



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Communication

Date: February 10, 2011

To: Board Members

Via: Thella F. Bowens, President/CEO

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

Subject: Unaudited Financial Statements for the Six Months Ended
December 31, 2010

At the January 24, 2011 meeting, the Finance Committee recommended that the attached report be forwarded to the Board to be received at the February 10, 2011 Board meeting.





ITEM 8

San Diego County Regional Airport Authority

Review of the Unaudited Financial Statements for the Six Months Ended December 31, 2010

Presented by:

Vernon D. Evans, CPA

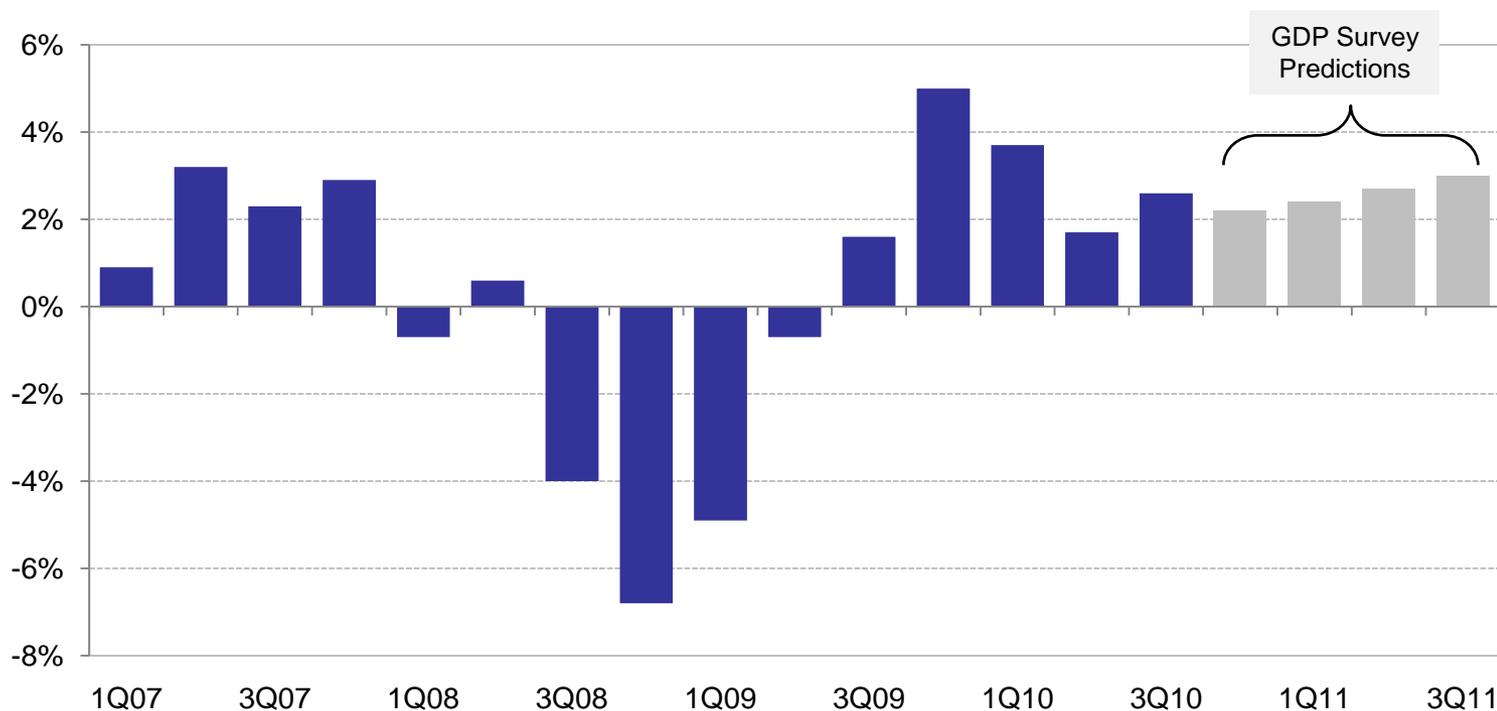
Vice-President-Finance/Treasurer and CFO

February 10, 2011

3rd Quarter 2010 GDP Revised Higher

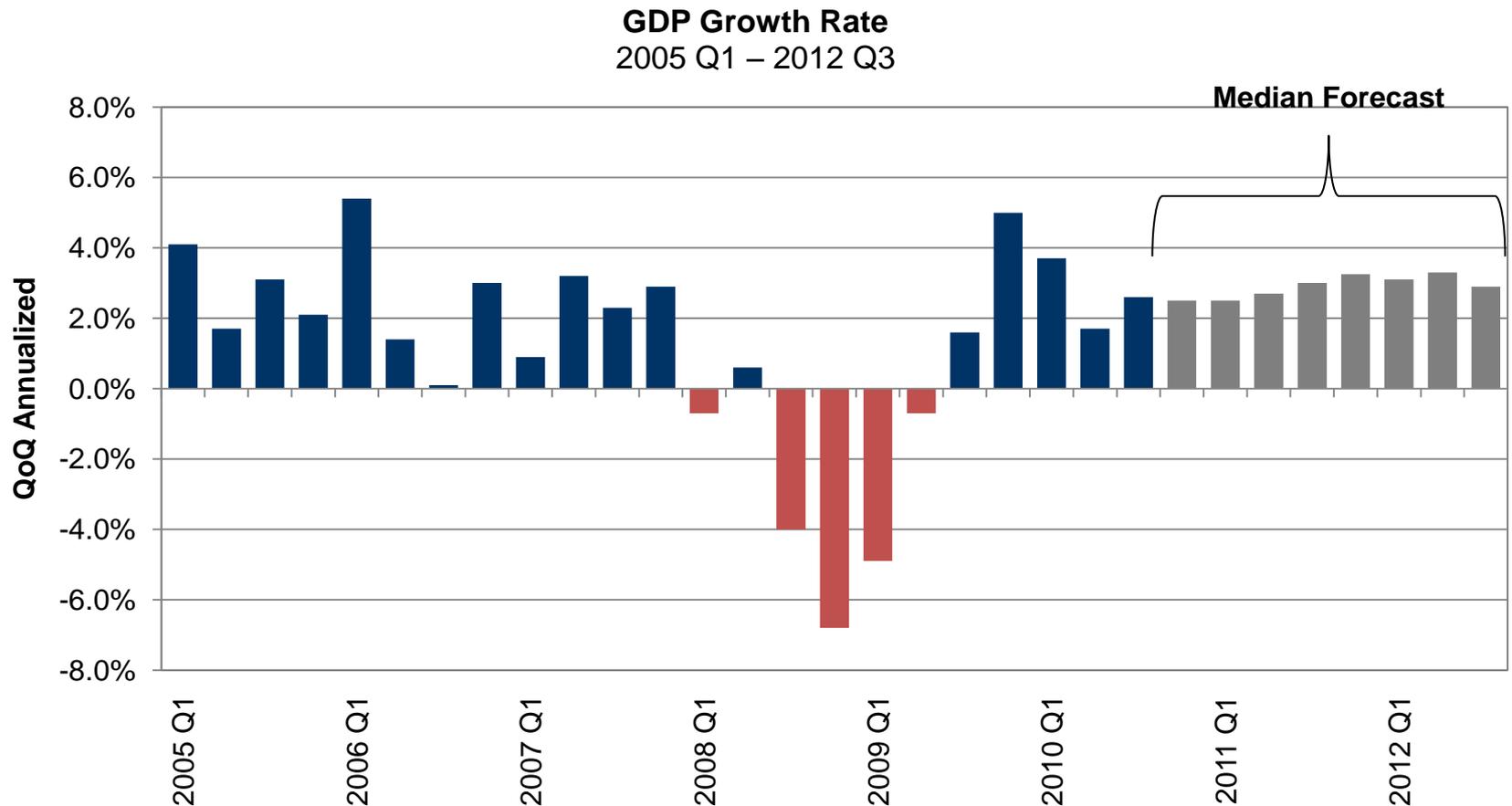
- Third quarter GDP was revised upward to 2.6% (third estimate) from the initial release of 2.0% growth for the third quarter 2010. This revision indicates better than expected consumer demand, which is important in a consumer-driven economy. However, economic growth is not expected to improve significantly over the coming year.

