



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Communication

Date: April 19, 2011
To: Board Members
Via: Thella F. Bowens, President/CEO
From: Vernon D. Evans, Vice President, Finance/Treasurer
Subject: Receive the Unaudited Financial Statements as of
June 30, 2011

The attached report is to be received at the September 1, 2011 Board meeting.



San Diego County Regional Airport Authority



Review of the Unaudited Financial
Statements for the Year
Ended June 30, 2011

Presented by:

Vernon D. Evans, CPA

Vice President, Finance / Treasurer & CFO

September 1, 2011



Congressional Leaders Compromise



- Congressional leaders reached a compromise with President Obama on July 31st, 2011 to raise the U.S. debt limit by at least \$2.1 trillion and cut spending by \$2.4 trillion or more.
- The deal cut \$917 billion in spending over the next 10 years and increased the debt limit initially by \$900 billion. There are also provisions for a special congressional committee to find another \$1.5 trillion in cuts by late November.
- If the November deadline is met, or a balanced budget amendment is passed, Obama would receive another \$1.5 trillion increase in the debt ceiling. If the deadline is not met, automatic spending cuts would be triggered in addition to another \$1.2 trillion debt ceiling increase.



**GOOD NEWS!
I RAISED
THE DEBT
CEILING**



**DIGI
DIT
TRIBUNE
REVIEW**

**NOW...
ABOUT YOUR
FLOOR...**



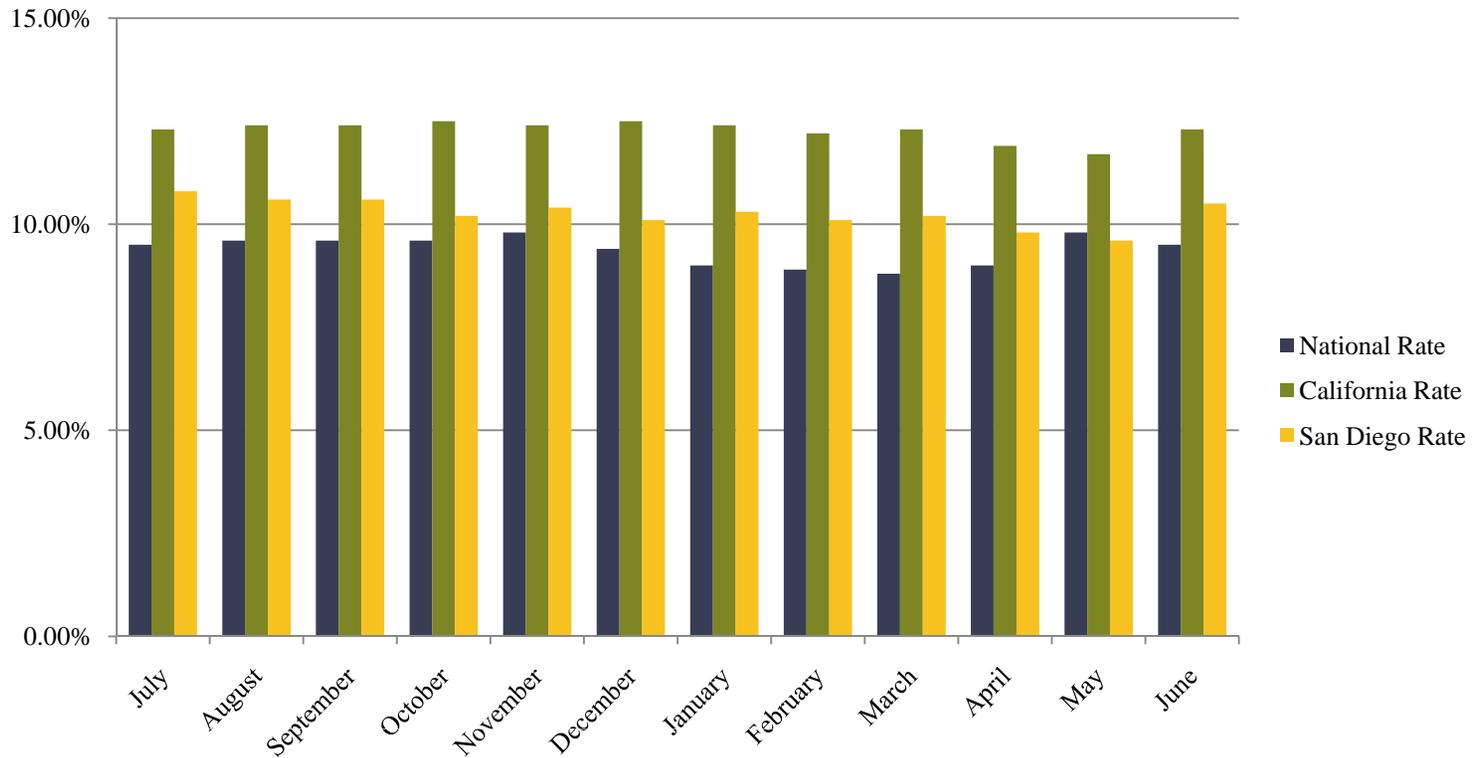


Unemployment Rate This Fiscal Year



The Federal unemployment rate decreased to 9.1%, up from 9.2% last month. The California unemployment rate remains high at 12% which continues to be higher than the national average. The U-6 rate is 16.1% for June. San Diego's unemployment rate is 10.5%.

Unemployment Rates

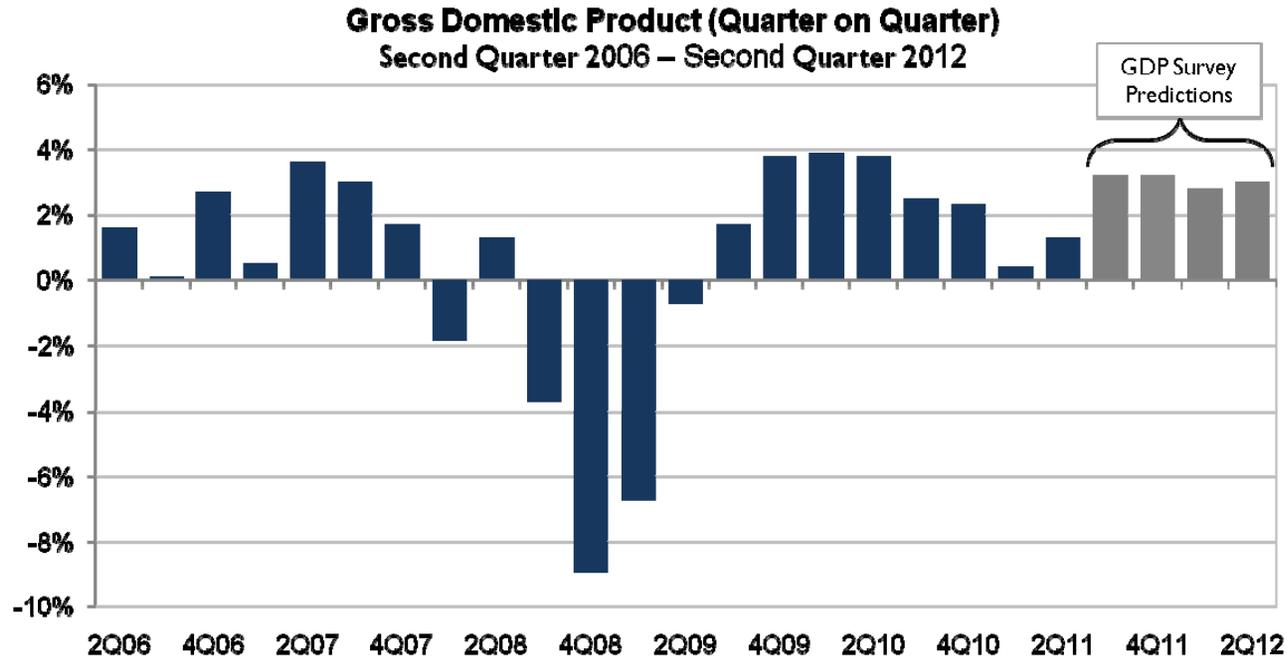




GDP Worse Than Previously Believed



Sluggish growth continued into the second quarter as GDP posted a 1.3 percent annualized rise, following a downwardly revised increase of 0.4 percent in the first quarter. Analysts had forecasted a 1.9 percent increase for the second quarter and the first quarter was initially estimated at 1.9 percent and later revised down to 1.8 percent and then to the current 0.4 percent. Most of the anemia in the second quarter came from the consumer sector which came to a screeching halt with a 0.1 annualized percent uptick in the first quarter, following a 2.1 percent rise the prior quarter. Government purchases declined modestly while gains were seen in net exports, business investment in structures and equipment, and even residential investment. Inventories nudged up.



