



**SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY**

Board Communication

Date: September 6, 2012

To: Board Members

Via: Thella F. Bowens, President/CEO

From: Vernon D. Evans, Vice President, Finance/Treasurer

**Subject: Review of the Unaudited Financial Statements for the Year
End June 30, 2012:**

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

San Diego County Regional Airport Authority



Review of the Unaudited Financial Statements for the Year Ended: June 30, 2012

Presented by:

Vernon D. Evans, CPA

Vice President, Finance / Treasurer & CFO

Kathy Kiefer

Director, Accounting

August 27, 2012

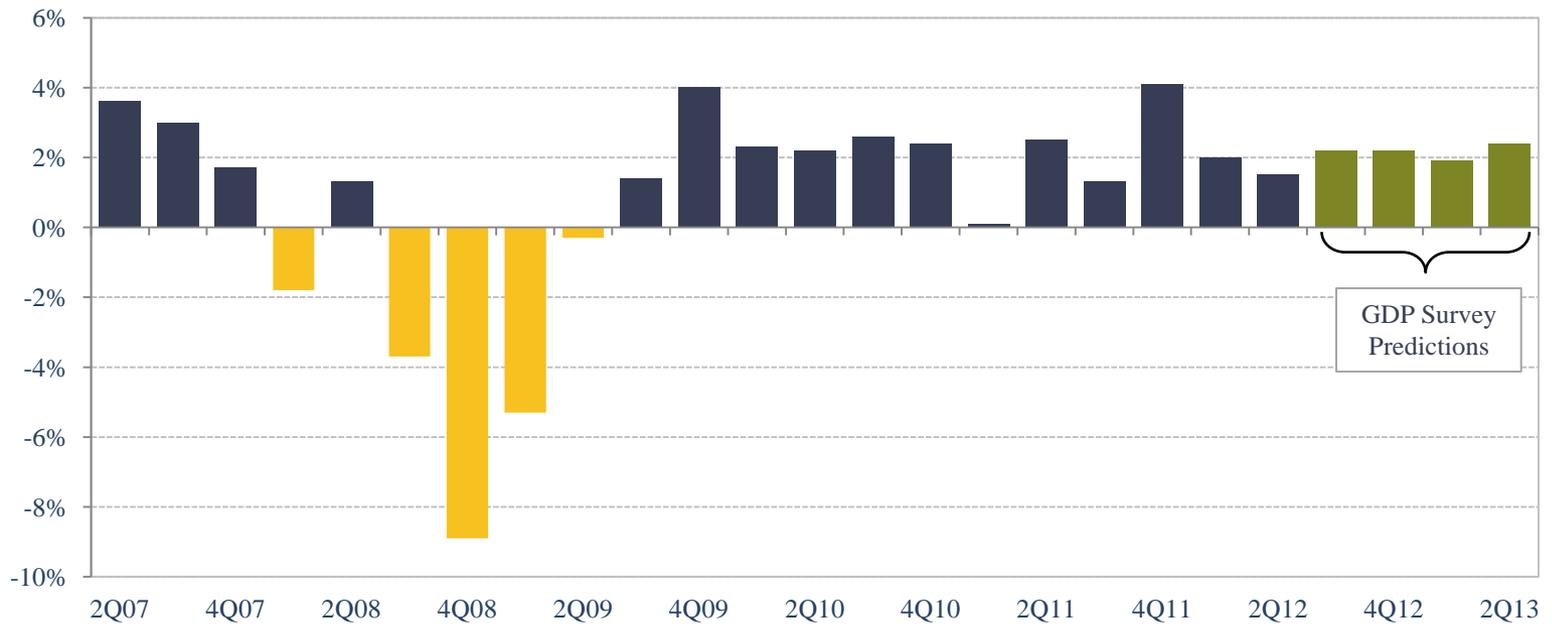


Moderate Economic Growth Expected to Continue



Second quarter GDP declined to 1.50% from 2.0% in the first quarter. A decline in Personal Consumption to 1.5% in the second quarter from 2.4% in the first quarter was mainly responsible for the decline in second quarter GDP.

Gross Domestic Product (Quarter on Quarter)
Second Quarter 2007 – Second Quarter 2013