Gross Domestic Product (Quarter over Quarter)
First Quarter 2007– Third Quarter 2011



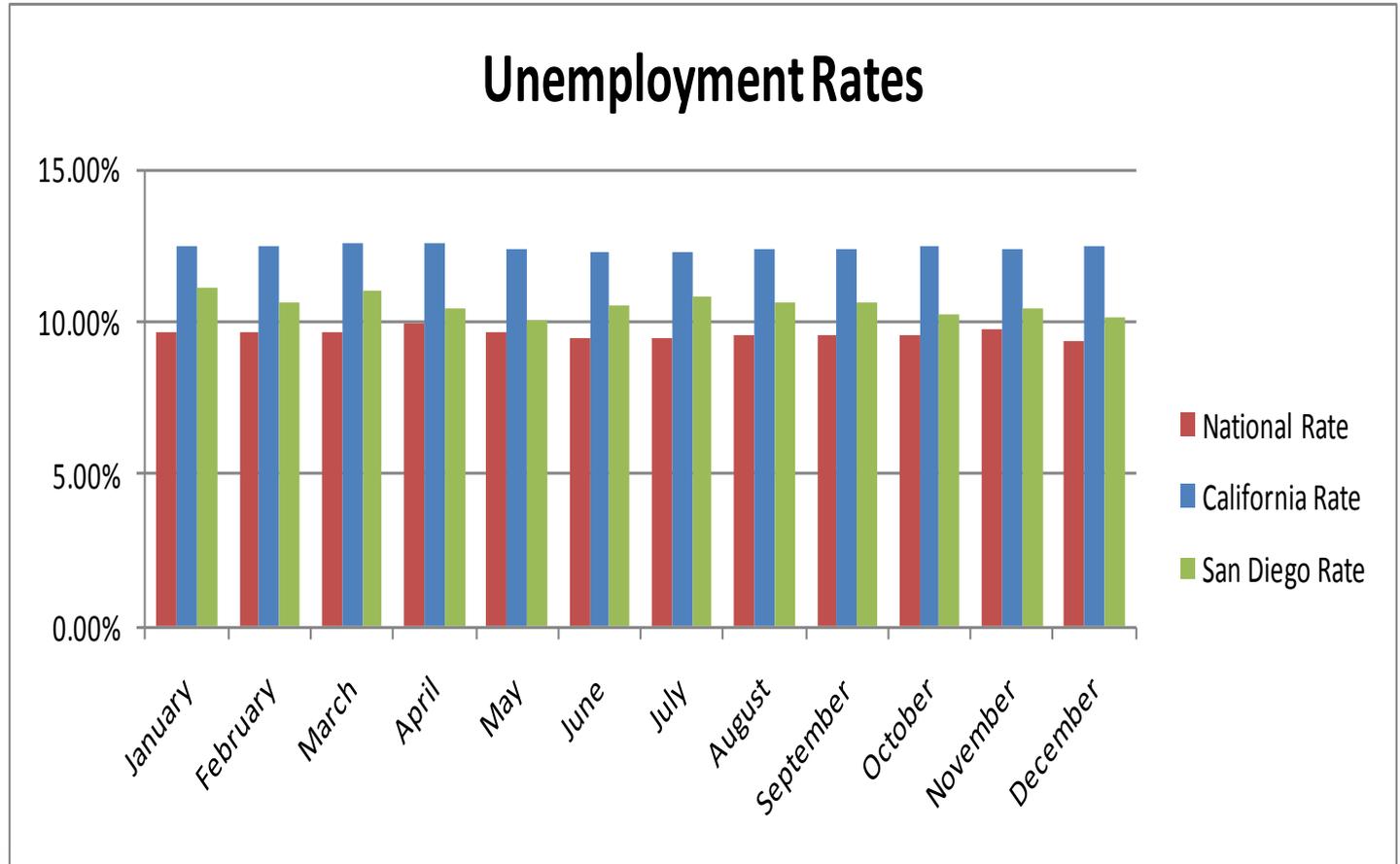
Forecasted GDP Growth is Insufficient

- Current economic forecasts suggest that GDP growth will be insufficient to significantly decrease the unemployment rate.



Unemployment Rate This Fiscal Year

The Federal unemployment rate fell to 9.4% after reaching 9.8% in the prior month. This was due mainly to people leaving the job market. The California unemployment rate remains high at 12.5% which continues to be higher than the national average. The U-6 rate is slightly lower at 16.72% for December. San Diego unemployment rate is 10.1%.



Stock Markets Up For the Year

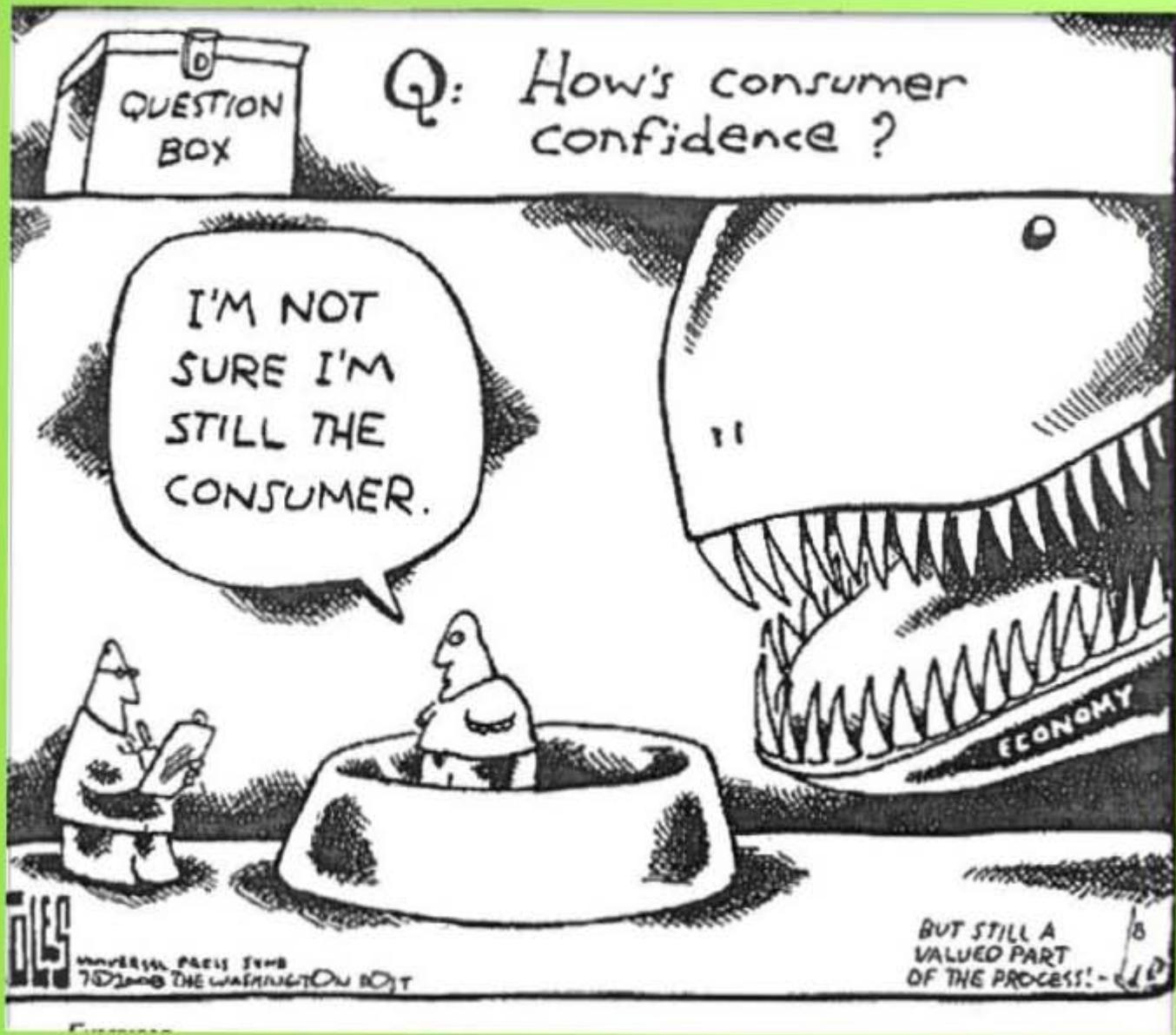
- The major stock indices all improved during 2010 on the strength of a recovering economy and strong profits. The DJIA was up 11% for 2010.



