



SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Board Communication

Date: October 25, 2011
To: Board Members
Via: Thella F. Bowens, President/CEO
From: Vernon D. Evans, Vice President, Finance/Treasurer
Subject: Unaudited Financial Statements for the Three Months Ended September 30, 2011

At the October 24, 2011 meeting, the Finance Committee recommended that the attached report be forwarded to the Board to be received at the November 3, 2011 Board meeting.



San Diego County Regional Airport Authority



Review of the Unaudited Financial Statements for the 3 Months Ended September 30, 2011

Presented by:

Vernon D. Evans, CPA

Vice President, Finance / Treasurer & CFO

November 3, 2011



...THIS MONTH'S TERRIBLE ECONOMIC NEWS IS ONLY SLIGHTLY WORSE THAN LAST MONTH'S HORRENDOUS ECONOMIC NEWS, SO WE'RE TRENDING TOWARDS ABYSMAL AT A SLOWER RATE OF GHASTLY.



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NEWS

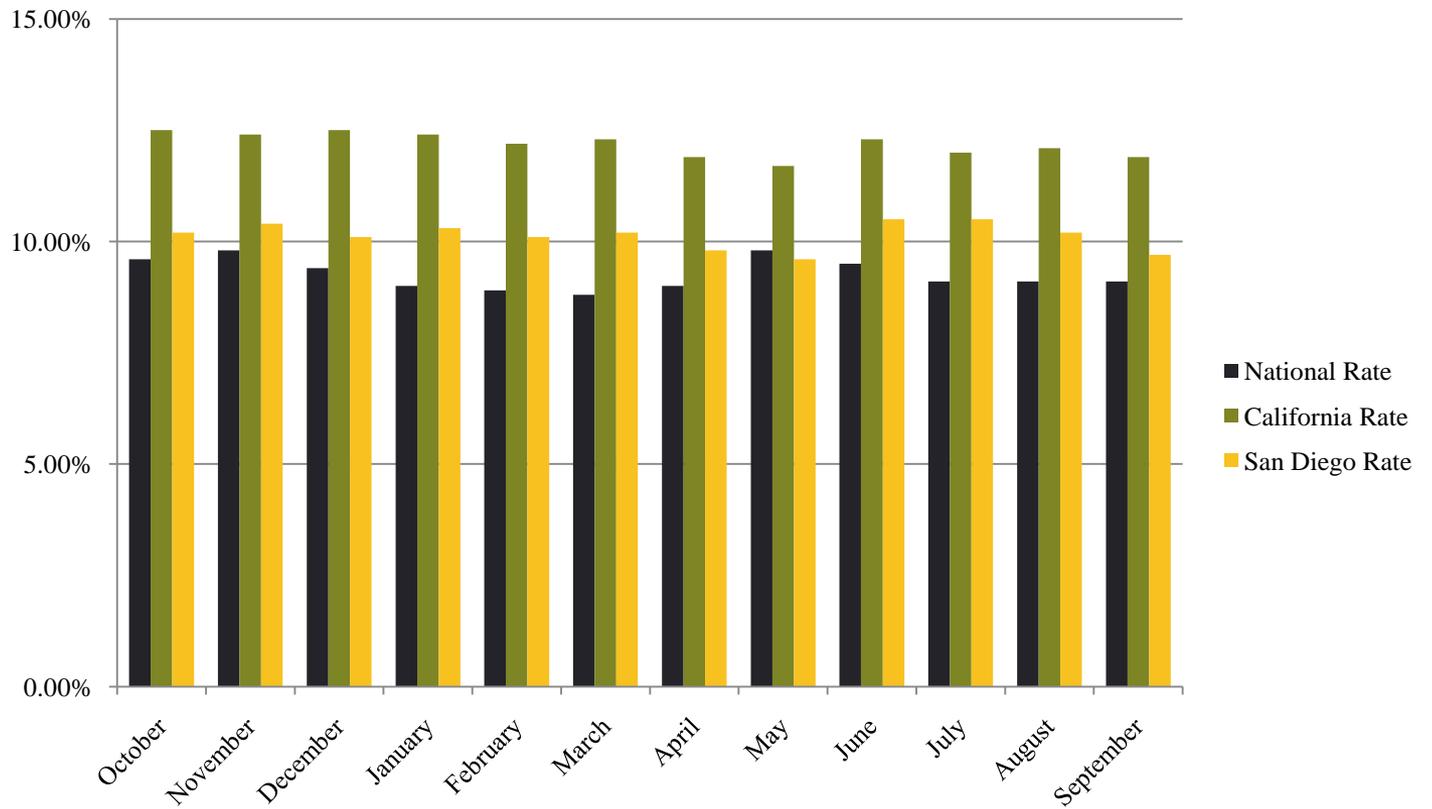


Unemployment Rate Remains High



The Federal unemployment rate held at 9.1% for the months of August & September. The California unemployment rate decreased to 11.9% in September, but continues to be higher than the national average. The U-6 rate is 16.5% for September. San Diego's unemployment rate decreased to 9.7%.

Unemployment Rates



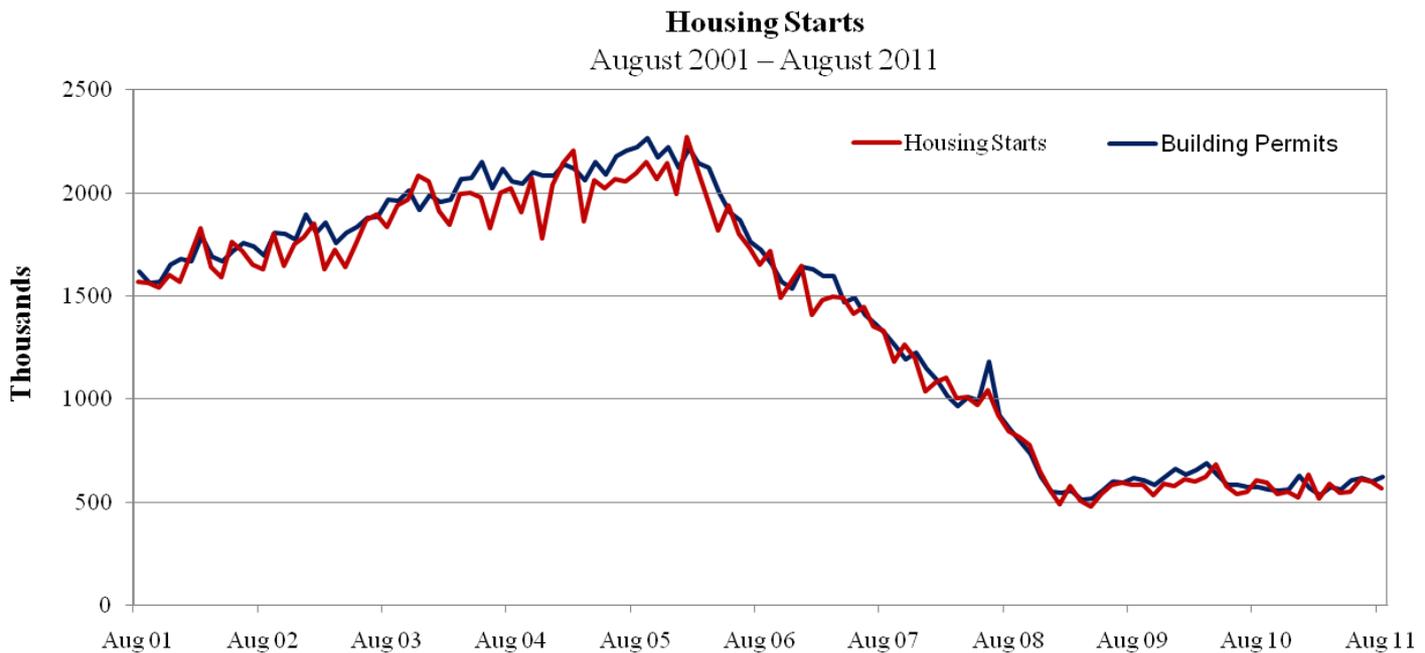




Housing Starts Remain Depressed



The housing starts report for August remained mixed with a decline in housing starts and slight rise in building permits. Housing starts fell 5.0% percent in August to an annualized pace of 571,000 units from July's report of 601,000 units. August's report fell short of analyst projections of 592,000 units, led by a 13.5% fall in the multifamily component.



Housing Starts represent the number of privately owned new houses on which construction has been started in a given period. This data is divided into three types: single-family houses, townhouses or small condos, and apartment buildings with five or more units.



