

# Comprehensive Annual Financial Report

For the  
Sacramento County Airport System

An Enterprise Fund of the County of Sacramento, California

For the Fiscal Years Ended  
June 30, 2009 and 2008

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# Sacramento County Airport System

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## Introductory Section

This section contains the following subsections:

Airport Locations and Service Area

Certificate of Achievement

Transmittal Letter

Organizational Chart

List of Principal Officials

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# Airport Locations and Service Area



\* Line of indifference denotes the Census tracts within which potential customers (residents and visitors) are indifferent about using Sacramento International Airport or one of the three Bay Area airports (Oakland, San Francisco, or Norman Y. Mineta San Jose International Airports), *Defining the Sacramento Catchment Area*, GRA Inc., April 2007.



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento County  
Airport System  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R.", is positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen", is positioned above the title "Executive Director".

Executive Director



## **County of Sacramento**

December 16, 2009

To The Public:

The Comprehensive Annual Financial Report for the Sacramento County Airport System (Airport System), for the fiscal years ended June 30, 2009 and 2008, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Airport System. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the funds of the Airport System. All disclosures necessary to enable the reader to gain an understanding of the Airport System's financial activities have been included.

The Government Finance Officers Association (GFOA), under its certificate program, requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Airport System's MD&A can be found prior to the report of the independent auditor.

The County of Sacramento is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations." The Airport System, as a department of the County, is included in the scope of the County's audit. Information related to this single audit, including the schedule of expenditures of federal awards, findings and questioned costs, and independent auditor's report on internal controls and tests of compliance with applicable laws, regulations, and contracts and grants is included in the County's Comprehensive Annual Financial Report.

### **PROFILE OF THE GOVERNMENT**

The Airport System was created by Sacramento County Code in 1963 as a department within the County of Sacramento. The purpose of the Airport System is to provide for the efficient planning, development and operation of public air transportation facilities in Sacramento County and adjoining areas. In addition to promoting the efficient use and development of air transportation, the Airport System is responsible for assuring residents of Sacramento and the immediate surrounding areas of minimal environmental impact from air navigation and transportation.

The Airport System consists of Sacramento International Airport (International Airport), Executive Airport, Mather Airport, and Franklin Field. International is the principal air carrier airport serving the County of Sacramento and a wide region surrounding the County. International's primary service area is a seven-county region consisting of Sacramento, El Dorado, Placer, San Joaquin, Sutter, Yolo and Yuba counties (the Sacramento Area). Executive Airport is a general aviation reliever airport with no scheduled airline service. Mather Airport serves as an air cargo and general aviation facility. Franklin Field is a general aviation reliever airstrip used primarily for training.

## ECONOMIC CONDITIONS AND OUTLOOK

The nationwide demand for aviation is a function of domestic and foreign population and economic growth, airline industry developments, and airport and airspace capacity. Airline traffic at airports that principally service origin-destination passengers is most responsive to local economic and population growth. As a predominantly origin-destination medium-hub airport, International is dependent upon the regional economy and population for the travelers who produce its revenue base.

The current recession in the U.S. economy began with the housing and financial market crises in December, 2007. The California economy followed national economic trends in 2008, with falling home prices, worsening credit availability, shrinking equity values, and growing job losses. The Bureau of Labor Statistics data show the State's unemployment rate was 11.6% in June 2009, compared to the U.S. national average of 9.5% unemployment during the same time period. The State is currently facing significant intrinsic problems, which include a severe budget shortfall, which is expected to cause the post-recession recovery in the State to lag that of the nation.

After a sustained period of economic growth, as measured by Gross Regional Product (GRP), that began in the late 1990's and continued into 2007, the Sacramento Area has experienced generally weak economic conditions. Significant factors in the downturn have been (1) the turmoil in the housing market and (2) job losses.

The California Association of Realtors reports that the median sale price of existing homes in the Sacramento Area fell to \$175,000 in the second quarter of 2009, which is a 53% reduction from the 2005 peak of \$375,900. The economic situation in Sacramento is also affected by the broader economies of the State, as well as the U.S., which has been in recession since December 2007. All of these factors have influenced jobs losses in the Sacramento Area; many of the jobs lost in our region in 2007 and 2008 were related to housing and retail trade activities.

The long-term economic outlook for the Sacramento Area is favorable based on its competitive advantages: the State capital, affordable housing, a well-educated work force, and attractive natural amenities. Other significant strengths of the Sacramento Area are: its competitive position in the emerging clean energy-green tech industry; expected additional investments in public infrastructure projects and the health care industry in the next 5 years; and increasing interest from international companies that desire access to the State's decision-makers who govern the eighth largest economy in the world from Sacramento.

### Population

The population of the Sacramento Area was 2.95 million in 2008, concentrated primarily (72%) in the Sacramento-Arden-Arcade-Roseville MSA (the Sacramento MSA), as indicated in Table 1 below.

The Sacramento Area accounted for 8.0% of the State's population and 7.5% of its non-agricultural employment in 2008. In 2007 the Sacramento Area accounted for 7.1% of the State's personal income and per capita personal income was 88.6% of the State average and 95.1% of the national average. Population and employment in the Sacramento Area are projected to grow faster than in the State and nation through 2020, while per capita personal income is projected to grow at a slightly lower rate.

*Table 1*  
**Population by County**  
*Sacramento Area*

MSA/Counties	2008	Percent of Sacramento Area total population
Sacramento MSA		
Sacramento	1,394,200	47.3%
Placer	341,900	11.6
Yolo	197,700	6.7
El Dorado	<u>176,100</u>	<u>6.0</u>
Subtotal	2,109,900	71.6%
Stockton MSA		
San Joaquin	672,400	22.8
Yuba City MSA		
Sutter	92,200	3.1%
Yuba	<u>73,100</u>	<u>2.5</u>
Subtotal	<u>165,300</u>	<u>5.6%</u>
Sacramento Area total	2,947,600	100.0%
Projected 2010 total population	3,067,400	
Projected 2020 total population	3,689,700	
Projected average annual growth, 2007-2020	1.9%	
<p>Note: Columns may not add to totals shown because of rounding.</p> <p>Source: U.S. Department of Commerce, Bureau of the Census, <a href="http://www.census.gov">www.census.gov</a>, accessed May 2009.  Projected growth rates sourced from NPA Data Services, Inc., <i>Key Indicators of County Growth</i>, 1970-2030, 2008 Edition.</p>		

### Employment

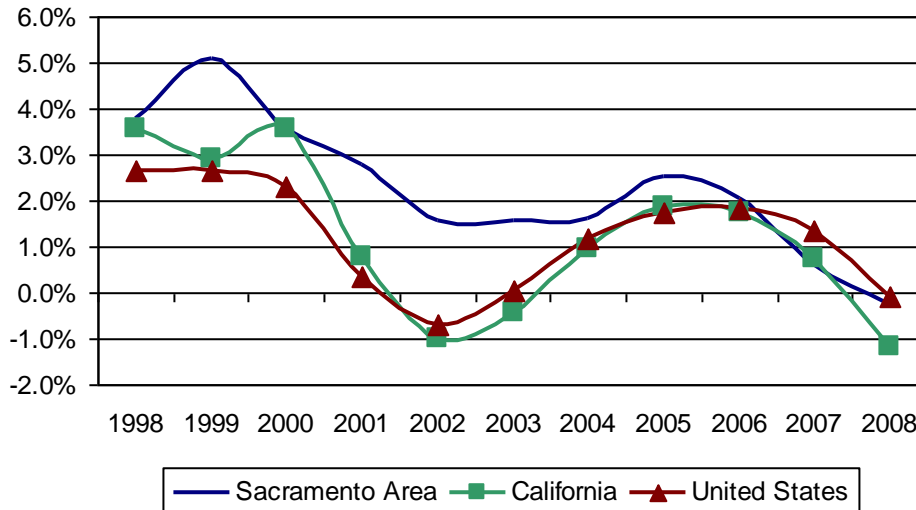
Between 1997 and 2007, and prior to the current economic downturn, the Sacramento Area experienced a decade of relatively strong job growth. Total non-agricultural employment increased from 1.39 million jobs to 1.64 million jobs between 2000 and 2007. Figure 1 presents a comparison of the annual change in non-agricultural employment in the Sacramento Area from 1997 to 2008 with that of California and the nation. In 2008, Sacramento Area jobs declined by approximately 0.2%, which compares to the 1.2% decline in jobs in the State, and 0.1% decline in jobs in the U.S.

The rate of unemployment in the Sacramento Area generally tracks the statewide pattern, as Figure 2 illustrates, but is typically higher than the national rate. In 2008, unemployment in the Sacramento Area averaged 8.0%, up from the most recent low of 5.5% in 2006. Unemployment has continued to increase in 2009. The June 2009 labor force data show unemployment to be 11.6% in the Sacramento Area.

Employment in sectors such as agriculture and construction is seasonal in nature; these sectors account for a large portion of jobs in California, and especially in the Sacramento Area. Thus, unemployment rates alone are not a perfect indicator of the health of the local economy, but overall trends can provide a strong indication from the standpoint of economic opportunities for local residents.



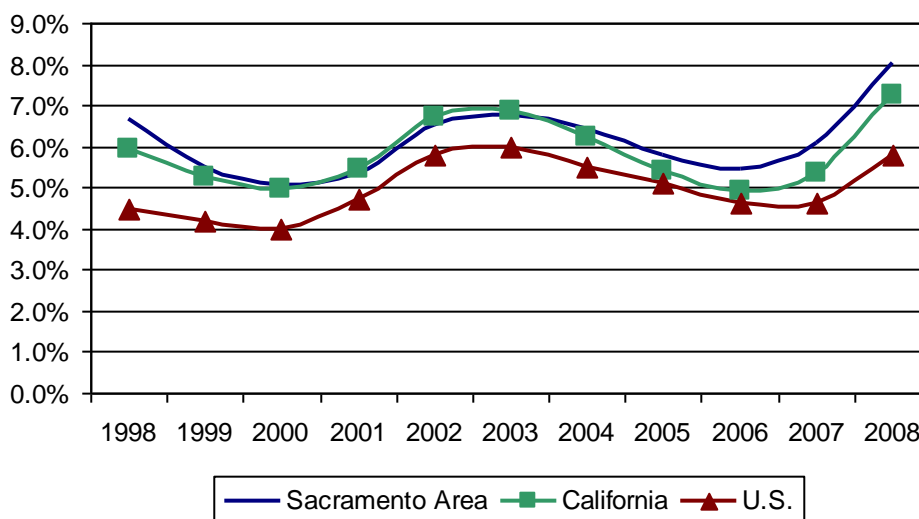
*Figure 1*  
**Change in Total Non-Agricultural Employment 1998–2008**  
*Sacramento Area, California, and United States*



Note: Data are not seasonally adjusted.

Sources: State of California Employment Development Department, Labor Market Information Division, and U.S. Department of Commerce, Bureau of Labor Statistics. Websites accessed April 21, 2009.

*Figure 2*  
**Annual Unemployment Rates**  
*1998 – 2008*



Notes: Unemployment rates presented in this table were not seasonally adjusted.

Sources: State of California Employment Development Department, Labor Market Information Division; U.S. Department of Labor, Bureau of Labor Statistics. Websites accessed April 21, 2009.

State, local, and federal government employment accounted for 25.5% of all non-agricultural employment in the Sacramento Area in 2008. This share has been relatively stable throughout the last decade. The largest number of government employees in the Sacramento Area work in local government, which represented approximately 13.7% of total non-agricultural employment in 2008. As would be expected of the State's capital, State government is also a significant employer, with an approximate 10.2% share of all non-agricultural labor in the Sacramento Area in 2008. The federal government accounted for 1.6% of total non-agricultural employment in the Sacramento Area in 2008, down from 2.6% in 1998. The decrease in federal government employment is largely the result of a reduction in U.S. Department of Defense personnel, as McClellan Air Force Base was closed in 2001.

In the near term, 2009-2010, employment in the government sector may suffer reductions, as efforts to reduce the State budget cause state government jobs to be eliminated. The Sacramento Regional Research Institute (SRRI) believes that government employment will be stable in the long term, as government employment is strongly correlated to population size and growth, and the State's steady population growth is expected to result in increased demand for public services. The Public Policy Institute of California (PPIC) forecasts steady population growth for the State of California and for the Sacramento Area in particular through 2025. This increasing population would provide a demand for government services, which long term is expected to support stable growth in the government employment sector.

Table 2 lists the major employers, excluding government, in the Sacramento Area. The table indicates a diversity of economic activity, as well as four of the top ten major employers are in health care, which is one of the fields that have been most stable during the recent economic downturn. Many of the companies listed are involved in national and international operations that rely on airline travel.