Consumer Confidence Dips Slightly in December

- Consumer confidence fell slightly in December after improving slightly in the prior two months. Consumer confidence remains about where it has for most of the past year. Given continued weakness in the employment and housing markets, consumers remain cautious about the economic recovery.

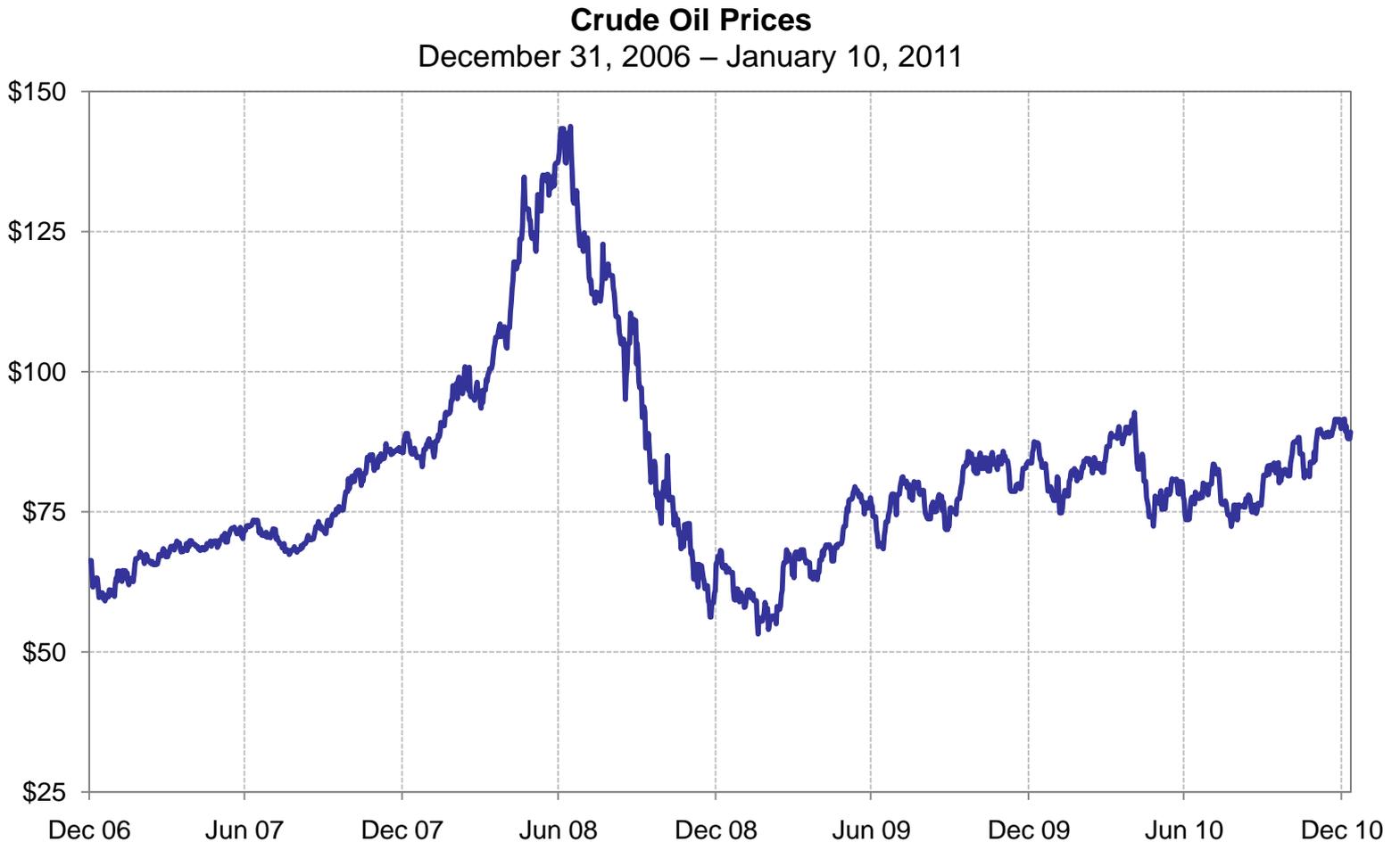




AIRPORTS FUEL
REGIONAL ECONOMIES

Oil Prices Trend Higher

- Oil prices have trended higher recently on expectations of growing demand from a recovering global economy.





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"Fill it faster, the price has gone up twice since you started."

**AIRPORTS FUEL
REGIONAL ECONOMIES**

New Home Sales Up

- After falling in October, new home sales rose by 5.5% in November. 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
November 2005 – November 2010



2-Year U. S. Treasury Yields Off Lows

- After hitting an all-time low of 0.33% in November, the 2-year U.S. Treasury rebounded in December hitting a high of 0.75% at the end of December. However, yields have fallen again following the disappointing December employment report.

2-Year U.S. Treasury Yields
December 31, 2009 – January 10, 2011

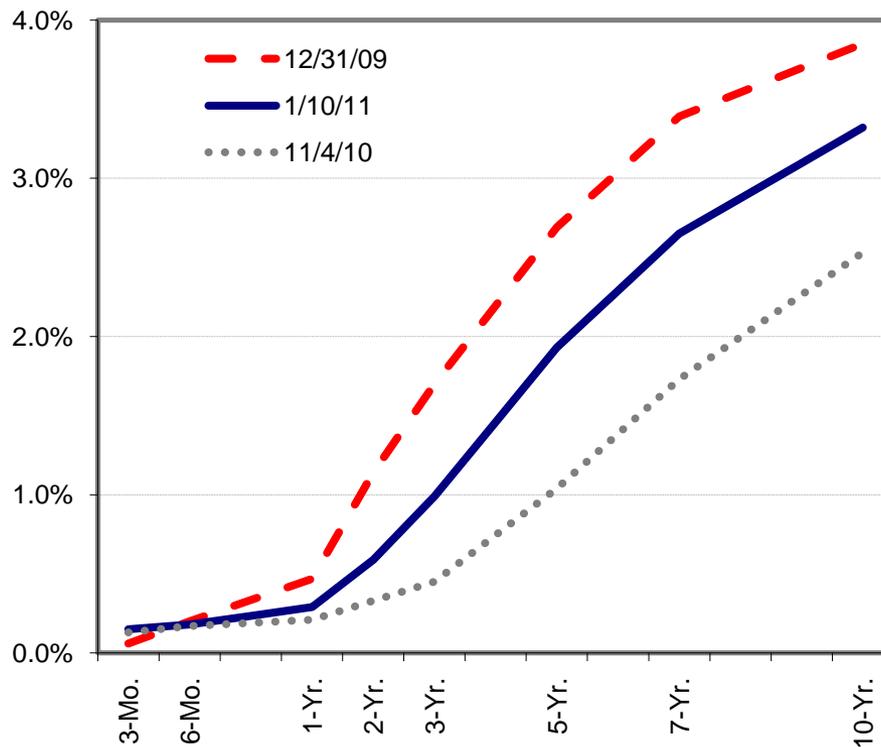


U.S. Treasury Yield Curve

- Although longer-term Treasury yields are off the lows they reached in November, they are still down for the year.