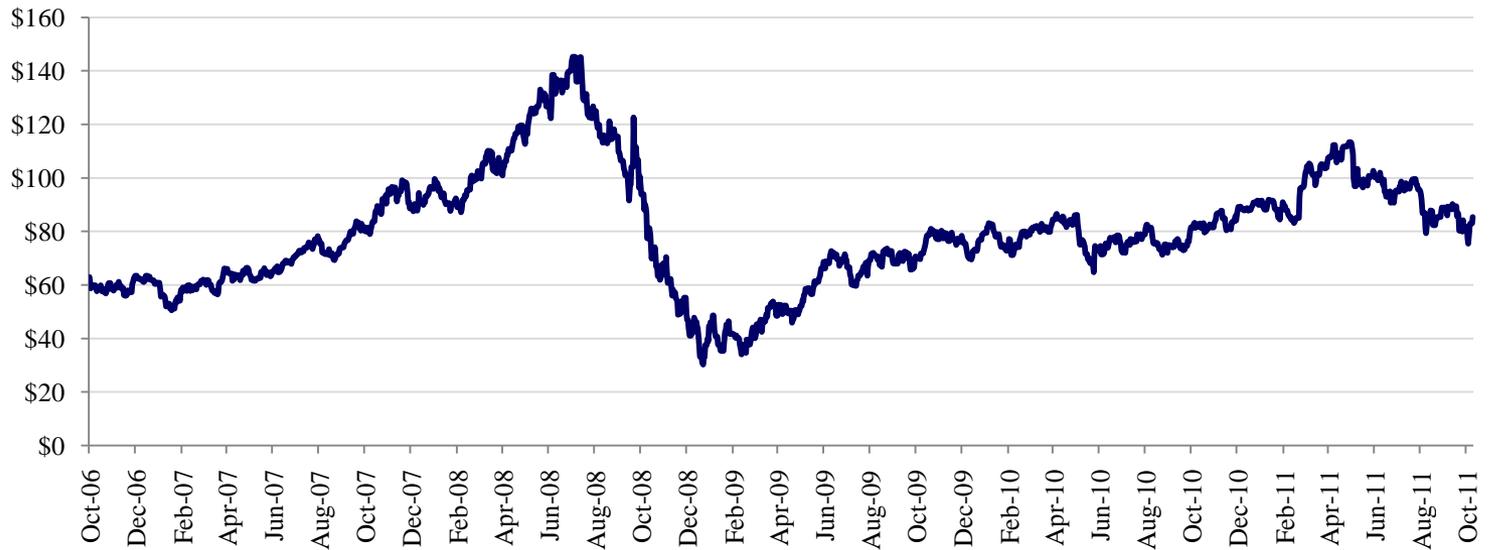


Oil Prices Rebound

After falling to \$75 per barrel (WTI), oil has moved back above \$85 a barrel as developments towards a potential solution in Europe's sovereign debt crisis has lessened the market's concern of a global slowdown, which means global demand for oil should continue to grow.



Oil Price Per Barrel (WTI Spot)
October 1, 2006 – October 10, 2011





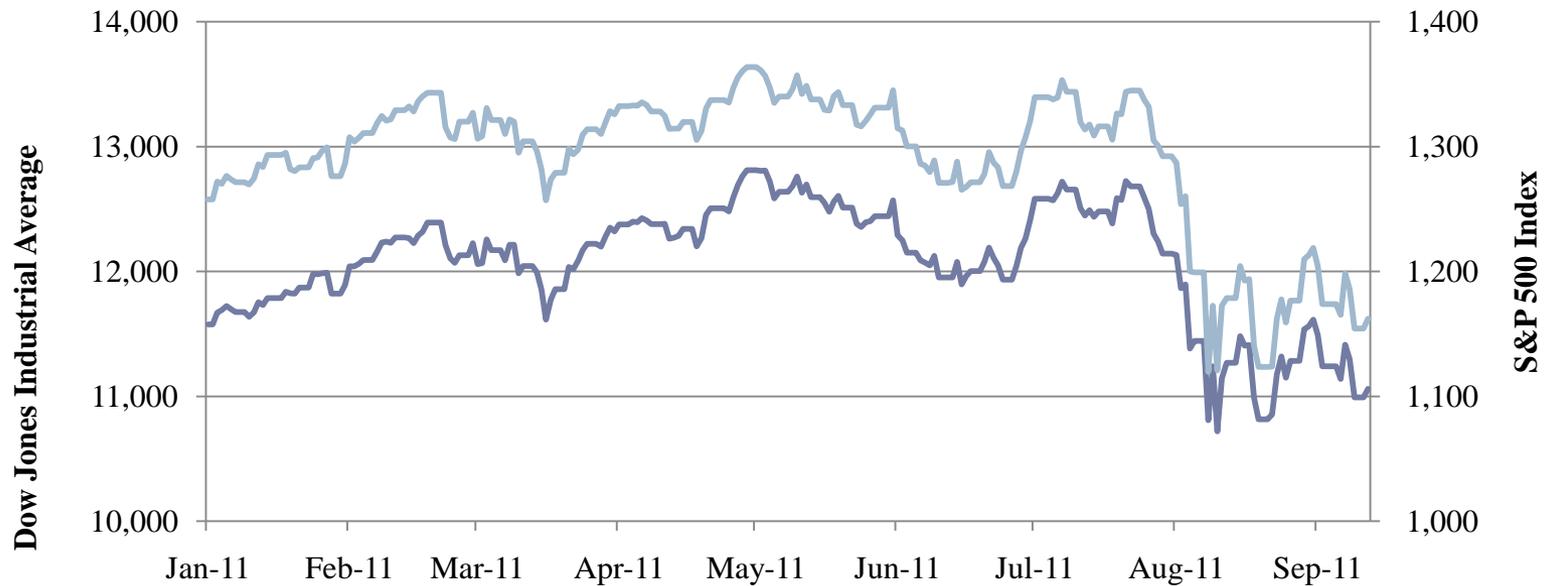
The Equity Markets Remain Volatile



Since August, the stock markets have experienced significant volatility as investors have reacted to a variety of developments, including the continuing European debt crises, generally weaker economic data, the debt ceiling battle, the S&P downgrade along with statements from the Federal Reserve.

Year-to-date, the DJIA is down -4.46% and the S&P500 is down -7.58%.

Dow Jones Industrial Average and S&P 500 Indices
January 1, 2011 – September 12, 2011





2 Year Treasury Yield Moves Higher



The 2-year Treasury yield has moved higher in recent days, as investor concerns about the European debt crisis have subsided. After hitting an all-time low of 0.15% in mid-September, the 2-year Treasury yield rebounded to close at 0.31% on October 11th. However, the upside to rates in the short-end of the yield curve is limited by the Fed's two year commitment to a near-zero rate policy. But, we note that rates were much higher earlier this year than they are today, even though the fed funds rate has been at the same level since December 2008 remained range bound near its historical low since the Federal Reserve's statement that it expects the weak economy to warrant exceptionally low levels for the federal funds rate "at least through mid-2013."

2-Year U.S. Treasury Yields
October 1, 2010 – October 11, 2011



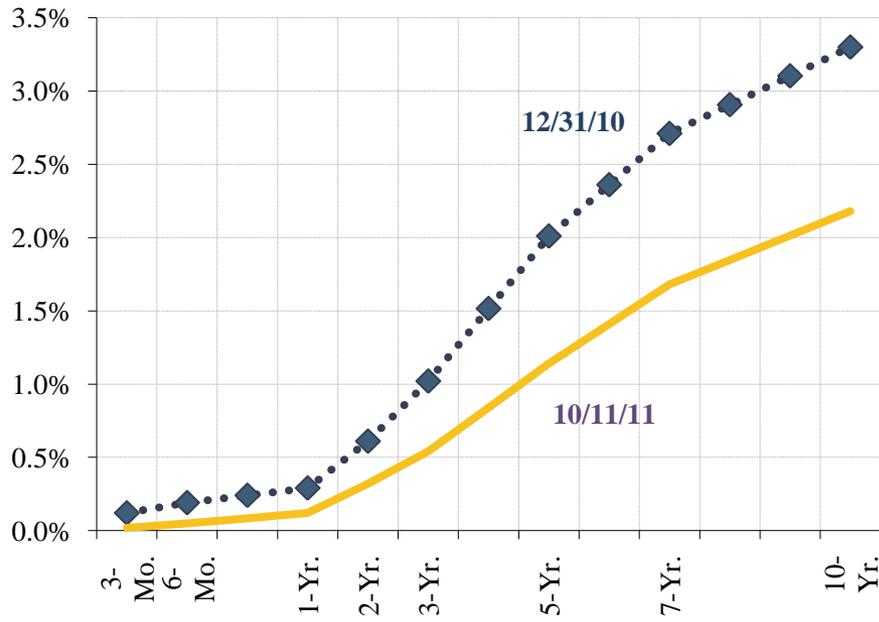


Yield Curve Flattens



Although Treasury yields have rebounded in recent days, Treasury yields are still down for the year.

