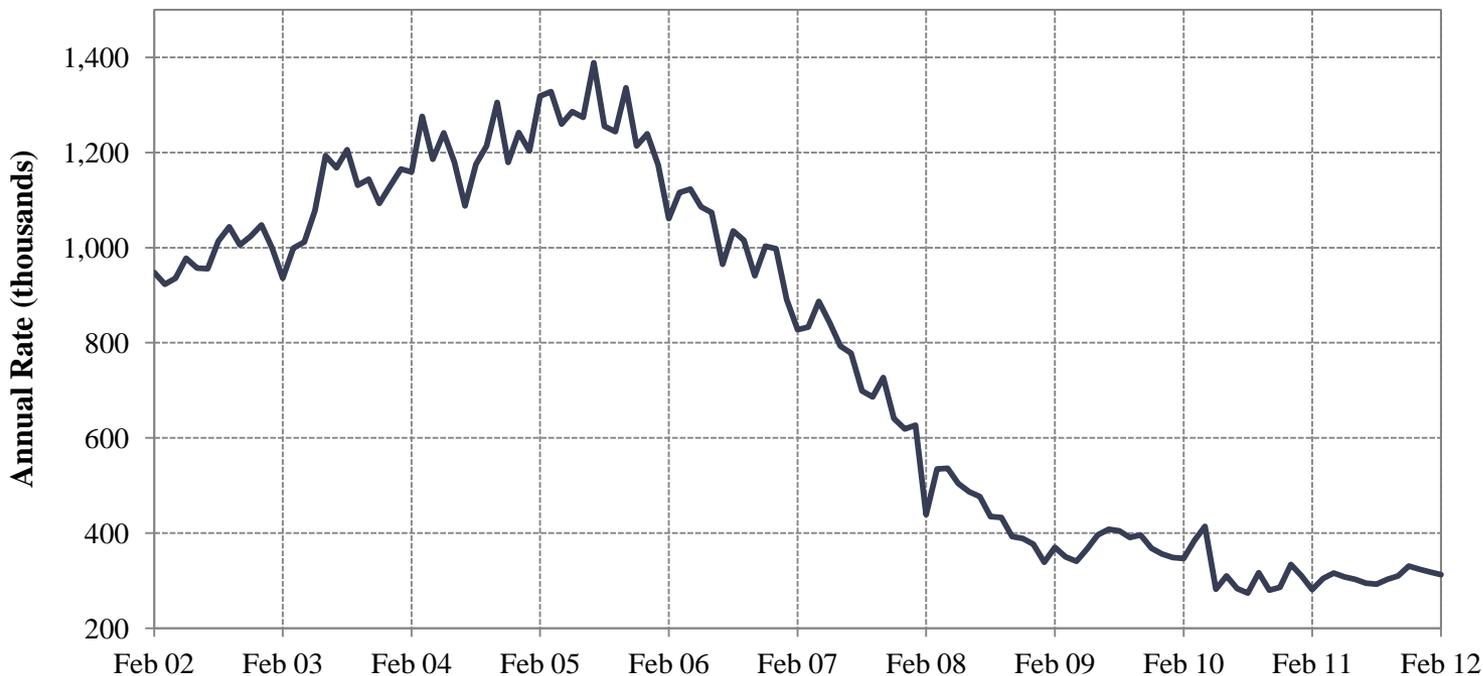
New Home Sales Decline



New home sales in January were down 1.6% to an annual rate of 313,000. For all of 2011, an estimated 302,000 new homes were sold down 6.2% from 2010 when an estimated 323,000 new homes were sold and the lowest number of sales since records began in 1963.

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
February 2002 – February 2012







Oil Prices Off Recent Peak

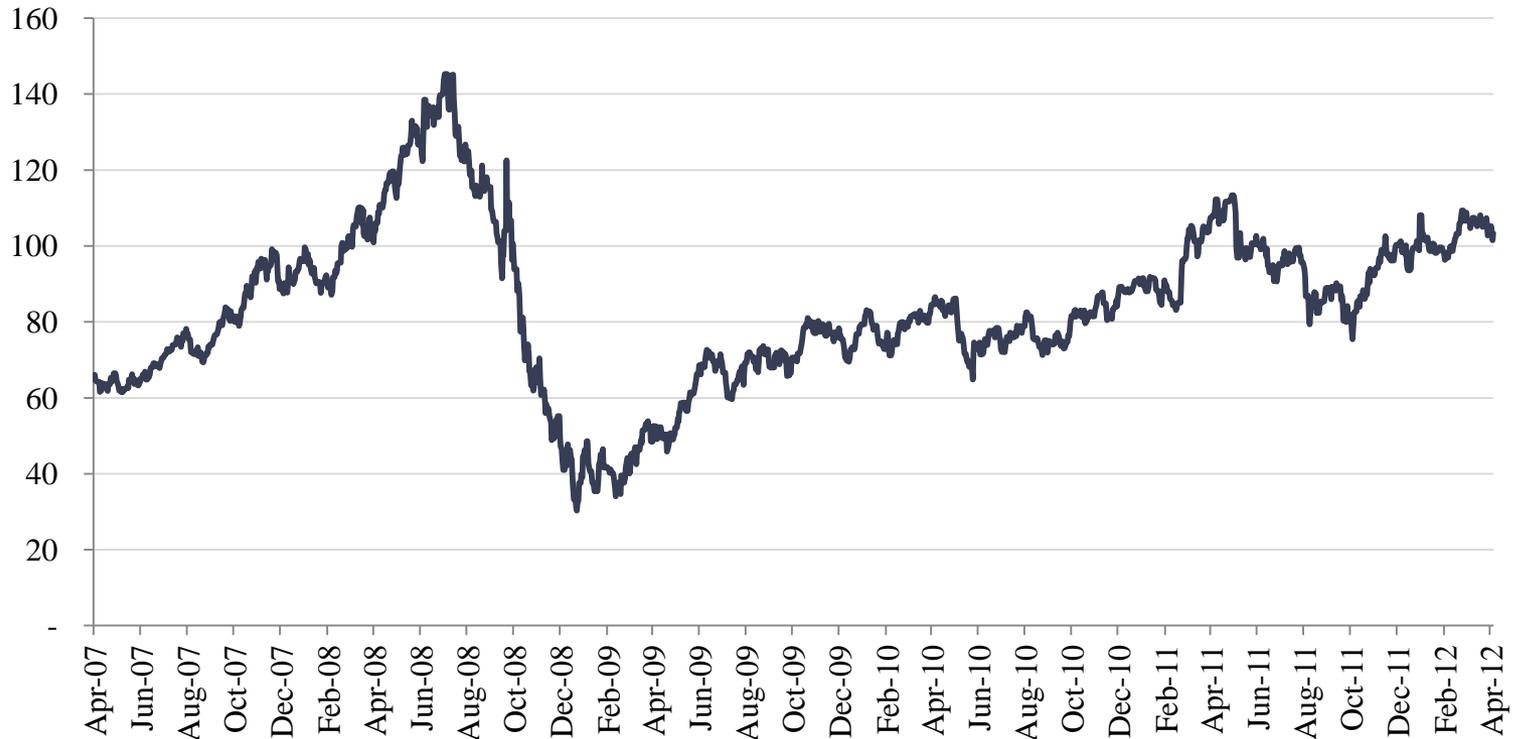


Crude oil prices (WTI spot) are down around 3% over the past 30 days. However, crude oil prices are up 9.3% from the levels seen at the start of 2011. The average price of a barrel of oil since the start of 2012 is \$103.04, which compares to \$94.30 for the same period at the start of 2011.