U.S. Treasury Yield Curve

December 31, 2009 vs. November 4, 2010 vs. January 10, 2011



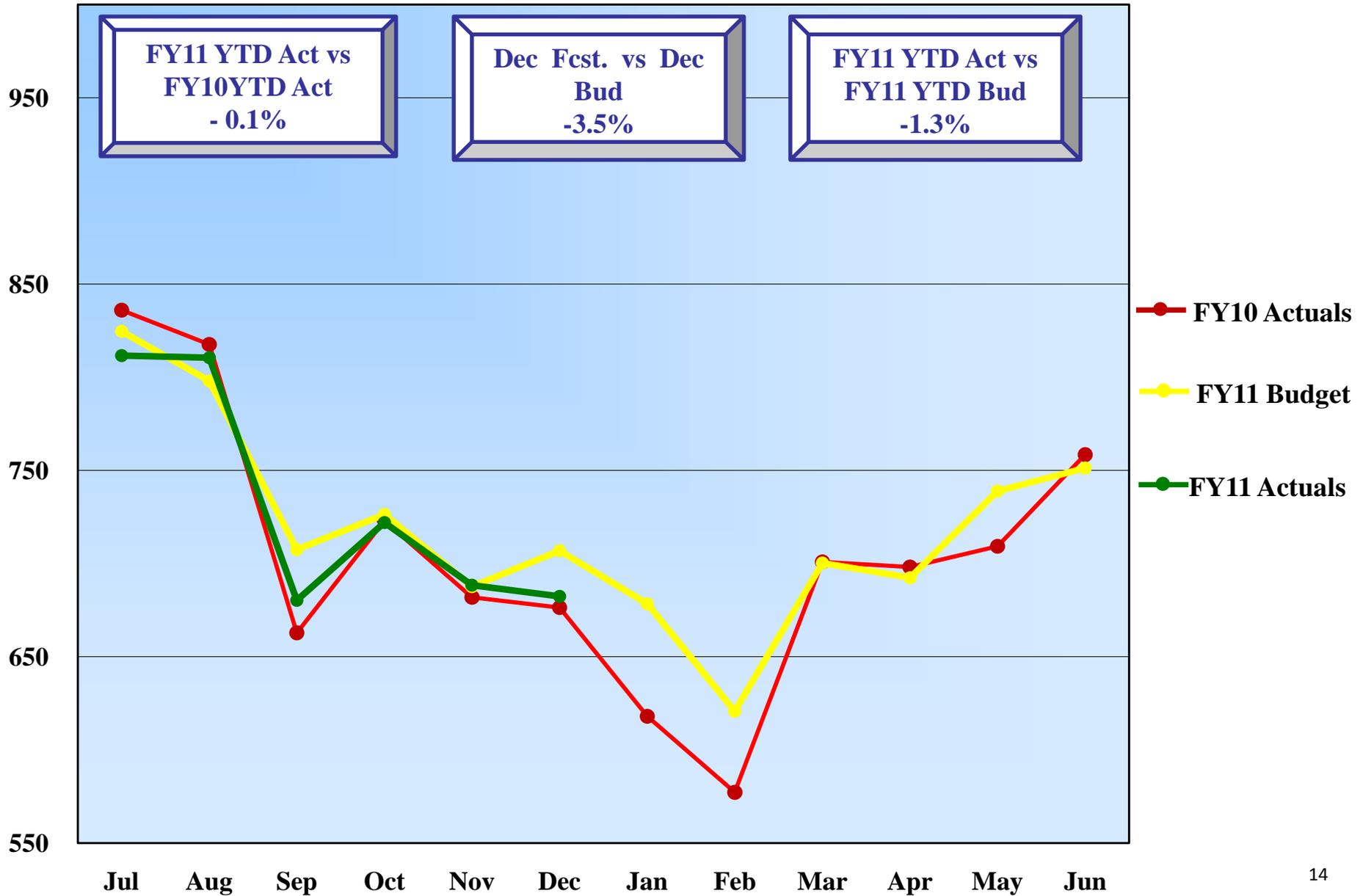
	12/31/09	11/4/10	1/10/11
3-Mo.	0.06%	0.13%	0.15%
6-Mo.	0.20%	0.17%	0.18%
1-Yr.	0.47%	0.21%	0.29%
2-Yr.	1.14%	0.33%	0.59%
3-Yr.	1.70%	0.45%	0.99%
5-Yr.	2.69%	1.04%	1.93%
10-Yr.	3.85%	2.53%	3.32%

**Unaudited
Financial Statements
For the Six Months Ended
December 31, 2010**



Enplanements

000s



000s

Gross Landing Weight Units (000 lbs)