U.S. Treasury Yield Curve
December 31, 2010 vs. October 11, 2011



	12/31/10	10/11/11	Change
3-Mo.	0.12%	0.02%	(0.10%)
6-Mo.	0.19%	0.05%	(0.14%)
1-Yr.	0.29%	0.12%	(0.17%)
2-Yr.	0.61%	0.32%	(0.29%)
3-Yr.	1.02%	0.54%	(0.48%)
5-Yr.	2.01%	1.14%	(0.87%)
10-Yr.	3.30%	2.18%	(1.12%)



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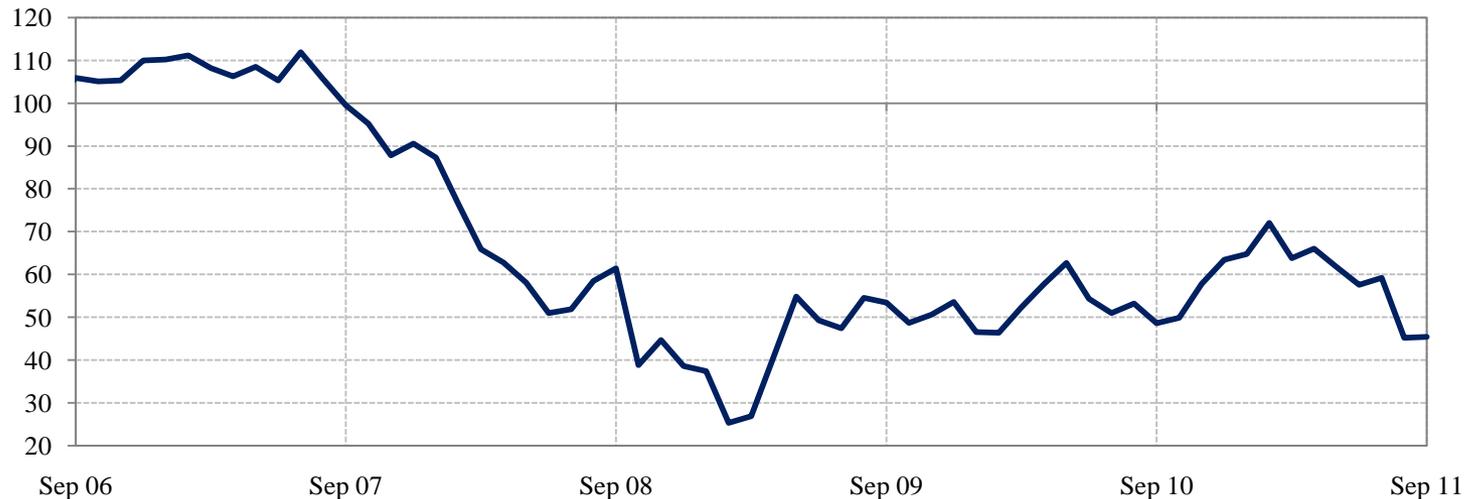


Consumer Confidence Remained Stagnate in September



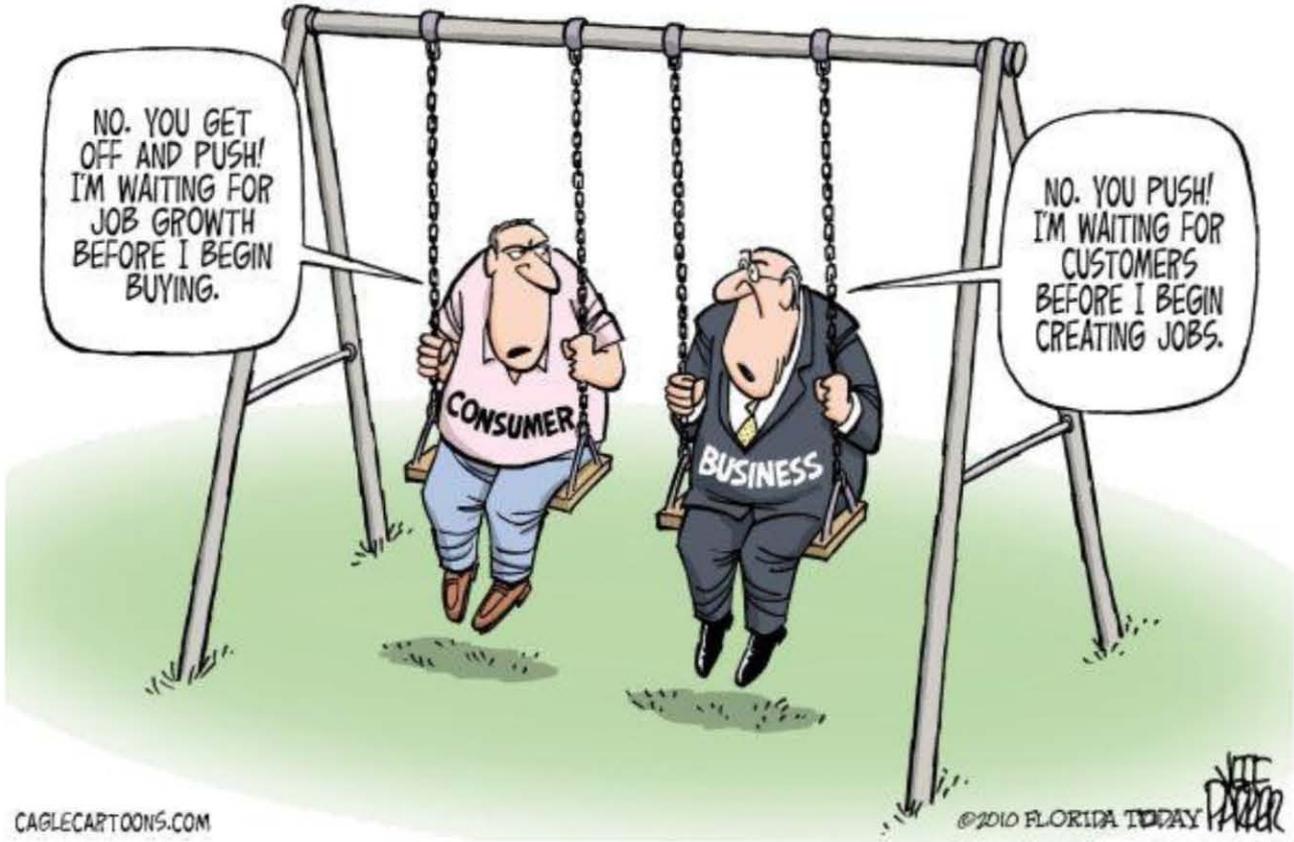
The Conference Board's Consumer Confidence Index remained stagnant at 45.4 for the month of September, after August's reading indicated that consumer confidence had fallen to its lowest level since April 2009. September's consumer confidence reading signals that consumers remain very concerned about income, employment, and the state of the economy and points to weaker labor market conditions as we get closer towards the end of the year.