Every \$10 rise in the price of a barrel of oil subtracts about 0.3% from GDP.

West Texas Intermediate Oil Price Per Barrel (WTI Spot)

April 1, 2007 – April 5, 2012





The Equity Markets Down for the Week



Stocks were off for the week, as the weak Spanish bond sale earlier in the week renewed the market's concern regarding the European debt crisis. However, for the year, stocks are still up with the DJIA is up 6.9% and the S&P up 11.2% for the year.

The weak March employment report, renewed European sovereign debt concerns, weakness in the global economy, and the market's perception about future Fed action are likely to influence the stock markets in the coming weeks.

Dow Jones Industrial and S&P 500 Indices

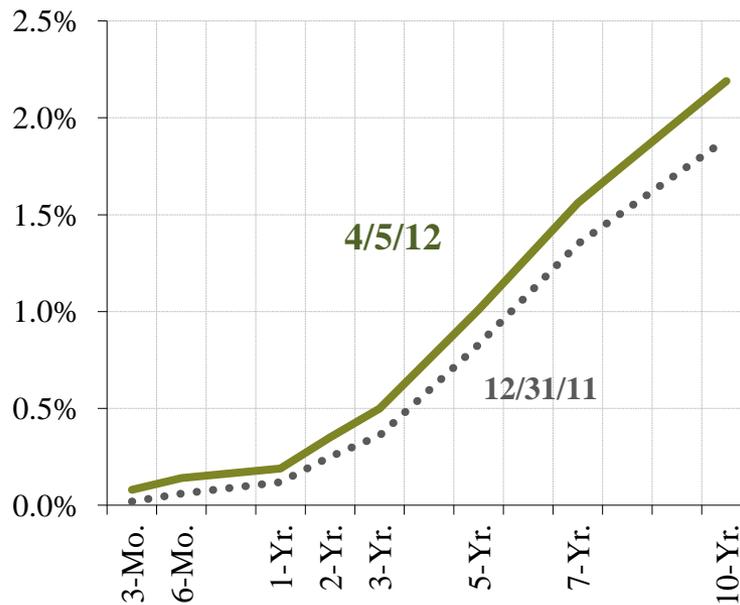
April 1, 2007 – April 5, 2012



Yield Curve Flattens

After the yield shifted higher following the Mar.13 FOMC, which indicated that future Fed action was less likely; the Treasury yield curve has again shifted downward on renewed concerns that European Sovereign debt crisis is yet to be resolved.

U.S. Treasury Yield Curve
December 31, 2011 vs. April 5, 2012



	12/31/11	4/5/12	Change
3-Mo.	0.02%	0.08%	0.06%
6-Mo.	0.06%	0.14%	0.08%
1-Yr.	0.12%	0.19%	0.07%
2-Yr.	0.25%	0.35%	0.10%
3-Yr.	0.36%	0.50%	0.14%
5-Yr.	0.83%	1.01%	0.18%
10-Yr.	1.89%	2.19%	0.30%



Perspective

The largest jackpot ever...



...would be spent by the
Federal Government in
80 minutes.



Gary Varvel
THE INSULARS OF GAR
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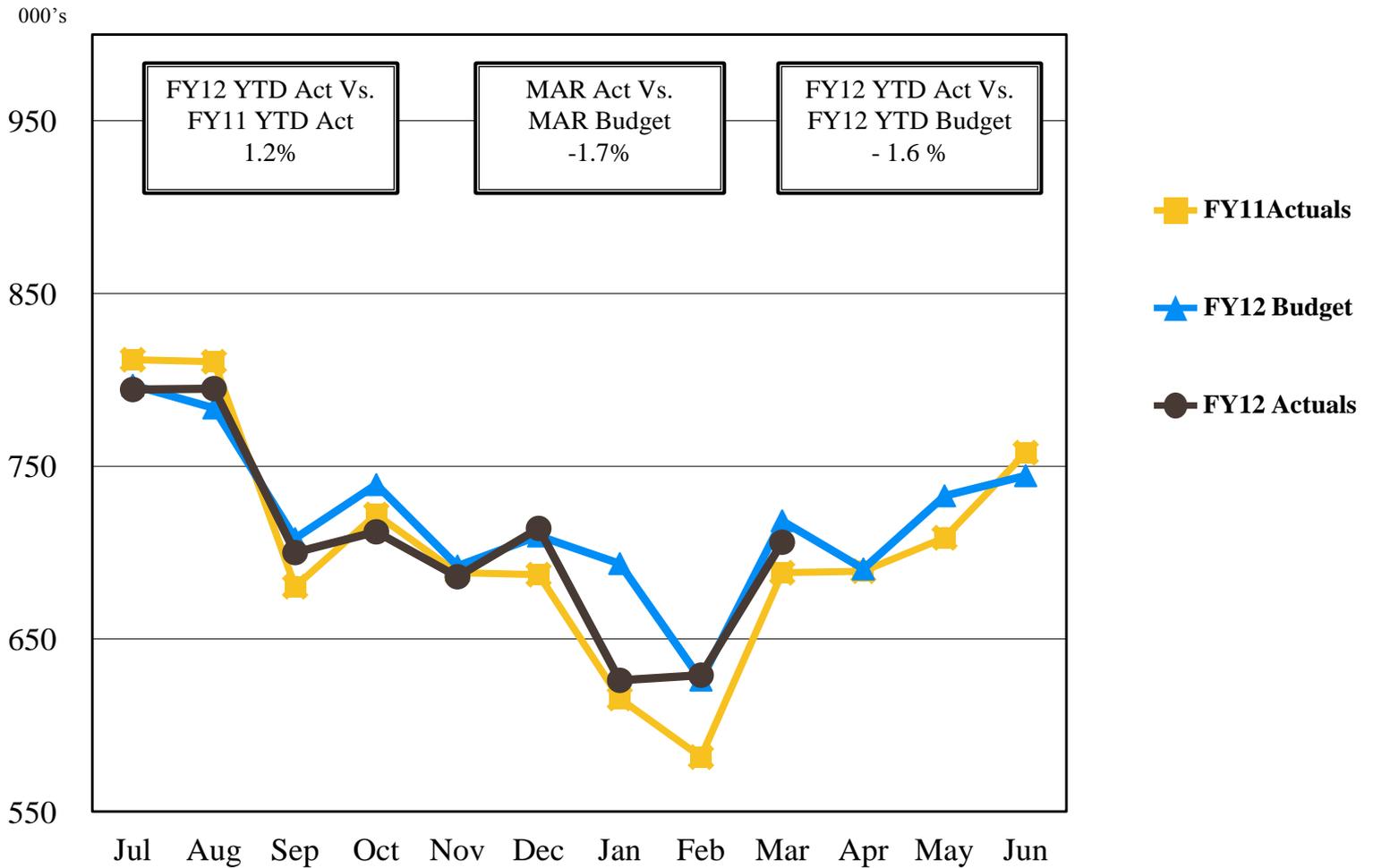
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Unaudited Financial Statements
For the Nine Months Ended
March 31, 2012