**FY11 YTD Act vs
FY10 YTD Act
- 3.0%**

**Dec Act vs Dec
Bud
-2.2%**

**FY11 YTD Act vs
FY11 YTD Bud
-3.0%**

1,150

950

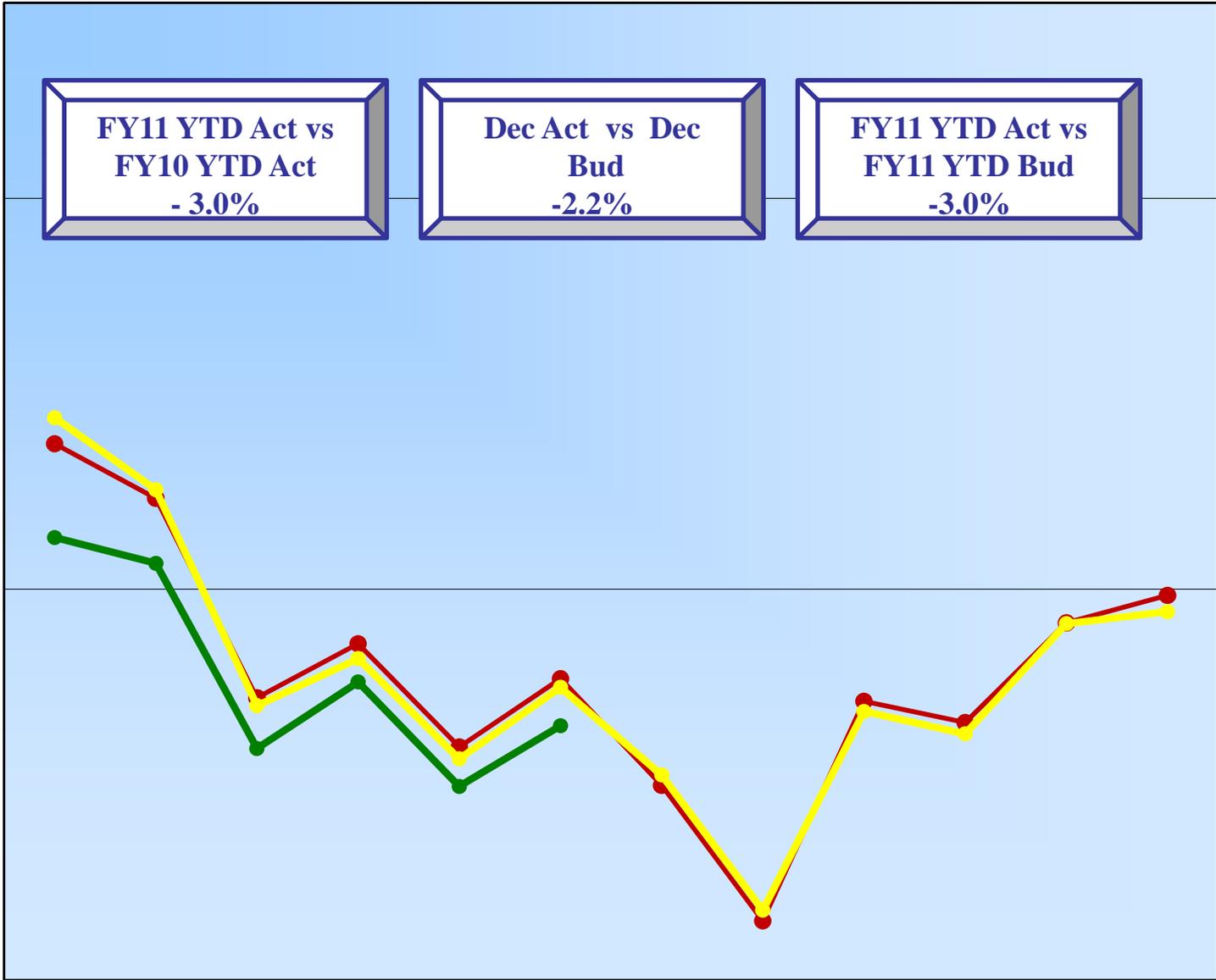
750

FY10 Actuals

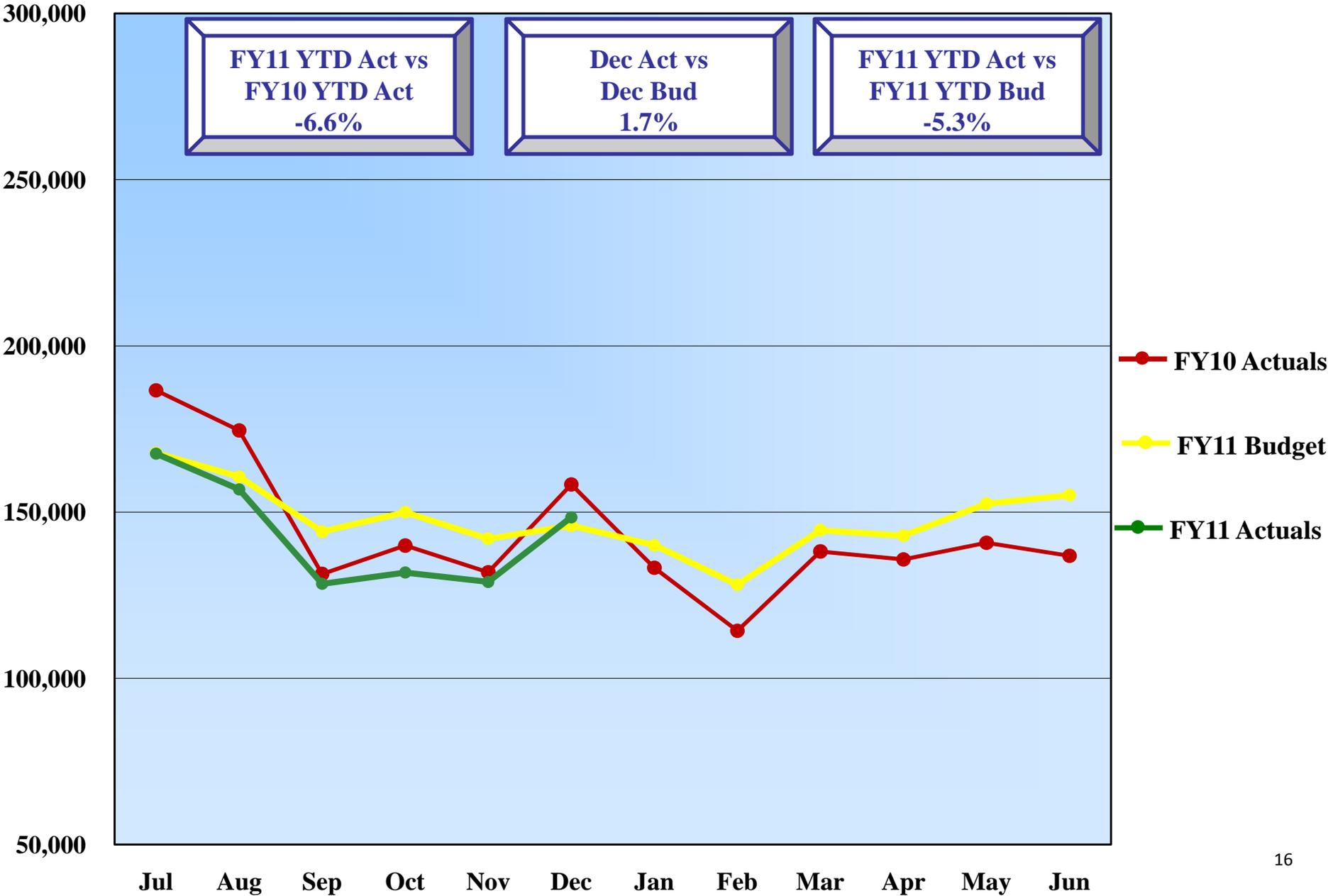
FY11 Budget

FY 11Actuals

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

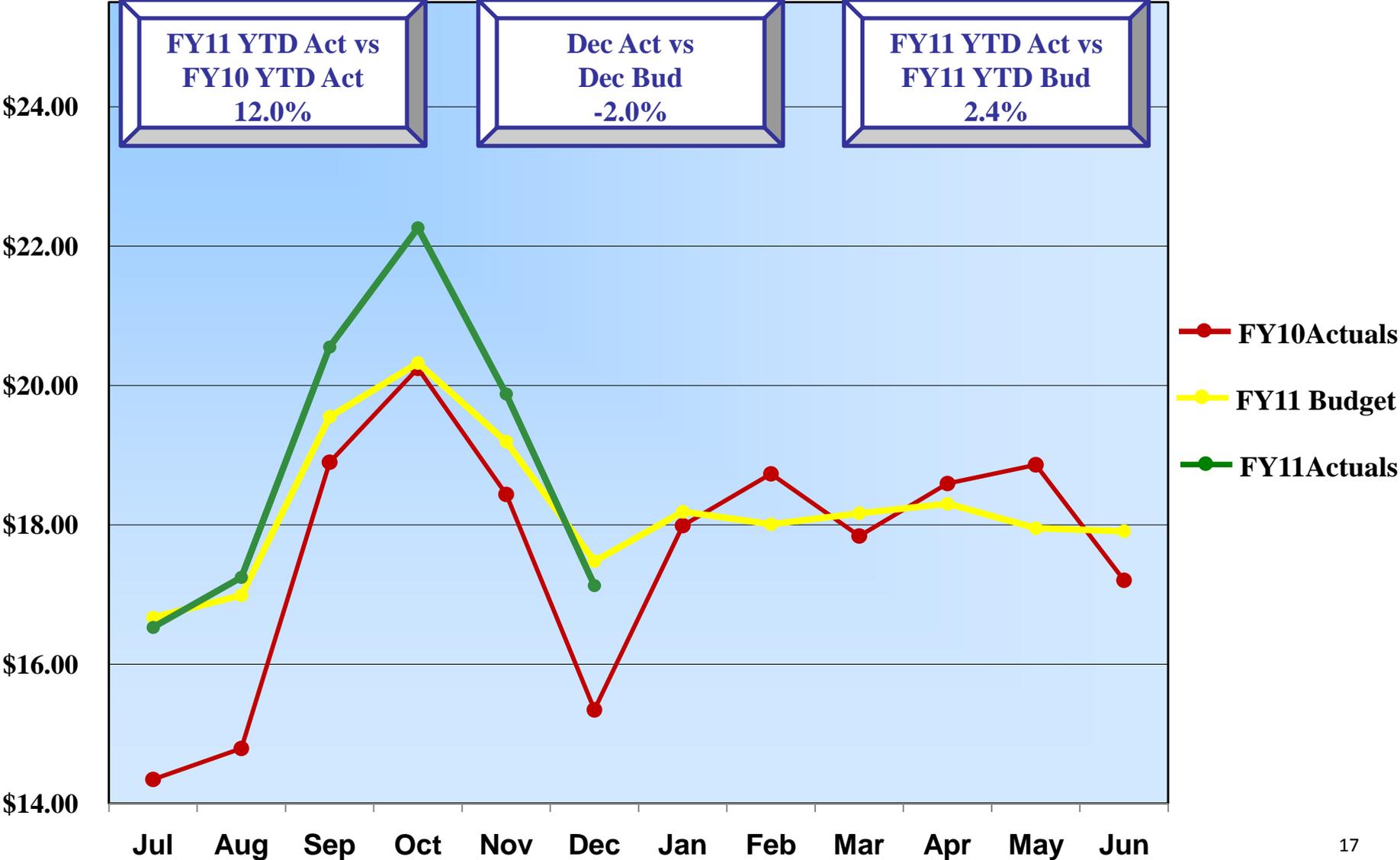


Airport Parking Transactions

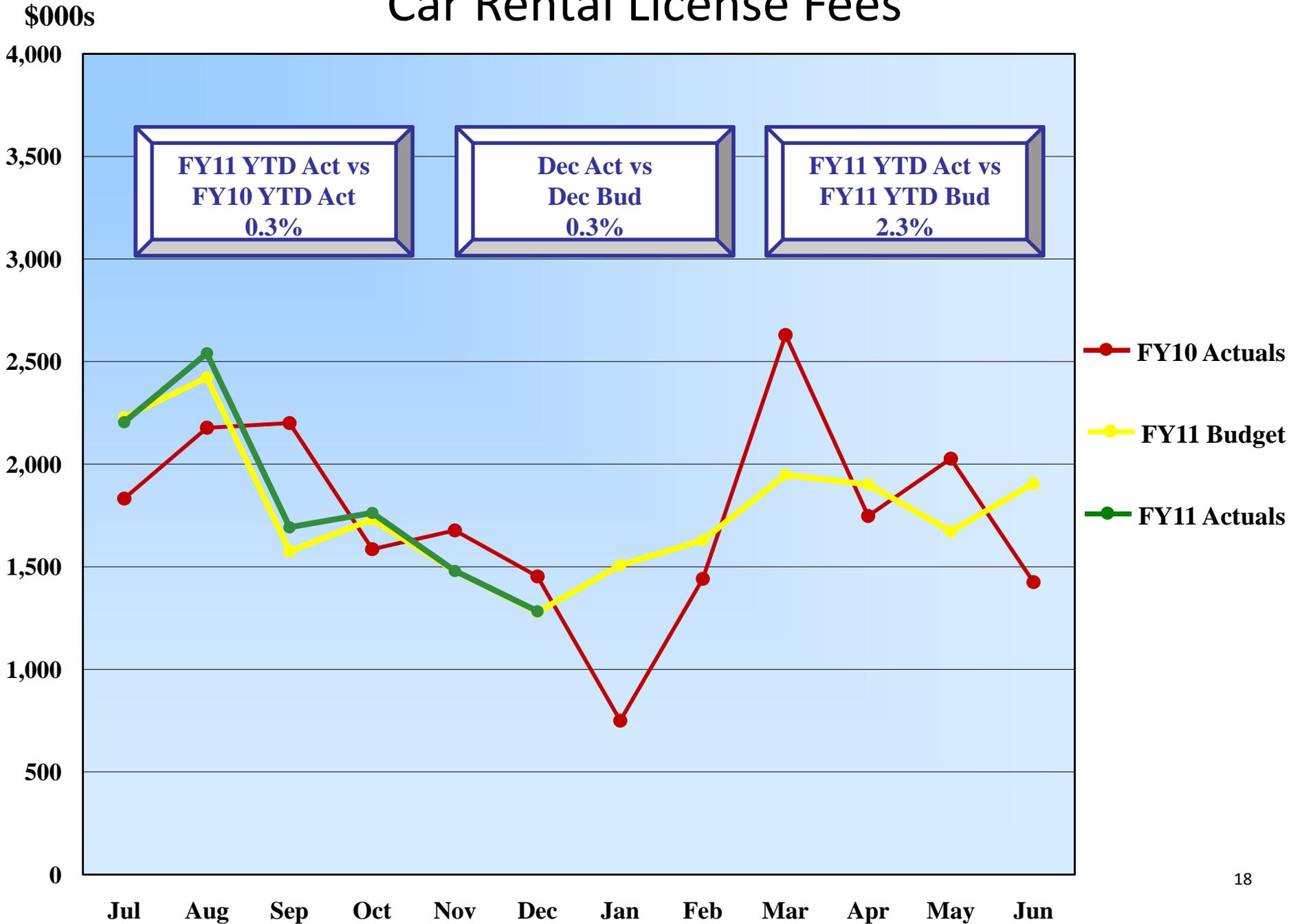


Airport Parking

Revenue (\$) / Transaction



Car Rental License Fees



Revenues and Expenses (Unaudited)

For the month ended December 31, 2010



Operating Revenues

For the Month Ended

December 31, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 1,571	\$ 1,526	\$ (45)	(3)%	\$ 1,588
Aircraft parking fees	236	245	9	4%	286
Building rentals	2,311	2,332	21	1%	2,107
Security surcharge	1,232	1,232	(0)	-	992
Other aviation revenue	130	133	3	2%	130
Total aviation revenue	\$ 5,480	\$ 5,468	\$ (12)	-	\$ 5,103



Operating Revenues

For the Month Ended

December 31, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	%	Prior Year
				Change	
Terminal rent non-airline	\$ 72	\$ 72	\$ 0	-	\$ 66
Concession revenue:					
Terminal concession revenue:					
Food and beverage	493	520	27	5%	506
Gifts and news	288	286	(2)	(1)%	304
Other	234	255	21	9%	310
Total terminal concession revenue	1,015	1,061	46	5%	1,120
Car rental and license fee revenue:					
Rental car and license fees	1,278	1,283	5	-	1,453
License fees-other	251	202	(49)	(20)%	250
Total rental car and license fees	1,529	1,485	(44)	(3)%	1,703
Total concession revenue	\$ 2,544	\$ 2,546	\$ 2	-	\$ 2,823

Operating Revenues For the Month Ended December 31, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
On-airport parking revenue	\$ 1,607	\$ 1,672	\$ 65	4%	\$ 1,527
Off-airport parking revenue	944	871	(73)	(8)%	902
Total parking revenue	2,551	2,543	(8)	-	2,429
Ground transportation permits and citations	32	53	21	66%	50