Consumer Confidence
September 2006 – September 2011





ECONOMIC MOOD SWING

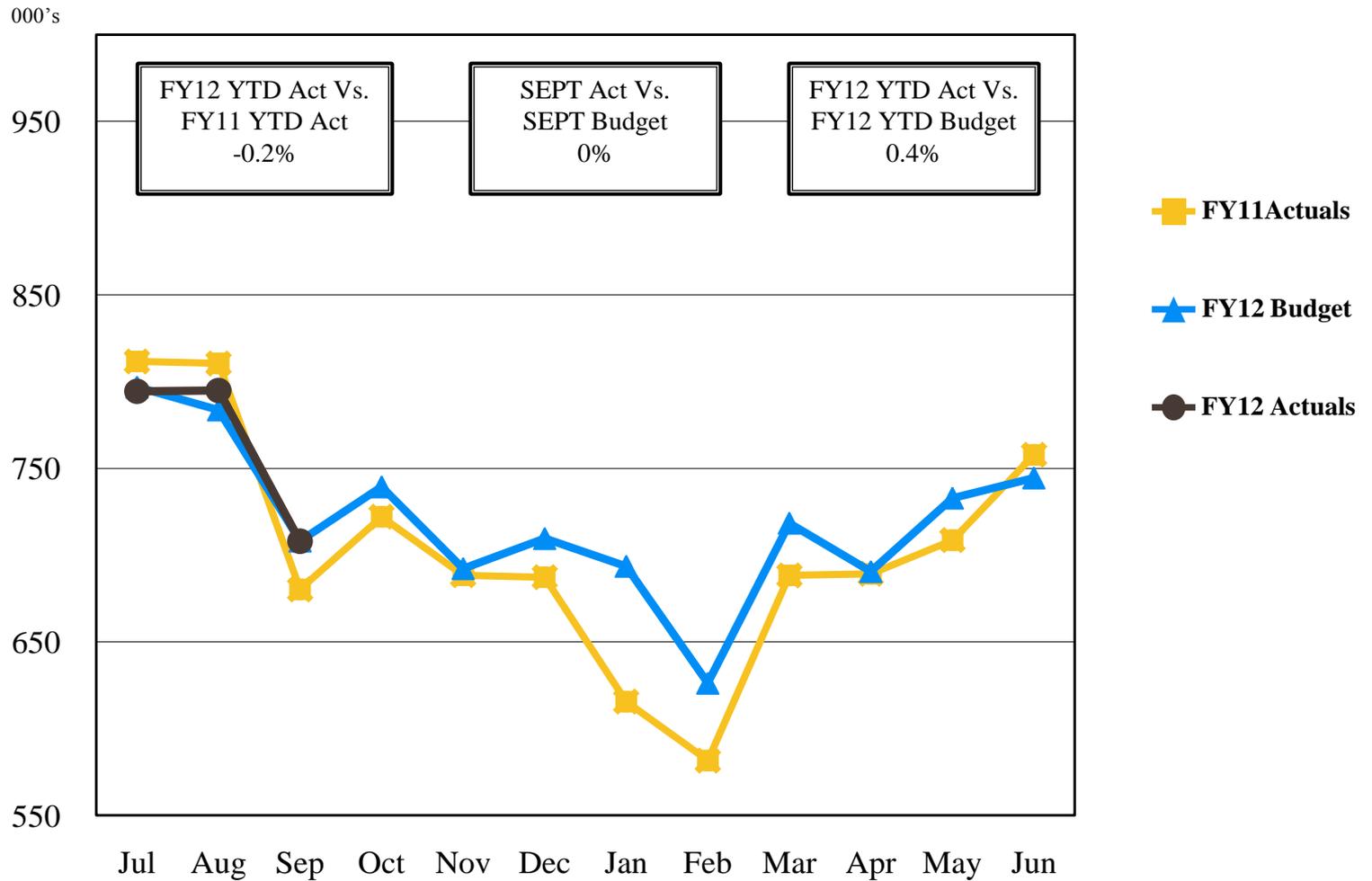


Unaudited Financial Statements
For the Three Months Ended
September 30, 2011





Enplanements

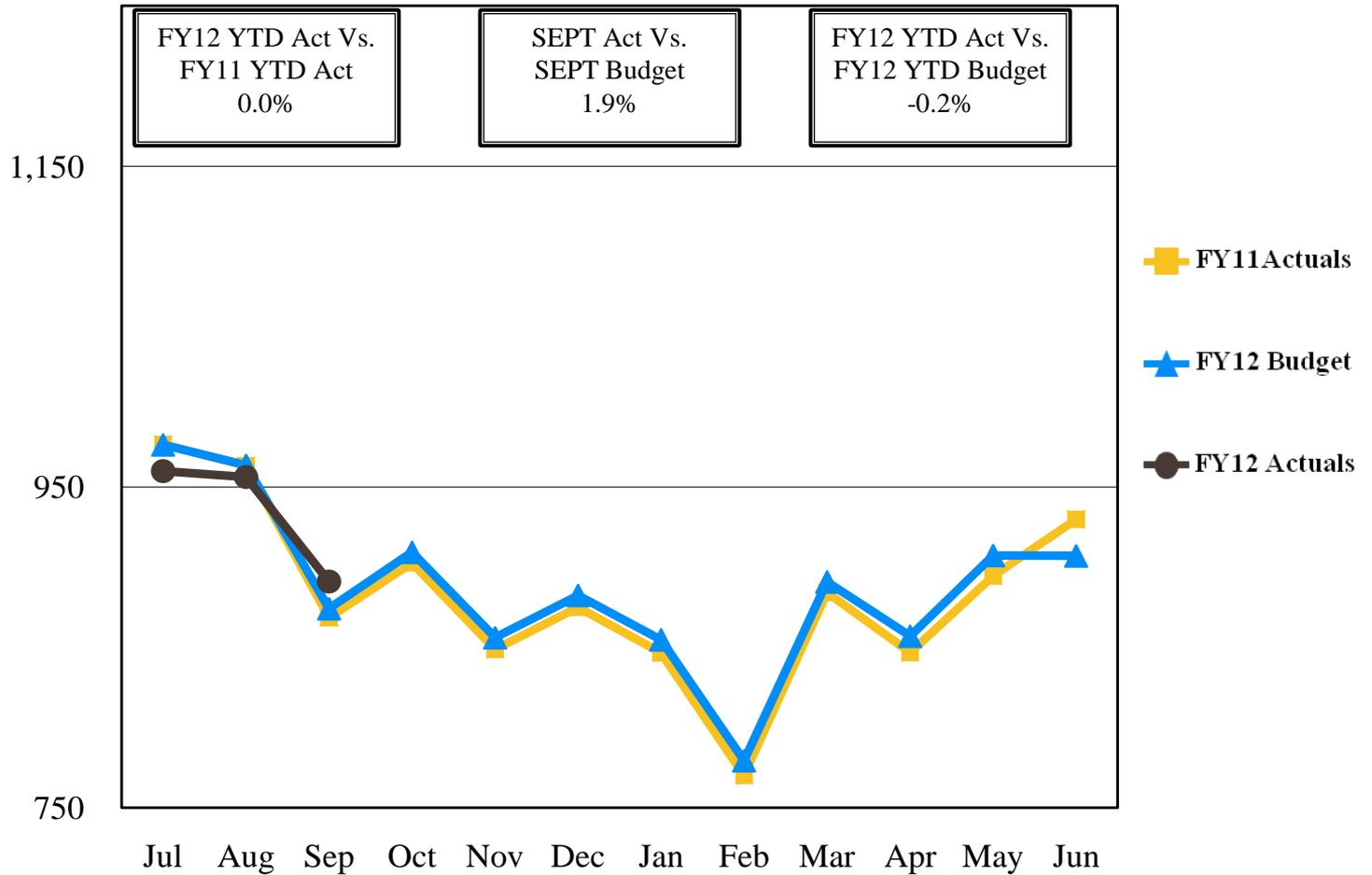




Gross Landing Weight Units (000 lbs)

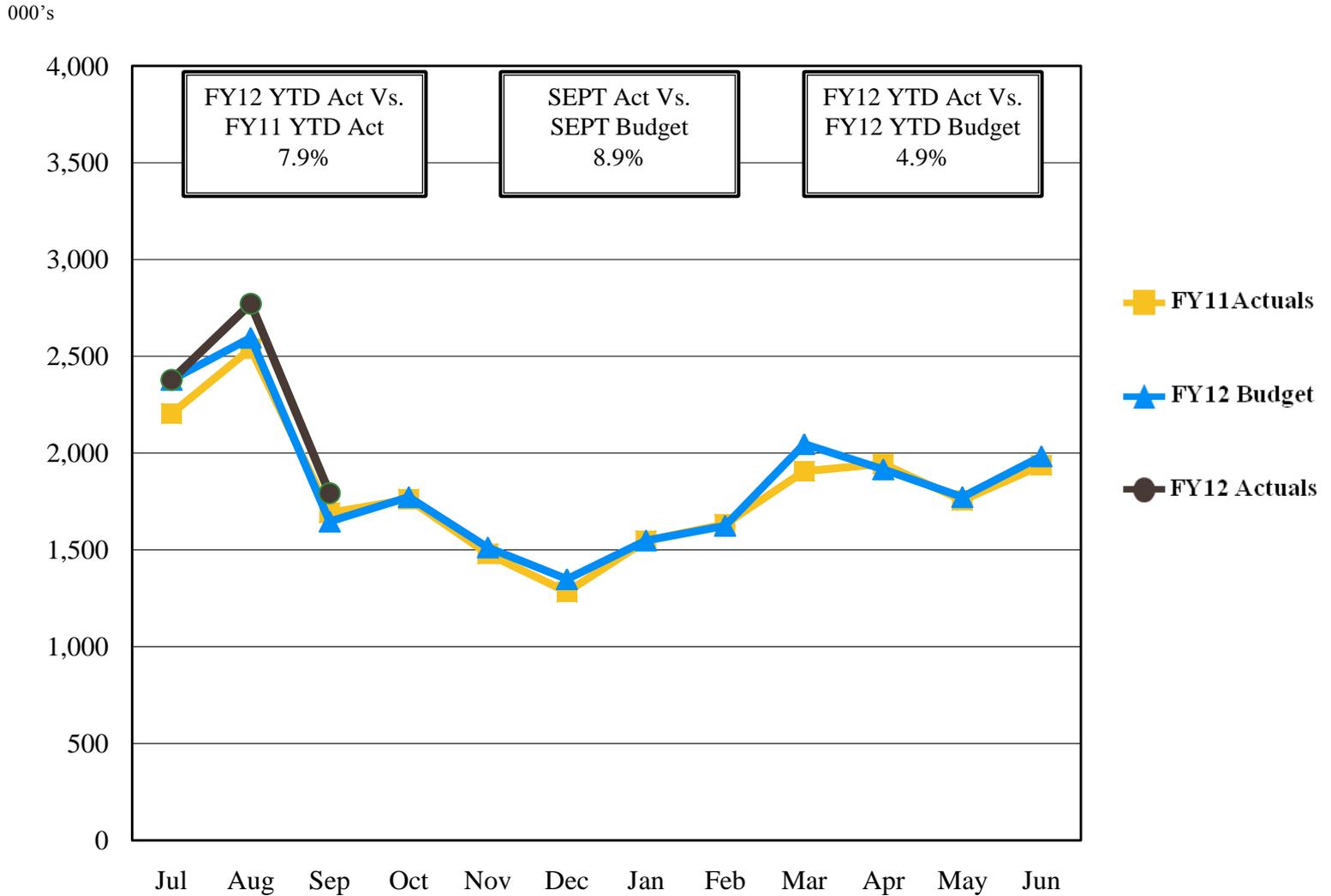


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Car Rental License Fees



Revenues & Expenses (Unaudited)
For the Month Ended
September 30, 2011



Operating Revenues

for the Month Ended September 30, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 1,614	\$ 1,653	\$ 39	2%	\$ 1,504
Aircraft parking fees	253	258	4	2%	245
Building rentals	2,657	2,711	54	2%	2,326
Security surcharge	1,394	1,402	8	-	1,235
Other aviation revenue	133	133	-	-	134
Total aviation revenue	\$ 6,051	\$ 6,157	\$ 106	2%	\$ 5,444