Enplanements

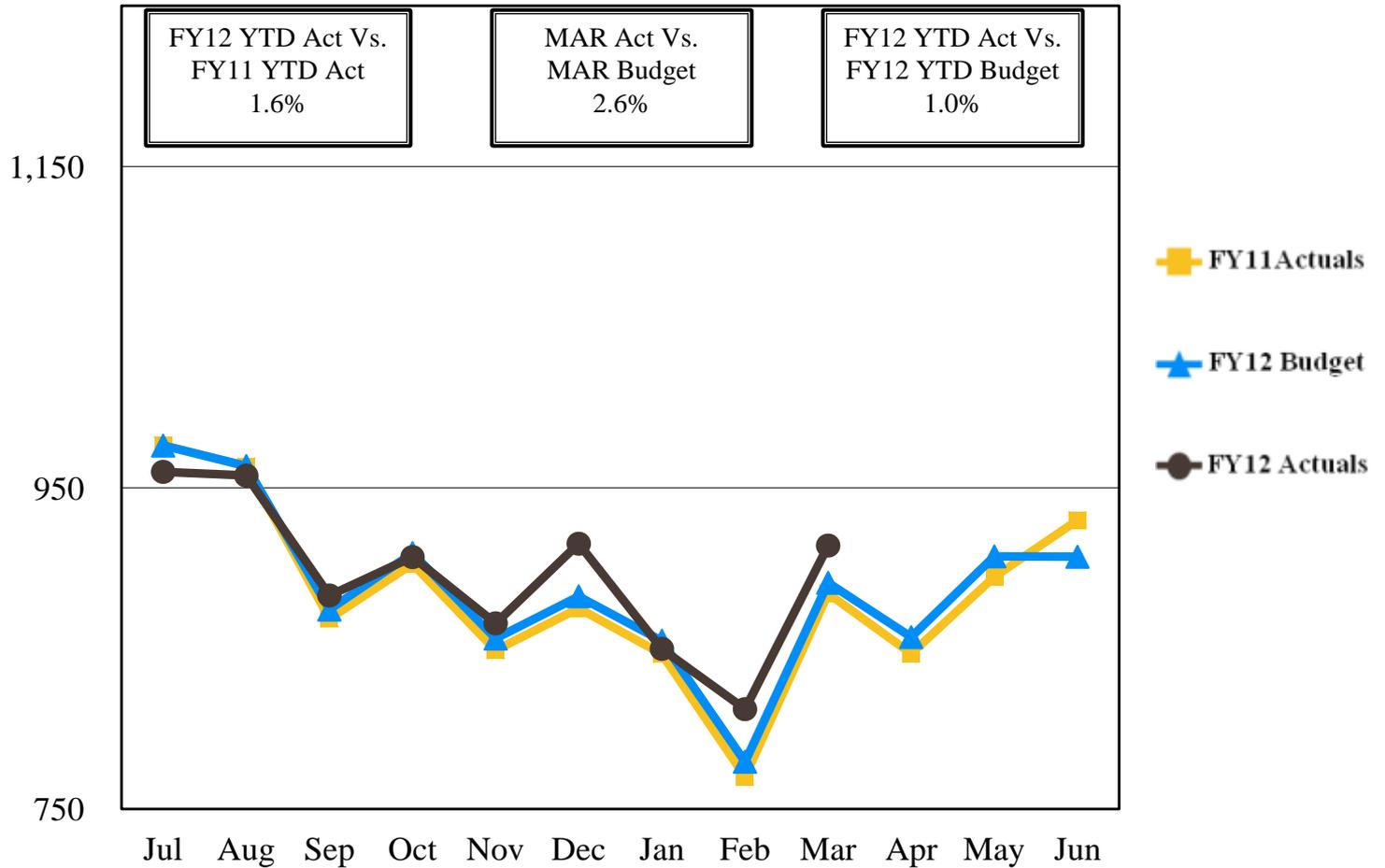




Gross Landing Weight Units (000 lbs)