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.



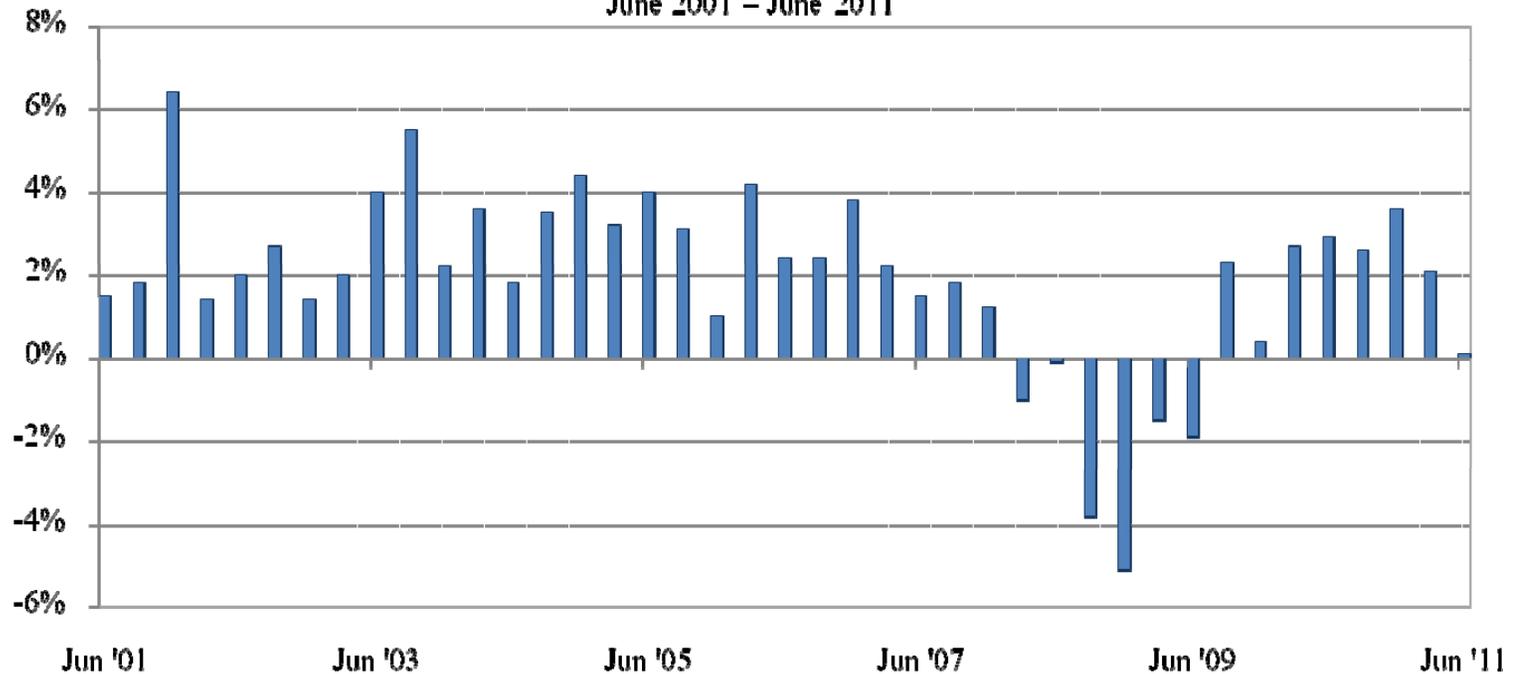
Personal Consumption Declines More Than Expected



Personal consumption was reported at 0.1% for the second quarter of 2011. Personal consumption fell from 2.2% in the first quarter of 2011 to 0.1% in the second quarter of 2011, this weakness is evident in the personal consumption segment of the second quarter of 2011 GDP release. The report shows that consumer sentiment is declining and indicates the economy isn't gaining momentum as the second half of the year begins.

U.S. GDP Personal Consumption Chained 2005 Dollars % Change SAAR

June 2001 – June 2011



Real GDP consumption expenditures in chained 2005 dollars at a seasonally adjusted annual rate.

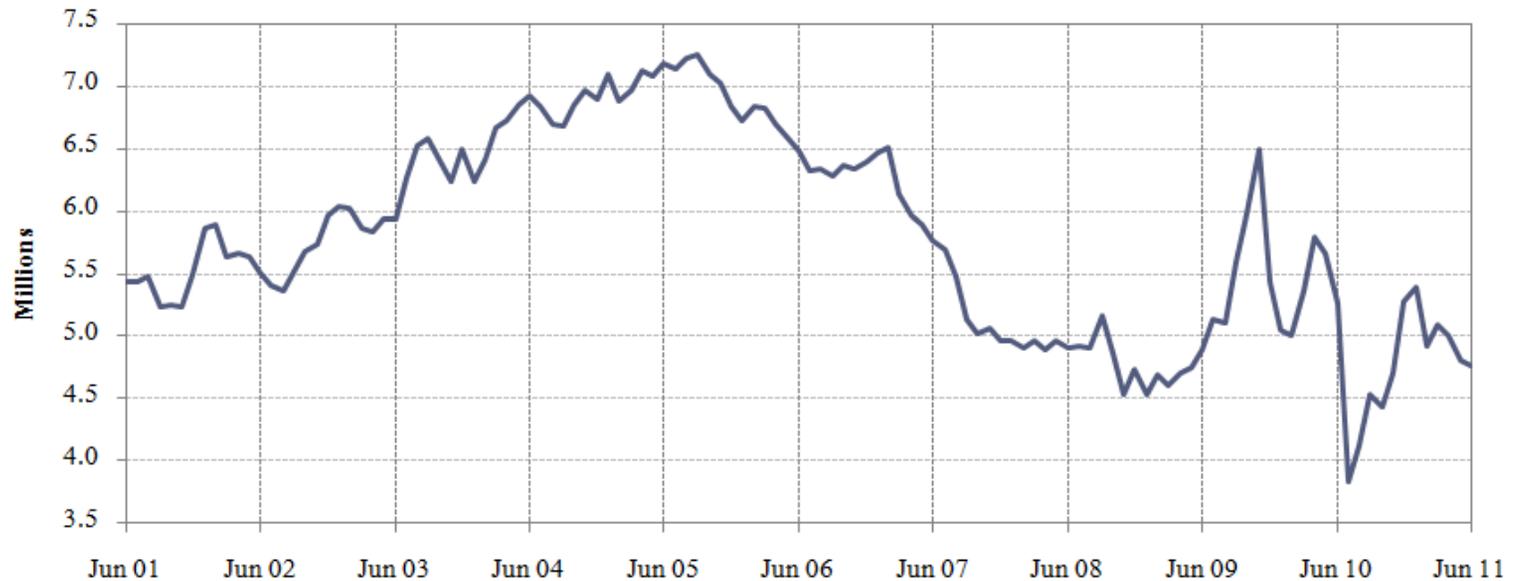


Home Sales Fall Slightly In June



Sales of existing homes continued to decline in June, slipping 0.8 percent to an annual adjusted rate of 4.77 million. However, the sales that did occur came in at considerably higher prices, at a median \$184,300 for an 8.9 percent monthly gain. The year-on-year rate moved into positive ground for the first time this year at plus 0.8 percent. The average price, at \$236,200, rose 8.5 percent with the year-on-year rate at plus 2.7 percent. Note that prices in this report are not seasonally adjusted though year-on-year strength does point firmly to strength outside of seasonal factors.

Existing Home Sales



Existing home sales represents the number of sales in each month of previously constructed homes, condominiums, and co-ops. Existing homes are often a better indicator of trends in the housing market, as they account for a larger share of the market than new homes.