*Table 2*  
**Major Private Sector Employers**

*Sacramento Area*

Company	Industry	Number of local employees
		June 2009
Kaiser Permanente	Health care	9,608
Sutter Health Sacramento Sierra Region	Health care	8,220
Mercy /Catholic Healthcare West	Health care	6,328
Intel Corp.	Semiconductors and related devices	6,300
Wells Fargo & Co.	Financial services	6,272
AT&T California	Telecommunications	5,389
Hewlett-Packard Co.	Computer hardware manufacturer	3,600
Raley's Inc.	Retail groceries	3,335
Health Net of California	Health care	2,720
PRIDE Industries Inc.	Manufacturing and logistics services	2,504
Safeway Inc.	Retail groceries	2,469
Cache Creek Casino Resort	Casino	2,420

Source: *Sacramento Business Journal Annual Book of Lists*

### Housing

Affordable housing continues to be a major attraction for businesses and the workers they employ. The California Association of Realtors reports that the median sale price of existing homes in the Sacramento Area fell to \$175,000 in June 2009, which is a 53% reduction from the 2005 peak of \$375,900 and a reduction

of 20.5% since June 2008. While the rate of decline in Sacramento home sales prices has become less dramatic than the statewide average, they are still falling at a more rapid pace than the national average.

Consequently, the Sacramento Area remains one of the most affordable among neighboring and major regions in the State. Taking both the falling home sale prices and regional incomes into account demonstrates that 66 percent of the homes sold in the Sacramento Area during the fiscal year 2009 were affordable to a family earning a median income.

### Business Growth

The Sacramento Area is one of the most attractive locations in which to do business in the western United States. Few inland metropolitan areas can boast a major airport, an airport specializing primarily in air cargo, a deep-water port, a transcontinental rail line and several interstate freeways. Comparatively inexpensive business costs, plentiful skilled labor, abundant water supply, quality of life and proximity to the San Francisco Bay Area create an outstanding business climate.

Despite the region's attractive economic conditions, the current recession has influenced negatively the business growth in the Sacramento Area during fiscal year 2009. As the downturn continues, weak performance keeps spreading throughout the region's economy. As a consequence, according to a study released by the Sacramento Area Commerce and Trade Organization (SACTO), ten of the Sacramento Area's eleven major sectors are now shedding jobs on an annual basis. Only the Educational & Health Services sector continued to add jobs in the local economy with gains in both the private education and health care components (4,400 jobs added).

Construction and Trade, Transportation, & Utilities posted the most severe losses in the past year (dropping a combined 25,400 jobs) while Leisure & Hospitality and Professional & Business Services also fell toward the bottom of the list with relatively heavy job declines. Sacramento Area's sector trends are similar to the State with only one sector adding jobs and the same two sectors posting the greatest job declines. The widespread losses in both the private and public sectors led to a net decrease that dropped the Sacramento Area's total employment to just over 873,000, which is around the same levels as 2003 and well below the 2007 peak of about 953,000 jobs.

Despite the broader economic downturn, SACTO's prospect activity has remained exceptionally high. In the most recent quarter, prospect levels were higher than they have been in the past five years, an excellent leading indicator of positive economic conditions and market opportunities. This activity is being driven by companies looking to establish manufacturing, clean energy technology or distribution operations-these three categories make up nearly three-quarters of all prospect activity, indicating that companies view the Region as a viable and desirable place to do business.

### Air Service

An integral component in a region's economic growth is the availability of accessible, affordable, and convenient air transportation service. International Airport, as the chief point of entry for many of Sacramento Area's business, government, and leisure travelers, as well as some air cargo shipments, is well suited to meet these demands for economic activity.

### Passenger Traffic

Passenger traffic at International is affected by the Sacramento Area's economic profile; for example, the amount and type of commerce in the Sacramento Area may affect the level of business travel to and from Sacramento, or the amount of per capita personal income in the Sacramento Area may affect the level of discretionary travel from International Airport. Approximately 9.2 million total passengers (enplaning and deplaning) chose International during fiscal year 2009, reflecting a 13.1 percent decline over the prior year.

According to a passenger survey conducted by the Airport System in July 2007, business travelers accounted for 38% of all passengers using International. The remaining 62% of passengers at the airport were traveling for personal reasons. Residents of the Sacramento Area and other areas in northern California accounted for 54% of passengers; the remaining 46% of passengers surveyed consisted of residents of southern California (12%), visitors from elsewhere in the United States (32%), and foreign visitors (2%).

Fourteen scheduled airlines serving Sacramento had 148 daily departures in June 2009. The busiest carrier at International is Southwest Airlines (76 daily nonstop flights), followed by United Airlines/United Express (21 daily nonstop flights), Alaska/Horizon Airlines (14 daily nonstop flights) and U.S. Airways (10 daily nonstop flights). Over 140,000 operations (takeoffs and landings) occurred at International during fiscal year 2009 on parallel runways that can accommodate up to 400,000 operations per year, a decrease of 16.4 percent as compared with fiscal year 2008.

Over two-thirds of the passenger traffic at International is concentrated in the 13-gate Terminal A. The terminal has an ultimate build-out potential of 22 gates. Southwest Airlines, serving close to five million passengers, comprises the majority of passenger traffic in Terminal A. Southwest has accounted for approximately half the number of passengers enplaned at International each year since FY 1998; since then, Southwest's traffic growth has lagged that of the other airlines serving Sacramento. US Airways, the airport's third-largest carrier, served over 600,000 passengers. Other airline tenants in Terminal A include Delta, Hawaiian and Northwest Airlines.

The 12-gate Terminal B houses Alaska Airlines, American Airlines, Continental Airlines, Horizon Air, JetBlue Airways, Mexicana de Aviación (for ticketing activities), and United Airlines/United Express, the second largest carrier at International (more than 1,000,000 passengers). The Interim International Arrivals Building (IIAB) provides 1 contact gate and serves Mexicana arrivals and departures. Mexicana de Aviación was the first airline to initiate international service at SMF, beginning in July 2002. As of June 2009, international service at SMF consisted of one daily flight to Guadalajara, Mexico and less-than-daily flights to Los Cabos, Mexico and Morelia, Mexico.

Terminal B, which opened in 1967, is over 40 years old and cannot reasonably or economically be modernized to meet future needs. The Terminal Modernization Program is planned to replace the 12 gates at Terminal B and the IIAB with 19 gates and to modify Terminal A to provide 2 additional gates, for a total of 34 gates.

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. The recession that began in December 2007 combined with reduced discretionary income and increased airfares will contribute to reduced air travel demand in the near term. Nearly all airlines serving Sacramento were providing fewer seats in FY 2009 than in FY 2008. Reductions in overall seat capacity at International are indicated by flight schedules filed by the airlines with Official Airline Guide.

The number of enplaned passengers is projected to continue to decrease in FY 2010 and to recover thereafter to the FY 2008 level of 5.3 million in FY 2016. In the 2 years following FY 2009, passenger traffic is expected to transition from negative to positive growth. The timing of the return of the national economy to positive growth; the degree to which airlines are able to adjust their business models to re-balance demand, capacity, cost, and airfares; and the extent to which consumers alter their travel behavior in response to these factors will determine the pace and magnitude of the resumption of traffic growth at International.

#### Air Cargo Traffic

Air cargo is comprised of airfreight and airmail. Airfreight services facilitate business activity for many sectors in the Sacramento Area including the following: banking, computer, entertainment, health care, high-



technology, and telecommunications. Local companies that are supported by airfreight activity include American Express, Bank of America, Corporate Express, Hewlett-Packard, IBM, Intel, Lucent, NEC Electronics and Oracle, as well as the U.S. Postal Service. In addition, growth of on-line purchasing has increased the number of customers who utilize airfreight on a regular basis. Such activities are driving the demand for shipments of just-in-time airfreight, a business strategy that has helped companies decrease inventory-to-sales ratios and improve customer service.

During fiscal year 2009, airlines and freight-only carriers transported over 258 million pounds of air cargo (airfreight and airmail combined) through both Mather Airport and International, a decrease of 24.5 percent compared to 341 million pounds the previous year, due primarily to a reduction in flights by FedEx, and to the virtual cessation of operations by ABX Air/DHL in early 2009. All-cargo airline landed weight is projected to decrease 3.7% in FY 2010 and to increase an average of 2.4% per year between FY 2010 and FY 2016.

### Master Plan 2020

The County Board of Supervisors approved the Sacramento International Airport Master Plan on August 7, 2007 and certified that the Final Environmental Impact Report required by the California Environmental Quality Act is adequate and complete. The Airport System received a Finding of No Significant Impact-Record of Decision for the National Environmental Protection Act Environmental Assessment for the Terminal Modernization Program in April of 2008. The plan prepares International for the future with a three-phased Capital Improvement Program (CIP) that has an anticipated completion date of 2020. Near-term and immediate-term plans include airfield improvements and the construction of a new terminal complex with expected completion in 2011.

The Mather Airport Master Plan began June 2001 and is currently in the environmental review phase. The draft plan includes extension of the north runway. Upon completion of the environmental review process for Mather Airport, the Board of Supervisors will take formal action to approve the master plan.

The Executive Airport and Franklin Fields Master Plans are currently in the development phase; significant analyses include assessing the economic benefits of each airport and drafting a financial plan and a capital improvement program for the 20-year planning horizons.

### Capital Improvement Program

A new CIP for fiscal years 2010-2014 has been developed, with an estimated cost of approximately \$1.22 billion. The largest component of the CIP, the Terminal Modernization Program (TMP), has begun construction since receiving the environmental approvals discussed earlier. In fiscal year 2009, the TMP was revised to eliminate the in-terminal hotel and defer construction of the parking garage. The current program is referred to as the Revised TMP and is also known as “The Big Build”.

Table 3 presents the estimated project costs and funding for the major components of the CIP, which is summarized to Revised TMP and Non-TMP projects. The CIP represents, to the County’s best knowledge and belief at this time, all of the significant capital improvements expected to be undertaken by the Airport System through fiscal year 2014. Table 3 also shows expected sources of funding for the CIP, which are preliminary. The costs of the CIP are expected to be funded through a combination of internally generated cash, Passenger Facility Charges (PFC) Airport Improvement Program (AIP) grants, State grants, Transportation Security Administration (TSA) funding, other funding sources, the Series 2008 Bonds, the proposed Series 2009 Bonds, and the future Series 2010 Bonds.

The Airport System’s capital needs are reassessed at least annually and the CIP will be modified as necessary to accommodate traffic activity, security needs, and other factors, which could result in additions or subtractions to the CIP or changes in the timing of certain projects.

*Table 3*  
**Summary of FY 2010-2014 Capital Improvement Program <sup>1</sup>**  
 Sacramento County Airport System  
 (in thousands)

Project	AIP			State	Bonds		PFC PAYGO	SCAS	Other	Total
	LOI Ent.	LOI Disc.	Other Disc.		GARB	PFC				
<b>SMF</b>										
Revised Terminal Modernization Program										
Terminal Facilities - Airside	\$ 15,400	\$ 35,753	\$ -	\$ -	\$ 226,500	\$ 8,747	\$ 8,699	\$ 83,907	\$ 10,000	\$ 389,006
Terminal Facilities - Landside	-	-	-	-	188,477	200,855	116,301	1,200	-	506,833
Special Systems	-	-	-	-	118,310	-	-	-	-	118,310
Enable Projects	-	-	-	-	15,574	-	-	-	-	15,574
Ancillary Projects	-	-	-	-	48,967	-	-	-	-	48,967
<b>Revised TMP Total</b>	<b>\$ 15,400</b>	<b>\$ 35,753</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 597,828</b>	<b>\$ 209,602</b>	<b>\$ 125,000</b>	<b>\$ 85,107</b>	<b>\$ 10,000</b>	<b>\$ 1,078,690</b>
Airfield	-	-	2,318	-	-	-	-	2,158	-	4,476
Other Buildings and Areas	-	-	2,176	-	-	-	-	15,338	-	17,514
Parking and Roadway	-	-	-	-	-	-	-	12,145	-	12,145
Terminal	-	-	-	-	-	-	-	600	34,800	35,400
<b>SMF Total</b>	<b>\$ 15,400</b>	<b>\$ 35,753</b>	<b>\$ 4,494</b>	<b>\$ -</b>	<b>\$ 597,828</b>	<b>\$ 209,602</b>	<b>\$ 125,000</b>	<b>\$ 115,348</b>	<b>\$ 44,800</b>	<b>\$ 1,148,224</b>
<b>OTHER AIRPORTS</b>										
Executive Airport	-	-	4,000	84	-	-	-	1,703	-	5,788
Franklin Field	-	-	315	-	-	-	-	35	-	350
Mather Airport	-	-	59,530	1,426	-	-	-	5,214	-	66,169
<b>SCAS Total</b>	<b>\$ 15,400</b>	<b>\$ 35,753</b>	<b>\$ 68,339</b>	<b>\$ 1,510</b>	<b>\$ 597,828</b>	<b>\$ 209,602</b>	<b>\$ 125,000</b>	<b>\$ 122,300</b>	<b>\$ 44,800</b>	<b>\$ 1,220,531</b>
Revised TMP	15,400	35,753	-	-	597,828	209,602	125,000	85,107	10,000	1,078,690
Non-TMP Projects	-	-	68,339	1,510	-	-	-	37,193	34,800	141,842

Note: <sup>1</sup> Including cost incurred for the Terminal Modernization Program prior to FY 2010.