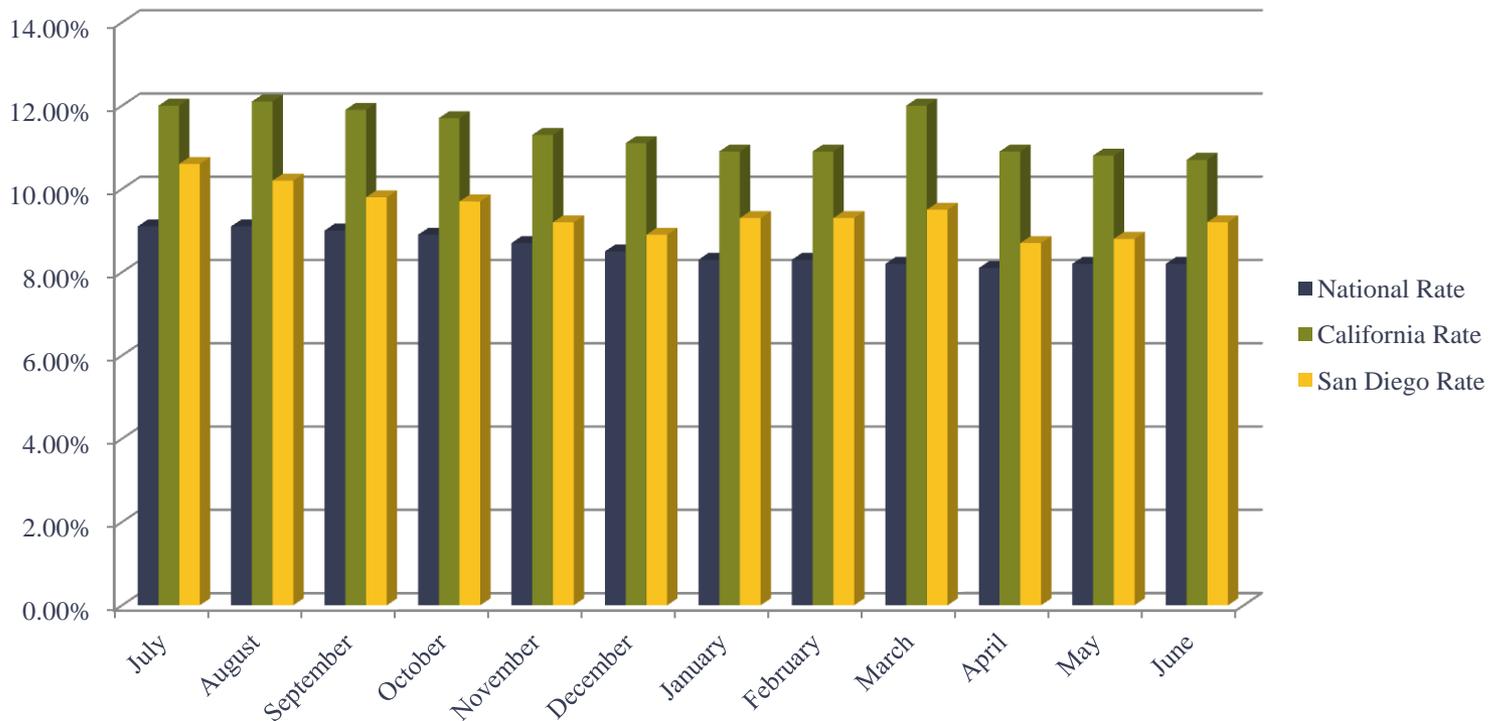
Unemployment Rate Remains High



The Federal unemployment rate held steady at 8.2% for the month of June, 2012, and the National U-6 rate decreased to 14.9%, down from the May rate of 15.4%.

In California, the State unemployment rate for June was 10.7%, a decrease of only 0.1%, and the State U-6 rate decreased to 20.3%. Locally, San Diego's unemployment rate for the month of June increased to 9.2%, up from 8.8%, in May.

Unemployment Rates





Consumer Confidence Increases in July



The Consumer Confidence Index, after falling the four previous months, increased to 65.9 in July from 62.7 in June. However, the current weakness in the employment market is likely to limit further increases.

Overall, consumers assessment of current conditions was unchanged from June. However, consumers assessment of conditions over the next six months grew slightly more optimistic.

Consumer Confidence Index
July 2007 – July 2012





Existing Home Sales Fall



In June, existing home sales decreased by 5.4 percent to an annual rate of 4.37 million units from an upwardly revised annual rate of 4.62 million in May. Total housing inventory decreased by 3.2% in June, and it is 24.4 percent below a year ago. However, with the decline in sales, the listed supply on the market increased to 6.6 months in June up from 6.4 months in May. In June 2011, there was a 9.1 month supply.

Existing Home Sales
June 2002 – June 2012





New Home Sales Fall

In June, new home sales fell by 8.4 percent to an annualized rate of 350,000 units from an upwardly revised annual rate of 382,000 in May.

The drop in new home purchases increased supply on the market to 4.9 months, at the current sales pace.



New Home Sales
June 2002 – June 2012





Oil Prices Trending Higher

Average crude oil prices (WTI spot) over the past 30 days are up over 8% over the prior 30 days. Oil prices have trended higher on generally favorable economic data and continued uncertainty in the middle east. Oil closed at \$92.87 on August 10th compared to its most recent low of \$77.72 on June 28th.



West Texas Intermediate Oil Price Per Barrel (WTI Spot)
August 1, 2007 – August 10, 2012