Oil Prices Fall on Economic Worries



After reaching as high as \$113/barrel (WTI) in early May 2011, oil prices have trended downward on concerns that the economy is slowing, which would depress demand for oil. Along with the equity markets, there was a broad sell off in the commodity markets on August 4, on fears of a global economic slowdown. Oil closed at \$79 per barrel on August 9, 2011, the first time under oil has closed under \$80 per barrel since the end of September 2010

Oil Price Per Barrel (WTI Spot)
August 1, 2006 – August 11, 2011



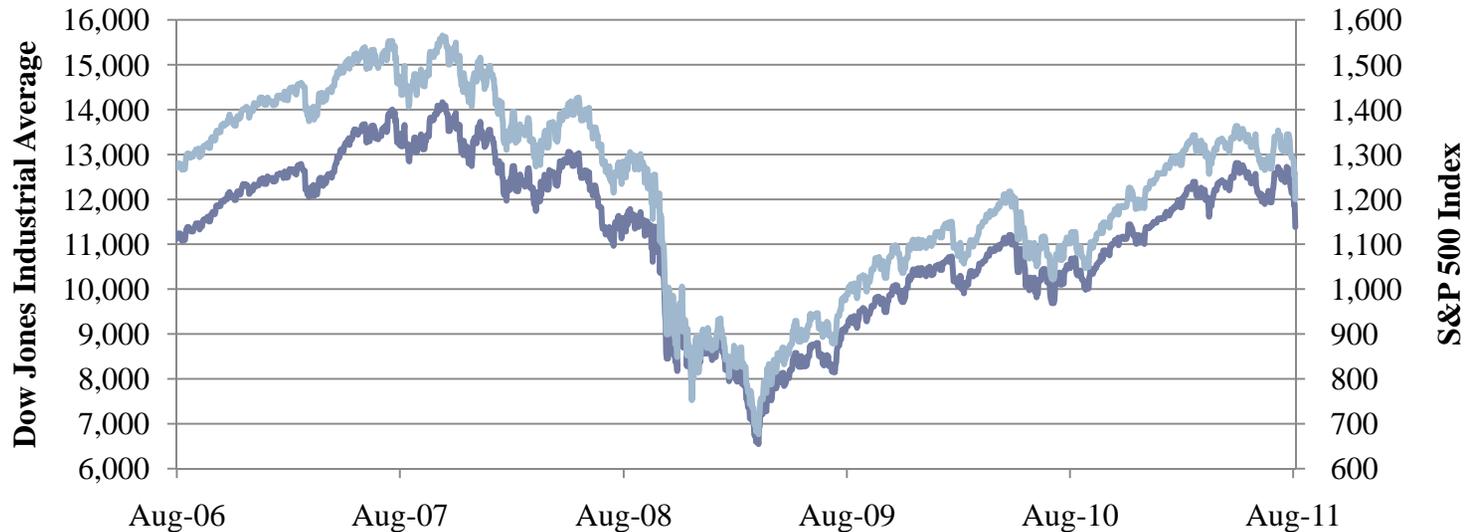


The Equity Markets Fall Sharply on Economic Woes



Since reaching their latest highs on July 7, the U.S. equity markets have trended downward on a series of weaker the economic releases along with the continuing European debt crises. On August 4, the U.S. equity experienced their worst day since the 2008 financial crises, as the major equity indices all sold off on concerns about a global economic slowdown. The S&P 500 and the DJIA were both down over 4% for the day and 10% from their July highs. The indices which had been up for most of the year are now negative year-to-day.

Dow Jones Industrial Average and S&P 500 Indices
August 1, 2006 – August 4, 2011



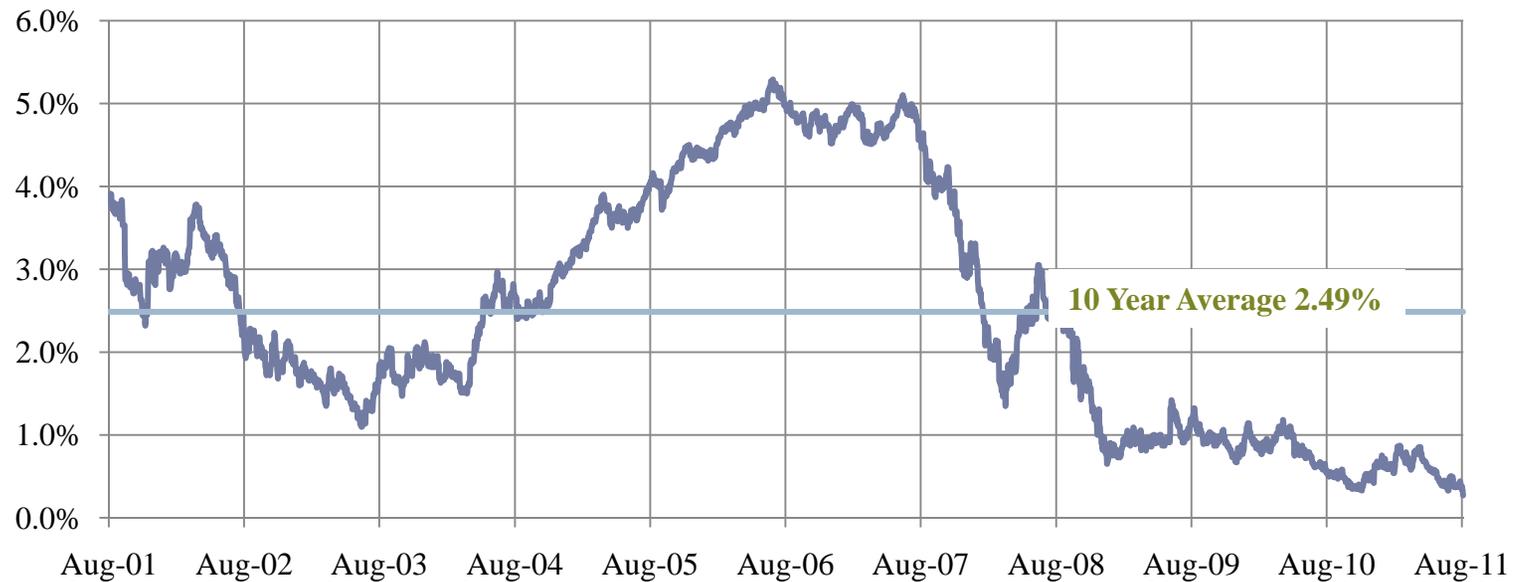


2-Year Treasury Yield Hits New All-Time Low



The 2-year U.S. Treasury yield closed at 0.18% on August 10, a new all-time low as investors reacted to global economic worries and the decision by the federal reserve to keep the federal funds rate exceptionally low at least through mid-2013. Before August, the previous low of 0.33% was reached in November 2010 and July 2011. Over the past twelve months, the yield on the 2-year Treasury has averaged less than 0.55%.