Operating Revenues

for the Month Ended September 30, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	%	Prior Year
				Change	
Terminal rent non-airline	\$ 75	\$ 75	\$ -	-	\$ 67
Concession revenue:					
Terminal concession revenue:					
Food and beverage	460	485	25	5%	469
Gifts and news	304	325	21	7%	304
Other	235	230	(5)	(2)%	211
Total terminal concession revenue	999	1,040	41	4%	984
Car rental and license fee revenue:					
Rental car and license fees	1,646	1,792	147	9%	1,692
License fees-other	208	212	4	2%	210
Total rental car and license fees	1,854	2,005	151	8%	1,902
Total concession revenue	\$ 2,853	\$ 3,045	\$ 192	7%	\$ 2,886

Operating Revenues

for the Month Ended September 30, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
Short-term parking revenue	\$ 456	\$ 293	\$ (163)	(36)%	\$ 436
Long-term parking revenue	2,146	1,991	(155)	(7)%	2,204
Total parking revenue	2,602	2,284	(318)	(12)%	2,640
Ground transportation permits and citations	204	148	(55)	(27)%	82
Ground rentals	564	586	22	4%	925
Grant reimbursements	18	18	-	-	80
Other operating revenue	61	57	(4)	(7)%	65
Subtotal	3,449	3,093	(356)	(12)%	3,792
Total operating revenues	\$12,428	\$12,370	(58)	-	\$12,189

Operating Revenues

for the Month Ended September 30, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 2,942	\$ 2,780	\$ 162	6%	\$ 2,878
Contractual services	2,311	2,247	64	3%	2,146
Safety and security	1,619	1,664	(45)	(3)%	1,592
Space rental	951	957	(6)	(1)%	908
Utilities	613	801	(188)	(31)%	694
Maintenance	698	753	(55)	(8)%	179
Equipment and systems	38	11	27	71%	29
Materials and supplies	21	19	2	10%	29
Insurance	85	59	26	31%	90
Employee development and support	95	53	42	41%	73
Business development	196	155	41	21%	107
Equipment rental and repairs	148	122	26	18%	76
Total operating expenses	\$ 9,717	\$ 9,621	\$ 96	1%	\$ 8,801

Operating Revenues

for the Month Ended September 30, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Total operating revenues	\$ 12,428	\$12,370	\$ (57)	-	\$12,188
Total operating expenses	9,717	9,621	100	1%	8,801
Income from operations	2,711	2,749	43	2%	3,388
Depreciation	3,929	3,947	(18)	-	4,310
Operating income (loss)	\$ (1,218)	\$ (1,197)	\$ 21	(2)%	\$ (922)

Operating Revenues for the Month Ended September 30, 2011 (Unaudited)



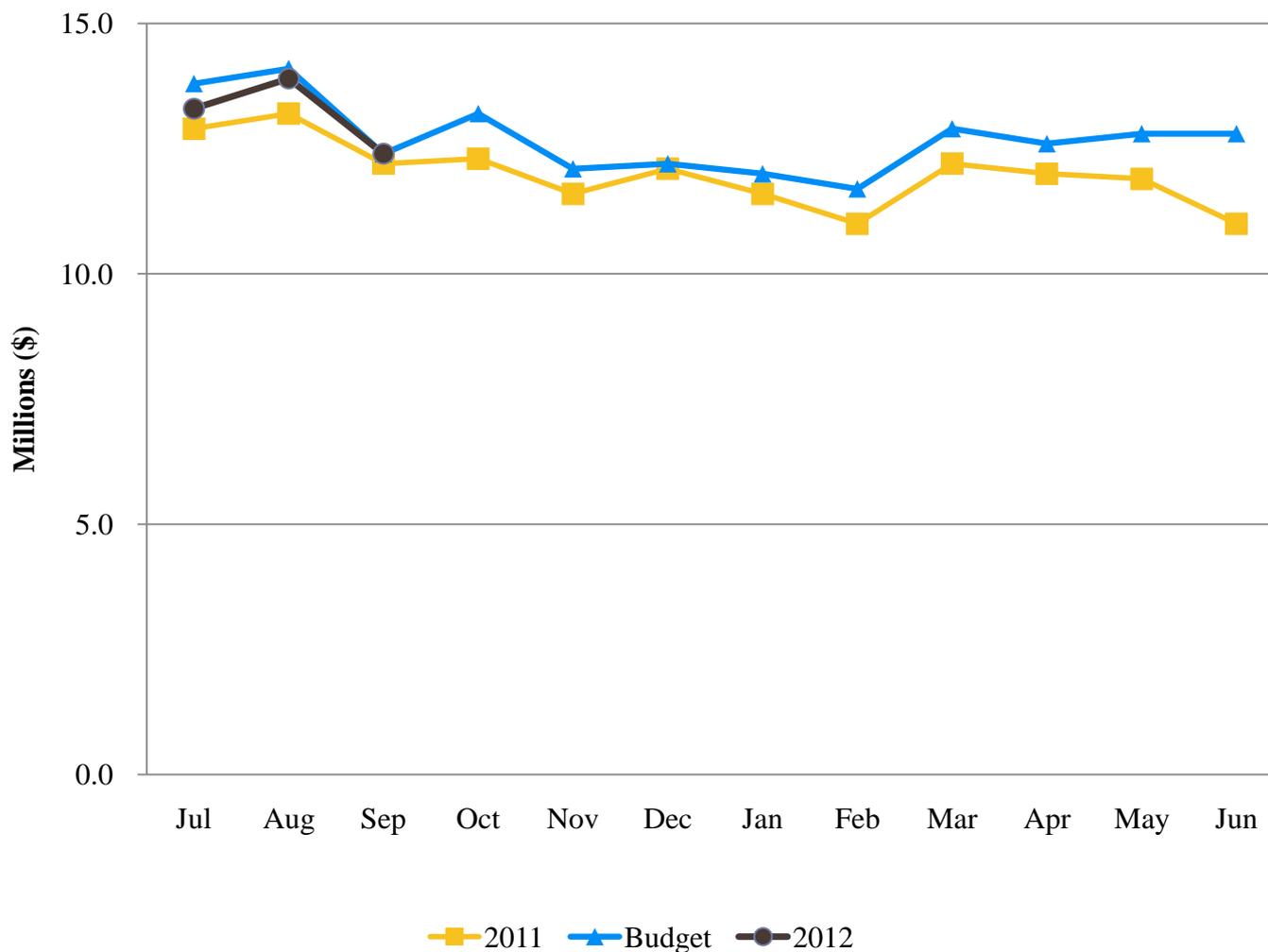
(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 2,728	\$ 2,843	\$ 115	4%	\$ 2,590
Customer facility charges (ConRAC Facility)	861	916	54	6%	916
Quieter Home Program	(299)	336	635	213%	(292)
Interest income	445	504	59	13%	406
BAB interest rebate	416	416	-	-	-
Interest expense	(1,144)	(161)	983	86%	(223)
Bond amortization cost	197	54	(144)	73%	(6)
Other nonoperating revenue (expenses)	-	527	527	-	(23)
Nonoperating revenue, net	3,204	5,435	2,231	70%	3,369
Income before grant contributions	1,986	4,238	2,252	113%	2,446
Capital grant contributions	1,407	4,109	2,702	192%	4,723
Net income	\$ 3,393	\$ 8,347	\$ 4,951	146%	\$ 7,169

Revenues & Expenses (Unaudited)
For the Three Months Ended
September 30, 2011





Monthly Operating Revenue, FY 2012 (Unaudited)



Operating Revenues

for the Three Months Ended September 30, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Aviation revenue:					
Landing fees	\$ 5,204	\$ 5,171	\$ (33)	(1)%	\$ 4,910
Aircraft parking fees	758	793	35	5%	759
Building rentals	7,978	8,008	30	-	7,046
Security surcharge	4,183	4,177	(6)	-	3,721
Other aviation revenue	399	399	-	-	400
Total aviation revenue	\$ 18,522	\$ 18,548	\$ 26	(1)%	\$ 16,836