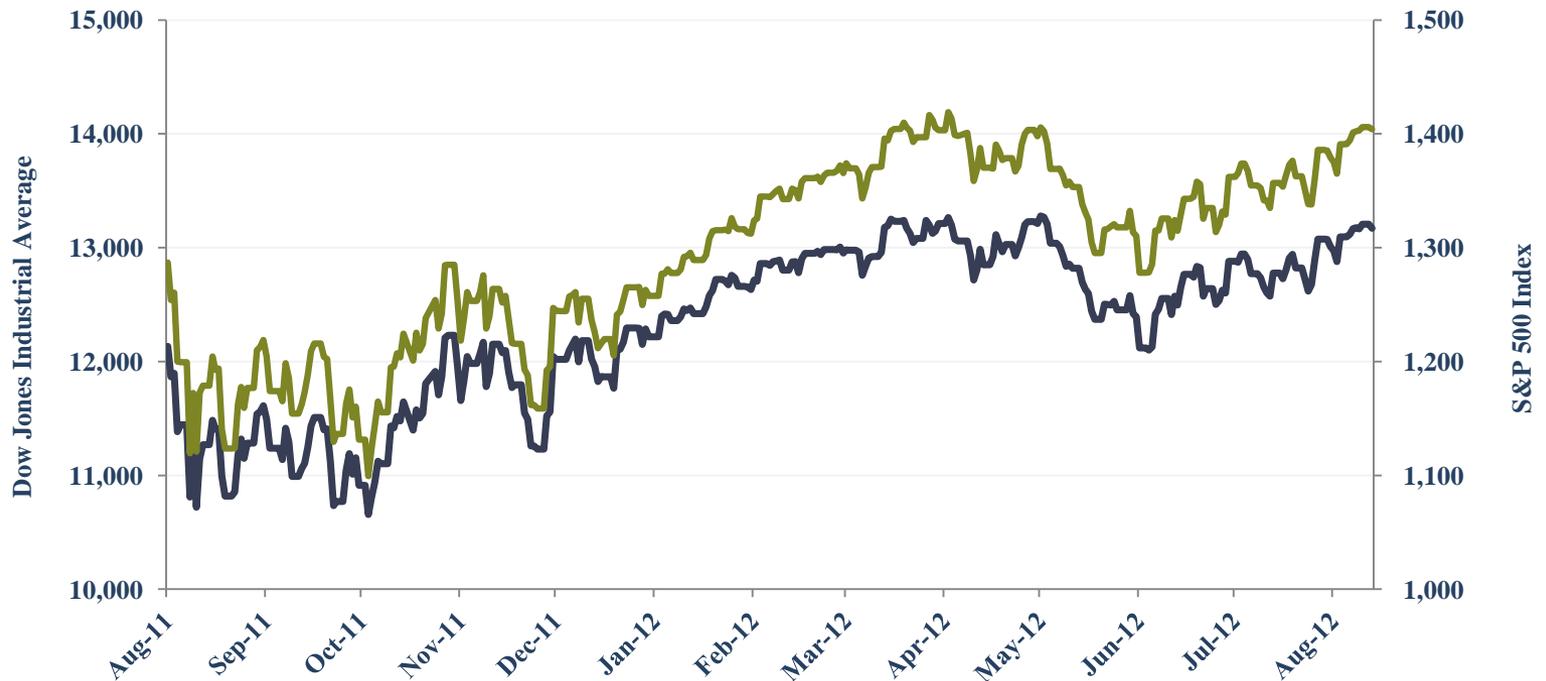


The Equity Markets Trending Higher



The equity markets have been trending higher recently, on generally favorable earnings and economic data and as investor concerns about the European debt crisis have subsided. Year to date, the Dow Jones Industrial Average (DJIA) is up 7.8% and the Standard & Poor's 500 Index (S&P 500) is up 11.6%. However, investors remain wary of the lack of a long-term solution to the European debt crisis and continued economic uncertainty in the United States.

Dow Jones Industrial and S&P 500 Indices
August 1, 2011 – August 13, 2012





Treasury Yields Rebound From Recent Lows



2-year U.S. Treasury yields have rebounded towards the high end of its recent trading range. With Operation Twist extended, selling pressure on the 2-year Treasury should continue, but Fed Funds firmly anchored at 0% should keep yields from going much higher.

Longer-term Treasury yields have rebounded off their all-time lows on generally favorable economic data. A seemingly great paradox that the all-time low borrowing rates should coincide with the all-time largest borrowing needs as the US fiscal position deteriorates.

2- and 5-Year U.S. Treasury Yields
August 1, 2011 – August 13, 2012





Longer-Term Yields Rebound

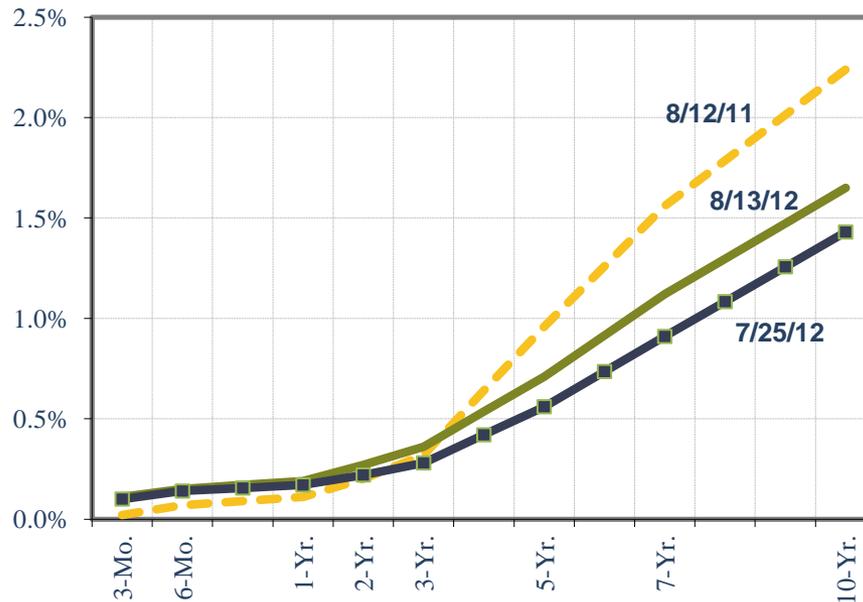
Longer-term Treasury yields have rebounded off their all-time lows.

However, longer-term yields are still down compared to their levels a year ago. Over the past year, the Treasury yield curve has flattened on economic worries, continued uncertainty surrounding the European debt crisis, and the Federal Reserve's Operation Twist.