2-Year U.S. Treasury Yield
August 1, 2001 – August 11, 2011



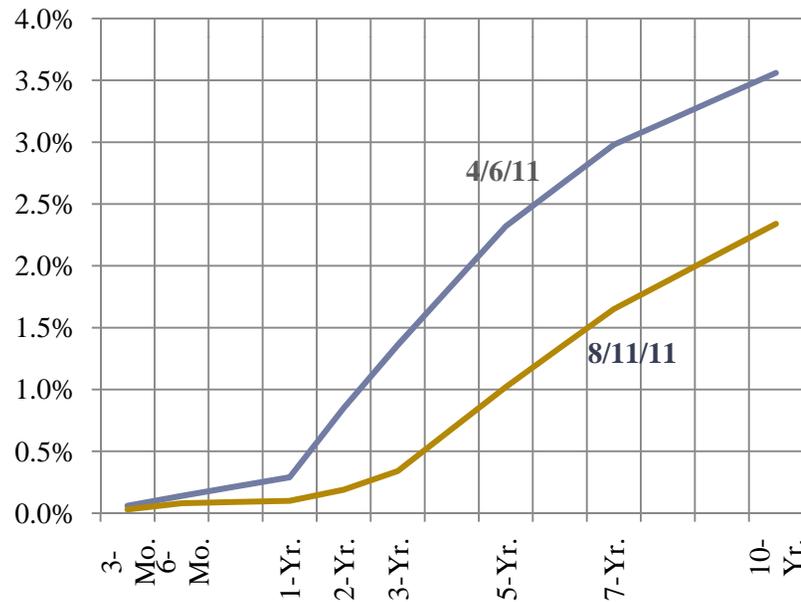


U.S. Treasury Yield Curve

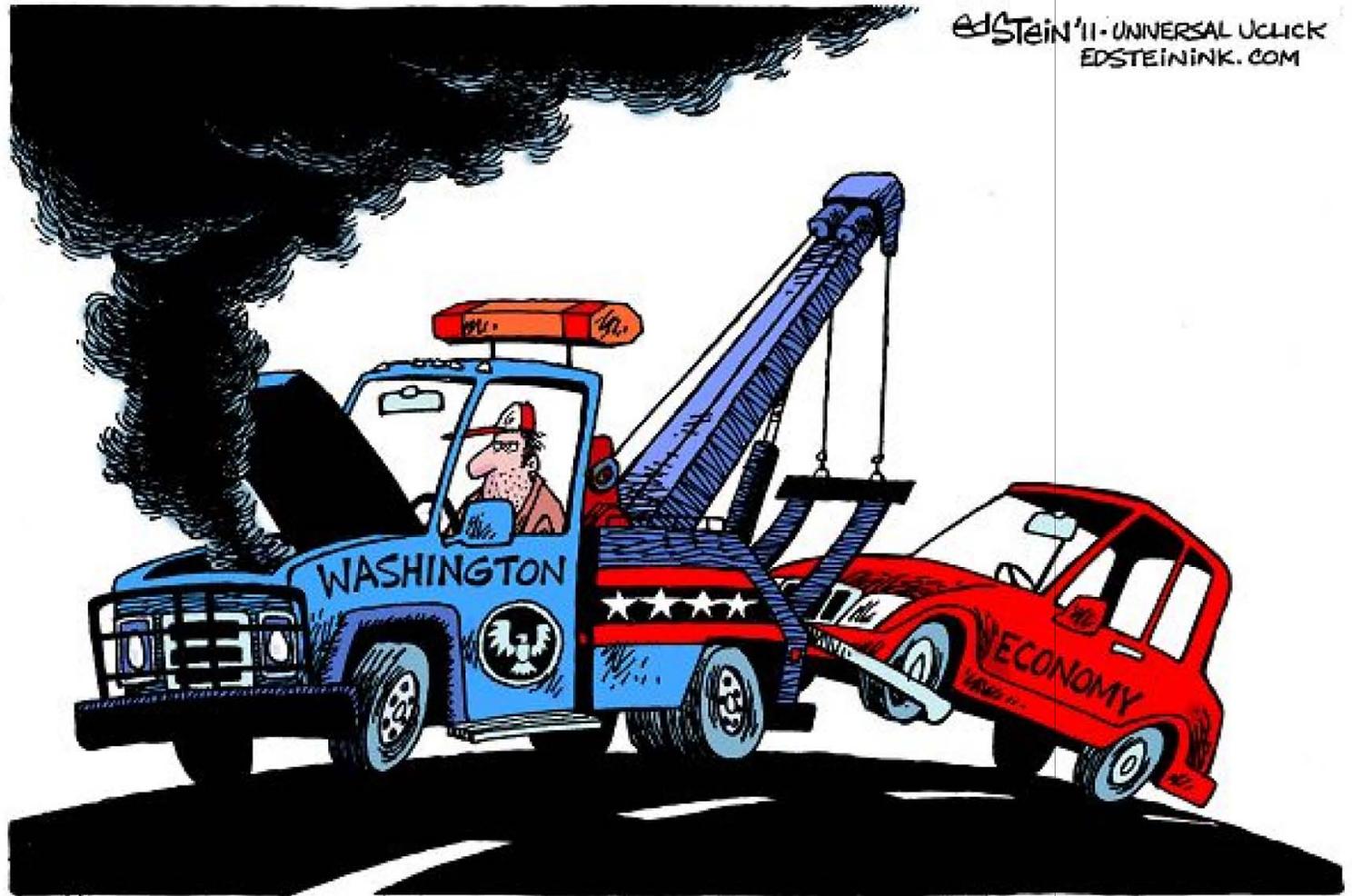


U.S. Treasury yields have fallen across the yield curve on growing economic worries and a sell off in the equity and commodity markets. Since reaching its most recent high for the year on April 6, the yield on the 2-year Treasury is down 0.66% after hitting new all-time lows.

U.S. Treasury Yield Curve
April 6, 2011 vs. August 11, 2011



	4/6/11	8/11/11	Change
3-Mo.	0.06%	0.03%	(0.03%)
6-Mo.	0.14%	0.08%	(0.06%)
1-Yr.	0.29%	0.10%	(0.19%)
2-Yr.	0.85%	0.19%	(0.66%)
3-Yr.	1.36%	0.34%	(1.02%)
5-Yr.	2.32%	1.02%	(1.30%)
10-Yr.	3.56%	2.34%	(1.22%)