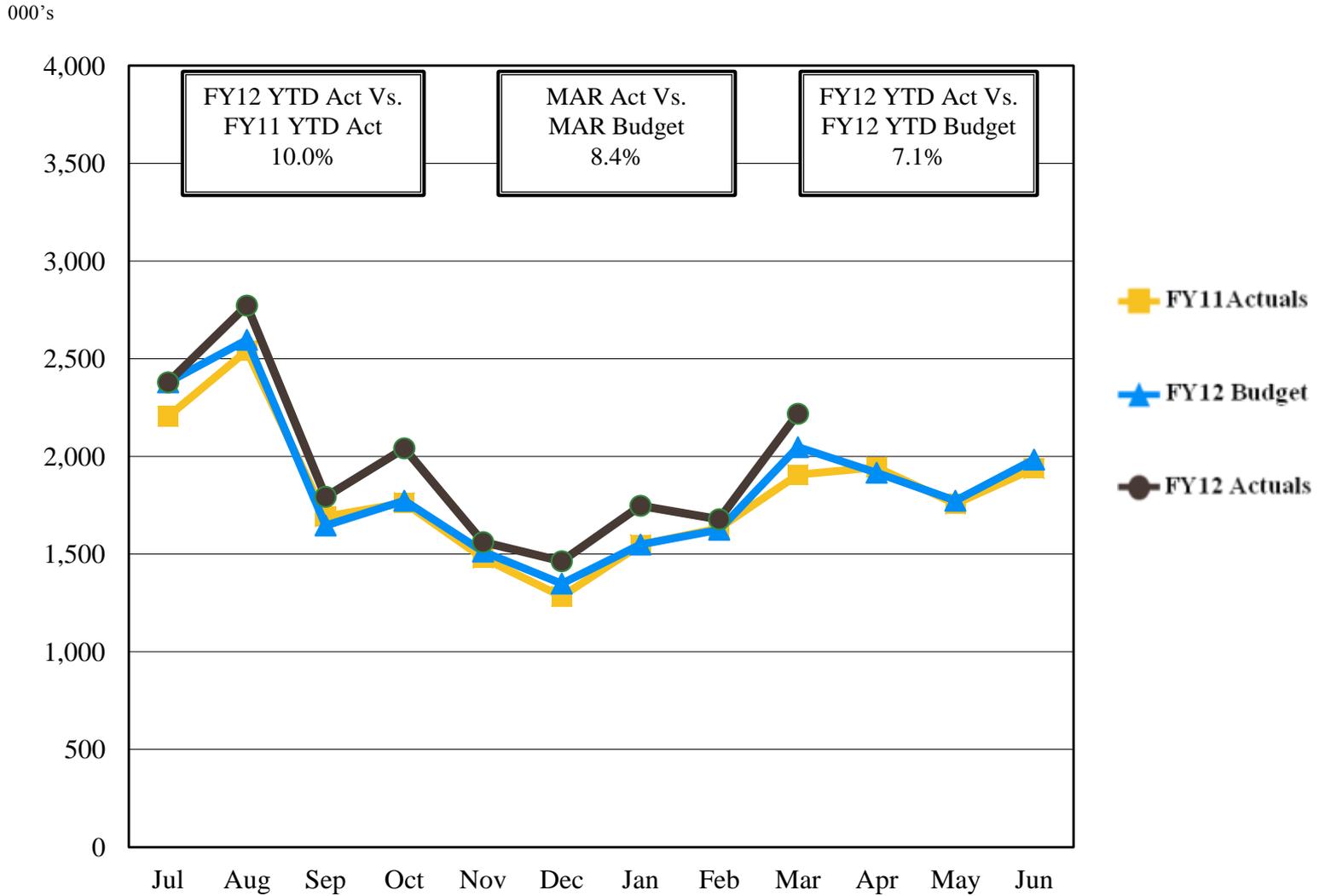


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Car Rental License Fees



Revenues & Expenses (Unaudited)
For the Month Ended
March 31, 2012



Operating Revenues

for the Month Ended March 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 1,654	\$ 1,695	\$ 41	2%	\$ 1,502
Aircraft parking fees	253	258	5	2%	236
Building rentals	2,664	2,680	16	1%	2,303
Security surcharge	1,394	1,394	0	-	1,246
Other aviation revenue	132	133	1	1%	136
Total aviation revenue	\$ 6,097	\$ 6,160	\$ 63	1%	\$ 5,423

Operating Revenues

for the Month Ended March 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 75	\$ 77	\$ 2	2%	\$ 70
Concession revenue:					
Terminal concession revenue:					
Food and beverage	513	545	32	6%	534
Gifts and news	328	347	19	6%	322
Other	238	235	(3)	(1)%	146
Total terminal concession revenue	1,079	1,127	48	4%	1,002
Car rental and license fee revenue:					
Rental car and license fees	2,047	2,218	171	8%	1,906
License fees-other	215	418	203	94%	220
Total rental car and license fees	<u>2,262</u>	<u>2,636</u>	<u>374</u>	<u>17%</u>	<u>2,126</u>
Total concession revenue	\$ 3,341	\$ 3,763	\$ 422	13%	\$ 3,128

Operating Revenues

for the Month Ended March 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
Short-term parking revenue	\$ 586	\$ 405	\$ (181)	(31)%	\$ 501
Long-term parking revenue	2,120	2,204	84	4%	2,051
Total parking revenue	2,706	2,609	(97)	(4)%	2,552
Ground transportation permits and citations	57	80	23	41%	47
Ground rentals	544	548	4	1%	586
Grant reimbursements	18	16	(2)	(12)%	298
Other operating revenue	61	64	3	4%	51
Subtotal	3,386	3,317	(69)	(2)%	3,534
Total operating revenues	\$12,899	\$13,317	\$ 418	3%	\$12,155

Operating Expenses

for the Month Ended March 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 3,022	\$ 2,934	\$ 88	3%	\$ 2,981
Contractual services	2,156	2,141	15	1%	2,260
Safety and security	1,675	1,699	(24)	(1)%	1,653
Space rental	951	952	(1)	-	909
Utilities	558	517	41	7%	571
Maintenance	670	693	(23)	(3)%	906
Equipment and systems	33	16	17	52%	28
Materials and supplies	30	31	(1)	(3)%	31
Insurance	85	64	21	25%	90
Employee development and support	87	67	20	23%	78
Business development	199	182	17	9%	152
Equipment rental and repairs	141	114	27	19%	108
Total operating expenses	\$ 9,607	\$ 9,410	\$ 197	2%	\$ 9,767

Financial Summary

for the Month Ended March 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$12,899	\$13,317	\$ 418	3%	\$12,155
Total operating expenses	9,607	9,410	197	2%	9,767
Income from operations	3,292	3,907	615	19%	2,388
Depreciation	3,720	3,663	57	2%	3,906
Operating income (loss)	\$ (428)	\$ 244	\$ 672	157%	\$ (1,518)

Nonoperating Revenues & Expenses for the Month Ended March 31, 2012 (Unaudited)

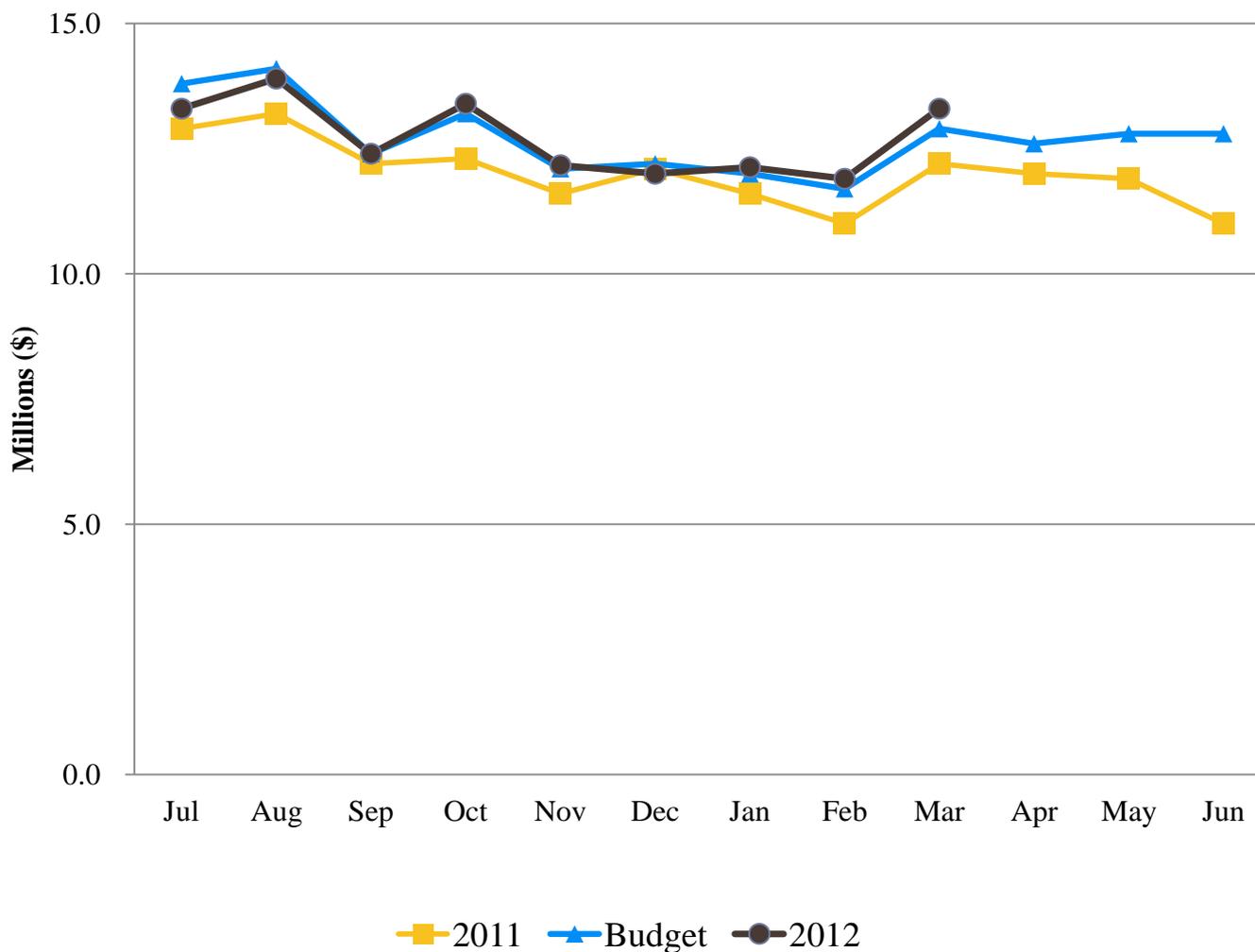
(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 3,327	\$ 3,768	\$ 441	13%	\$ 3,204
Customer facility charges (ConRAC Facility)	950	1,044	94	10%	972
Quieter Home Program	(327)	(857)	(530)	(162)%	(389)
Interest income	445	402	(43)	(10)%	611
BAB interest rebate	416	416	-	-	416
Interest expense	(1,032)	233	1,265	123%	198
Bond amortization	54	91	37	68%	55
Other nonoperating revenue (expenses)	-	391	391	-	(11)
Nonoperating revenue, net	3,833	5,488	1,655	43%	5,056
Income before grant contributions	3,405	5,732	2,327	68%	3,538
Capital grant contributions	1,868	1,047	(821)	(44)%	2,099
Net income	\$ 5,273	\$ 6,779	\$ 1,506	29%	\$ 5,637