U.S. Treasury Yield Curve

August 12, 2011 versus July 25, 2012 versus August 13, 2012



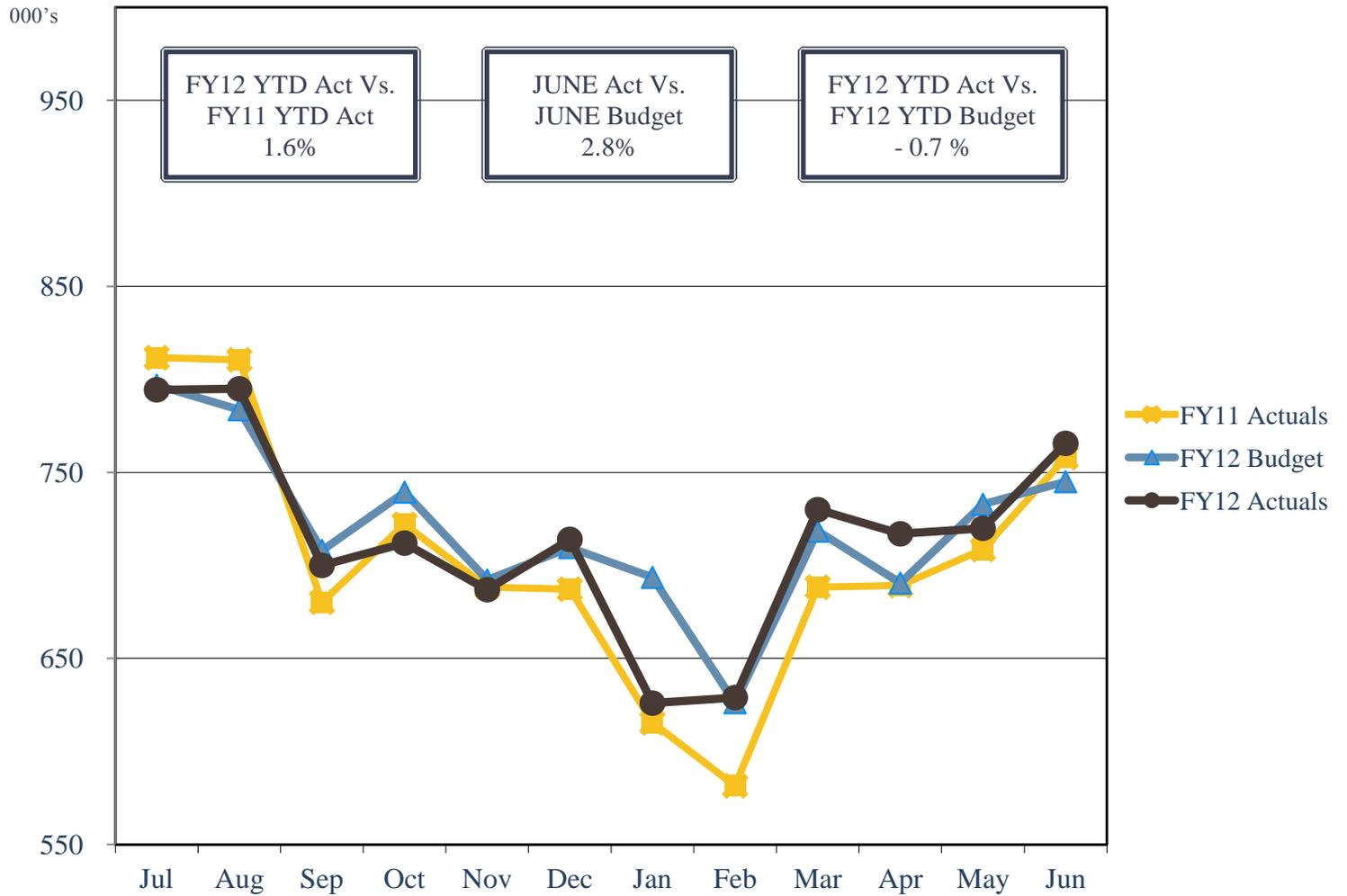
	8/12/11	7/25/12	8/13/12
3-Mo.	0.02%	0.10%	0.11%
6-Mo.	0.07%	0.14%	0.15%
1-Yr.	0.11%	0.17%	0.19%
2-Yr.	0.20%	0.22%	0.27%
3-Yr.	0.32%	0.28%	0.36%
5-Yr.	0.96%	0.56%	0.71%
10-Yr.	2.24%	1.43%	1.65%