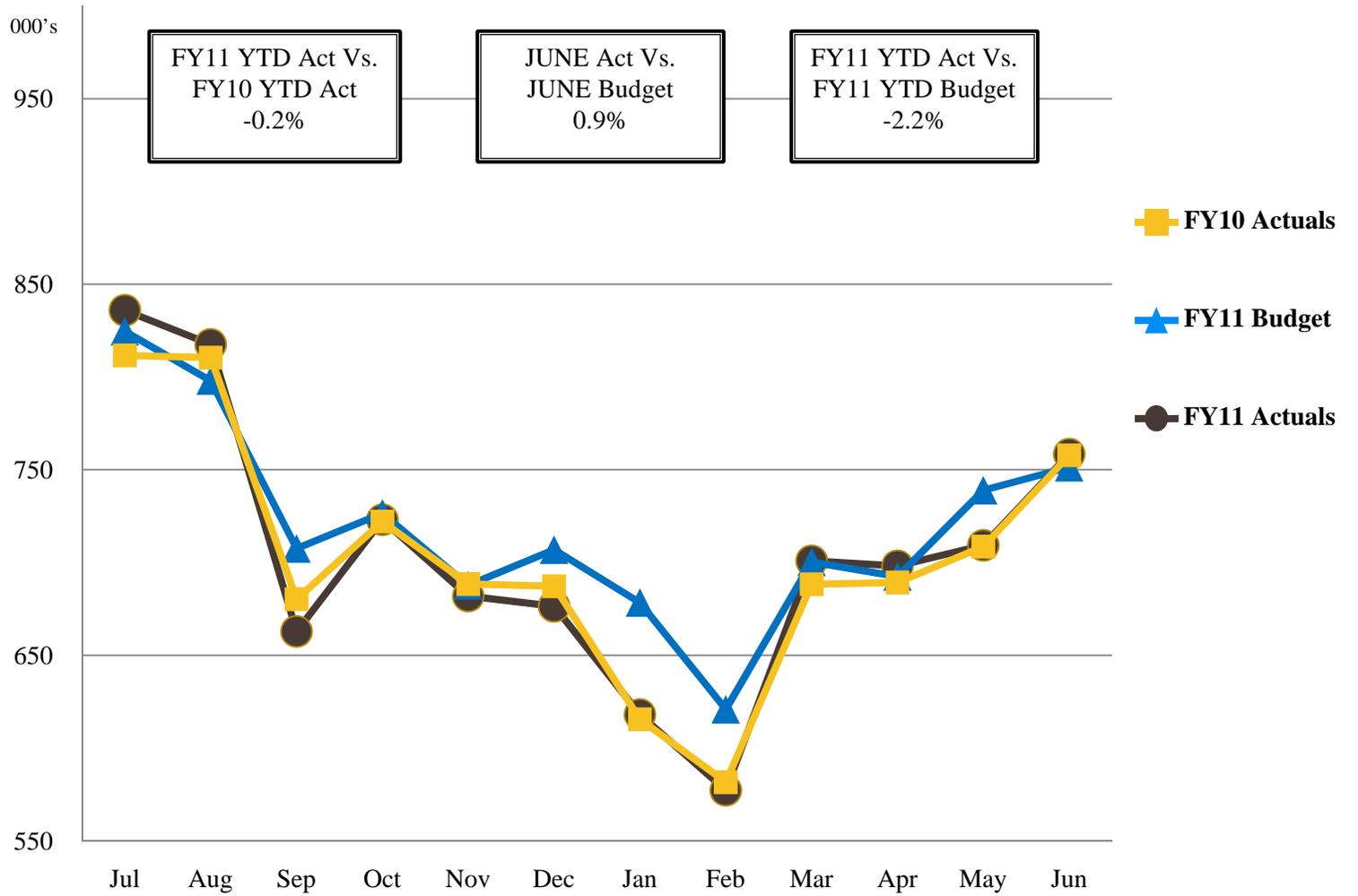


Unaudited Financial Statements
For the Year Ended
June 30, 2011



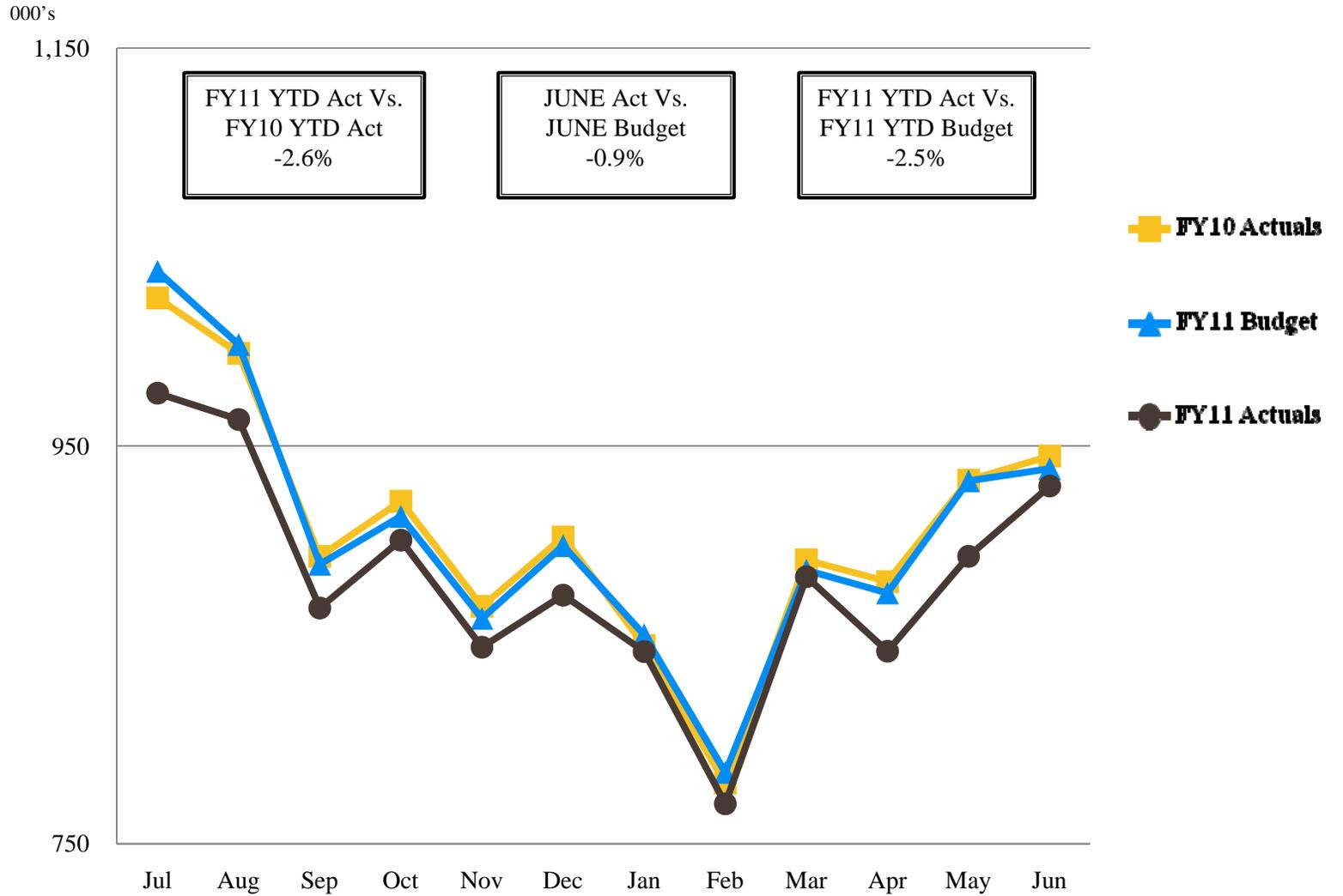


Enplanements



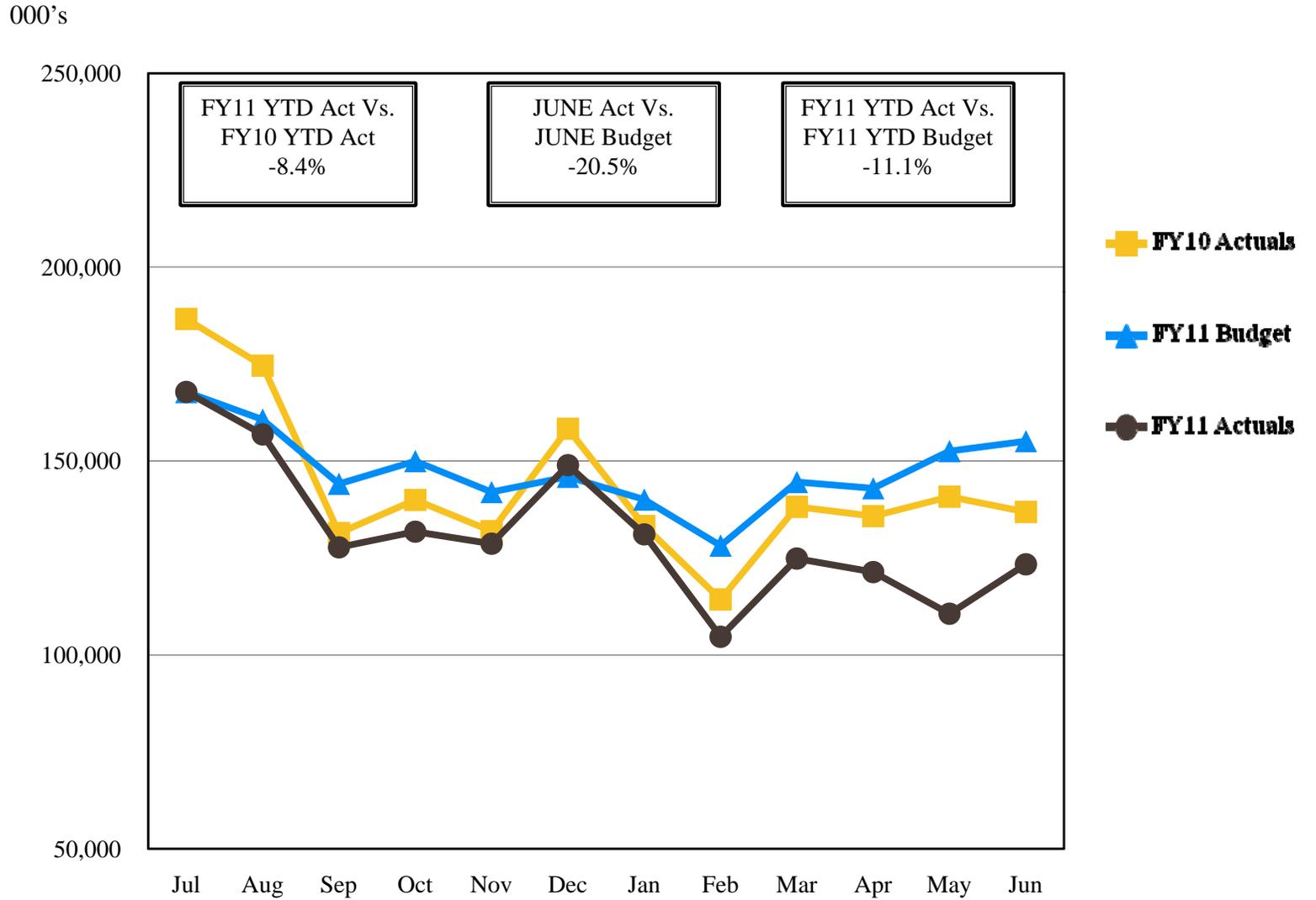


Gross Landing Weight Units (000 lbs)