Revenues & Expenses (Unaudited)
For the Nine Months Ended
March 31, 2012





Monthly Operating Revenue, FY 2012 (Unaudited)



Operating Revenues

for the Nine Months Ended March 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 14,802	\$ 14,833	\$ 31	-	\$ 13,867
Aircraft parking fees	2,273	2,401	128	6%	2,196
Building rentals	23,942	24,262	320	1%	20,950
Security surcharge	12,549	12,602	53	-	11,157
Other aviation revenue	1,185	1,197	12	1%	1,200
Total aviation revenue	\$ 54,751	\$ 55,295	\$ 544	1%	\$ 49,370

Operating Revenues

for the Nine Months Ended March 31, 2012 (Unaudited)



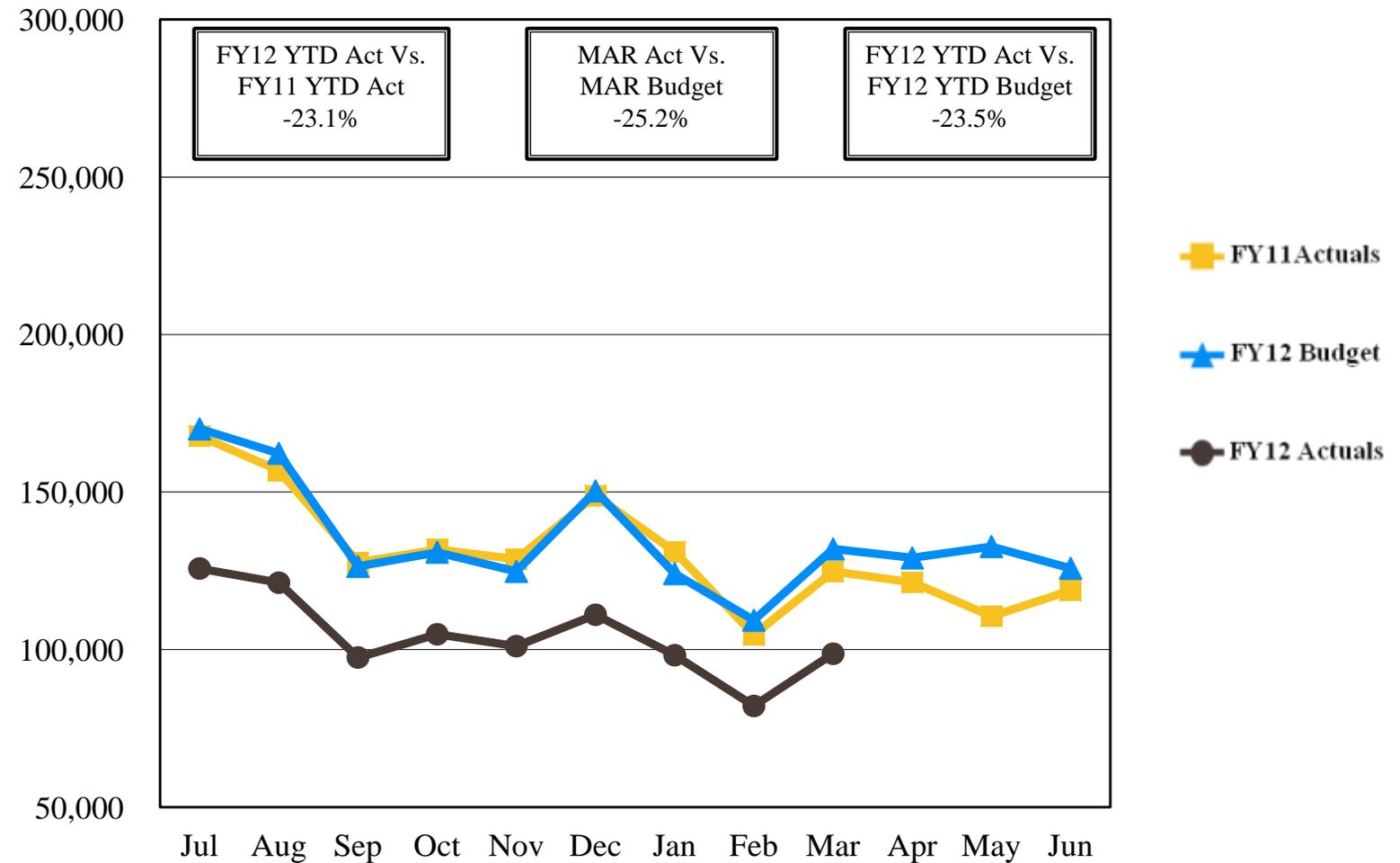
(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 678	\$ 678	0	-	\$ 655
Concession revenue:					
Terminal concession revenue:					
Food and beverage	4,461	4,714	253	6%	4,564
Gifts and news	2,862	2,979	117	4%	2,845
Other	2,139	2,177	38	2%	2,088
Total terminal concession revenue	9,462	9,870	408	4%	9,497
Car rental and license fee revenue:					
Rental car license fees	16,476	17,652	1,176	7%	16,048
License fees-other	1,961	2,268	307	16%	1,989
Total rental car and license fees	18,437	19,920	1,483	8%	18,037
Total concession revenue	\$ 27,899	\$ 29,790	\$ 1,891	7%	\$ 27,534