Unaudited Financial Statements
For the Year Ended Ended
June 30, 2012



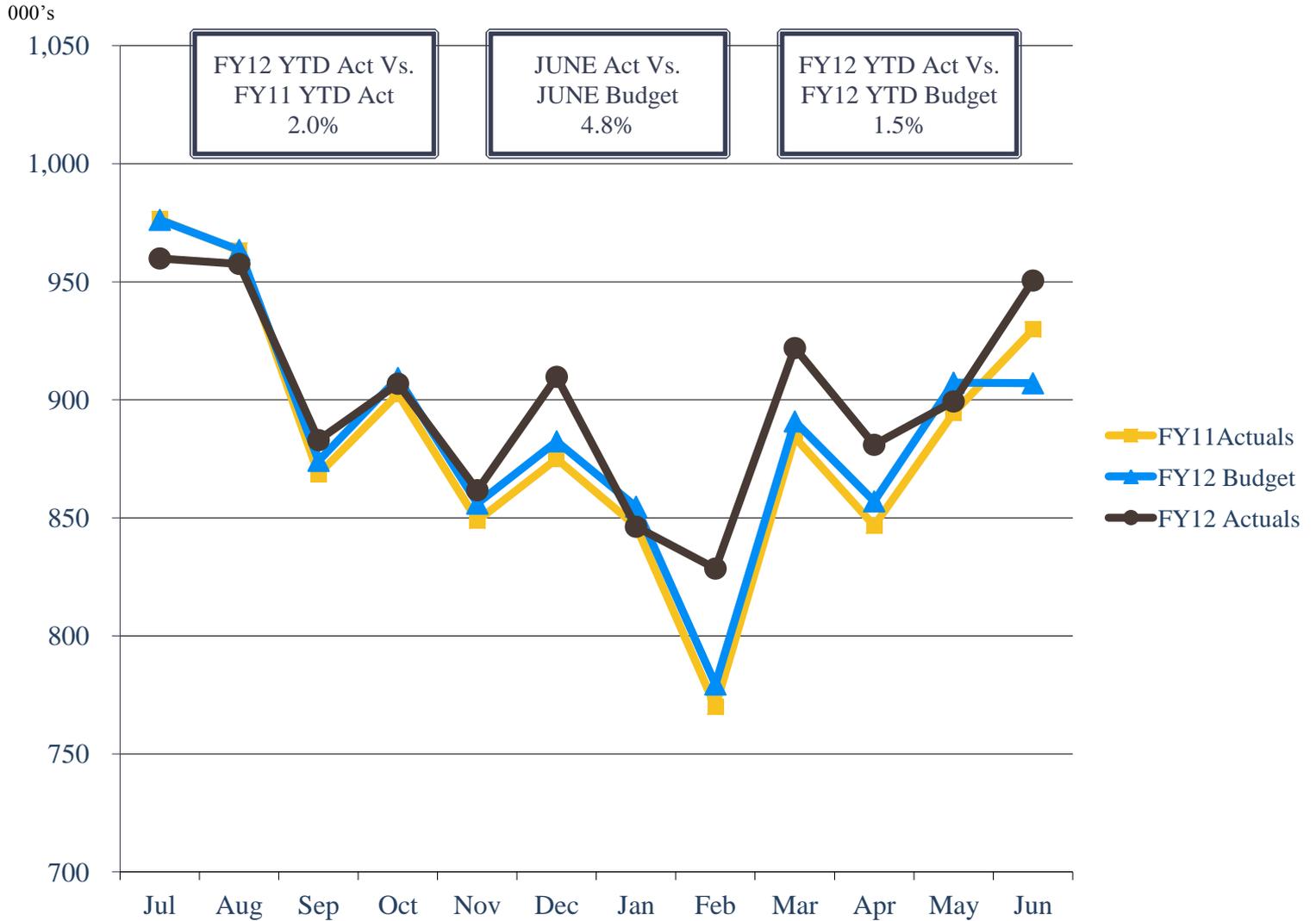


Enplanements



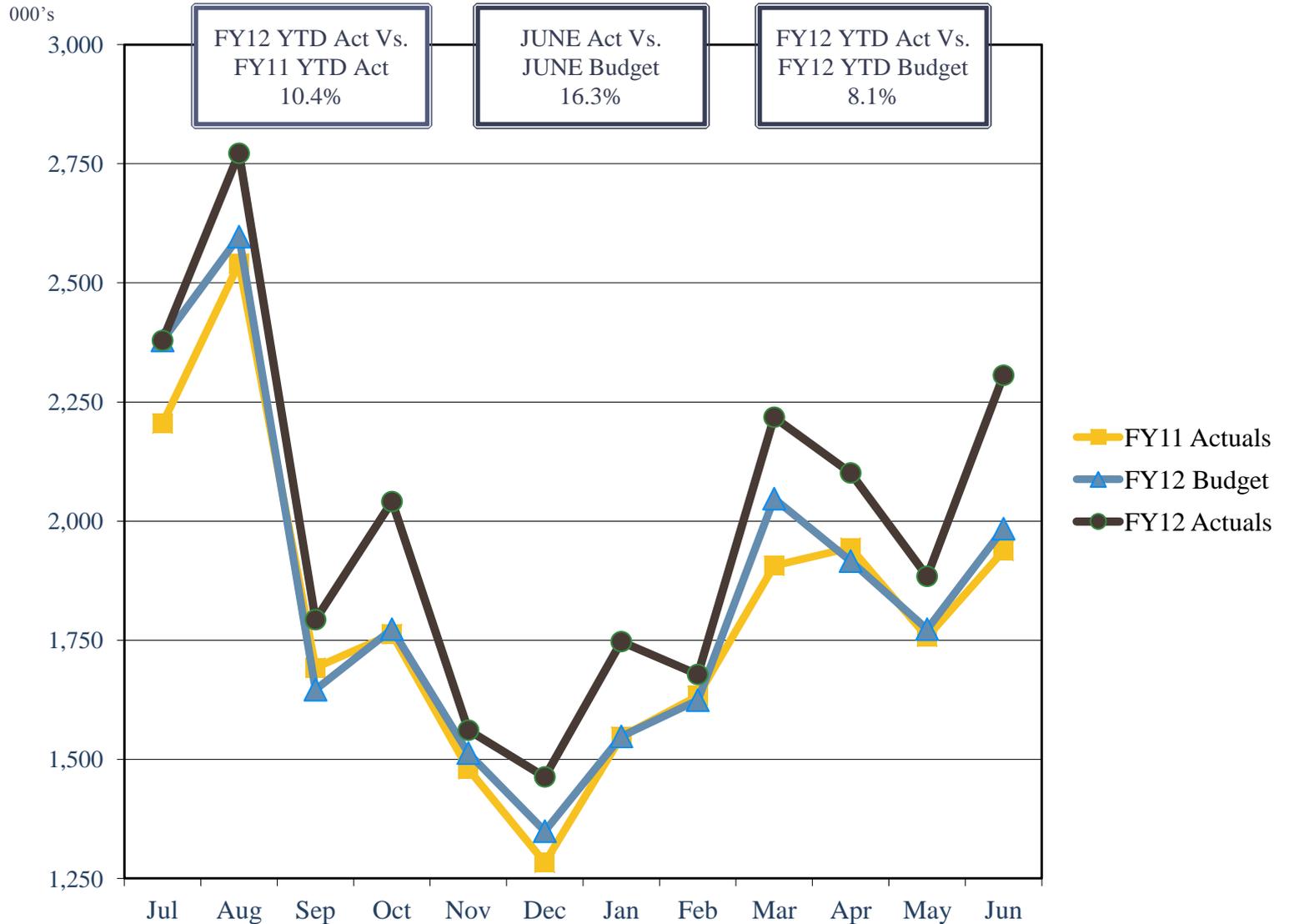


Gross Landing Weight Units (000 lbs)