Ground rentals	529	1,372	843	159%	480
Grant reimbursement	99	18	(81)	(82)%	250
Other operating revenue	60	56	(4)	(7)%	32
Subtotal	3,271	4,042	771	24%	3,241
Total operating revenues	\$ 11,367	\$ 12,128	\$ 761	7%	\$ 11,233

Operating Expenses

For the Month Ended

December 31, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 4,154	\$ 4,389	\$ (235)	(6)%	\$ 3,874
Contractual services	2,288	2,225	63	3%	2,734
Safety and security	2,198	2,345	(147)	(7)%	2,162
Space rental	909	910	(1)	-	908
Utilities	531	506	25	5%	289
Maintenance	712	737	(25)	(4)%	762
Equipment and systems	38	75	(37)	(97)%	28
Materials and supplies	36	25	11	31%	33
Insurance	102	90	12	12%	98
Employee development and support	213	181	32	15%	120
Business development	182	171	11	6%	172
Equipment rental and repairs	135	109	26	19%	175
Total operating expenses	\$ 11,498	\$ 11,763	\$ (265)	(2)%	\$ 11,355

Financial Summary

For the Month Ended

December 31, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$ 11,367	\$12,128	\$ 761	7%	\$ 11,233
Total operating expenses	11,498	11,763	\$ (265)	(2)%	11,355
Income from operations	(131)	365	496	(379)%	(122)
Depreciation	4,368	4,111	257	6%	3,279
Operating income (loss)	\$ (4,499)	\$ (3,746)	\$ 753	17%	\$ (3,401)



Nonoperating Revenues and (Expenses) For the Month Ended December 31, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 2,762	\$ 2,462	\$ (300)	(11)%	\$ 2,332
Customer facility charges (ConRAC Facility)	697	705	8	1%	869
Quieter Home Program	(330)	(205)	125	38%	134
Interest income	499	627	128	26%	694
BAB interest rebate	-	398	398	-	-
Interest expense	(547)	(1,419)	(872)	(159)%	(228)
Bond amortization cost	(12)	54	66	550%	(25)
Other nonoperating revenue (expenses)	(3)	473	476	-	(528)
Nonoperating revenue, net	3,066	3,095	29	1%	3,248
Income before grant contributions	(1,433)	(651)	782	(55)%	(153)
Capital grant contributions	2,739	1,650	(1,089)	(40)%	960
Net income	\$ 1,306	\$ 999	\$ (307)	(24)%	\$ 807