Airport Parking Transactions



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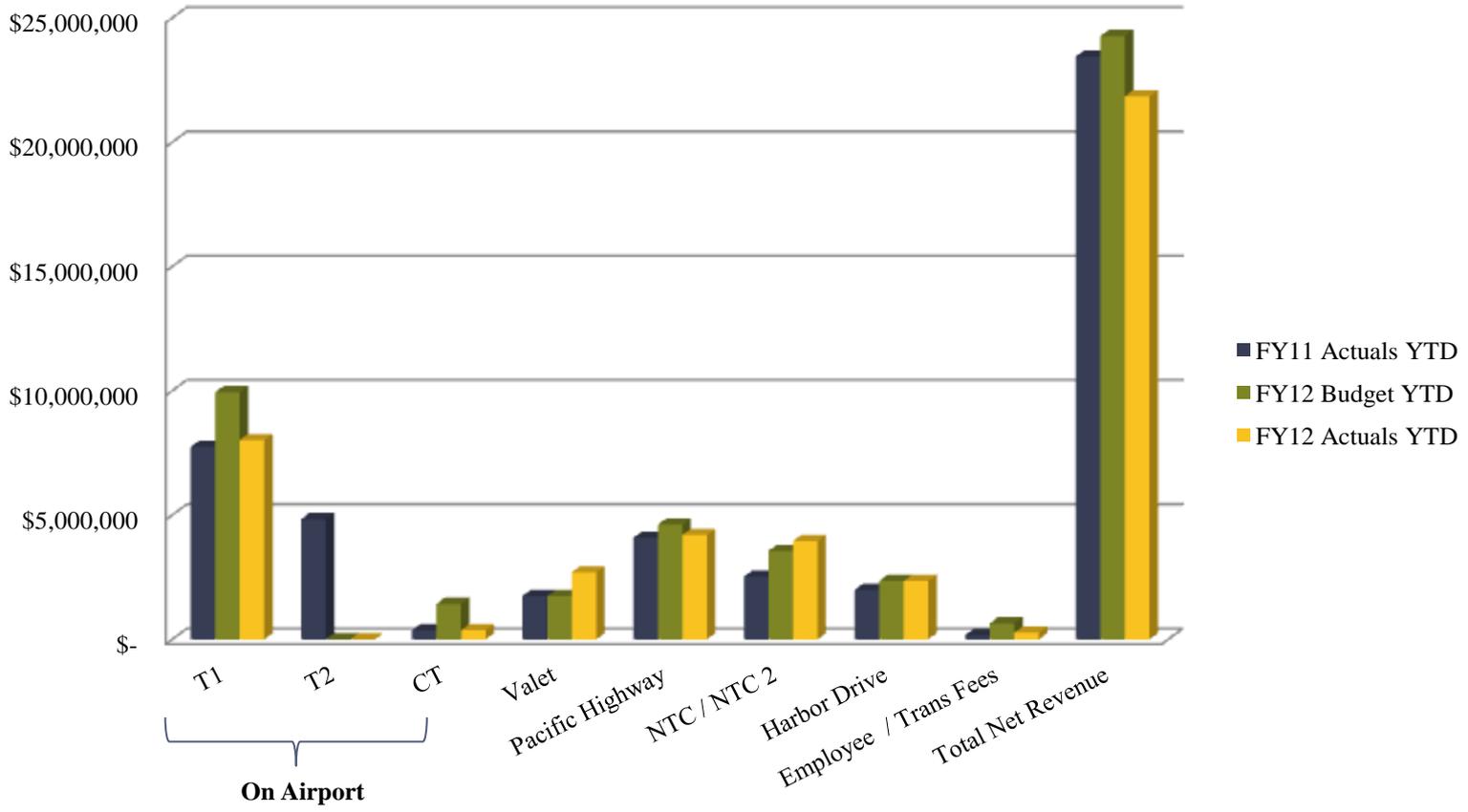