Operating Revenues

for the Three Months Ended September 30, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Terminal rent non-airline	\$ 226	\$ 217	\$ (9)	(4)%	\$ 201
Concession revenue:					
Terminal concession revenue:					
Food and beverage	1,583	1,597	14	1%	1,537
Gifts and news	1,046	1,088	42	4%	1,047
Other	703	728	25	4%	747
Total terminal concession revenue	3,332	3,413	81	2%	3,331
Car rental and license fee revenue:					
Rental car license fees	6,622	6,944	322	5%	6,437
License fees-other	696	705	8	1%	740
Total rental car and license fees	7,318	7,649	331	5%	7,177
Total concession revenue	\$10,650	\$11,062	\$ 412	4%	\$10,508

Operating Revenues

for the Three Months Ended September 30, 2011 (Unaudited)



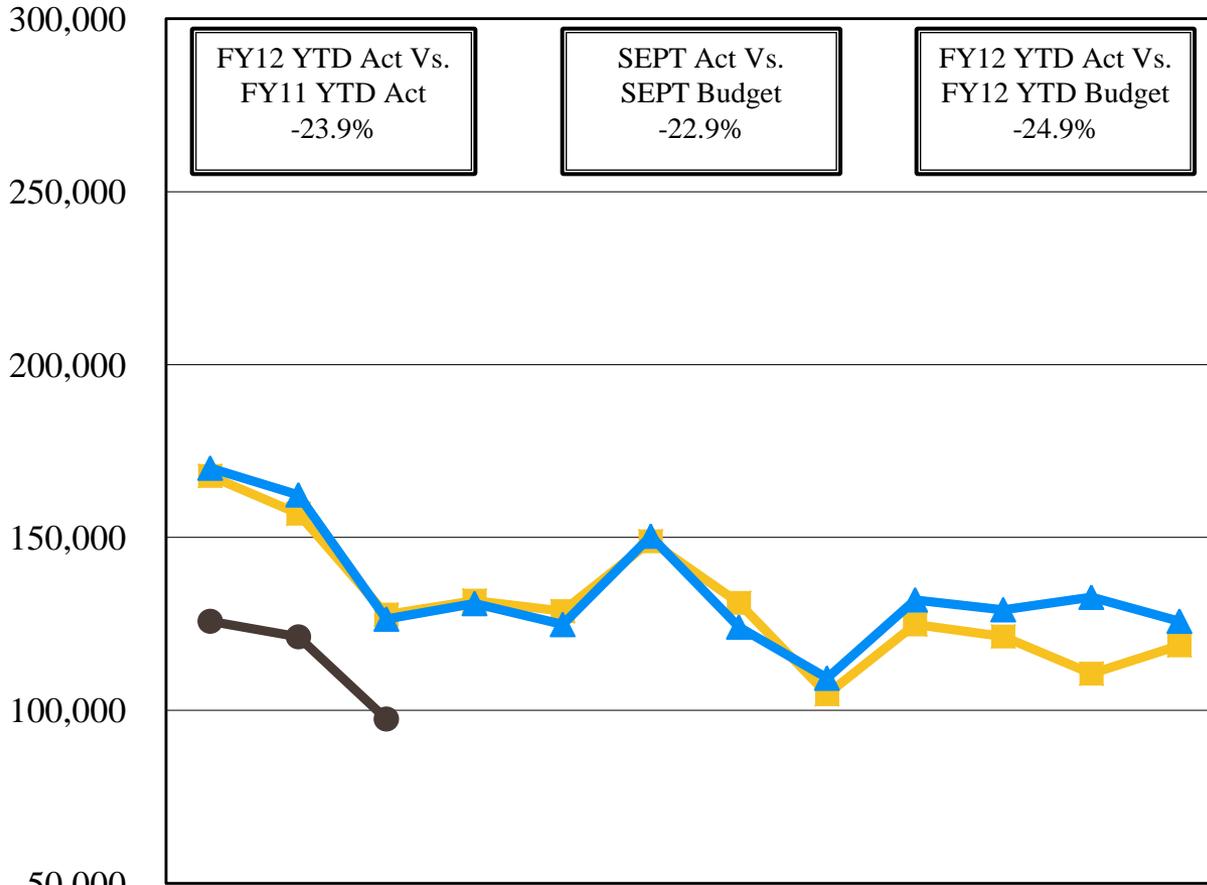
(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Parking revenue:					
Short-term parking revenue	\$ 2,022	\$ 1,279	\$ (743)	(37)%	\$ 1,753
Long-term parking revenue	6,253	5,916	(337)	(5)%	6,362
Total parking revenue	8,275	7,195	(1,080)	(13)%	8,115
Ground transportation permits and citations	535	454	(81)	(16)%	260
Ground rentals	1,664	1,695	32	2%	1,897
Grant reimbursements	54	158	105	197%	136
Other operating revenue	184	220	36	19%	252
Subtotal	10,712	9,722	(990)	(9)%	10,660
Total operating revenues	\$40,110	\$ 39,549	\$ (561)	(1)%	\$ 38,205



Airport Parking Transactions



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FY12 YTD Act Vs.
FY11 YTD Act
-23.9%

SEPT Act Vs.
SEPT Budget
-22.9%

FY12 YTD Act Vs.
FY12 YTD Budget
-24.9%

- FY11 Actuals
- ▲ FY12 Budget
- FY12 Actuals

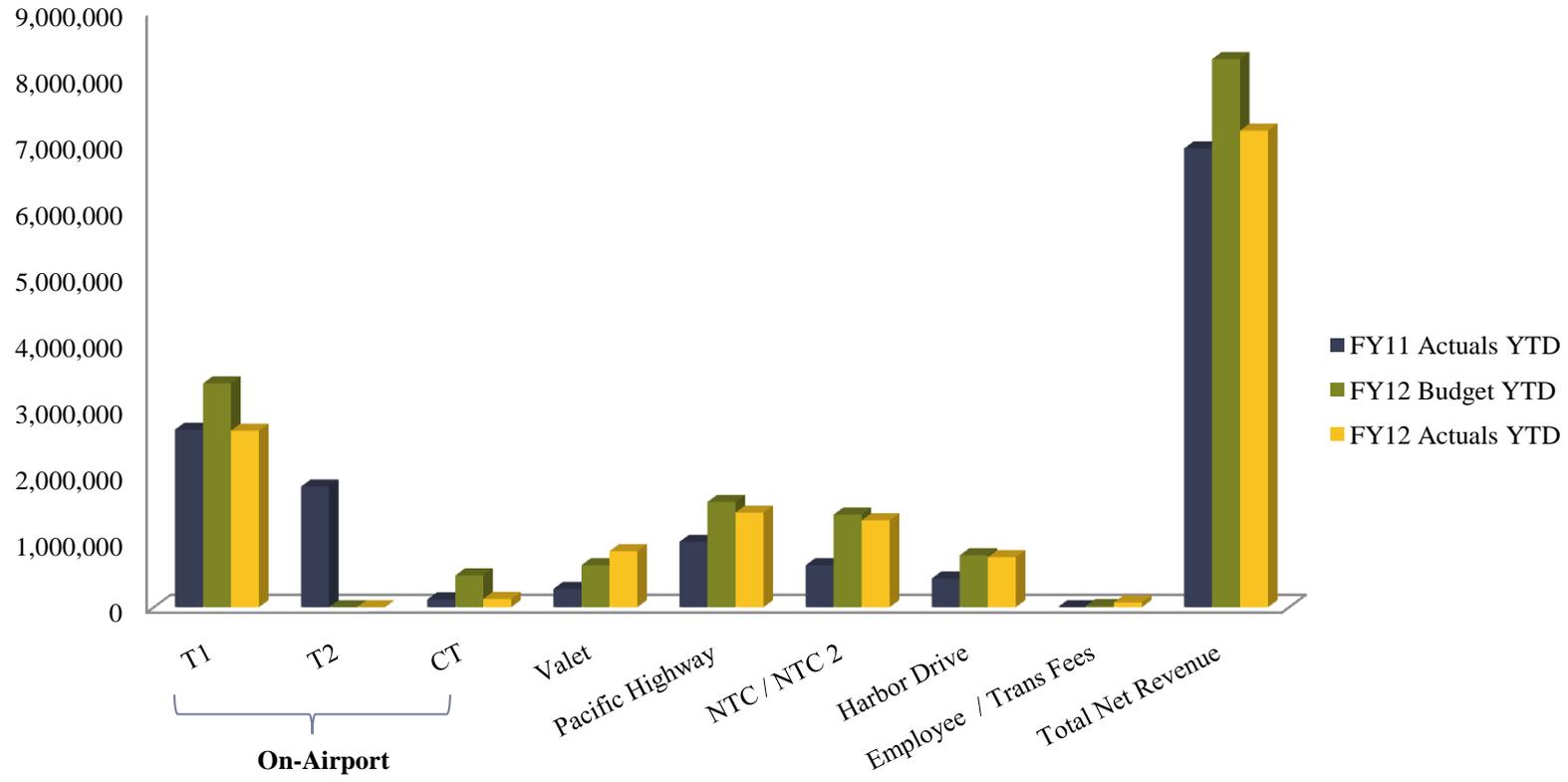
Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun