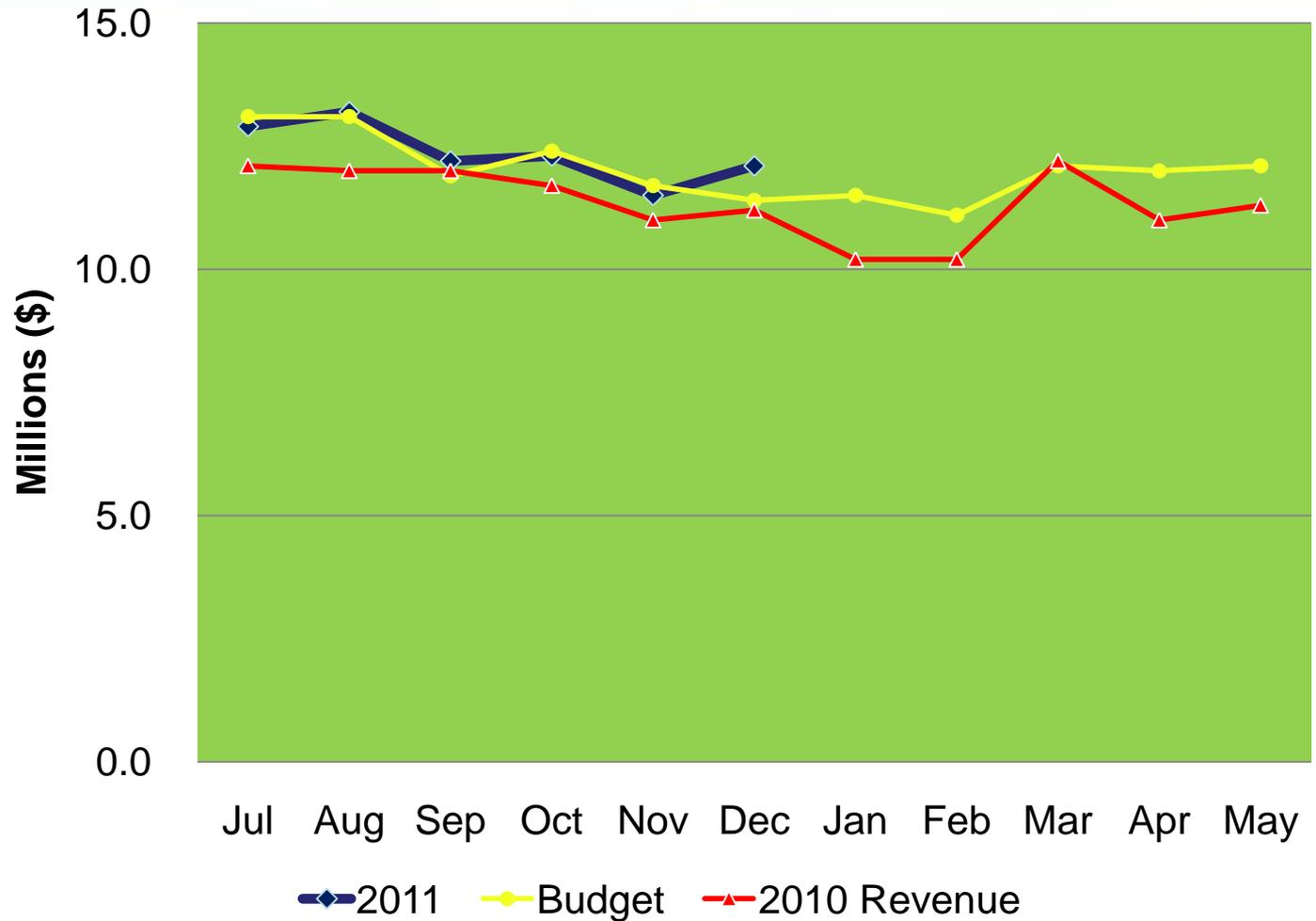
Revenues and Expenses (Unaudited)

For the six months ended December 31, 2010



Monthly Operating Revenue, FY 2011

(Unaudited)



Operating Revenues

For the Six Months Ended

December 31, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 9,819	\$ 9,544	\$ (275)	(3)%	\$ 9,928
Aircraft parking fees	1,413	1,494	81	6%	1,745
Building rentals	13,884	14,025	141	1%	12,806
Security surcharge	7,393	7,418	25	-	6,004
Other aviation revenue	790	797	7	1%	792
Total aviation revenue	\$ 33,299	\$ 33,278	\$ (21)	-	\$ 31,275

Operating Revenues

For the Six Months Ended

December 31, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 434	\$ 407	\$ (27)	(6)%	\$ 396
Concession revenue:					
Terminal concession revenue:					
Food and beverage	3,084	3,103	19	1%	3,138
Gifts and news	1,982	1,970	(12)	(1)%	1,909
Other	1,460	1,431	(29)	(2)%	1,259
Total terminal concession revenue	6,526	6,504	(22)	-	6,306
Car rental and license fee revenue:					
Rental car license fees	10,714	10,962	248	2%	10,926
License fees-other	1,602	1,368	(234)	(15)%	1,422
Total rental car and license fees	12,316	12,330	14	-	12,348
Total concession revenue	\$ 18,842	\$ 18,834	\$ (8)	-	\$ 18,654