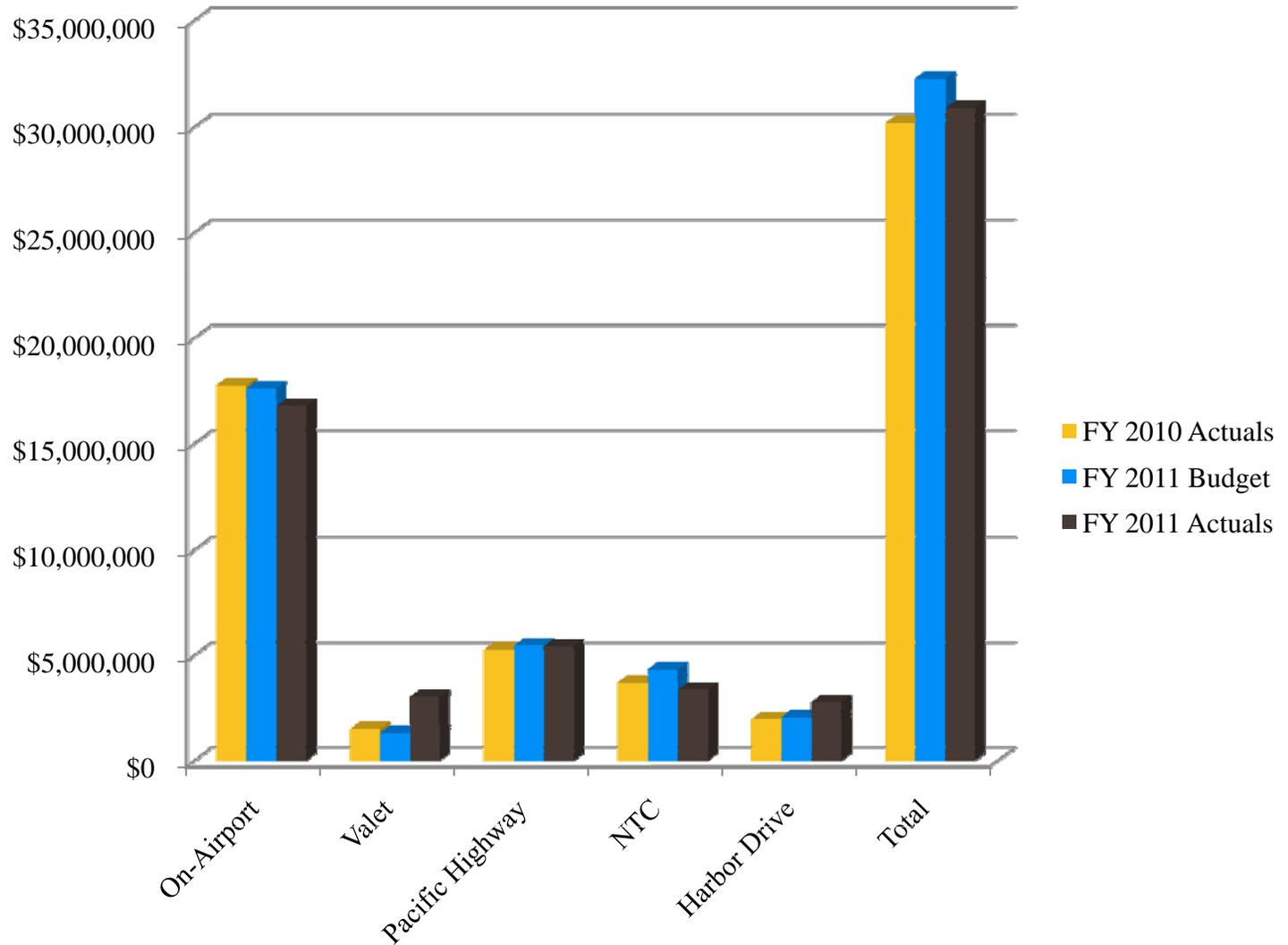


Airport Parking Transactions



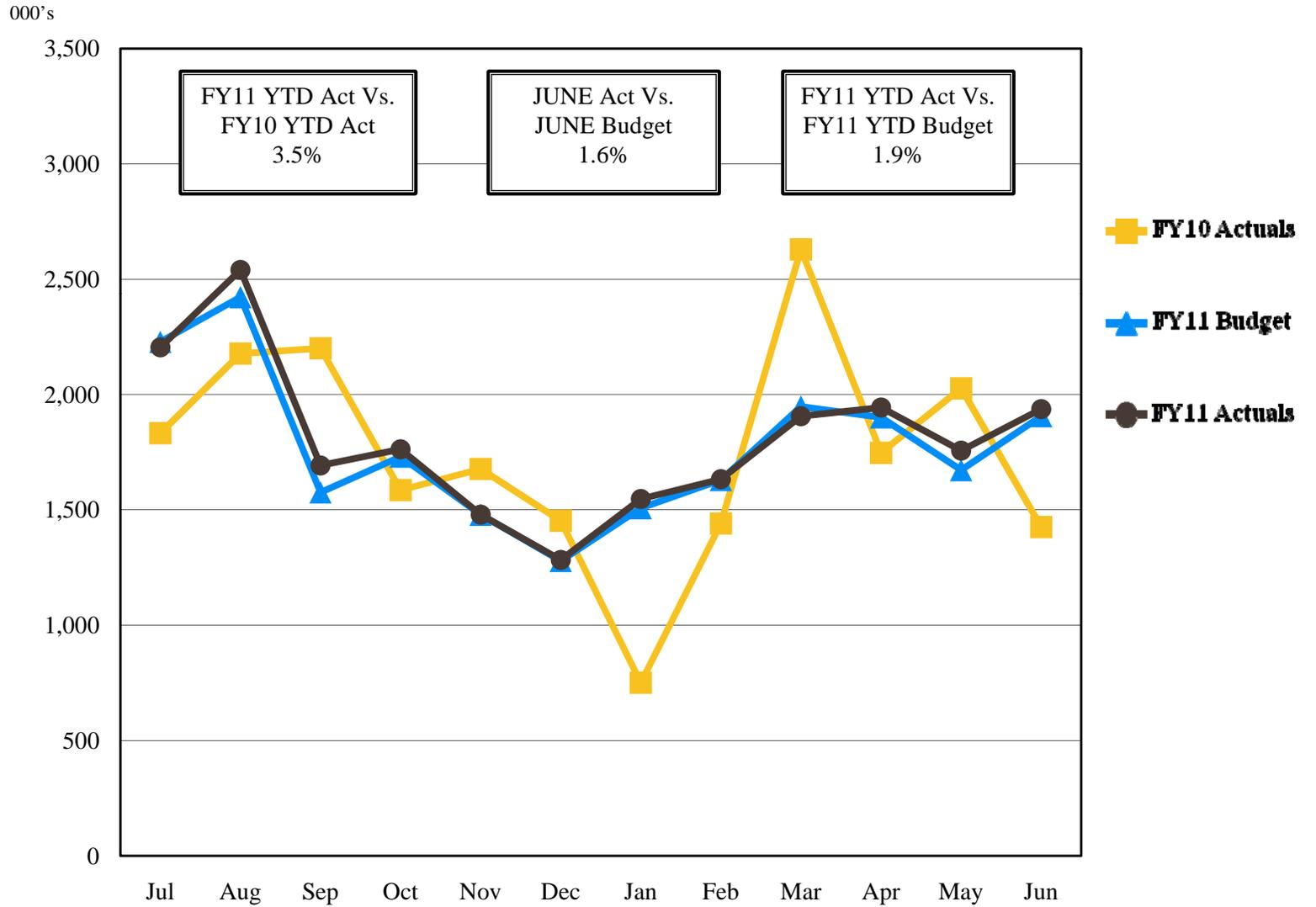


Airport Parking Revenue





Car Rental License Fees

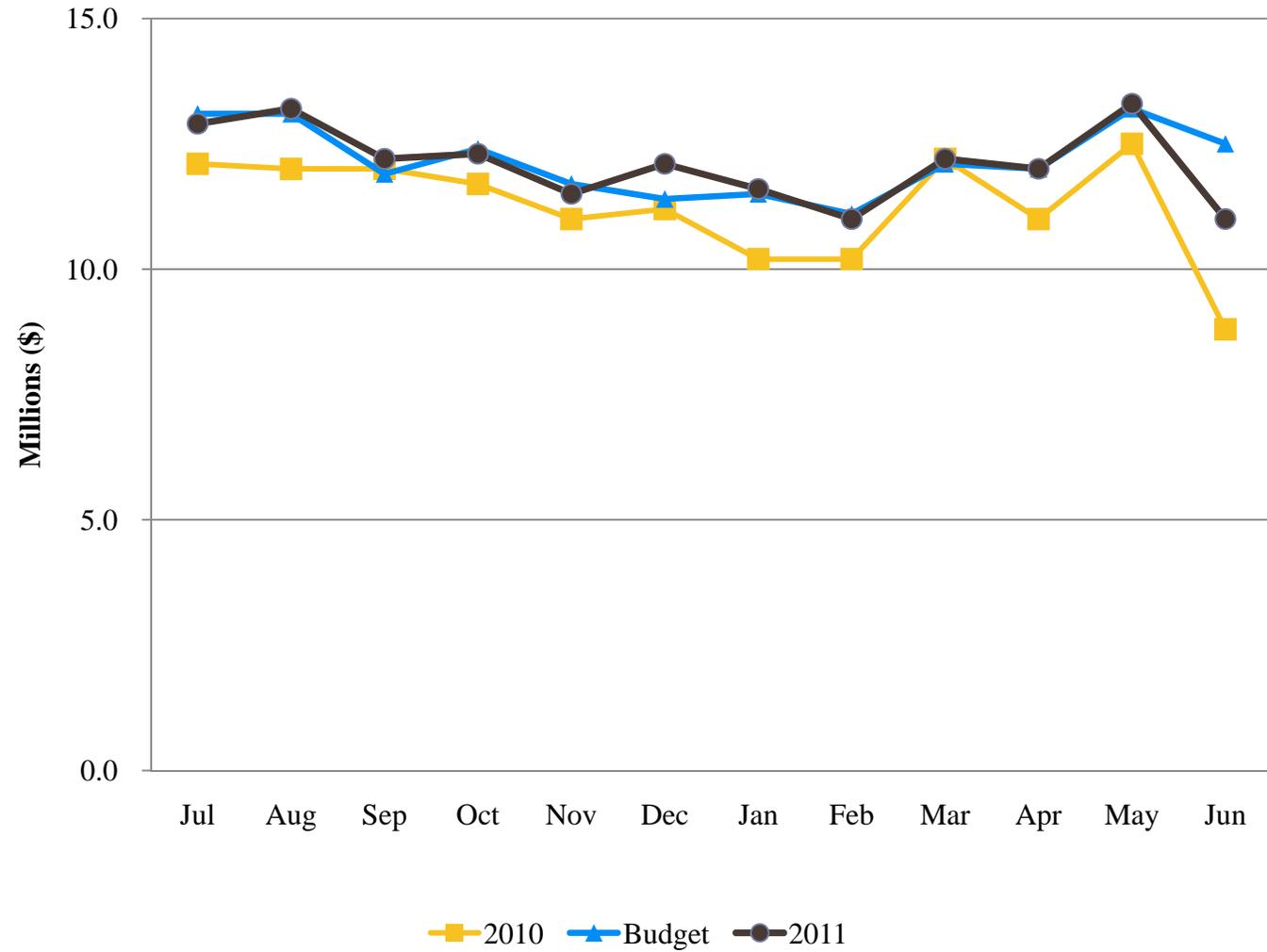


Revenues & Expenses (Unaudited)
For the Year Ended
June 30, 2011





Monthly Operating Revenue, FY 2011 (Unaudited)





Operating Revenues

for the Year Ending June 30, 2011



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 19,030	\$ 18,714	\$ (316)	(2)%	\$ 18,657
Aircraft parking fees	2,826	2,921	95	3%	3,382
Building rentals	27,787	26,736	(1,051)	(4)%	23,030
Security surcharge	14,786	14,843	57	-	11,900
Other aviation revenue	1,584	1,597	13	1%	1,584
Total aviation revenue	\$ 66,013	\$ 64,811	\$ (1,202)	(2)%	\$ 58,553



Operating Revenues

for the Year Ending June 30, 2011



(In thousands)	Budget	Actual	Variance		Prior Year
			Favorable (Unfavorable)	% Change	
Terminal rent non-airline	\$ 868	\$ 869	\$ 1	-	\$ 805
Concession revenue:					
Terminal concession revenue:					
Food and beverage	5,997	6,182	185	3%	6,082
Gifts and news	3,837	3,857	20	1%	3,615
Other	2,850	2,773	(77)	(3)%	2,758
Total terminal concession revenue	12,684	12,812	128	1%	12,454
Car rental and license fee revenue:					
Rental car license fees	21,279	21,686	407	2%	20,969
License fees-other	3,087	2,600	(487)	(16)%	2,826
Total rental car and license fees	24,366	24,286	(80)	-	23,795
Total concession revenue	\$ 37,050	\$ 37,098	\$ 48	-	\$ 36,250