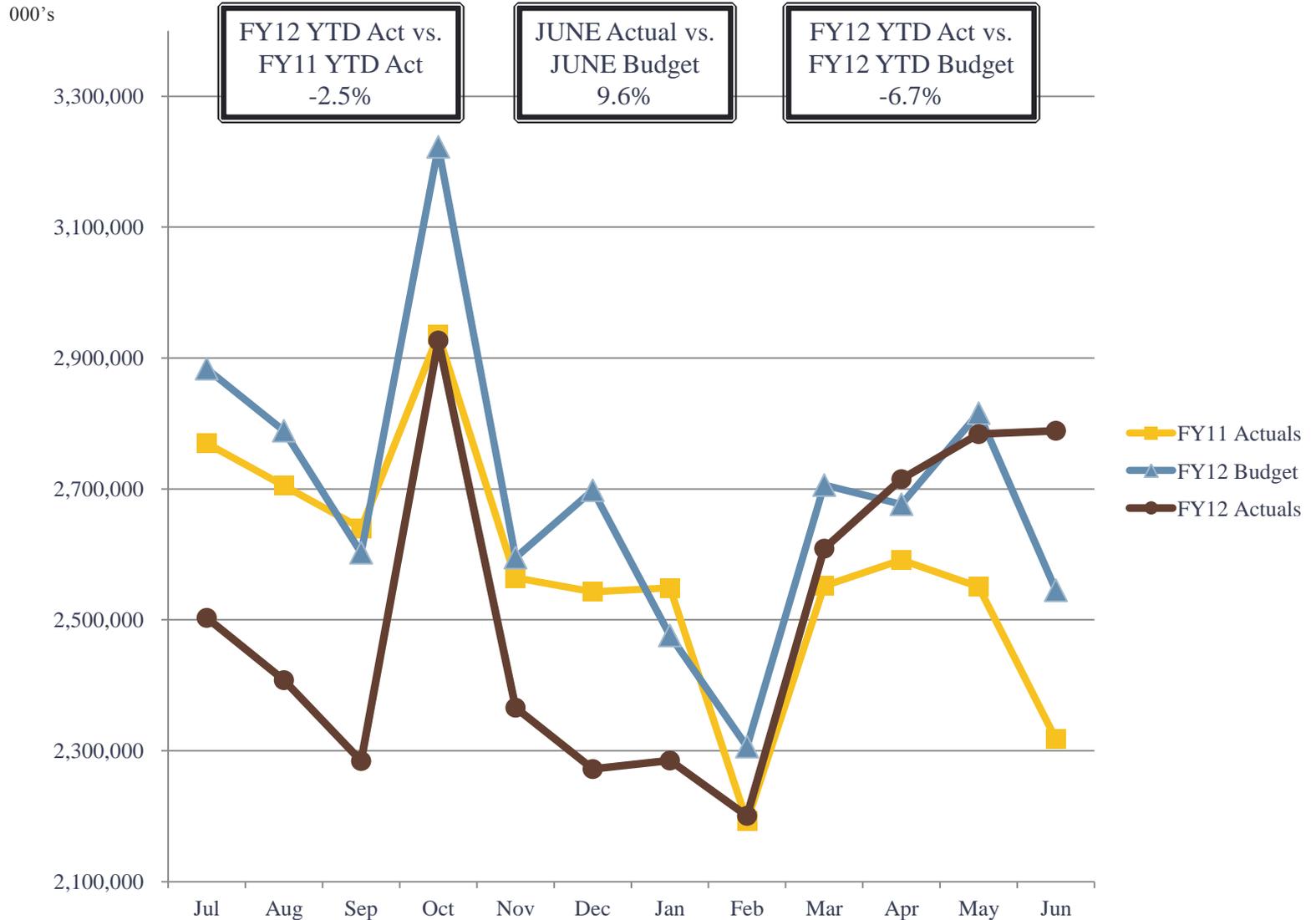


Car Rental License Fees





Airport Parking Revenue

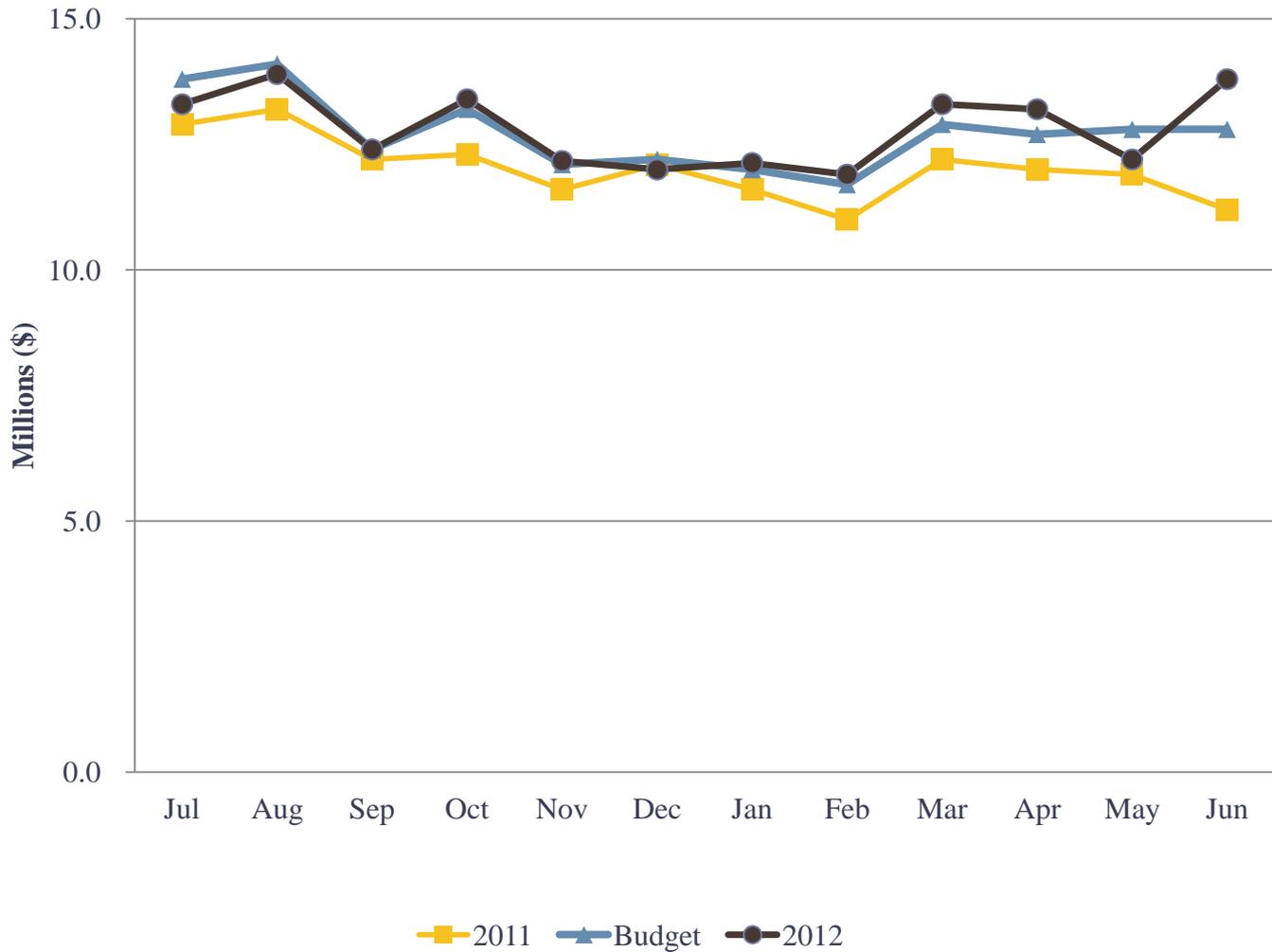


Revenues & Expenses (Unaudited)
For the Year Ended
June 30, 2012





Monthly Operating Revenue, FY 2012 (Unaudited)