Parking Revenue



Parking Revenue (\$)
Three Months Ended September 2011

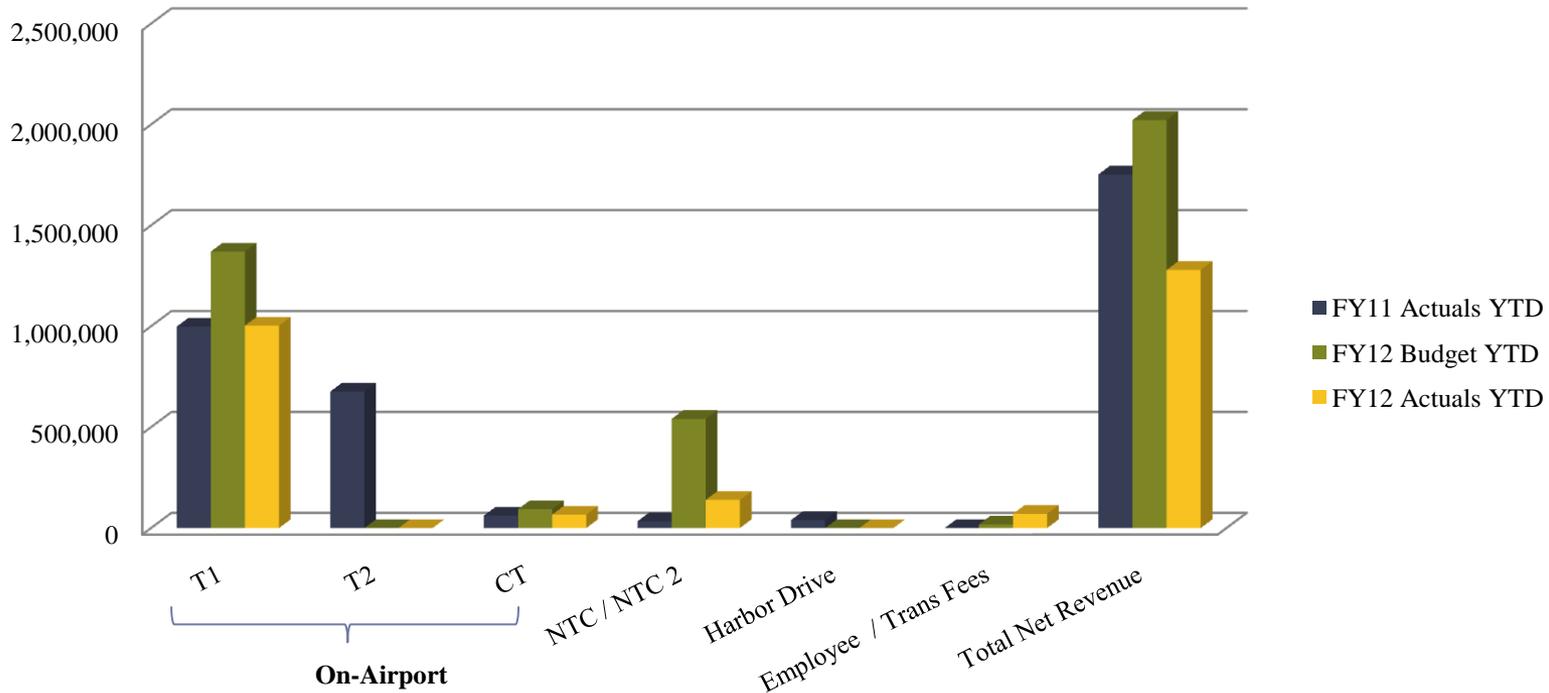




Short Term Parking Revenue



**Short Term Parking Revenue (\$)
Three Months Ended September 2011**

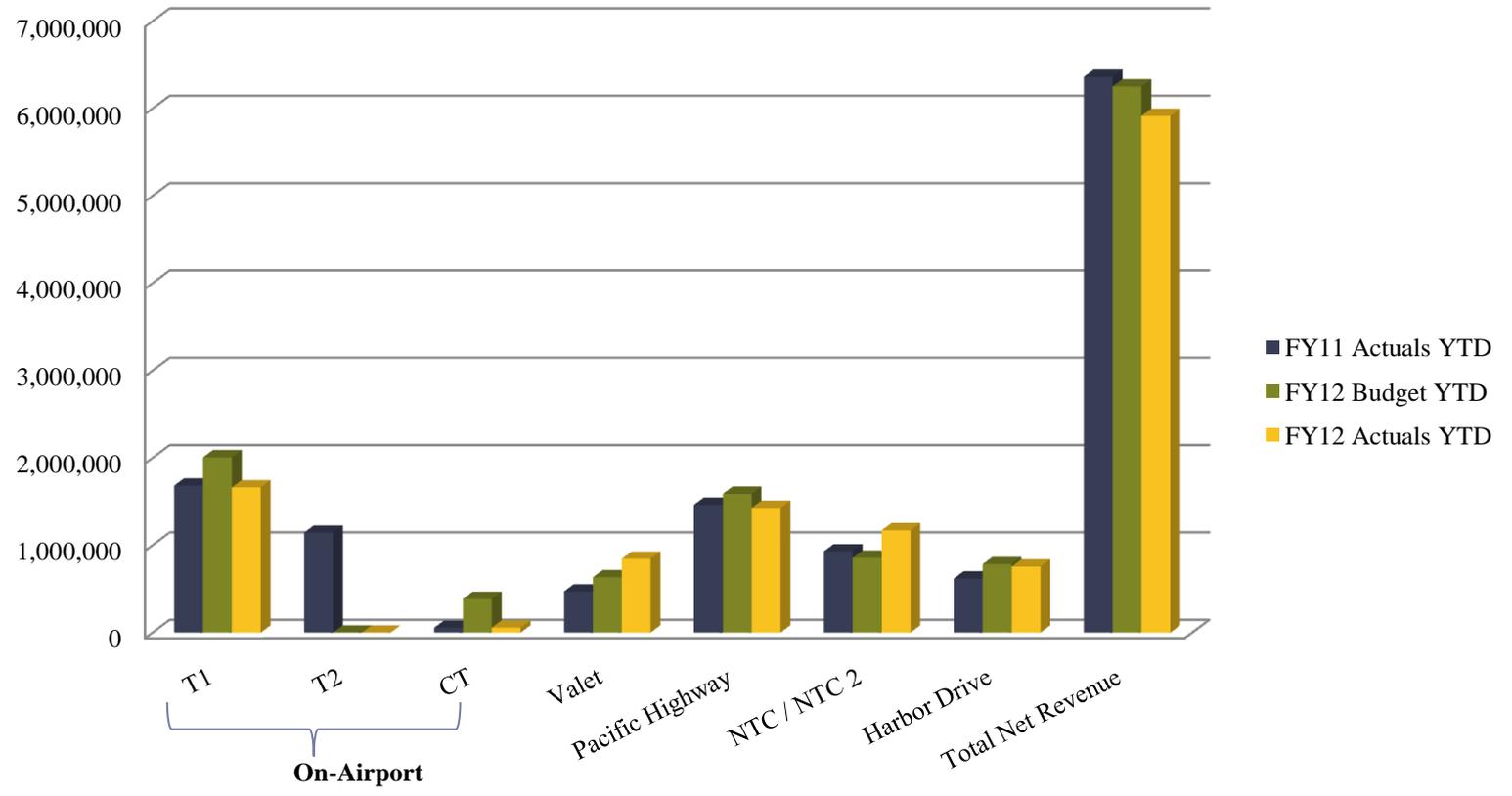




Long Term Parking Revenue

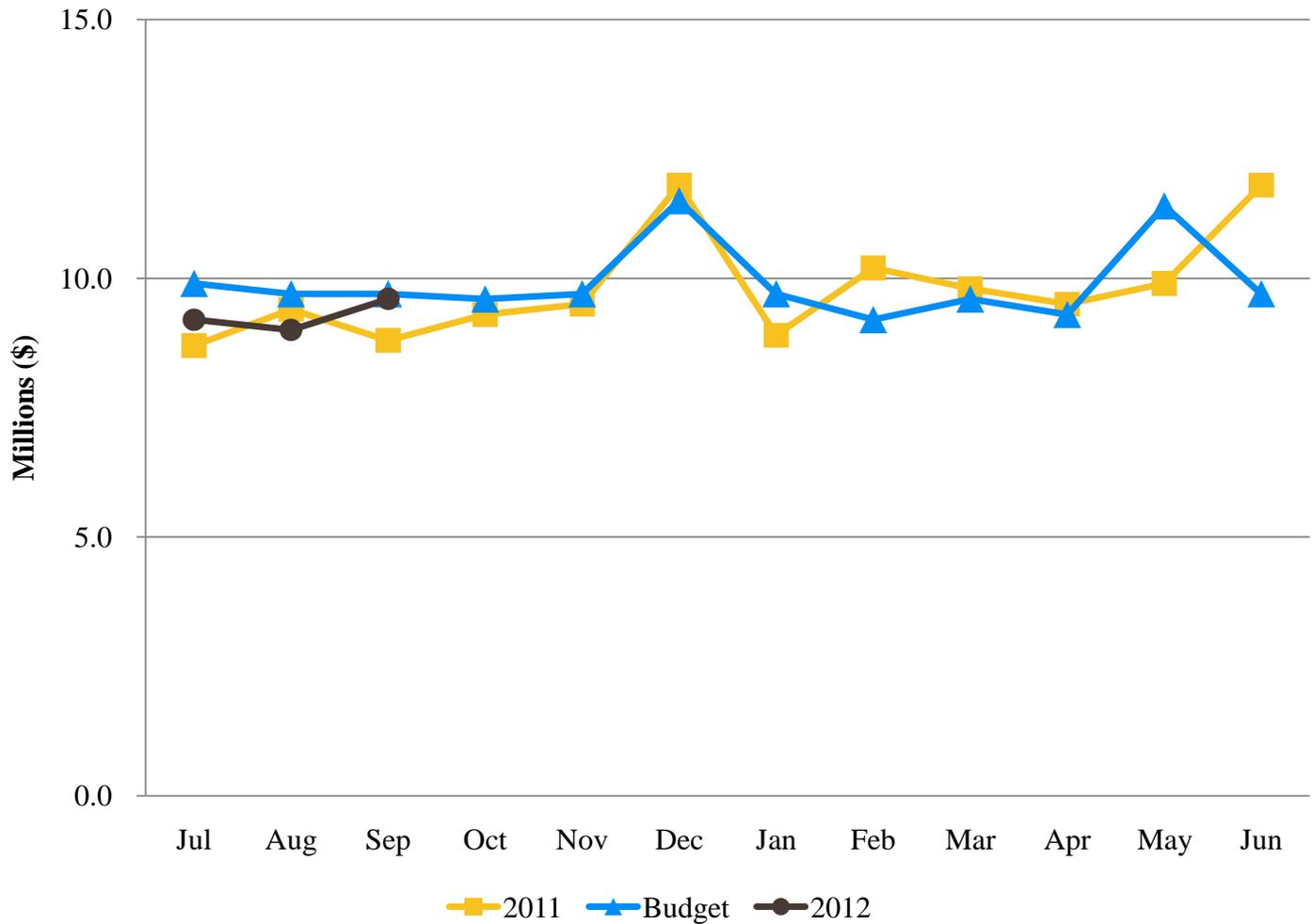


**Long Term Parking Revenue (\$)
Three Months Ended September 2011**





Monthly Operating Expenses, FY 2012 (Unaudited)



Operating Revenues

for the Three Months Ended September 30, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Operating expenses:					
Salaries and benefits	\$ 8,911	\$ 8,374	\$ 537	6%	\$ 8,645
Contractual services	6,889	6,653	236	3%	6,103
Safety and security	4,886	4,897	(11)	-	4,725
Space rental	2,854	2,859	(5)	-	2,726
Utilities	1,885	2,010	(125)	(7)%	1,845
Maintenance	2,314	1,866	448	19%	1,705
Equipment and systems	77	37	40	52%	62
Materials and supplies	75	48	27	36%	69
Insurance	254	185	69	27%	271
Employee development and support	257	123	134	52%	161
Business development	539	339	200	37%	324
Equipment rental and repairs	448	348	100	22%	308
Total operating expenses	\$29,389	\$27,739	\$ 1,650	6%	\$26,944

Financial Summary

for the Three Months Ended September 30, 2011 (Unaudited)



(In thousands)	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>%</u> <u>Change</u>	<u>Prior</u> <u>Year</u>
Total operating revenues	\$ 40,110	\$ 39,549	\$ (561)	(1)%	\$ 38,205
Total operating expenses	29,389	27,739	1,650	6%	26,944
Income from operations	10,721	11,810	1,089	10%	11,261
Depreciation	12,009	12,062	(55)	-	12,314
Operating income (loss)	\$ (1,288)	\$ (252)	\$ 1,036	80%	\$ (1,053)

Nonoperating Revenues & Expenses

for the Three Months Ended September 30, 2011 (Unaudited)



(In thousands)	Budget	Actual	Variance Favorable (Unfavorable)	% Change	Prior Year
Nonoperating revenues (expenses):					
Passenger facility charges	\$ 8,509	\$ 8,511	\$ 2	-	\$ 8,561
Customer facility charges (ConRAC Facility)	2,769	2,871	102	4%	2,852
Quieter Home Program	(752)	105	857	114%	(936)
Interest income	1,335	1,556	221	17%	1,266
BAB interest rebate	1,249	1,249	-	-	-
Interest expense	(3,003)	(1,094)	1,909	64%	(686)
Bond amortization cost	162	163	-	-	(18)
Other nonoperating revenue (expenses)	-	1,094	1,094	-	43
Nonoperating revenue, net	10,269	14,455	4,186	41%	11,082
Income before grant contributions	8,979	14,203	5,222	58%	10,030
Capital grant contributions	2,667	7,172	4,505	169%	8,991
Net income	\$11,647	\$21,375	\$ 9,727	84%	\$19,022



Balance Sheets (Unaudited)



	(In thousands)	
	September	
	2011	2010
Current assets:		
Cash and investments	\$ 74,795	\$ 73,787
Tenant lease receivable, net of allowance of 2011: \$14,918 and 2010: \$20,055	6,062	6,017
Grants receivable	7,984	7,285
Notes receivable-current portion	1,696	1,613
Prepaid expenses and other current assets	10,955	11,877
Total current assets	101,492	100,579