LOI = Letter of Intent; GARB = general airport revenue bonds; PFC = Passenger Facility Charges; PAYGO = Pay-as-you-go.

## MAJOR INITIATIVES

### Terminal Modernization Program

The original Terminal Modernization Program (before it was revised in 2009) had been under consideration by the Airport System since it was recommended in the 2004 Airport Master Plan, which determined that Terminal A would remain a viable facility, but that Terminal B could not reasonably or cost effectively be modified to meet future demand.

In 2009, the Airport System, in response to economic and industry conditions, deleted the proposed inter-terminal hotel project and deferred the parking garage project until after FY 2016 to create the Revised TMP, which is depicted in Figure 3. As shown in the figure, a new landside Terminal B is to replace the landside facilities in the existing Terminal B, which was originally constructed in the mid-1960s. Central Terminal B is to be connected to the new 19-gate airside Concourse B via an Automated People Mover (APM). Central Terminal B will be served by a dual level roadway system. The Revised TMP also includes construction of a centralized receiving warehouse, landscaping, and demolition of existing facilities. The figure depicts the location of the deferred parking garage using dashed lines.

*Figure 3*  
**Revised TMP**  
 Sacramento International Airport



Source: Corgan Associates, Inc. (TMP Design Consultant for SCAS).

Upon completion of the Revised TMP, facilities at International will support a design capacity of 12 million annual passengers (enplaning and deplaning) and a stress capacity of 14 million to 16 million annual passengers.

Project costs and the phasing of these costs were estimated by the TMP design team in May 2009. Construction costs for the Revised TMP are estimated to be \$801 million, soft costs are estimated to be \$226 million, and the program-wide contingency allowance is estimated to be approximately \$51 million, which equates to approximately 6.4% of construction costs.

In June 2008, the County awarded a \$405 million design-build contract for the landside terminal and a \$290 million design-build contract for the airside terminal with both at 30% design level. Both design-build contracts are subject to a Guaranteed Maximum Price provision.

#### Non-TMP Projects in the CIP

In addition to the Revised TMP, the CIP includes approximately \$142 million in other projects for the Airport System. Non-TMP Projects would be undertaken as warranted by demand and to the extent that the projects are financially viable. Non-TMP Projects are expected to be financed primarily with AIP grants and internally generated funds. Many of the projects eligible for federal grants will only be undertaken if such federal funds are received.

## LONG-TERM FUNDING PLAN

### Federal and State Grants

During the fiscal year 2009, the Airport System received \$7.9 million in federal AIP grant funds for projects at International, Executive, Franklin Field, and Mather airports. Funding from these grants was used to help finance the apron expansion, taxiway rehabilitation, the perimeter fencing and intrusion detection and the new ARFF vehicle at International, airfield improvement projects at Executive, preparation of the Mather, Executive and Franklin Field Master Plans, and Hangar 4260 improvements at Mather.

On March 6, 2009, the Federal Aviation Administration (FAA) approved the County's Letter of Intent (LOI) application to fund \$59.9 million of the eligible costs of the TMP, as presented in Table 4.

*Table 4*  
***Schedule of Expected LOI Grants***

Federal Fiscal Year	<u>Entitlement</u>	<u>Discretionary</u>	<u>Total</u>
2009	\$ 2,013,116	\$ 6,000,000	\$ 8,103,116
2010	2,182,000	7,500,000	9,682,000
2011	2,124,000	7,000,000	9,124,000
2012	2,171,000	6,000,000	8,171,000
2013	2,220,000	6,000,000	8,220,000
2014	2,271,000	6,000,000	8,271,000
2015	<u>2,328,884</u>	<u>6,000,000</u>	<u>8,328,884</u>
Total LOI	\$15,400,000	\$44,500,000	\$59,900,000

In addition, the Airport System will receive funding from the TSA under the American Recovery and Reinvestment Act for security-related costs in the TMP including \$11.3 million to fund the Terminal B Checked Baggage Screening project, and AIP grants for certain non-TMP projects in the CIP, primarily for projects at Mather Airport.

### PFC Revenues

Beginning April 1, 1993, the Airport System was authorized by the FAA to add a \$3.00 Passenger Facility Charge to the price of all tickets purchased for travel out of International. PFCs are imposed on enplaned passengers by airport operators—collected by airlines—for the purpose of generating revenue for airport projects that increase capacity, increase safety, or mitigate noise impact. On October 31, 2001, as a result of the Airport System's request to increase the fee, the FAA authorized the Airport System to increase the \$3.00 fee to \$4.50 per enplaned passenger, but only for certain eligible projects. This increase was approved through February 1, 2003, at which time the rate returned to \$3.00 per enplaned passenger. On June 25, 2003, the FAA approved the Airport System's request to increase the level to \$4.50 on the remaining eligible projects, effective September 1, 2003.

As shown in Table 5, under approvals received from the FAA, the County is authorized to impose a PFC fee and to use up to \$891.3 million of PFC revenues. These approvals include the County's PFC Application #8, which authorized the County to impose a PFC fee and use \$603.5 million of PFC revenues on a pay-as-you-go and leveraged basis in connection with the TMP. The PFC collection dates for approved PFC applications are estimated to expire in 2028.



<p style="text-align: center;"><i>Table 5</i>  <b>PFC Approvals</b>            Sacramento County Airport System            Approved PFC amounts (in millions)</p>				
	Pay-as-you-go amount	PFC and Subordinate Bonds		Total
		<u>Bond proceeds</u>	<u>Financing costs (a)</u>	
Application #1	\$27.6	\$ --	\$ --	\$ 27.6
Application #2	6.0	--	--	6.0
Application #3	--	--	--	--
Application #4	--	37.7	41.3	79.0
Application #5	--	22.8	25.5	48.3
Application #6	--	43.6	72.1	115.7
Application #7	11.1	--	--	11.1
Application #8	<u>110.0</u>	<u>200.0</u>	<u>293.5</u>	<u>603.5</u>
Total	\$154.7	\$304.1	\$432.4	\$891.3

(a) Includes bond interest, capitalized interest, debt service reserve fund deposits, and other costs of issuance.

During fiscal year 2009, the Airport System received \$20.5 million in PFC receipts, bringing the total PFC receipts and interest received under the approved applications to \$263.4 million. In fiscal year 2009, PFC revenues provided partial funding for the TMP projects and bond debt service payments.

#### Capital Improvement Fund

Amounts accumulated in the Capital Improvement Fund may be used for any lawful purpose including payments for capital improvements of the Airport System. In the current CIP presented earlier in Table 3, it was assumed that amounts in the Capital Improvement Fund would be used to pay \$85.1 million of project costs in the TMP and \$37.2 million of project costs in the non-TMP portion of the CIP.

#### Airport Bonds

In May 2008, the County issued \$496.1 million of Airport System senior revenue bonds and \$89.4 million of Airport System subordinate and PFC revenue refunding bonds as listed in Table 6. The proceeds refunded prior bond series and partially funded the Terminal Modernization Program.

In July 2009, the County will issue the Series 2009 Bonds as additional Airport System senior and subordinated bonds in the aggregate principal amount of \$480 million, and in late 2010, another \$178 million of Airport System senior revenue bonds are expected to be issued to complete the financing of the TMP.

*Table 6*  
***Outstanding Senior Obligations***

Outstanding Senior Obligations	Original Principal Amount		Outstanding principal	Final maturity date
	Refunding	TMP Project Cost		
Series 2008A	\$111,360,000	\$58,215,000	\$163,695,000	July 1, 2041
Series 2008B	35,800,000	278,540,000	311,730,000	July 1, 2039
Series 2008C	<u>12,280,000</u>	<u>--</u>	<u>9,440,000</u>	July 1, 2012
	\$159,440,000	\$336,755,000	\$484,865,000	

***Outstanding Subordinate Obligations***

Outstanding Subordinate Obligations	Original Principal Amount		Outstanding principal	Final maturity date
	Refunding	TMP Project Cost		
Series 2008D	\$46,390,000	\$ --	\$45,155,000	July 1, 2026
Series 2008E	<u>43,040,000</u>	<u>--</u>	<u>39,925,000</u>	July 1, 2024
	\$89,430,000	\$--	\$85,080,000	

### Concessions Program

Concession revenues derived from retail and food/beverage operations located in airport terminal facilities have grown to represent a major source of non-airline revenues, contributing to the financing of airport operations. Space in Terminal A was designed to maximize concession services offered to airport customers while maximizing revenue to the Airport System. Terminal A includes approximately 25,000 square feet of space for retail and food/beverage concepts. This includes a 13,000-square-foot, mall-like retail center that contains twelve shops: PGA Tour, Nelson's Books and News, KidsZoo, Details, Capital Marketplace, Nelson Travel, Hometown Favorites, Brooks Brothers, InMotion Entertainment, Vino Volo, Massage Bar, Forever Silver, and Butter London which ceased operations in January, 2009. Also included is a 12,000 square-foot food court with a wide range of food choices: Burger King, California Pizza Kitchen, CPK Bar, La Salsa, Lemon Grass, Quiznos, Starbuck's Coffee and Salad Works/Zia. Java City and Home Turf Bar are situated on the concourse serving Southwest Airline gates. Level 1 of Terminal A also hosts food establishments including Cinnabon, Sbarro and Starbucks.

During fiscal year 2009 gross sales for Terminal A retail shops were \$10,220,026, providing \$1,229,349 in concession revenues to the Airport System. During fiscal year 2009, gross sales for Terminal A food/beverage outlets were \$14,859,122, providing \$2,033,901 in concession revenues to the Airport System.

During fiscal year 2009, gross sales for Terminal B1 and B2 retail shops were \$3,396,898, providing \$468,792 in concession revenues to the Airport System. Gross sales for Terminal B1 and B2 food/beverage outlets were \$5,023,119, providing \$717,571 in concession revenues to the Airport System.

To spur concession sales, a "street pricing" policy is in place to keep both food and merchandise prices at International comparable to those at similar stores and restaurants in the Sacramento area. The concession

fees received from the concession program are increasing the revenue base of the Airport System, a self-supporting enterprise.

### Air Quality Improvements

During fiscal year 2009, the Airport System continued its efforts to reduce emissions through the use of vehicles powered by clean fuels at International. In 2001, the FAA announced that it would fund up to \$2 million for the Inherently Low-Emission Airport Vehicle (ILEAV) program, designed to substantially reduce ozone and carbon monoxide levels at International. This program has been replaced by the Voluntary Airport Low Emission Program (VALE). In addition, a compressed natural gas (CNG) refueling station is on-line at International and over 30 CNG buses have been purchased in the last six years.

The ongoing operation of International's consolidated rental car facility reduces roadway congestion and vehicle emissions (before the new rental car facility opened each company provided individual shuttle bus service for its customers to and from the terminal facilities). All of International's jet bridges now feature electric power, eliminating the need for aircraft to utilize polluting auxiliary-powered units.

### Executive Airport

The ongoing focus at Executive will continue to be infrastructure improvements in order to ensure the operational and financial viability of the airport.

### Mather Airport

The primary focus is on air cargo, while also serving general aviation users. Cargo carriers shipped over 107.5 million pounds of freight through Mather in fiscal year 2009. Other tenants at Mather include government agencies, an aviation law firm, a Fixed Base Operator (FBO), a full-service aviation flight school, a rental car agency, a full-service aircraft maintenance facility, two major air cargo companies and contracted air cargo feeder aircraft. Compared to International, Mather offers cargo carriers more spacious facilities, including longer runways and more cargo, warehouse and office space. At International, the ramp space utilized by former cargo carriers that have relocated to Mather is providing extra capacity to meet the future demand for passenger air carrier transportation in the Sacramento Area.