Operating Revenues

for the Year Ended June 30, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 19,775	\$ 18,605	\$ (1,169)	(6)%	\$ 18,579
Aircraft parking fees	3,031	3,135	103	3%	2,921
Building rentals	31,924	30,732	(1,192)	(4)%	26,980
Security surcharge	16,732	18,588	1,856	11%	14,887
Other aviation revenue	1,584	1,595	10	1%	1,597
Total aviation revenue	\$ 73,046	\$ 72,655	\$ (391)	(1)%	\$ 64,964

Operating Revenues

for the Year Ended June 30, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 904	\$ 907	\$ 3	-	\$ 869
Concession revenue:					
Terminal concession revenue:					
Food and beverage	6,018	6,404	386	6%	6,181
Gifts and news	3,865	4,042	177	5%	3,857
Other	2,855	2,860	5	-	2,774
Total terminal concession revenue	12,738	13,306	568	4%	12,812
Car rental and license fee revenue:					
Rental car license fees	22,150	23,943	1,793	8%	21,687
License fees-other	2,599	3,179	580	22%	2,604
Total rental car and license fees	24,749	27,122	2,373	10%	24,291
Total concession revenue	\$ 37,487	\$ 40,428	\$ 2,941	8%	\$ 37,103

Operating Revenues

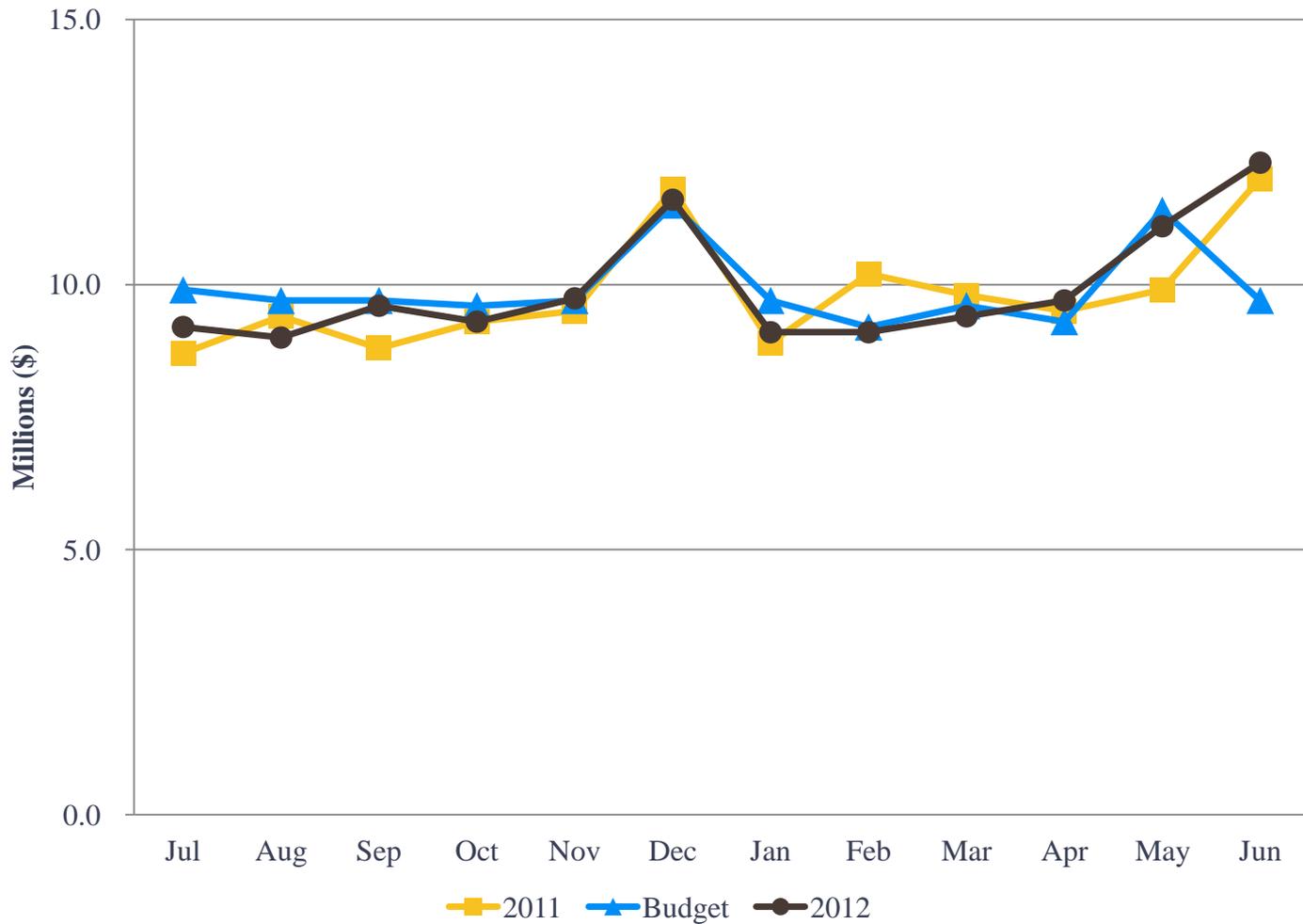
for the Year Ended June 30, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
Short-term parking revenue	\$ 7,222	\$ 4,894	\$ (2,328)	(32)%	\$ 6,416
Long-term parking revenue	25,094	25,248	154	1%	24,493
Total parking revenue	32,316	30,142	(2,174)	(7)%	30,909
Ground transportation permits and citations	1,277	1,328	51	4%	735
Ground rentals	6,619	7,136	518	8%	7,787
Grant reimbursements	215	301	86	40%	870
Other operating revenue	738	878	140	19%	770
Subtotal	41,165	39,785	(1,380)	(3)%	41,071
Total operating revenues	\$ 152,602	\$ 153,775	\$ 1,173	1%	\$ 144,007