Cash designated for capital projects and other	\$ 9,402	\$ 20,601



Balance Sheets (Unaudited)

(In thousands)

September

2011

2010

Restricted assets:

Cash and investments:

Bonds reserve	\$ 45,098	\$ 45,708
Passenger facility charges and interest unapplied	54,361	63,538
Customer facility charges and interest applied*	21,974	13,029
Commercial paper reserve	63	281
SBD bond guarantee	4,000	4,000
Bond proceeds held by trustee	347,839	5,465
Commercial paper interest held by trustee	13	163
Passenger facility charges receivable	4,615	4,760
Customer facility charges receivable*	921	1,147
OCIP insurance reserve	6,239	6,400
Total restricted assets	\$ 485,123	\$ 144,491



Balance Sheets (Unaudited)



(In thousands)

September

2011

2010

Noncurrent assets:

Capital assets:

Land and land improvements

\$ 24,482 \$ 23,454

Runways, roads and parking lots

273,649 235,385

Buildings and structures

464,489 462,703

Machinery and equipment

10,327 10,074

Vehicles

5,423 5,295

Office furniture and equipment

30,601 30,072

Works of art

2,440 2,257

Construction-in-progress

389,727 205,940

Total capital assets

1,201,138 975,180

Less: accumulated depreciation

(519,992) (471,454)

Total capital assets, net

\$ 681,146 \$ 503,726



Balance Sheets (Unaudited)



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

(In thousands)

September

	<u>2011</u>	<u>2010</u>
Notes receivable - long-term portion	\$ 42,502	\$ 44,221
Investments - long-term portion	13,383	8,383
Deferred costs - bonds (net)	4,945	771
Net pension asset	7,622	8,178
Security Deposits	500	-
Total other assets	<u>68,952</u>	<u>61,553</u>
Total noncurrent assets	<u>750,098</u>	<u>565,279</u>
TOTAL ASSETS	<u><u>\$ 1,346,115</u></u>	<u><u>\$ 830,950</u></u>



Balance Sheets (Unaudited)



	(In thousands)	
	September	
	<u>2011</u>	<u>2010</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 47,918	\$ 39,893
Deposits and other current liabilities	3,296	3,433
Total current liabilities	51,214	43,326
Current liabilities - payable from restricted assets:		
Current portion of long-term debt	5,905	3,265
Accrued interest on bonds and commercial paper	7,722	803
Total liabilities payable from restricted assets	\$ 13,627	\$ 4,068



Balance Sheets (Unaudited)



(In thousands)

September

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

	<u>2011</u>	<u>2010</u>
\$	20,729	\$ 164,430
	115	540
	1,577	1,196
	630,226	37,915
	<u>652,647</u>	<u>204,081</u>
\$	717,488	\$ 251,475



Balance Sheets (Unaudited)



	(In thousands)	
	September	
	<u>2011</u>	<u>2010</u>
Authority net assets:		
Invested in capital assets, net of related debt	\$ 371,605	\$ 298,656
Other restricted	148,655	147,756
Unrestricted:		
Designated	17,023	32,779
Undesignated	91,344	100,284
Total net assets	<u>628,627</u>	<u>579,475</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,346,115</u></u>	<u><u>\$ 830,950</u></u>



Questions