Parking Revenue



**Parking Revenue (\$)
Nine Months Ended March 2012**

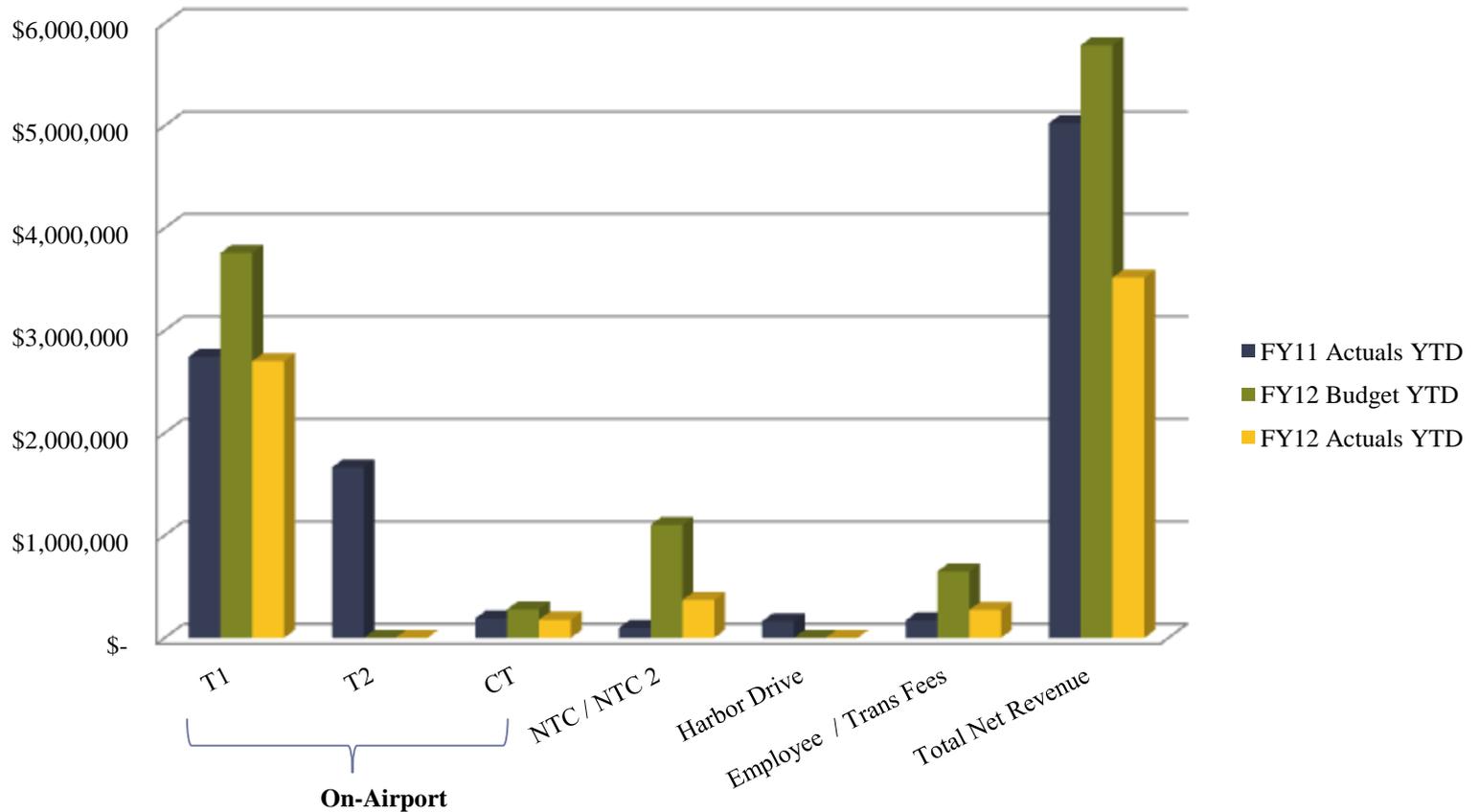




Short Term Parking Revenue



**Short Term Parking Revenue (\$)
Nine Months Ended March 2012**

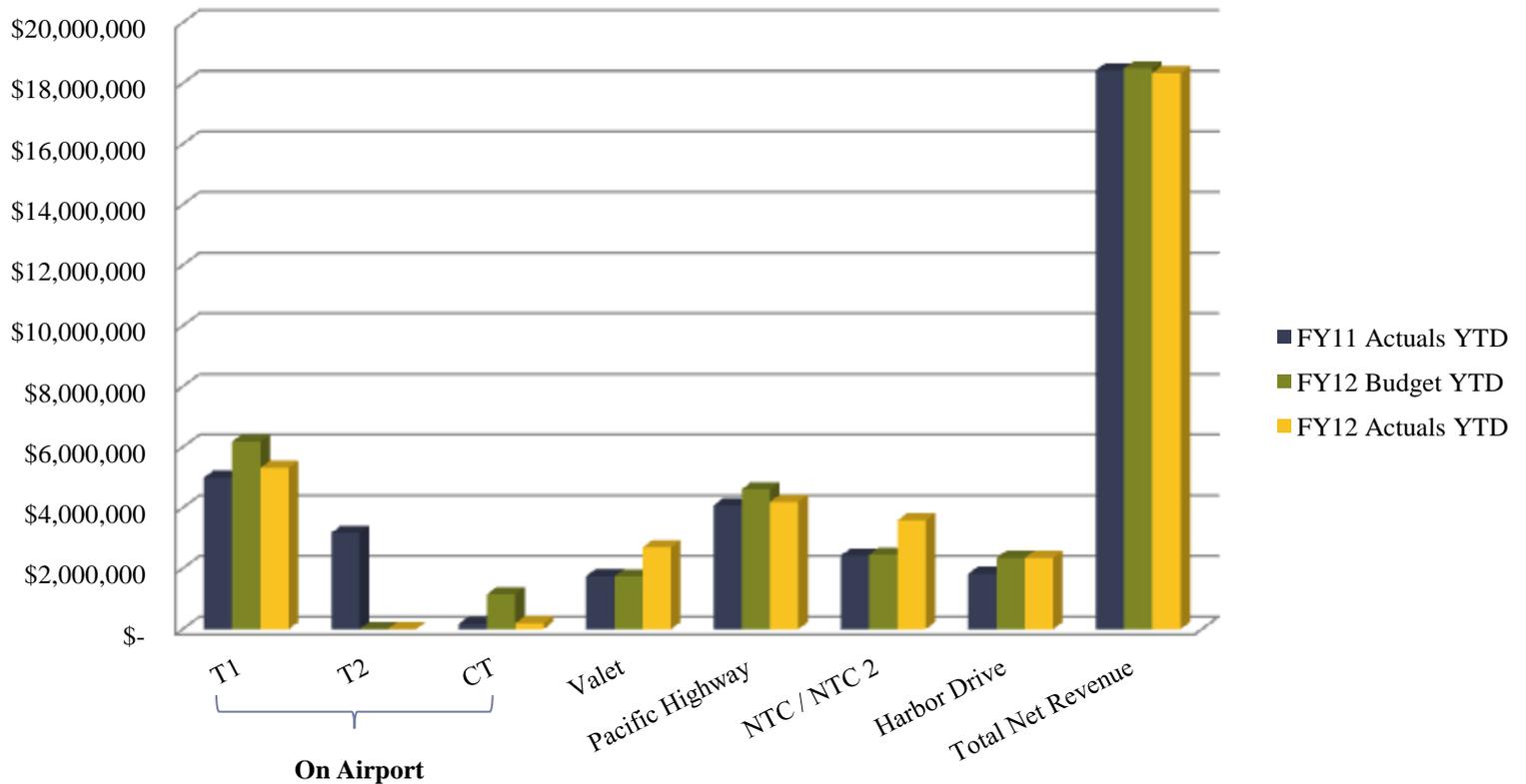




Long Term Parking Revenue



**Long Term Parking Revenue (\$)
Nine Months Ended March 2012**



Operating Revenues

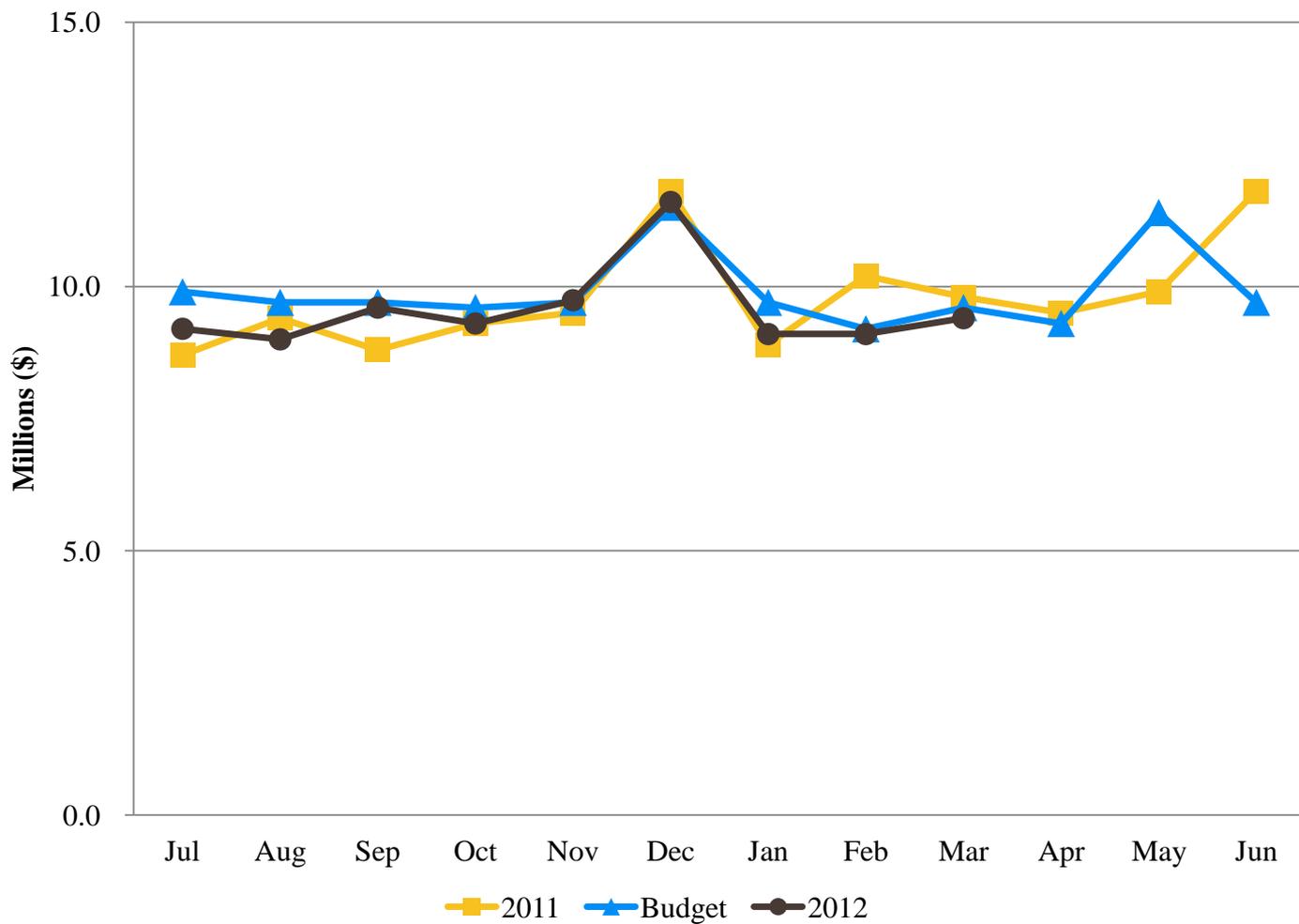
for the Nine Months Ended March 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
Short-term parking revenue	\$ 5,786	\$ 3,516	\$ (2,270)	(39)%	\$ 5,025
Long-term parking revenue	18,493	18,338	\$ (155)	(1)%	18,425
Total parking revenue	\$ 24,279	\$ 21,854	\$ (2,425)	(10)%	\$ 23,450
Ground transportation permits and citations	1,069	991	(78)	(7)%	602
Ground rentals	4,978	5,040	62	1%	5,985
Grant reimbursements	161	254	93	58%	762
Other operating revenue	553	666	113	20%	573
Subtotal	31,040	28,805	(2,235)	(7)%	31,372
Total operating revenues	\$114,368	\$114,568	\$ 200	-	\$108,931