Monthly Operating Expenses, FY 2012 (Unaudited)



Operating Expenses

for the Year Ended June 30, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 38,388	\$ 37,112	\$ 1,276	3%	\$ 38,266
Contractual services	27,157	26,898	259	1%	26,113
Safety and security	20,850	22,625	(1,775)	(9)%	21,344
Space rental	11,416	11,415	1	-	10,906
Utilities	6,667	6,674	(7)	-	6,413
Maintenance	7,723	8,434	(711)	(9)%	8,174
Equipment and systems	356	403	(47)	(13)%	570
Materials and supplies	318	302	16	5%	344
Insurance	1,020	764	256	25%	1,066
Employee development and support	1,121	906	215	19%	1,041
Business development	2,340	2,092	248	11%	2,275
Equipment rental and repairs	1,678	1,493	185	11%	1,327
Total operating expenses	\$ 119,034	\$ 119,118	\$ (84)	-	\$ 117,839

Financial Summary

for the Year Ended June 30, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$ 152,602	\$ 153,775	\$ 1,173	1%	\$ 144,007
Total operating expenses	119,034	119,118	\$ (84)	-	117,839
Income from operations	33,568	34,657	1,089	3%	26,168
Depreciation	45,756	45,521	235	-	49,989
Operating income (loss)	\$ (12,188)	\$ (10,864)	\$ 1,324	11%	\$ (23,821)

Nonoperating Revenues & Expenses for the Year Ended June 30, 2012 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 33,742	\$ 34,371	\$ 629	2%	\$ 33,998
Customer facility charges (ConRAC Facility)	10,553	11,487	934	9%	10,986
Quieter Home Program	(3,185)	(3,604)	(419)	(13)%	(3,488)
Interest income	5,338	5,492	154	3%	6,408
BAB interest rebate	4,996	4,996	0	-	3,691
Interest expense	(12,243)	(276)	11,967	98%	(8,084)
Bond amortization	650	1,057	407	63%	851
Other nonoperating revenue (expenses)	0	(3,032)	(3,032)	-	(93)
Nonoperating revenue, net	39,851	50,491	10,640	27%	44,269
Income before grant contributions	27,663	39,627	11,964	43%	20,448
Capital grant contributions	19,907	20,834	927	5%	26,355
Net income	\$ 47,570	\$ 60,461	\$ 12,891	27%	\$ 46,803



Balance Sheets (Unaudited)



(In thousands)

June

Current assets:

Cash and investments
 Tenant lease receivable, net of allowance
 of 2012: \$49,604 and 2011: \$14,918
 Grants receivable
 Notes receivable-current portion
 Prepaid expenses and other current assets

Total current assets

Cash designated for capital projects and other

	2012	2011
	\$ 102,722	\$ 89,539
	6,332	5,594
	3,868	3,985
	1,581	1,696
	4,560	5,273
	119,063	106,087
	\$ 9,063	\$ 8,149



Balance Sheets (Unaudited)



	(In thousands)	
	June	
	2012	2011
Restricted assets:		
Cash and investments:		
Bonds reserve	\$ 47,829	\$ 45,098
Passenger facility charges and interest unapplied	74,756	54,819
Customer facility charges and interest applied*	30,863	20,974
Commercial paper reserve	3	63
SBD bond guarantee	2,000	4,000
Bond proceeds held by trustee	176,118	396,903
Commercial paper interest held by trustee	13	13
Passenger facility charges receivable	4,144	5,121
Customer facility charges receivable*	1,089	1,029
Insurance claim reserve	6,059	6,239
Total restricted assets	\$ 342,874	\$ 534,259

* *Conrac Facility*



Balance Sheets (Unaudited)



(In thousands)

June

2012

2011

Noncurrent assets:

Capital assets:

Land and land improvements	\$ 24,487	\$ 24,461
Runways, roads and parking lots	269,535	273,449
Buildings and structures	461,499	464,477
Machinery and equipment	11,184	10,327
Vehicles	5,389	5,342
Office furniture and equipment	31,104	30,577
Works of art	2,676	2,427
Construction-in-progress	633,912	322,289
Total capital assets	1,439,786	1,133,349
Less: accumulated depreciation	(541,720)	(507,929)
Total capital assets, net	\$ 898,066	\$ 625,420



Balance Sheets (Unaudited)



(In thousands)
June

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

	<u>2012</u>	<u>2011</u>
\$ 41,333	\$ 42,914	
10,411	16,827	
4,656	4,999	
7,204	7,761	
503	225	
64,107	72,726	
962,173	698,146	
\$ 1,433,173	\$ 1,346,641	



Balance Sheets (Unaudited)



(In thousands)

June

Current liabilities:

Accounts payable and accrued liabilities

Deposits and other current liabilities

Total current liabilities

	2012	2011
\$	91,216	\$ 57,749
	<u>1,556</u>	<u>2,601</u>
	92,772	60,350

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

	5,215	4,760
	<u>16,844</u>	<u>16,992</u>
\$	22,059	\$ 21,752



Balance Sheets (Unaudited)



(In thousands)

June

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

	2012	2011
Commercial paper notes payable	\$ 19,924	\$ 20,729
Deferred rent liability	50	137
Other long-term liabilities	1,612	1,564
Long-term debt - bonds net of amortized premium	629,043	634,853
Total long-term liabilities	650,629	657,283
Total liabilities	\$ 765,460	\$ 739,385



Balance Sheets (Unaudited)



(In thousands)

June

Authority net assets:

Invested in capital assets, net of related debt

Other restricted

Unrestricted:

Designated

Undesignated

Total net assets

TOTAL LIABILITIES AND NET ASSETS

	2012	2011
\$ 414,730	\$ 414,730	\$ 357,275
172,991	172,991	146,627
16,267	16,267	15,909
63,725	63,725	87,445
667,713	667,713	607,256
\$ 1,433,173	\$ 1,433,173	\$ 1,346,641



Questions