### Future

The current economic conditions have adversely impacted the Airport System, resulting in reductions of daily flights being offered by the airlines serving International Airport and significant reductions in enplaned passengers as compared with the prior years. During fiscal year 2010, the Airport System will work to continue development and expansion of airline service to existing and new locations. A key goal will also be to maintain the Airport System's commitment to providing excellent service to customers while continuing to be a good neighbor to the surrounding community.

## FINANCIAL INFORMATION

Management of the Airport System is responsible for establishing internal controls designed to ensure that the assets of the Airport System are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

For financial accounting purposes and in compliance with Governmental Accounting Standards Board Pronouncements, the Sacramento County Airport System is accounted for as a self-sufficient enterprise fund within the County of Sacramento. The Airport System's accounting records are maintained using the accrual basis of accounting.

**Single Audit**—As a recipient of federal funds and state financial assistance, the Airport System also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to periodic evaluation by management and the internal audit staff of the County.

As part of the County's Single Audit, tests are made to evaluate the effectiveness of certain internal controls, including that portion related to federal award programs, as well as to determine that the Airport System has complied with applicable laws and regulations. The 2007-2008 Single Audit has been completed and there were no noted significant deficiencies in the Airport System's internal controls or significant violations of applicable laws and regulations. The fiscal year 2008-2009 audit is in progress and is anticipated to be completed in the fall of 2009.

The Airport System was authorized to impose a PFC at International effective April 1, 1993. Legislation authorizing the collection of PFCs restricts use of PFC revenue to acquisition of specified assets and prescribes reporting and control requirements. At least annually during the period in which the PFC is collected, held, or used, the Airport System must provide for an audit of its PFC accounts. The audit must be conducted by an independent certified public accountant. The scope of the audit must include evaluation of the Airport System's internal accounting controls to account for the collection and use of PFCs. The auditor must also issue an opinion on whether the quarterly reports fairly represent the transactions within the PFC accounts. The audit can be performed separately for the PFC account, or as part of the Single Audit. The audit for fiscal year 2009 has been completed and there were no noted material weaknesses in the Airport System's internal accounting controls or instances of noncompliance with applicable PFC regulations.

**Budgetary Controls**—The Airport System prepares an annual budget to serve as an approved plan for operational control and performance evaluation. State law does not require the formal adoption of an appropriated budget for government enterprise activities. Each year the Airport System prepares an operations budget and a capital budget, which is presented to the County Board of Supervisors (Board) for review and approval. The budget, as approved by the Board, serves as the Airport System's basis for operations. The Airport System and County impose controls that require the use of requisitions, purchase orders, contracts and specific approval for purchases of goods and services. Procedures have been established which verify expenses and ensure budgeted amounts are not exceeded. Monthly comparisons of actual to budgeted revenues and expenses may identify significant variances that would require the Airport System to take corrective action.

**Rate Ordinance**—The County Board of Supervisors adopted a new Airline Rate Ordinance which became effective July 1, 2008. Under the Rate Ordinance, landing fee rates are calculated annually according to a cost center residual methodology; terminal rental rates are annually calculated according to a commercial compensatory methodology; Revenues, after deposits required by the Bond Master Indenture, are retained by the County; and the County has no obligation to share remaining Revenues with the airlines. Likewise, airlines are under no obligation to pay landing fees in amounts required to ensure that Net Revenues are sufficient to meet the Rate Covenant.

**Cash Management**— Airport System cash and investments are maintained in the County Treasurer's pool, fiscal agent pool and financial institution trust. The County Treasurer is responsible for managing the investment of pooled cash fund resources.

## INTRODUCTORY

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Cash temporarily idle during the year was invested in certificates of deposit, time certificates, money market funds, commercial paper, repurchase agreements, bankers' acceptances, medium corporate notes and U.S. Treasury investments. The average yield on investments during fiscal year 2009 was 2.43%. The yield for a 1-year U.S. Treasury Note for the same time frame was 1.06%.

The County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, bank balances were either insured by the Federal Deposit Insurance corporation, for accounts less than \$100,000, or collateralized. During the fiscal year, all collateral on deposits was held either by the County, its agent or a financial institution's trust department in the County's name.

Risk Management—The County maintains all-risk blanket property insurance coverage, including flood, which provides limits of liability of \$2,189 million per occurrence annually. This policy covers real and personal property of the Airport System and contains additional boiler and machinery coverage in the amount of \$100 million per occurrence annually. The Airport System, through the County, maintains an airport operations and hangarkeepers liability insurance policy, which provides limits of liability coverage for up to \$500 million annually. Current premium charges are expensed in the year incurred.

The Airport System participates in the County's self-insurance program for crime, pollution, workers' compensation and unemployment claims. Annual premiums are based primarily upon claims experience. Current premiums are charged to expense in the year incurred.

The new terminal and related construction at International is covered separately by an OCIP (Owner Controlled Insurance Program) with coverage ranging between \$25 million per occurrence for pollution liability and \$205 million general liability, with separate limits for airside and landside.

## AWARDS AND ACKNOWLEDGEMENTS

Independent Audit—The financial statements of the Airport System are audited each year by an independent certified public accountant. The accounting firm of Vavrinek, Trine, Day & Co., LLP was selected to perform the fiscal year 2009 audit. The independent auditor's report on the financial statements is included in the financial section of this report.

Awards—The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Sacramento County Airport System for its comprehensive annual financial report for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports.

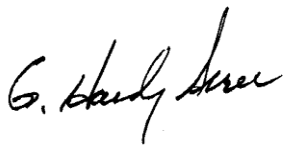
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Airport System has received a Certificate of Achievement for each of the last 20 years (fiscal years ended 1989-2008). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

Acknowledgments—The preparation of the Comprehensive Annual Financial Report on a timely and efficient basis was made possible by the dedicated service of staff in the Accounting Section. Each member of the section has our sincere appreciation for the contributions made in the preparation of this report.

We also wish to thank staff of the Sacramento County Department of Finance for their cooperation and assistance. And in closing, without the leadership and support of the County Executive and the Board of Supervisors, preparation of this report would not have been possible.

Respectfully submitted,



G. Hardy Acree  
Director of Airports



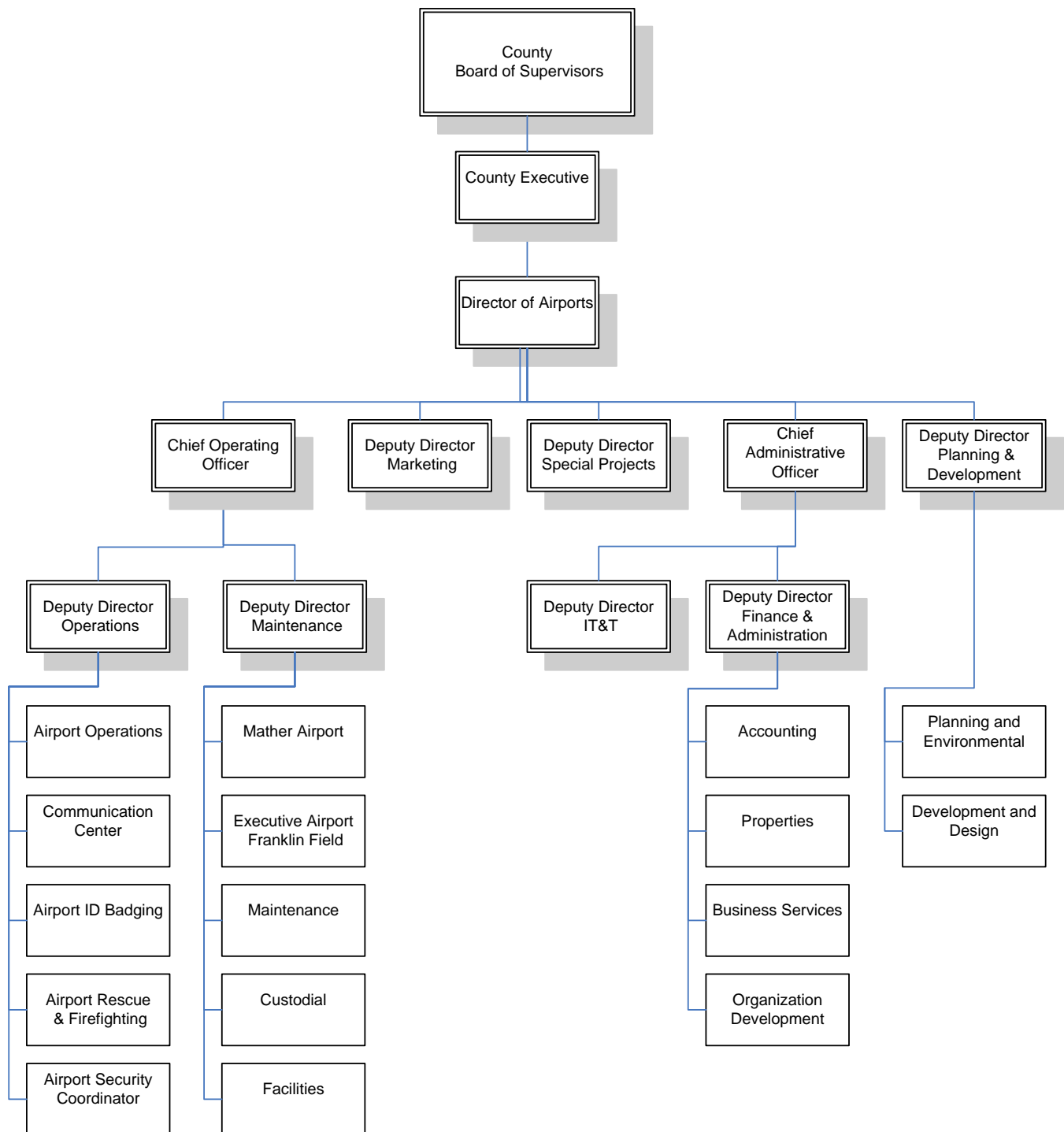
Lisa Stanton  
Chief Administrative Officer



Amanda Thomas  
Deputy Director, Finance & Administration



# Sacramento County Airport System Organizational Chart



# Sacramento County Airport System

## List of Principal Officials At June 30, 2009

### ELECTED:

#### COUNTY BOARD OF SUPERVISORS

Roger Dickinson .....	District 1
Jimmie Yee.....	District 2
Susan Peters .....	District 3
Roberta MacGlashan.....	District 4
Don Nottoli .....	District 5

### APPOINTED:

Terry Schutten.....	County Executive
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#### SACRAMENTO COUNTY AIRPORT SYSTEM

G. Hardy Acree .....	Director of Airports
Michael La Pier .....	Airport Chief Operating Officer
Lisa J. Stanton.....	Airport Chief Administrative Officer
Amanda Thomas .....	Deputy Director, Finance and Administration
Cheryl Marcell .....	Deputy Director, Marketing and Public Relations
Steven L. Baird.....	Deputy Director, Information Technology and Telecommunications
Frederick Greco .....	Deputy Director, Maintenance
Leonard H. Takayama .....	Deputy Director, Special Projects
Barry Rondinella.....	Deputy Director, Operations
Carl Mosher.....	Deputy Director, Planning and Development
Camelia Radulescu, CPA.....	Senior Accounting Manager

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## Financial Section

This section contains the following subsections:

Independent Auditors Report

Management's Discussion and Analysis (Unaudited)

Basic Financial Statements



Vavrinek, Trine, Day & Co., LLP  
Certified Public Accountants

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
County of Sacramento, California

We have audited the accompanying financial statements of the Sacramento County Airport System (the Airport System), an enterprise fund of the County of Sacramento, California (the County) as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Airport System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport System as of June 30, 2009 and 2008, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009, on our consideration of the Airport System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 28 through 33, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming an opinion on the Airport System's basic financial statements. The introductory, statistical and bond disclosure sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

*Vavrinch, Train, Day & Co., LLP*

Rancho Cucamonga, California  
December 14, 2009



## Management's Discussion and Analysis (Unaudited)

The following Management's Discussion and Analysis (MD&A) of the Sacramento County Airport System's (Airport System) financial performance provides an introduction to the financial statements for the fiscal years ended June 30, 2009 and 2008. The information contained in this MD&A should be considered in conjunction with the information contained in the Airport System's basic financial statements.

### Financial Highlights

The assets of the Airport System exceeded liabilities for the fiscal year ended June 30, 2009 by \$502,077,255 (net assets). Of this amount, \$119,895,679 (unrestricted net assets) may be used to meet the ongoing obligations of the Airport System, \$207,122,260 was restricted for specific purposes (restricted net assets), and \$175,059,316 was invested in capital assets, net of related debt.

The Airport System's total net assets increased by \$25,364,096 during the fiscal year ended June 30, 2009. This increase was primarily due to operating income of \$8,349,047; passenger facility charges of \$21,489,873; interest income of \$6,155,861; capital contributions and intergovernmental revenues of \$7,914,449 and was offset by interest expense of \$18,203,544.