Monthly Operating Expenses, FY 2012 (Unaudited)



Operating Expenses

for the Nine Months Ended March 31, 2012 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 27,995	\$ 26,900	\$ 1,095	4%	\$ 27,891
Contractual services	20,195	19,940	255	1%	19,512
Safety and security	15,410	15,325	85	1%	15,430
Space rental	8,562	8,561	1	-	8,180
Utilities	5,011	5,118	(107)	(2)%	4,866
Maintenance	6,078	5,974	104	2%	6,021
Equipment and systems	264	107	157	59%	348
Materials and supplies	239	168	71	30%	235
Insurance	765	568	197	26%	810
Employee development and support	865	637	228	26%	711
Business development	1,909	1,557	352	18%	1,248
Equipment rental and repairs	1,310	1,126	184	14%	1,121
Total operating expenses	\$ 88,603	\$ 85,981	\$ 2,622	3%	\$ 86,373

Financial Summary

for the Nine Months Ended March 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$114,368	\$114,568	\$ 200	-	\$108,931
Total operating expenses	88,603	85,981	2,622	3%	86,373
Income from operations	25,765	28,587	2,822	11%	22,558
Depreciation	34,676	34,487	189	-	36,462
Operating income (loss)	\$ (8,911)	\$ (5,900)	\$ 3,011	34%	\$ (13,904)

Nonoperating Revenues & Expenses for the Nine Months Ended March 31, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 24,790	\$ 25,900	\$ 1,110	4%	\$ 24,746
Customer facility charges (ConRAC Facility)	7,779	8,389	610	8%	8,079
Quieter Home Program	(2,324)	(2,136)	188	8%	(2,590)
Interest income	4,004	4,358	354	9%	4,437
BAB interest rebate	3,747	3,747	-	-	2,442
Interest expense	(9,126)	(2,328)	6,798	74%	(7,396)
Bond amortization	487	786	299	61%	307
Other nonoperating revenue (expenses)	-	1,090	1,090	-	1,427
Nonoperating revenue, net	29,357	39,806	10,449	36%	31,452
Income before grant contributions	20,446	33,906	13,460	66%	17,548
Capital grant contributions	15,713	17,482	1,769	11%	20,523
Net income	\$ 36,159	\$ 51,388	\$ 15,229	42%	\$ 38,071



Balance Sheets (Unaudited)



	(In thousands)	
	March	
	2012	2011
Current assets:		
Cash and investments	\$ 110,083	\$ 97,148
Tenant lease receivable, net of allowance of 2012: \$45,817 and 2011: \$23,094	5,961	5,370
Grants receivable	4,613	7,070
Notes receivable-current portion	1,605	1,613
Prepaid expenses and other current assets	9,516	10,575
Total current assets	131,778	121,776
Cash designated for capital projects and other	\$ 8,262	\$ 4,135



Balance Sheets (Unaudited)



(In thousands)

March

2012

2011

Restricted assets:

Cash and investments:

Bonds reserve	\$ 45,098	\$ 45,708
Passenger facility charges and interest unapplied	65,171	59,198
Customer facility charges and interest applied*	27,749	16,935
Commercial paper reserve	19	43
SBD bond guarantee	2,000	4,000
Bond proceeds held by trustee	221,495	406,652
Commercial paper interest held by trustee	13	13
Passenger facility charges receivable	5,637	4,829
Customer facility charges receivable*	974	960
OCIP insurance reserve	6,174	6,400
Total restricted assets	\$ 374,330	\$ 544,738

*ConRAC Facility



Balance Sheets (Unaudited)



(In thousands)

March

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

	<u>2012</u>	<u>2011</u>
	\$ 24,504	\$ 23,454
	274,670	236,772
	465,481	463,760
	11,184	10,218
	5,362	5,367
	31,043	30,127
	2,676	2,411
	537,197	300,341
	<u>1,352,117</u>	<u>1,072,450</u>
	(542,355)	(495,321)
	<u>\$ 809,762</u>	<u>\$ 577,129</u>



Balance Sheets (Unaudited)



Other assets:

Notes receivable - long-term portion
Investments - long-term portion
Deferred costs - bonds (net)
Net pension asset
Workers' Compensation deposit

Total other assets

Total noncurrent assets

TOTAL ASSETS

(In thousands)

March

	<u>2012</u>	<u>2011</u>
\$ 41,745	\$ 43,443	
15,736	20,196	
4,732	5,087	
7,344	7,900	
500	-	
70,057	76,626	
879,819	653,755	
\$ 1,394,189	\$ 1,324,404	



Balance Sheets (Unaudited)



(In thousands)

March

Current liabilities:

Accounts payable and accrued liabilities

	<u>2012</u>	<u>2011</u>
\$ 66,078	\$ 50,134	

Deposits and other current liabilities

4,096	4,052	
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Total current liabilities

<u>70,174</u>	<u>54,186</u>	
---------------	---------------	--

Current liabilities - payable from restricted assets:

Current portion of long-term debt

5,190	4,725	
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Accrued interest on bonds
and commercial paper

8,438	8,475	
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Total liabilities payable from restricted assets

<u>\$ 13,628</u>	<u>\$ 13,200</u>	
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Balance Sheets (Unaudited)



(In thousands)

March

Authority net assets:

Invested in capital assets, net of related debt

Other restricted

Unrestricted:

Designated

Undesignated

Total net assets

TOTAL LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
	\$ 375,213	\$ 321,684
	161,730	146,815
	15,606	16,034
	106,093	113,990
	<u>658,642</u>	<u>598,523</u>
	<u>\$1,394,189</u>	<u>\$1,324,404</u>



Questions