Operating Revenues

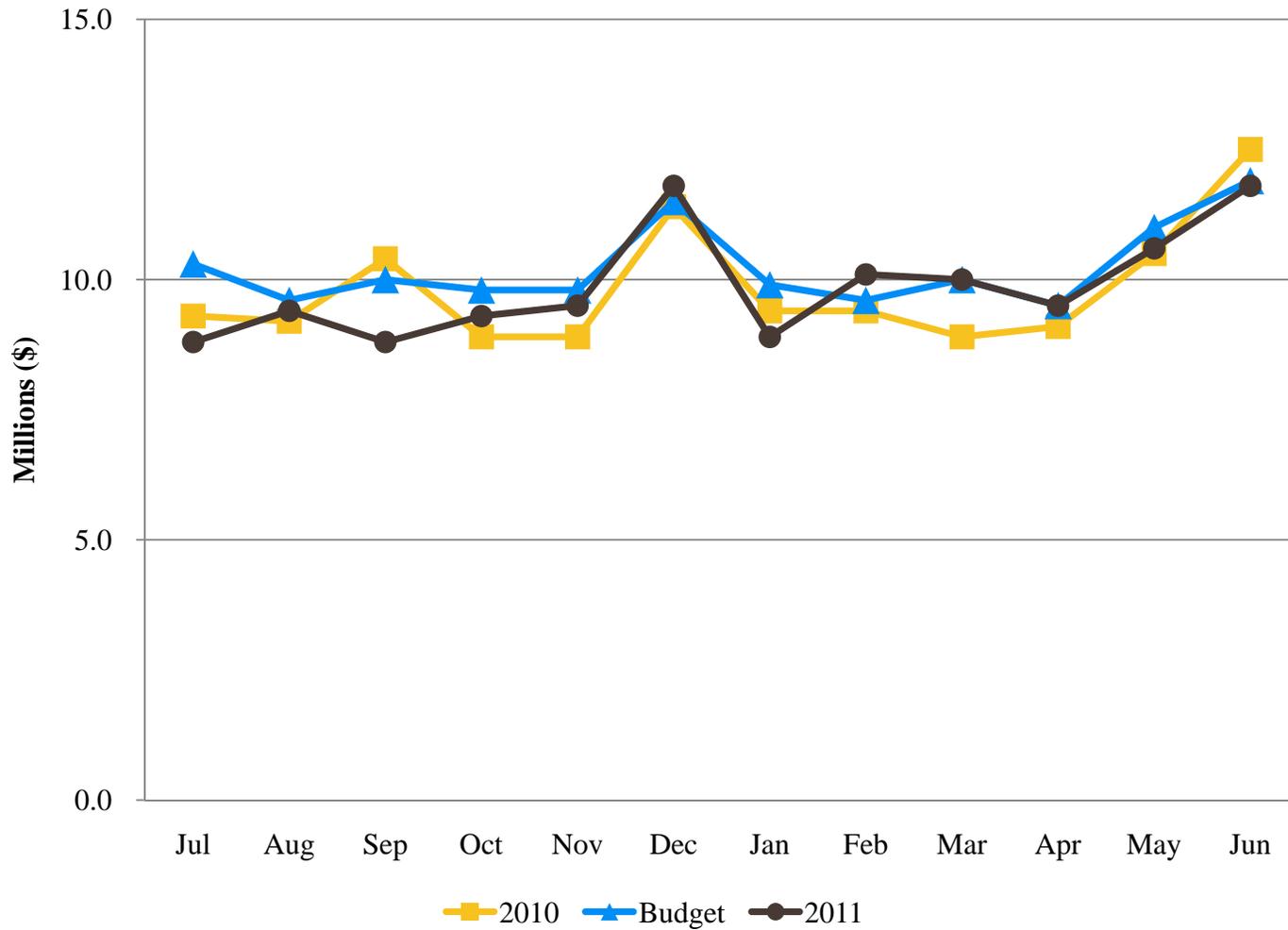
for the Year Ending June 30, 2011



(In thousands)	Budget	Actual	Variance	%	Prior
			Favorable (Unfavorable)	Change	Year
Parking revenue:					
On-airport parking revenue	\$ 18,575	\$ 19,194	\$ 619	3%	\$ 18,734
Off-airport parking revenue	13,706	11,715	(1,991)	(15)%	11,241
Total parking revenue	32,281	30,909	(1,372)	(4)%	29,975
Ground transportation permits and citations	622	735	113	18%	321
Ground rentals	6,226	7,741	1,515	24%	5,923
Grant reimbursements	1,101	870	(231)	(21)%	1,257
Other operating revenue	722	779	57	8%	611
Subtotal	40,952	41,034	82	-	38,087
Total operating revenues	\$ 144,883	\$ 143,812	\$ (1,071)	-	\$ 133,695



Monthly Operating Expenses, FY 2011 (Unaudited)





Operating Revenues

for the Year Ending June 30, 2011



(In thousands)	Budget	Actual	Variance		Prior Year
			Favorable (Unfavorable)	% Change	
Operating expenses:					
Salaries and benefits	\$ 38,557	\$ 38,257	\$ 300	1%	\$ 35,386
Contractual services	29,291	26,089	3,202	11%	27,999
Safety and security	20,658	21,324	(666)	(3)%	20,131
Space rental	10,905	10,906	(1)	-	10,906
Utilities	7,048	6,414	634	9%	6,871
Maintenance	7,939	8,139	(200)	(3)%	9,231
Equipment and systems	530	561	(32)	(6)%	891
Materials and supplies	381	314	67	18%	413
Insurance	1,223	1,063	160	13%	1,166
Employee development and support	1,341	1,015	326	24%	990
Business development	2,202	2,245	(43)	(2)%	2,033
Equipment rental and repairs	1,574	1,308	266	17%	1,271
Total operating expenses	\$ 121,649	\$ 117,636	\$ 4,013	3%	\$ 117,288



Financial Summary

for the Year Ending June 30, 2011



(In thousands)	Budget	Actual	Variance		Prior Year
			Favorable (Unfavorable)	% Change	
Total operating revenues	\$ 144,883	\$ 143,812	\$ (1,071)	-	\$ 133,695
Total operating expenses	121,649	117,636	4,014	3%	117,288
Income from operations	23,234	26,176	2,942	13%	16,407
Depreciation	50,549	49,989	560	1%	42,351
Operating income (loss)	\$ (27,315)	\$ (23,813)	\$ 3,502	13%	\$ (25,944)



Nonoperating Revenues & Expenses

for the Year Ending June 30, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 33,733	\$ 33,896	\$ 164	-	\$ 34,049
Customer facility charges (ConRAC Facility)	10,550	10,986	436	4%	10,783
Quieter Home Program	(3,869)	(3,386)	483	12%	(1,873)
Interest income	5,983	6,070	87	1%	6,667
BAB interest rebate	3,691	3,691	-	-	-
Interest expense	(13,383)	(7,296)	6,087	45%	(2,684)
Bond amortization cost	(145)	470	615	423%	(74)
Other nonoperating revenue (expenses)	(40)	(93)	(53)	133%	(1,004)
Nonoperating revenue, net	36,519	44,338	7,819	21%	45,864
Income before grant contributions	9,204	20,525	11,321	123%	19,920
Capital grant contributions	43,318	26,414	(16,904)	(39)%	27,350
Net income	\$ 52,522	\$ 46,939	\$ (5,583)	(11)%	\$ 47,270



Balance Sheets (Unaudited)



ASSETS

(In thousands)

June

	2011	2010
Current assets:		
Cash and investments	\$ 89,588	\$ 105,046
Tenant lease receivable, net of allowance of 2011: \$14,918 and 2010: \$59,341	5,151	6,134
Grants receivable	4,043	3,866
Notes receivable-current portion	1,697	1,613
Prepaid expenses and other current assets	5,274	7,411
Total current assets	105,752	124,070
Cash designated for capital projects and other	\$ 8,149	\$ 20,896



Balance Sheets (Unaudited)



ASSETS

(In thousands)

June

Restricted assets:

Cash and investments:

	2011		2010
Bonds reserve	\$ 45,098	\$	45,708
Passenger facility charges and interest unapplied	54,758		57,894
Customer facility charges and interest applied*	21,012		10,841
Commercial paper reserve	37		64
SBD bond guarantee	4,000		4,000
Bond proceeds held by trustee	396,903		9,623
Commercial paper interest held by trustee	13		13
Passenger facility charges receivable	5,019		5,015
Customer facility charges receivable*	1,029		1,236
OCIP insurance reserve	6,239		6,400
Total restricted assets	\$ 534,109	\$	140,794

*ConRAC Facility



Balance Sheets (Unaudited)



ASSETS

(In thousands)

June

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

	June	
	2011	2010
Land and land improvements	\$ 24,480	\$ 23,454
Runways, roads and parking lots	273,449	227,870
Buildings and structures	464,477	461,051
Machinery and equipment	10,327	9,997
Vehicles	5,342	5,239
Office furniture and equipment	30,577	29,976
Works of art	2,427	2,257
Construction-in-progress	322,516	183,013
Total capital assets	1,133,595	942,857
Less: accumulated depreciation	(507,948)	(459,140)
Total capital assets, net	\$ 625,647	\$ 483,717



Balance Sheets (Unaudited)



ASSETS

(In thousands)

June

Other assets:

Notes receivable - long-term portion

Investments - long-term portion

Deferred costs - bonds (net)

Net pension asset

Security Deposits

Total other assets

Total noncurrent assets

TOTAL ASSETS

	June	
	2011	2010
Notes receivable - long-term portion	\$ 42,914	\$ 44,610
Investments - long-term portion	16,827	951
Deferred costs - bonds (net)	5,033	788
Net pension asset	7,761	8,317
Security Deposits	225	-
Total other assets	72,760	54,666
Total noncurrent assets	698,407	538,383
TOTAL ASSETS	\$ 1,346,416	\$ 824,143



Balance Sheets (Unaudited)



LIABILITIES & NET ASSETS

(In thousands)

June

	2011	2010
Current liabilities:		
Accounts payable and accrued liabilities	\$ 56,972	\$ 50,357
Deposits and other current liabilities	2,601	1,395
Total current liabilities	59,573	51,752
Current liabilities - payable from restricted assets:		
Current portion of long-term debt	4,760	3,105
Accrued interest on bonds and commercial paper	16,992	1,178
Total liabilities payable from restricted assets	\$ 21,752	\$ 4,283



Balance Sheets (Unaudited)



LIABILITIES & NET ASSETS

(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

	June	
	2011	2010
Commercial paper notes payable	\$ 20,729	\$ 164,430
Deferred rent liability	137	674
Other long-term liabilities	1,564	1,372
Long-term debt - bonds net of amortized premium	635,269	41,179
Total long-term liabilities	657,700	207,655
Total liabilities	\$ 739,025	\$ 263,690



Balance Sheets (Unaudited)



LIABILITIES & NET ASSETS

(In thousands)

June

	2011		2010
Authority net assets:			
Invested in capital assets, net of related debt	\$ 357,120	\$	275,557
Other restricted	145,866		141,267
Unrestricted:			
Designated	15,909		33,213
Undesignated	88,496		110,416
Total net assets	607,391		560,453
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,346,416	 \$	 824,143



Questions