### Overview of the Basic Financial Statements

The Airport System's financial statements are prepared using the full accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Airport System is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and, with the exception of land and construction in progress, are depreciated over their useful lives. See the notes to the basic financial statements for a summary of the Airport System's significant accounting policies.

Following this MD&A are the basic financial statements of the Airport System together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Airport System's basic financial statements are designed to provide readers with a broad overview of the Airport System's finances.

The Statement of Net Assets presents information on all the Airport System's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Airport System's financial position.

The Statement of Revenues, Expenses and Changes in Net Assets present information showing how the Airport System's net assets changed during the most recent years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Statement of Cash Flows relate to the flow of cash and cash equivalents. Consequently, only transactions that affect the Airport System's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

## Management's Discussion and Analysis (Unaudited) (continued)

### Financial Analysis

An indicator of the Airport System's financial position is net assets. As shown below and on the next page, at June 30, 2009 assets exceeded liabilities by \$502.1 million, an increase over the prior year of 5.3%. Restricted net assets are \$207.1 million or 41.2% of total net assets. Restricted net assets represent resources that are subject to restrictions on how they can be used. Net assets invested in capital assets net of related debt at June 30, 2009 were \$175.1 million or 34.9% of total net assets and represent investment in capital assets, less the related debt outstanding used to acquire those capital assets. The Airport System uses these capital assets to provide services to its passengers and visitors to the Airport System; consequently these assets are not available for future spending. Although the Airport System's investment in capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining portion of net assets is unrestricted, which was \$119.9 million or 23.9% at June 30, 2009 and may be used to meet the Airport System's ongoing obligations. Unrestricted net assets increased during fiscal year 2009, by \$2.4 million or 2.1%.

### Condensed Statements of Net Assets

	2009	2008	FY09 vs. FY08 % change	2007	FY08 vs. FY07 % change
Assets:					
Current, restricted and other assets	\$ 474,369,800	\$ 589,827,740	(19.6%)	\$ 291,707,835	102.2%
Capital assets, net	672,619,220	476,972,020	41.0	423,622,348	12.6
Total assets	1,146,989,020	1,066,799,760	7.5	715,330,183	49.1
Liabilities:					
Current and other liabilities	92,476,371	29,478,700	213.7	32,957,658	(10.6)
Long-term liabilities outstanding	552,435,394	560,607,901	(1.5)	242,150,661	131.5
Total liabilities	644,911,765	590,086,601	9.3	275,108,319	114.5
Net assets:					
Invested in capital assets, net of related debt	175,059,316	156,199,147	12.1	211,869,303	(26.3)
Restricted net assets	207,122,260	203,027,028	2.0	130,735,961	55.3
Unrestricted net assets	119,895,679	117,486,984	2.1	97,616,600	20.4
Total net assets	\$ 502,077,255	\$ 476,713,159	5.3%	\$ 440,221,864	8.3%

## Management's Discussion and Analysis (Unaudited) (continued)

The Airport System's net assets increased during fiscal years ended 2009 and 2008 by \$25.4 million (5.3%) and \$36.5 million (8.3%), respectively. The following is a summary of changes in net assets for fiscal years ended 2009, 2008 and 2007:

### Summary of Changes in Net Assets

	Fiscal Years Ended June 30				
	2009	2008	FY09 vs. FY08 % change	2007	FY08 vs. FY07 % change
Operating revenues:					
Concessions	\$ 68,600,549	\$ 66,416,283	3.3%	\$ 64,892,106	2.3%
Building rents	35,384,002	17,152,979	106.3	16,644,929	3.1
Airfield charges	10,710,482	22,352,752	(52.1)	15,680,196	42.6
Ground leases	2,314,441	3,641,980	(36.5)	4,723,344	(229)
Airport services	1,100,127	911,360	20.7	1,015,551	(10.3)
Sale of fuel	580,904	808,229	(28.1)	652,942	23.8
Other	299,511	101,491	195.1	39,528	156.8
Total operating revenues	118,990,016	111,385,074	6.8	103,648,596	7.5
Non-operating revenue:					
Interest income	6,155,861	7,519,233	(18.1)	7,915,789	(5.0)
Passenger facility charges revenue	21,489,873	26,653,518	(19.4)	27,182,405	(1.9)
Intergovernmental revenue	978,992	1,620,376	(39.6)	686,586	136.0
Gain on disposal of assets	64,262	-		84,711	(100.0)
Other nonoperating revenue	157,388	-		82,107	(100.0)
Total revenue	147,836,392	147,178,201	0.4	139,600,194	5.4
Operating expenses:					
Salaries and benefits	33,640,076	32,174,897	4.6	30,274,323	6.3
Services and supplies	49,870,807	54,266,378	(8.1)	46,452,761	16.8
Cost of goods sold	497,815	665,627	(25.2)	573,187	16.1
Depreciation	25,750,395	23,707,907	8.6	21,062,790	12.6
Other	881,876	837,710	5.3	769,160	8.9
Total operating expenses	110,640,969	111,652,519	(0.9)	99,132,221	12.6
Non-operating expenses:					
Loss on disposal of assets	-	17,151	(100.0)	-	
Other nonoperating expense	-	40,754	(100.0)	-	
Amortization of bond issuance cost	563,240	257,068	119.1	271,965	(5.5)
Interest expense	18,203,544	12,651,944	43.9	12,057,704	4.9
Total expense	129,407,753	124,619,436	3.8	111,461,890	11.8
Net income before capital contributions and transfers	18,428,639	22,558,765	(18.3)	28,138,304	(19.8)
Capital contributions	6,935,457	13,932,530	(50.2)	12,663,761	10.0
Changes in net assets	25,364,096	36,491,295	(30.5)	40,802,065	(10.6)
Total net assets, beginning of year	476,713,159	440,221,864	8.3	399,419,799	10.2
Total net assets, end of year	\$ 502,077,255	\$ 476,713,159	5.3%	\$ 440,221,864	8.3%

#### For fiscal year 2009:

#### Operating revenue

Operating revenues increased \$7.6 million (6.8%), due to an increase in concession revenue of \$2.2 million (3.3%), as well as increases in building rent by \$18.2 million (106.3%) determined by the increase in terminal rental rates, and an increase in airport services of \$0.2 million (20.7%) offset by decreases in airfield charges of \$11.6 million (52.1%), a decrease in ground leases of \$1.3 million (36.5%), and a decrease in sales of fuel of \$0.2 million (28.1%).

## Management's Discussion and Analysis (Unaudited) (continued)

### Operating expenses

Operating expenses decreased \$1 million (0.9%) primarily due to decreases in services and supplies of \$4.4 million (8.1%), and a decrease of \$0.2 million (25.2%) in cost of goods sold offset by an increase in salaries and benefits of \$1.5 million (4.6%) and an increase in depreciation expense of \$2 million (8.6%).

### Non-operating revenues

Passenger facility charges decreased \$5.2 million primarily due to a 13.1% decrease in enplaned passengers. Capital contributions decreased \$7 million from the previous year due to a decrease in expenses funded by grants.

### For fiscal year 2008:

#### Operating revenue

Operating revenues increased \$7.7 million (7.5%), due to an increase in concession revenue of \$1.5 million (2.3%), as well as increases in building rent by \$0.5 million (3.1%), an increase in airfield charges of \$6.7 million (42.6%) and an increase in the sale of fuel of \$0.2 million (23.8%) offset by a decrease in ground leases of \$1.1 million (22.9%) and a decrease in airport services revenues of \$0.1 million (10.3%).

### Operating expenses

Operating expenses increased \$12.3 million (12.6%) primarily due to an increase in salaries and benefits of \$1.9 million (6.3%); an increase in depreciation expense of \$2.6 million (12.6%); an increase in services and supplies of \$7.8 million (16.8%) resulting from increased expenses for building maintenance, land improvement services (including a one time payment of \$4.1 million for the Willey Wetland Endowment), construction contracts, legal services, environmental services, and services provided by other County departments; an increase in other costs of \$0.1 million (8.9%) due to increases in bond issue cost amortization and countywide cost allocations and an increase in cost of goods sold of \$0.1 million (16.1%).

### Non-operating revenues

Passenger facility charges decreased primarily due to a 0.2% decrease in enplaned passengers. Capital contributions increased from the previous year due to an increase in grant funded projects.

### Capital Assets

The Airport System's investment in capital assets as of June 30, 2009 amounted to \$931.2 million before depreciation. This investment in capital assets includes buildings and structures, improvements, runways, taxiways, roads, machinery, equipment and construction in progress. The total increase in the Airport System's investment in capital assets before depreciation for fiscal year 2009 was 31% or \$220.5 million, due primarily to the Terminal Modernization Program breaking ground last year.

Major capital asset events during fiscal year 2009 included the following:

Major projects completed at International Airport were the Remain Overnight Pad, \$12.4 million; the West Electrical Vault Emergency Generator replacement, \$0.9 million; the Perimeter Fencing and Intrusion Detection, \$1.6 million; Terminal B1 and B2 Flooring, \$1 million; additional Closed Circuit TV cameras, \$0.5 million, as well as a new ARFF vehicle, \$0.7 million. At Mather, completed projects included an upgrade and roof replacement of several buildings. Construction in progress at June 30, 2009 was \$274 million, which included the Terminal Modernization Program, \$265 million; the Economy Lot parking reconstruction, \$1.3 million; the apron, tie-down and hangar pavement at Executive, \$1.3 million, and the McReady Avenue Rehabilitation Phase 1, \$3 million at Mather.

## Management's Discussion and Analysis (Unaudited) (continued)

The Airport System's investment in capital assets as of June 30, 2008 amounted to \$710.7 million before depreciation. This investment in capital assets included land, buildings and systems, improvements, runways, taxiways, roads, machinery, equipment and construction in progress. The total increase in the Airport System's investment in capital assets before depreciation for fiscal year 2008 was 12.2% or \$77.1 million.

Major capital asset events during fiscal year 2008 included the following:

Major projects completed at International Airport were the Rehabilitation of Runway 16R/34L, \$16.1 million; expansion of the Terminal A east apron and Taxiway C3, \$9.5 million; and Integrated Electronic Aviation System, \$6.5 million. At Mather, completed projects included an upgrade and roof replacement of Hangar 4260, \$2.1 million; and adding to Runway 22L centerline and touchdown zone lights, \$1.3 million. Construction in progress at June 30, 2008 was \$73.2 million, which included the Terminal Modernization Program, \$48.2 million; and McReady Avenue Rehabilitation Phase 1, \$2.2 million.

### Capital Assets

	Fiscal Years Ended June 30		
	2009	2008	2007
Land	\$ 40,245,470	\$ 40,245,470	\$ 40,245,070
Structures and improvements	534,809,391	519,332,400	478,458,174
Leasehold improvements	53,359,904	52,117,131	47,596,634
Equipment	28,754,168	25,794,001	22,317,060
Construction in progress	274,061,939	73,235,823	45,005,085
	<u>\$ 931,230,872</u>	<u>\$ 710,724,825</u>	<u>\$ 633,622,023</u>

Additional information on the Airport System's capital assets can be found in Note 5 located on page 47 of this report.

### Long-term Debt Administration

As of June 30, 2009, the Airport System had outstanding revenue bonds of \$580,655,000, a decrease of \$4.9 million as compared to the prior year, due to the principal payment on July 1, 2008.

As of June 30, 2008, the Airport System had outstanding revenue bonds of \$585,625,000, an increase compared to the prior year due to the issuance of new bonds.

For more detail on the Airport System's long-term debt, see Note 6 on pages 48 through 50 of this report.

## Management's Discussion and Analysis (Unaudited) (continued)

### Airline Rates and Charges

The level of annual rates and charges billed to the airlines was as follows:

	2009	2008	FY09 vs. FY08 % change	2007	FY08 vs. FY07 % change
Landing Fee (Per 1,000 lbs.)					
Signatory	\$ -	\$ 2.77	(100.0)	\$ 1.99	39.2
Non Signatory	3.30	3.29	0.3	2.45	34.3
Terminal Rental Rates (Per Sq. Foot)					
Ticket Counter	140.48	65.48	114.5	65.52	(0.1)
Office and Enclosed	140.48	65.48	114.5	65.52	(0.1)
Unenclosed	12.00	12.00	--	12.00	--
Holdroom	140.48	65.48	114.5	65.52	(0.1)
Baggage Makeup/Joint Use	140.48	65.48	114.5	65.52	(0.1)
Storage	140.48	65.48	114.5	65.52	(0.1)
Loading Bridge Fees	81,502.00	52,704.00	54.6	28,778.00	83.1
Preferential Aircraft Parking Position	\$ 107,340.00	\$ 17,581.00	510.5	\$ 52,387.00	(66.4)

Effective May 1, 2008 the County terminated the Scheduled Airline Operating Agreement and Terminal Building Lease. All airlines were charged the non-signatory landing fee rate for the remainder of the fiscal year 2008. Effective July 1, 2008, the County adopted a new airline Rate Ordinance pursuant to which airline rates and charges were calculated for fiscal year 2009. Under the Rate Ordinance, landing fees are calculated according to a cost center residual methodology and terminal building rentals are calculated according to a commercial compensatory methodology.