Operating Revenues

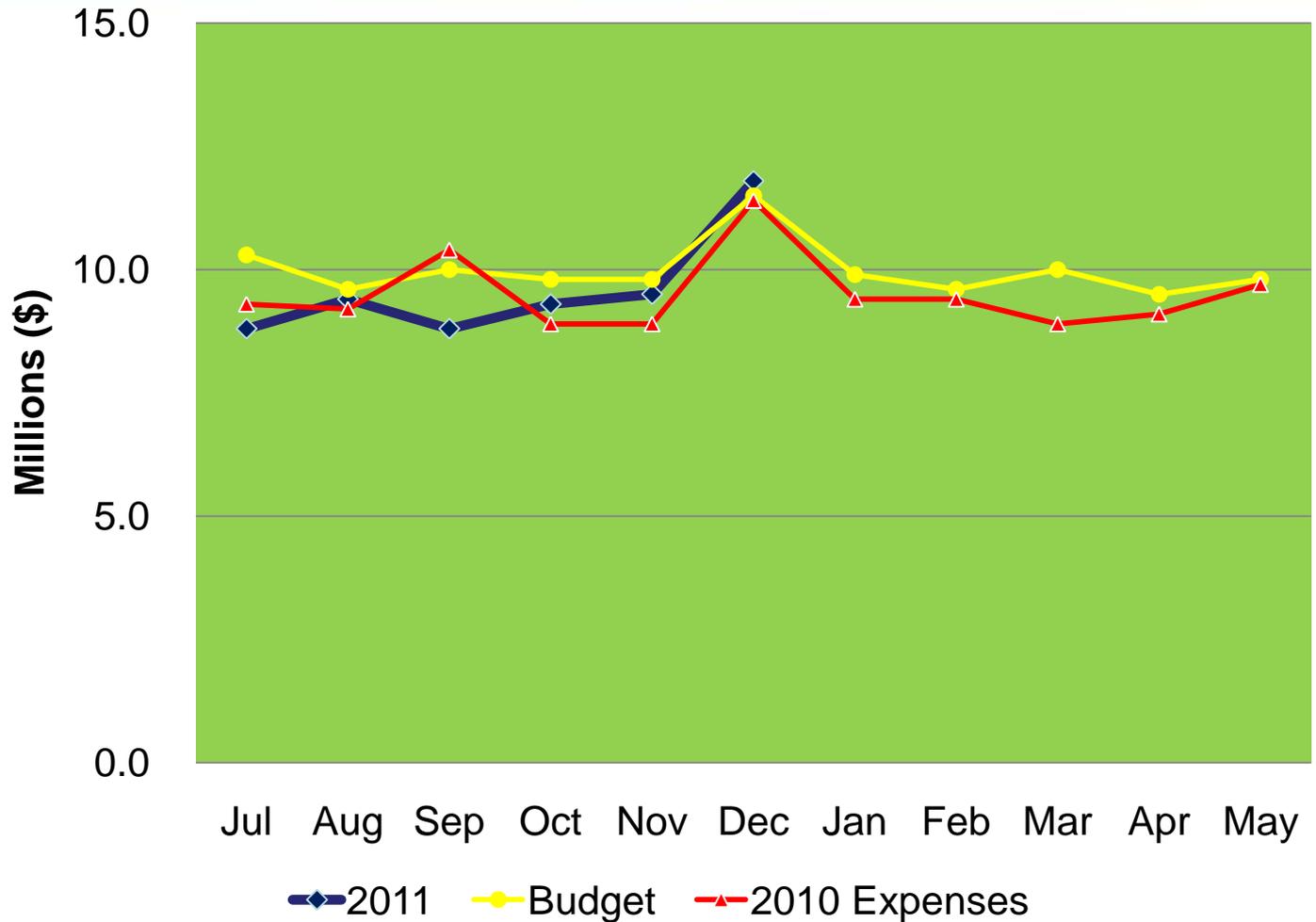
For the Six Months Ended

December 31, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
On-airport parking revenue	\$ 10,479	\$ 10,264	\$ (215)	(2)%	\$ 9,614
Off-airport parking revenue	6,188	5,893	(295)	(5)%	5,824
Total parking revenue	16,667	16,157	(510)	(3)%	15,438
Ground transportation permits and citations	297	443	146	49%	250
Ground rentals	3,099	4,254	1,155	37%	2,956
Grant reimbursement	551	408	(143)	(26)%	795
Other operating revenue	361	407	46	13%	229
Subtotal	20,975	21,669	694	3%	19,668
Total operating revenues	\$ 73,550	\$ 74,188	\$ 638	1%	\$ 69,993

Monthly Operating Expenses, FY 2011

(Unaudited)



Operating Expenses

For the Six Months Ended

December 31, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 19,167	\$ 18,800	\$ 367	2%	\$ 17,356
Contractual services	14,665	13,052	1,613	11%	13,952
Safety and security	10,297	10,132	165	2%	10,004
Space rental	5,453	5,454	(1)	-	5,451
Utilities	3,694	3,290	404	11%	3,380
Maintenance	4,088	3,847	241	6%	4,867
Equipment and systems	267	278	(11)	(4)%	258
Materials and supplies	203	157	46	23%	190
Insurance	611	541	70	11%	589
Employee development and support	690	486	204	30%	412
Business development	1,081	799	282	26%	925
Equipment rental and repairs	754	653	101	13%	804
Total operating expenses	\$ 60,970	\$ 57,489	\$ 3,481	6%	\$ 58,188

Financial Summary

For the Six Months Ended

December 31, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$ 73,550	\$ 74,188	\$ 638	1%	\$ 69,993
Total operating expenses	60,970	\$ 57,489	3,481	6%	58,188
Income from operations	12,580	16,699	4,119	33%	11,805
Depreciation	25,493	24,686	807	3%	19,733
Operating income (loss)	\$ (12,913)	\$ (7,987)	\$ 4,926	38%	\$ (7,928)

Nonoperating Revenues and (Expenses) For the Six Months Ended December 31, 2010 (Unaudited)

(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 17,392	\$ 16,818	\$ (574)	(3)%	\$ 16,980
Customer facility charges (ConRAC Facility)	5,183	5,385	202	4%	5,535
Quieter Home Program	(1,856)	(1,705)	151	8%	(891)
Interest income	2,991	2,756	(235)	(8)%	4,153
BAB interest rebate	-	1,193	1,193	-	-
Interest expense	(2,383)	(5,132)	(2,749)	(115)%	(1,333)
Bond amortization cost	(72)	144	216	300%	(56)
Other nonoperating revenue (expenses)	(20)	655	675	(3373)%	(1,403)
Nonoperating revenue, net	21,235	20,114	(1,121)	(5)%	22,985
Income before grant contributions	8,322	12,127	3,805	46%	15,057
Capital grant contributions	18,136	13,530	(4,606)	(25)%	6,779
Net income	\$ 26,458	\$ 25,657	\$ (801)	(3)%	\$ 21,836

Balance Sheets (Unaudited)

ASSETS

	(In thousands)	
	December	
	2010	2009
Current assets:		
Cash and investments	\$ 110,327	\$ 90,120
Tenant lease receivable, net of allowance of 2010: \$30,980 and 2009: \$164,634	5,770	5,218
Grants receivable	4,503	4,158
Notes receivable-current portion	1,613	1,646
Prepaid expenses and other current assets	12,368	10,408
Total current assets	134,581	111,550
Cash designated for capital projects and other	\$ 5,254	\$ 14,151



Balance Sheets (Unaudited)

ASSETS

(In thousands)

December

2010

2009

Restricted assets:

Cash and investments:

Bonds reserve

\$ 45,708 \$ 47,303

Passenger facility charges and interest unapplied

68,738 54,545

Customer facility charges and interest applied*

15,472 5,919

Commercial paper reserve

168 397

SBD bond guarantee

4,000 4,000

Bond proceeds held by trustee

429,441 6,517

Commercial paper interest held by trustee

140 13

Passenger facility charges receivable

3,789 4,110

Customer facility charges receivable*

935 988

OCIP insurance reserve

6,400 5,282

Total restricted assets

\$ 574,791 \$ 129,075

*ConRAC Facility

Balance Sheets (Unaudited)

ASSETS

	(In thousands)	
	December	
	2010	2009
Noncurrent assets:		
Capital assets:		
Land and land improvements	\$ 23,454	\$ 23,582
Runways, roads and parking lots	236,947	229,223
Buildings and structures	463,108	418,123
Machinery and equipment	10,211	7,771
Vehicles	5,469	4,983
Office furniture and equipment	30,099	24,192
Works of art	2,411	2,175
Construction-in-progress	253,593	158,458
Total capital assets	1,025,292	868,507
Less: accumulated depreciation	(483,826)	(443,121)
Total capital assets, net	\$ 541,466	\$ 425,386

Balance Sheets (Unaudited)

ASSETS

	(In thousands)	
	December	
	2010	2009
Other assets:		
Notes receivable - long-term portion	\$ 43,824	\$ 45,480
Investments - long-term portion	8,383	9,151
Deferred costs - bonds (net)	5,134	823
Net pension asset	8,039	3,867
Total other assets	65,380	59,321
Total noncurrent assets	606,846	484,707
TOTAL ASSETS	\$ 1,321,472	\$ 739,483



Balance Sheets (Unaudited)

LIABILITIES AND NET ASSETS

	(In thousands)	
	December	
	2010	2009
Current liabilities:		
Accounts payable and accrued liabilities	\$ 59,728	\$ 39,424
Deposits and other current liabilities	3,284	2,994
Total current liabilities	63,012	42,418
Current liabilities - payable from restricted assets:		
Current portion of long-term debt	4,725	3,105
Accrued interest on bonds and commercial paper	8,818	1,281
Total liabilities payable from restricted assets	\$ 13,543	\$ 4,386

Balance Sheets (Unaudited)

LIABILITIES AND NET ASSETS

	(In thousands)	
	December	
	2010	2009
Long-term liabilities - other:		
Commercial paper notes payable	\$ 21,509	\$ 114,430
Deferred rent liability	406	943
Other long-term liabilities	1,188	1,092
Long-term debt - bonds net of amortized premium	635,703	41,195
Total long-term liabilities	658,806	157,660
Total liabilities	\$ 735,361	\$ 204,464



Balance Sheets (Unaudited)

LIABILITIES AND NET ASSETS

	(In thousands)	
	December	
	2010	2009
Authority net assets:		
Invested in capital assets, net of related debt	\$ 307,442	\$ 274,162
Other restricted	156,515	132,179
Unrestricted:		
Designated	17,293	22,019
Undesignated	104,861	106,659
Total net assets	586,111	535,019
TOTAL LIABILITIES AND NET ASSETS	\$ 1,321,472	\$ 739,483

Questions