### Requests for Information

This financial report is designed to provide a general overview of the Airport System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance and Administration Division, Sacramento County Airport System, 6900 Airport Boulevard, Sacramento, California 95837.



**Sacramento County Airport System**  
**Statements of Net Assets**  
**June 30, 2009 and 2008**

ASSETS	2009	2008
Current assets:		
Cash and investments	\$ 147,527,551	\$ 119,564,463
Restricted cash and investments	55,509,309	13,248,148
Deposits with others	5,592,908	86,016
Receivables, less allowance for doubtful accounts of \$167,099 in 2009 and \$192,313 in 2008	11,326,947	9,198,118
Due from other governments	6,123,823	2,765,679
Prepaid expenses	12,877,642	452,125
Inventories	230,753	274,779
Total current assets	<u>239,188,933</u>	<u>145,589,328</u>
Noncurrent assets:		
Restricted assets (cash and cash equivalents \$110,307,524 in 2009 and \$154,461,703 in 2008)	221,047,161	429,553,448
Deferred charges	14,133,706	14,684,964
Capital assets:		
Land	40,245,470	40,245,470
Structures and improvements	534,809,391	519,332,400
Leasehold improvements	53,359,904	52,117,131
Equipment	28,754,168	25,794,001
Construction in progress	274,061,939	73,235,823
Total capital assets	931,230,872	710,724,825
Less accumulated depreciation	(258,611,652)	(233,752,805)
Net capital assets	672,619,220	476,972,020
Total noncurrent assets	<u>907,800,087</u>	<u>921,210,432</u>
Total assets	<u>1,146,989,020</u>	<u>1,066,799,760</u>
LIABILITIES		
Current liabilities:		
Warrants payable	14,977,357	1,671,661
Accounts payable and accrued expenses	20,937,147	12,691,379
Deferred revenue	1,052,558	1,735,422
Current liabilities payable from restricted assets	55,509,309	13,248,148
Total current liabilities	<u>92,476,371</u>	<u>29,346,610</u>
Noncurrent liabilities:		
Revenue bonds payable	548,920,572	557,406,271
Compensated absences	3,350,707	3,023,959
OPEB Liability	164,115	132,090
Estimated arbitrage taxes payable	177,671	177,671
Total noncurrent liabilities	<u>552,435,394</u>	<u>560,739,991</u>
Total liabilities	<u>644,911,765</u>	<u>590,086,601</u>
NET ASSETS		
Invested in capital assets, net of related debt	<u>175,059,316</u>	<u>156,199,147</u>
Restricted:		
Expendable:		
Revenue bond maintenance and operations reserve	27,260,013	21,730,250
Revenue bond renewal and replacement reserve	2,000,000	1,333,333
Revenue bond interest account	72,066,304	56,161,338
Passenger facility charges	103,733,132	123,802,107
Art Endowment Fund Interest Earnings	62,811	
Nonexpendable:		
Art Endowment Fund	2,000,000	
Total restricted	<u>207,122,260</u>	<u>203,027,028</u>
Unrestricted	<u>119,895,679</u>	<u>117,486,984</u>
Total net assets	<u>\$ 502,077,255</u>	<u>\$ 476,713,159</u>

See accompanying notes to the basic financial statements.

Sacramento County Airport System  
Statements of Revenues, Expenses and Changes in Net Assets  
For the Fiscal Years Ended June 30, 2009 and 2008

	2009	2008
Operating revenues:		
Concessions	\$ 68,600,549	\$ 66,416,283
Building rents	35,384,002	17,152,979
Airfield charges	10,710,482	22,352,752
Ground leases	2,314,441	3,641,980
Airport services	1,100,127	911,360
Sale of fuel	580,904	808,229
Other	299,511	101,491
Total operating revenues	<u>118,990,016</u>	<u>111,385,074</u>
Operating expenses:		
Salaries and benefits	33,640,076	32,174,897
Services and supplies	49,870,807	54,266,378
Cost of goods sold	497,815	665,627
Depreciation	25,750,395	23,707,907
Other	881,876	837,710
Total operating expenses	<u>110,640,969</u>	<u>111,652,519</u>
Operating income (loss)	<u>8,349,047</u>	<u>(267,445)</u>
Nonoperating revenues (expenses):		
Interest income	6,155,861	7,519,233
Passenger Facility Charges revenue	21,489,873	26,653,518
Intergovernmental revenue	978,992	1,620,376
Gain (loss) on disposal of assets	64,262	(17,151)
Other nonoperating revenue (expense)	157,388	(40,754)
Amortization of bond issuance cost	(563,240)	(257,068)
Interest expense	(18,203,544)	(12,651,944)
Net nonoperating revenues	<u>10,079,592</u>	<u>22,826,210</u>
Income before capital contributions and transfers	18,428,639	22,558,765
Capital contributions	6,935,457	13,932,530
Change in net assets	25,364,096	36,491,295
Total net assets, beginning of year	<u>476,713,159</u>	<u>440,221,864</u>
Total net assets, end of year	<u><u>\$ 502,077,255</u></u>	<u><u>\$ 476,713,159</u></u>

See accompanying notes to the basic financial statements.

Sacramento County Airport System  
Statements of Cash Flows  
For the Fiscal Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 117,281,890	\$ 109,764,202
Payments to suppliers	(40,429,643)	(55,169,092)
Payments to employees	(33,149,213)	(31,723,958)
Other receipts	157,388	136,917
Net cash provided by operating activities	<u>43,860,422</u>	<u>23,008,069</u>
Cash Flows from Noncapital Financing Activities:		
Intergovernmental revenue	1,455,370	787,545
Net cash (used for) provided by noncapital financing activities	<u>1,455,370</u>	<u>787,545</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital debt		325,208,532
Capital contributions	4,800,972	18,452,407
Passenger facility charges	20,508,756	28,347,187
Acquisition and construction of capital assets	(197,585,353)	(73,575,206)
Principal paid on long term debt	(4,970,000)	(4,705,000)
Interest paid on long term debt	(17,495,881)	(19,646,742)
Bond issuance costs paid	(11,982)	(14,773,481)
Proceeds from sale of surplus property	27,768	20,990
Net cash provided by (used for) capital and related financing activities	<u>(194,725,720)</u>	<u>259,328,687</u>
Cash Flows from Investing Activities:		
Interest received	10,912,254	8,503,261
Purchase of Investments	(79,875,271)	(275,091,745)
Sale of Investments	244,443,015	
Net cash provided by (used for) investing activities	<u>175,479,998</u>	<u>(266,588,484)</u>
Net increase in cash and cash equivalents	26,070,070	16,535,817
Cash and cash equivalents, beginning of year	287,274,314	270,738,497
Cash and cash equivalents, end of year	<u>\$ 313,344,384</u>	<u>\$ 287,274,314</u>
Reconciliation of Cash and Cash Equivalents to Statements of Net Assets:		
Cash and investments	\$ 147,527,551	\$ 119,564,463
Restricted cash and investments	55,509,309	13,248,148
Restricted assets	221,047,161	429,553,448
Less: non-cash investing, capital and financing activities	<u>(110,739,637)</u>	<u>(275,091,745)</u>
	<u>\$ 313,344,384</u>	<u>\$ 287,274,314</u>

(Continued on page 37)

See accompanying notes to the basic financial statements.

Sacramento County Airport System  
Statements of Cash Flows (continued)  
For the Fiscal Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 8,349,047	\$ (267,445)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	25,750,395	23,707,907
Provision for uncollectable accounts	(25,214)	101,305
Other nonoperating revenue	157,388	136,917
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,122,497)	(3,035,665)
(Increase) decrease in deposits with others	(331,067)	2,140,993
Decrease in prepaid expense	393,577	(170,181)
(Increase) decrease in inventories	44,026	(232,286)
Increase in accounts payable	11,243,977	394,664
Increase in warrants payable	(529,659)	(1,532,567)
(Decrease) in deferred revenue	(560,414)	1,313,488
Increase in compensated absences & OPEB Liability	490,863	450,939
Total adjustments	35,511,375	23,275,514
Net cash provided by operating activities	\$ 43,860,422	\$ 23,008,069

Non cash capital and related financing activities:

During the fiscal years ended June 30, 2009 and 2008, the Airport System retired assets with a net book value of \$27,588 and \$53,142, respectively.

Capital asset purchases included in accounts payable and warrants payable at June 30, 2009 and 2008 were \$46,627,024 and \$8,377,819, respectively.

During the fiscal year ended June 30, 2009, the Airport System transferred assets of \$2.9 million to the City of Sacramento and the County Water Agency, according to the agreement approved by the Board of Supervisors with Resolution number 2006-0852. At the end of the fiscal year, \$1.8 million was recorded as due from other governments in the Statement of Net Assets.

See accompanying notes to the basic financial statements.

## Notes to the Basic Financial Statements

### For the Fiscal Years ended June 30, 2009 and 2008

#### **Note 1 – Summary of Significant Accounting Policies**

##### **Reporting Entity**

The Airport System is an enterprise fund of the County of Sacramento. The Airport System is responsible for the operations, maintenance and development of all four of its airports which include Sacramento International Airport, Sacramento Executive Airport, Mather Airport and Franklin Field. The Airport System is accounted for as a single enterprise fund with no financial accountability for any component units.

The five members of the County's Board of Supervisors serve as the governing body that oversees the operation of the Airport System. The Airport System is operated as a self-sufficient enterprise, and is administered by the Director of Airports who reports to the County Executive and the County Board of Supervisors.

##### **Basis of Accounting**

The Airport System uses the accounting principles applicable to a similar private business enterprise, where the cost of providing services to the public on a continuing basis is recovered through user fees. The Airport System uses the flow of economic resources measurement focus applied on a full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

Operating revenues and expenses generally result from providing services and delivering goods in connection with airport operations. The principal operating revenues of the Airport System include charges to customers for landing fees, terminal rents, parking and concession fees. Primary operating expenses include cost of sales and services including employee wages and benefits, purchases of materials and supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Airport System's policy to use restricted resources first, and then unrestricted resources, as they are needed.

Under Governmental Accounting Standards Board (GASB) Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Airport System has elected not to apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

##### **Budgetary Process**

The Airport System prepares an annual operating and capital budget, which is approved and adopted by the County Board of Supervisors. The budget serves as an approved plan to facilitate financial control and operational evaluation. California state law does not require formal adoption of appropriated budgets for enterprise funds.

##### **Cash and Investments**

For purposes of the statements of cash flows, the Airport System considers all short-term highly liquid investments, including restricted assets and amounts held in the County's investment pools, to be cash and cash equivalents. Amounts held in the County's investment pools are available on demand; thus, they are considered highly liquid and cash equivalents for purposes of the statements of cash flows. Restricted Assets as of June 30, 2009 included \$71,454,524 invested with the fiscal agent, and \$36,778,469 held outside the County's investment pool that are not considered cash and cash equivalents and \$2,506,644 held under various trust accounts.

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

Restricted Assets as of June 30, 2008 included \$213,190,897 invested with the fiscal agent and \$61,900,848 held outside the County's investment pool that are not considered cash and cash equivalents. Investments in the County pool are reported at their fair value and the guaranteed investment contracts at their amortized cost.

#### **Due From Other Governments**

Federal grant funding for capital projects is accounted for on a reimbursement basis whereby costs are incurred prior to actual cash receipt of the grant. The amounts due from other governments represent claims to federal and State agencies and due from the City of Sacramento for operating and capital project costs incurred but not reimbursed at year-end.

#### **Inventories**

Inventories consist of ground fuel purchased for resale. Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories are recorded as expenses when consumed rather than when purchased.

#### **Deferred Charges**

Deferred charges consist of costs incurred for the issuance of the Series 2008 Airport System Revenue Bonds.

On May 1, 2008, the County issued Series 2008 Airport System Senior Revenue Bonds and Series 2008 Airport System Subordinate and PFC Revenue Refunding Bonds. These Bonds fully refunded all prior outstanding bond series and the deferred charges related to the refunded bonds were written off as part of the refunding transaction.

Amortization of the bond issuance costs is computed using the straight-line method over the life of the debt. Accumulated amortization was \$563,240 at June 30, 2009.

#### **Capital Assets**

Capital assets are carried at cost except for capital assets contributed to the Airport System, which are stated at their fair market value on the date contributed. When capital assets are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any resulting gain or loss is reflected in non-operating revenues (expenses) for the period. Maintenance and repair costs are expensed as incurred. Significant renewals or betterments are capitalized and depreciated over their estimated useful lives.

Depreciation and amortization of capital assets is computed under the straight-line method over the following estimated useful lives:

Structures and improvements	15 – 40 years
Leasehold improvements	5 – 15 years
Equipment	5 – 15 years

Costs incurred for major improvements are carried in construction in progress until the project is complete, at which time costs related to the project are reclassified in the appropriate capital asset account.

The Airport System's policy is to capitalize all capital assets with a cost greater than \$5,000 and a useful life of more than three years.



## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

#### **Capitalization of Interest**

Interest costs relating to the acquisition or construction of capital assets are capitalized as a component of the cost of the capital assets. In situations where capital assets are financed with the proceeds of tax-exempt debt, the amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested proceeds over the same period. Total capitalized interest relating to projects completed or in progress during the fiscal years ended June 30, 2009 and 2008 was \$11,211,932 and \$2,587,415 respectively.

#### **Long-Term Debt Refunding**

The Airport System periodically refunds its debt. The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the life of the old or new debt, whichever is shorter. The amount deferred is reported as a deduction from the new debt liability.

#### **Compensated Absences**

Airport System employees accrue vacation in varying amounts based on job classification and length of service. Additionally, certain employees are allowed compensated time off in lieu of overtime compensation and/or working on holidays.

Sick leave is earned by regular, full-time employees. Any sick leave hours not used during the period are carried forward to following years, with no limit to the number of hours that can be accumulated. Any sick leave hours unused at the time of an employee's retirement are added to the actual period of service when computing retirement benefits. Upon retirement, management employees have the option of receiving payment for one half of accrued sick leave with the balance included in the calculation of retirement benefits.

It is the policy of the County not to pay accumulated sick leave to employees who terminate prior to retirement. The liability for compensated absences earned through year-end, but not yet taken, is accrued in the accompanying financial statements. Compensated Absences liability activity for the fiscal years ended June 30, 2009 and June 30, 2008 can be found in Note 6 on long term liabilities.

#### **Passenger Facility Charge Revenue**

Passenger Facility Charges (PFCs) are fees charged to enplaned passengers by airport operators for the purpose of generating revenue for airport projects that increase capacity, increase safety, enhance airline competition or mitigate noise impact. On April 1, 1993, the Airport System received approval from the Federal Aviation Administration (FAA) to impose a \$3.00 Passenger Facility Charge at Sacramento International Airport, which along with subsequent approvals, authorized the Airport System to finance projects totaling approximately \$891.3 million.

On October 31, 2001, as a result of the Airport System's request to increase the fee, the FAA authorized the Airport System to increase the \$3.00 fee to \$4.50 per enplaned passenger but only for certain eligible projects. This increase was approved through February 1, 2003 at which time the rate returned to \$3.00 per enplaned passenger. On June 25, 2003, the FAA approved the Airport System's request to increase the level to \$4.50 on the remaining eligible projects, effective September 1, 2003. As of June 30, 2009 the Airport System has cumulatively collected \$263.4 million in PFC revenue. PFCs, along with related interest income, are recognized and recorded as non-operating revenue in the year collected from the air carriers.

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

#### Grant Revenue

Federal and state governments reimburse the Airport System for costs incurred on certain capital asset construction projects under capital grant agreements. Amounts claimed under such grants are recorded as capital contributions revenue. Additionally, the Airport System receives reimbursement from federal and state governments for non-capital construction projects and these reimbursements are recorded as intergovernmental revenues with the related program costs recorded as expenses.

#### Risk Management

The County maintains all-risk blanket property insurance coverage, including flood, earthquake and sabotage and terrorism which provides limits of \$2,189 million per occurrence annually. This policy covers real and personal property of the Airport System and contains additional boiler and machinery coverage in the amount of \$100 million per occurrence annually. The Airport System, through the County, maintains an airport operations and hangarkeepers liability insurance policy which provides limits of liability coverage for up to \$500 million per occurrence. Current premium charges are expensed in the year incurred.

In addition to the above property and airport liability policies, the Airport System participates in the County's self-insurance program for crime, pollution, and workers' compensation. Annual premiums are based primarily upon claims experience. Current premiums are charged to expense when paid.

The new terminal and related construction at Sacramento International is covered separately by an OCIP (Owner Controlled Insurance Program) with coverage ranging between \$25 million per occurrence for pollution liability and \$205 million for general liability, with separate limits for airside and landside.

During the past three fiscal years, there were no instances of settlements which exceeded insurance coverage and no significant reductions in insurance coverage.

#### Reclassifications

Certain amounts in the financial statements have been reclassified from the presentation in the prior year report to conform to the current fiscal year presentation.

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

#### Note 2 - Cash and Investments

Cash and Investments as of June 30 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	2009	2008
Cash and Investments	\$ 147,527,551	\$ 119,564,463
Restricted Cash and Investments - Current	55,509,309	13,248,148
Restricted Cash and Investments - Noncurrent	221,047,161	429,553,448
Total Cash and Investments	<u>424,084,021</u>	<u>562,366,059</u>
Cash and investments as of June 30, consist of the following:		
Deposits with the County's Treasury Pool	290,563,910	263,781,952
Specific directed investments with County Treasury	71,454,524	236,683,259
Investments held by trustee	62,065,587	61,900,848
Total Cash and Investments	<u>424,084,021</u>	<u>562,366,059</u>

The Airport System maintains specific cash deposits and investments with the County and involuntarily participates in the County Treasurer's pool which is not rated. The Airport System's risk disclosures for the cash held by the County Treasurer's pool required by GASB 40, *Deposit and Investment Risk Disclosures*, can be found in the County's Comprehensive Annual Financial Report.

#### **Investments and GASB 40 Presentation**

Investments are restricted per Government Code Section 53600 et. Seq. and 16429.1 and the Bond Master Indenture of Trust dated May 1, 2008 and subsequent supplemental indentures (collectively, the Bond Indenture). The County Treasurer also manages the Fiscal Agent Pool to segregate and invest monies in accordance with the Bond Indenture, as well as California Government Code and the County's own investment policy. Details about the investments allowed per the Government Code and the County's investment policy are included in the County's Comprehensive Annual Financial Report. The Bond Indenture follows the County's investment policy with respect to permitted investments. The Airport System was in full compliance with the above cited Government Code sections and the Bond Indenture.

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity to changes in interest rates is. One of the ways that the County manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments. The County's policy regarding interest rate risk is as follows: no investment may have a remaining maturity in excess of 5 years and the weighted average maturity of the pool shall not exceed 3 years. The table on the following page shows the distribution of the Airport Systems investments by maturity.

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

June 30, 2009							
Maturity							
	Credit <u>Rating</u>	Under 30 <u>Days</u>	31-180 <u>Days</u>	180-365 <u>Days</u>	1-5 <u>Years</u>	Over 5 <u>Years</u>	<u>Fair Value</u>
Cash in the Treasury Pool	NR						\$ 290,563,910
Mutual Funds	AAAm	25,287,118					25,287,118
Guaranteed investment contracts	NR		69,924,349	1,530,174	36,778,470		108,232,993
		\$ 25,287,118	\$ 69,924,349	\$ 1,530,174	\$ 36,778,470	\$ -	\$ 424,084,021

June 30, 2008							
Maturity							
	Credit <u>Rating</u>	Under 30 <u>Days</u>	31-180 <u>Days</u>	180-365 <u>Days</u>	1-5 <u>Years</u>	Over 5 <u>Years</u>	<u>Fair Value</u>
Cash in the Treasury Pool	NR						\$ 263,781,952
FNMA Discount Notes	P-1/A-1+	4,588,000					4,588,000
FHLB Discount Notes	P-1/A-1+	8,829,714					8,829,714
Mutual Funds	AAAm	10,074,648					10,074,648
Guaranteed investment contracts	NR				275,091,745		275,091,745
		\$ 23,492,362	\$ -	\$ -	\$ 275,091,745	\$ -	\$ 562,366,059

Credit Risk – This is the risk that the Airport System will lose money because of the default of the security of the issuer or investment counterparty. The Airport System is permitted to hold investments of issuers with a short term rating of superior capacity and a minimum long term rating of upper medium grade by the top two nationally recognized statistical rating organizations (rating agencies). For short-term rating, the issuers' rating must be at least A-1 and P-1, and the long-term rating must be at least A- and A3, respectively by Standard & Poor's and Moody's rating agencies. In addition, the Airport System is permitted to invest in the State's Local Agency Investment Fund, collateralized certificates of deposits and notes issued by the County of Sacramento that are not rated. The list of permitted investments with the minimum legal rating is presented on the next page.

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

Investment Type	Minimum Legal Rating
Treasury Strips	Aaa/AAA
Federal Farm Credit Bonds	Aaa/AAA
Federal Home Loan Banks	Aaa/AAA
Federal National Mortgage Association	Aaa/AAA
Government Agency Notes	Aaa/AAA
FNMA Discount Notes	Aaa/AAA
FFCB Discount Notes	Aaa/AAA
FHLB Discount Notes	Aaa/AAA
FHLMC Discount Notes	Aaa/AAA
FHLMC	Aaa/AAA
State and Local Governments (SLG's)	Aaa/AAA
Commercial paper	P-1/A-1+
Municipal Bond	Aa2/AA+
Negotiable certificates of deposits	P-1/A-1+
Other assets held by Treasurer (primarily Teeter Plan notes)	NR
Local Agency Investment Fund	NR
Mutual funds	AAAm
Guaranteed investment contracts	NR

**Custodial Credit Risk** – This is the risk that in the event a financial institution or counterparty fails, the Airport System would not be able to recover the value of its deposits and investments. As of June 30, 2009 and 2008, 100% of the Airport System's investments in deposits are held in the Airport System's or County of Sacramento's name. There are no general policies relating to custodial credit risk.

**Concentration of Credit Risk** – This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2009, 6% of the portfolio is invested in money market funds and 25.5% in guaranteed investment contracts. The guaranteed investment contracts are invested with FSA and totaled \$108,232,993. As of June 30, 2008, 48.9% of the portfolio was invested in guaranteed investment contracts and totaled \$275,091,745.

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

#### Note 3 - Receivables and Payables

##### Receivables

The following amounts represent receivables due to the Airport System at June 30, 2009 and 2008:

	2009	2008
Receivables:		
Account receivables - trade	\$ 8,179,434	\$ 7,014,589
Account receivables - passenger facility charges	2,947,013	1,965,896
Amounts due from other County funds	367,599	409,946
Gross receivables	11,494,046	9,390,431
Less allowance for doubtful accounts	(167,099)	(192,313)
Net receivables	<u>\$ 11,326,947</u>	<u>\$ 9,198,118</u>

##### Payables

The following represents payables owed by the Airport System at June 30, 2009 and 2008:

	2009	2008
Accounts payable and accrued expenses:		
Due to Airlines	\$ 10,163,641	\$ -
Vendors	5,652,172	8,412,737
Due to other County funds	3,702,867	3,127,063
Deposits from others	432,922	350,082
Payroll taxes and payroll related	943,262	760,992
Accrued contingencies	31,042	34,463
Due to other governments	516	132,761
Taxes payable other	10,726	5,371
Total payables - unrestricted	<u>20,937,147</u>	<u>12,823,469</u>
Payables from restricted assets:		
Bonds interest payable	14,550,386	-
Bonds payable - current	10,710,000	4,970,000
Vendors	29,773,999	8,262,210
Due to other County funds	474,792	14,721
Due to other governments	132	1,217
Total payables from restricted assets	<u>55,509,309</u>	<u>13,248,148</u>
Total accounts payable and accrued expenses	<u>\$ 76,446,457</u>	<u>\$ 26,071,617</u>

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

#### Note 4 - Restricted Assets

Restricted assets consist of the following:

	June 30	
	2009	2008
Revenue Bond Operating Reserve Account reflects revenues equal to three months' operating expenses restricted for contingencies related to operations. This is cash held by the County Treasurer's pool.	\$27,260,013	\$21,730,250
Revenue Bond Reserve and Contingency Account reflects Airport System revenues which are restricted for unanticipated or emergency repairs and emergency replacements to the Airport System. This is cash held by the County Treasurer's pool.	2,000,000	1,333,333
Revenue Bond Construction Account reflects monies restricted for acquisition and construction of projects under the Series 2008 A & B Senior Revenue Bonds. This is cash held by the County as part of the County's Treasurer's Pool and the fiscal agent pool.	71,697,527	237,369,643
Revenue Bond Capitalized Interest Account reflects monies restricted for payment of bond interest expense on the Series 2008 A and B Senior Revenue Bonds. This is cash held by a trustee outside the County of Sacramento.	36,901,852	55,144,724
Revenue Debt Service Reserve Account reflects monies restricted for the purpose of making up any deficiency in the Revenue Bond Debt Service Account to the extent money on deposit in such funds is insufficient to pay interest and principal on the bonds as they become due and payable. This is cash held by the County as part of the County's Treasurer's Pool and the fiscal agent pool.	—	80,050
Revenue Bond Debt Service Account reflects monies restricted for the purpose of payment of principal and interest of the Series 2008 Senior Revenue Bonds and 2008 Subordinate and PFC Revenue Refunding Bonds. This is cash held by the County as part of the County's Treasurer's Pool and by the trustee outside the County of Sacramento.	25,537,593	5,066,205
Revenue Bond Rebate Account reflects monies that are pledged to make rebate payments to the United States government. This is cash held by the County as part of the County's Treasurer's Pool and the fiscal agent pool.	—	281,785
Passenger Facility Charges reflect PFC revenues received which are restricted for specified asset acquisitions. This is cash held by the County Treasurer's pool.	111,123,225	121,795,606
Terminal Modernization Program Art Endowment Trust Fund-Nonexpendable	2,000,000	—
Terminal Modernization Program Art Endowment Interest Earnings - Expendable	36,260	—
Total restricted assets	276,556,470	442,801,595
Less: Restricted current assets reserved to repay current liabilities	(55,509,309)	(13,248,148)
Non-current restricted assets	<u>\$ 221,047,161</u>	<u>\$ 429,553,448</u>



## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

#### Note 5 - Capital Assets

Capital asset activity for the fiscal years ended June 30, 2008 and June 30, 2009 were as follows:

	Balance July 1, 2008	Increase	Decrease	Balance June 30, 2009
<b>Capital assets not being depreciated</b>				
Land	\$ 40,245,470	\$ -	\$ -	\$ 40,245,470
Construction in progress	73,235,823	218,585,824	(17,759,708)	274,061,939
Total capital assets, not being depreciated	113,481,293	218,585,824	(17,759,708)	314,307,409
<b>Capital assets being depreciated</b>				
Structures and improvements	519,332,400	18,917,224	(3,440,233)	534,809,391
Leasehold improvements	52,117,131	1,242,773	-	53,359,904
Equipment	25,794,001	3,710,144	(749,977)	28,754,168
Total capital assets, being depreciated	597,243,532	23,870,141	(4,190,210)	616,923,463
<b>Less accumulated depreciation for:</b>				
Structures and Improvements	(197,828,962)	(21,061,635)	169,786	(218,720,811)
Leasehold improvements	(19,546,342)	(2,400,313)	-	(21,946,655)
Equipment	(16,377,501)	(2,289,074)	722,389	(17,944,186)
Total accumulated depreciation	(233,752,805)	(25,751,022)	892,175	(258,611,652)
Total capital assets, being depreciated, net	363,490,727	(1,880,881)	(3,298,035)	358,311,811
Net capital assets	\$ 476,972,020	\$ 216,704,943	\$ (21,057,743)	\$ 672,619,220

	Balance July 1, 2007	Increase	Decrease	Balance June 30, 2008
<b>Capital assets not being depreciated</b>				
Land	\$ 40,245,070	\$ 400	\$ -	\$ 40,245,470
Construction in progress	45,005,085	56,788,697	(28,557,959)	73,235,823
Total capital assets, not being depreciated	85,250,155	56,789,097	(28,557,959)	113,481,293
<b>Capital assets being depreciated</b>				
Structures and improvements	478,458,174	40,874,226	-	519,332,400
Leasehold improvements	47,596,634	4,520,497	-	52,117,131
Equipment	22,317,060	3,949,311	(472,370)	25,794,001
Total capital assets, being depreciated	548,371,868	49,344,034	(472,370)	597,243,532
<b>Less accumulated depreciation for:</b>				
Structures and Improvements	(178,638,739)	(19,190,223)	-	(197,828,962)
Leasehold improvements	(17,494,232)	(2,053,347)	1,237	(19,546,342)
Equipment	(13,866,704)	(3,023,509)	512,712	(16,377,501)
Total accumulated depreciation	(209,999,675)	(24,267,079)	513,949	(233,752,805)
Total capital assets, being depreciated, net	338,372,193	25,076,955	41,579	363,490,727
Net capital assets	\$ 423,622,348	\$ 81,866,052	\$ (28,516,380)	\$ 476,972,020

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

#### Note 6 – Long Term Liabilities

	June 30	
	2009	2008
<b>Revenue Bonds:</b>		
2008 series A, 4.85% to 5.0% due 2028-2041	\$ 166,675,000	\$ 169,575,000
Less unamortized premium and deferred amount on refunding	(9,114,293)	(9,856,419)
	157,560,707	159,718,581
2008 series B, 4.25% to 5.75%, due 2013-2039	313,760,000	314,340,000
Less unamortized discount and deferred amount on refunding	(5,789,538)	(6,084,272)
	307,970,462	308,255,728
2008 series C, 5.2% due 2012	12,280,000	12,280,000
Less deferred amount on refunding	(1,316,865)	(1,755,820)
	10,963,135	10,524,180
<b>PFC and Subordinated Revenue Bonds:</b>		
2008 series D, 5% due 2026	45,595,000	46,390,000
Less unamortized premium and deferred amount on refunding	(2,490,465)	(3,005,593)
	43,104,535	43,384,407
2008 series E, 4.25% to 5.75 % due 2013-2024	42,345,000	43,040,000
Less unamortized premium and deferred amount on refunding	(2,313,266)	(2,546,625)
	40,031,734	40,493,375
Total revenue bonds payable	<u>\$ 559,630,572</u>	<u>\$ 562,376,271</u>

On May 1, 2008, The County issued \$496,195,000 of Airport System Senior Revenue Bonds, Series A, B and C, and \$89,430,000 of Airport System Subordinate and PFC Revenue Refunding Bonds, Series D and E.

Series 2008A fully refunded Series 1992B Bonds, Series 1998A Bonds and advance refunded Series 2002A Bonds. Series 2008A also provided \$56.5 million to finance a portion of the costs of Terminal Modernization Program at Sacramento International Airport. Series 2008B refunded 45.4% of the Series 2006A Bonds and provided \$266.5 million to finance a portion of the costs of Terminal Modernization Program at Sacramento International Airport. Series 2008C advance refunded Series 2002B Bonds. Series 2008D fully refunded Series 1998B Bonds. Series 2008E refunded 54.6% of the Series 2006A Bonds.

The reacquisition price exceeded the net carrying amount of the old debt by \$15,225,318. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This current and advance refunding was undertaken in part to adopt a new Bond Indenture that was approved by the County of Sacramento Board of Supervisors. This refunding and advance refunding reduced the total debt service payments over the next 25 years by \$38,284,802 and resulted in an economic gain of \$24,908,154. The Series A, B and C Bonds are payable from, and secured by, future Net Revenues of the Airport System. The Series D and E Bonds are payable from, and secured by, a pledge of the net proceeds of the PFC imposed by the Airport System. The bonds are additionally payable from, and secured by, the Net Revenues of the Airport System subordinate and junior to the lien of the Series 2008 A, B and C Bonds, and any additional parity revenue bonds that may be issued in the future.

The bonds are issued under the terms of supplemental indentures adopted by the Board and are subject to call and redemption at the option of the Airport System prior to their respective maturity dates. The bonds are redeemable

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

based on the following terms and the redemption may occur from any source.

<u>Series</u>	<u>Maturing After:</u>	<u>Prices Decreasing From:</u>
2008A	July 1, 2019	100% in FY2019 at 100% and thereafter
2008B	July 1, 2019	100% in FY2019 at 100% and thereafter
2008C	July 1, 2012	not subject to optional redemption
2008D	July 1, 2019	100% in FY2019 at 100% and thereafter
2008E	July 1, 2019	100% in FY2019 at 100% and thereafter

Certain revenue bond obligations have been defeased “in-substance” by placement of assets in an irrevocable trust. Their outstanding principal balances at June 30, 2009 are as follows:

Bond Issue:

Series 2002A Revenue Bonds	66,890,000
Series 2002B Revenue Bonds	<u>12,315,000</u>
 TOTAL	 <u>\$79,205,000</u>

Future debt service requirements at June 30, 2009 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 10,710,000	\$ 28,847,283	\$ 39,557,283
2011	12,035,000	28,356,884	40,391,884
2012	12,965,000	27,868,868	40,833,868
2013	13,295,000	27,353,136	40,648,136
2014	10,180,000	26,901,273	37,081,273
2015 - 2019	54,745,000	127,609,926	182,354,926
2020 - 2024	63,190,000	113,416,011	176,606,011
2025 - 2029	77,580,000	95,586,150	173,166,150
2030 - 2034	103,335,000	71,715,405	175,050,405
2035 - 2039	133,385,000	40,919,119	174,304,119
2040 - 2041	89,235,000	6,671,150	95,906,150
Total	<u>\$ 580,655,000</u>	<u>\$ 595,245,204</u>	<u>\$ 1,175,900,204</u>

The Bond Indenture constitutes a contract between the County and the bondholders, under which the County has irrevocably pledged the Net Revenues of the Airport System for payment of the revenue bonds. Net Revenues, as defined by the Bond Indenture, are revenues less operating expenses. Certain expenses are specifically excluded from the calculation. See Note 7 for more details on the Net Revenue pledge. The County has covenanted that it will establish rates and charges for the use of Airport System services and facilities which yield Net Revenues equal to at least 1.25 times the senior debt service to become due on the bonds for each fiscal year.

The PFC and Subordinated Revenue Bonds are payable from and secured by certain pledged amounts of the net proceeds from the Passenger Facility Charge imposed by the Airport System on and after July 1, 1996, and are additionally payable from and secured by the Net Revenues of the Airport System subordinate and junior to the lien of the senior revenue bonds and certain other obligations. Pursuant to the second supplemental indenture

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

the Airport System has pledged PFCs in the amounts identified in Note 7 – Pledged Revenues on page 51 as Available Revenues for the payment of debt service on the Series 2008D and E Bonds.

The interest paid on most debt issued by state and local governments is exempt from federal income tax. As a result, purchasers of state and municipal debt are willing to accept lower interest rates than they would on taxable debt. State and local governments sometimes temporarily reinvest the proceeds of such debt in higher-yielding taxable securities. The federal tax code refers to this practice as arbitrage. In general, with a few exceptions, any excess earnings resulting from arbitrage must be rebated to the federal government.

The Bond Indenture and the prior bond resolution also require that certain funds be established and certain accounting procedures be followed. For fiscal years 2009 and 2008, the Airport System was in compliance with these covenants.

Long-term liability activity for the fiscal years ended June 30, 2008 and June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 496,195,000	\$ -	\$ 3,480,000	\$ 492,715,000	\$ 7,850,000
PFC and Subordinated Revenue Bonds	89,430,000	-	1,490,000	87,940,000	2,860,000
Deferred amounts:					
For issuance premiums	4,095,628	-	183,181	3,912,447	-
For issuance discounts	(2,882,702)	-	(92,990)	(2,789,712)	-
On refunding	(24,461,655)	-	(2,314,492)	(22,147,163)	-
Total bonds payable	562,376,271	-	2,745,699	559,630,572	10,710,000
Compensated Absences	3,075,600	2,642,656	2,277,019	3,441,237	90,530
OPEB Liability	132,090	32,025	-	164,115	-
Estimated arbitrage taxes payable	177,671	-	177,671	-	-
Total long term liabilities	<u>\$ 565,761,632</u>	<u>\$ 2,674,681</u>	<u>\$ 5,200,389</u>	<u>\$ 563,235,924</u>	<u>\$ 10,800,530</u>

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 205,160,000	\$ 496,195,000	\$ 205,160,000	\$ 496,195,000	\$ 3,480,000
PFC and Subordinated Revenue Bonds	49,235,000	89,430,000	49,235,000	89,430,000	1,490,000
Deferred amounts:					
For issuance premiums	1,504,361	4,117,563	1,526,296	4,095,628	-
For issuance discounts	(1,344,284)	(2,898,200)	(1,359,782)	(2,882,702)	-
On refunding	(10,421,595)	(15,225,318)	(1,185,258)	(24,461,655)	-
Total bonds payable	244,133,482	571,619,045	253,376,256	562,376,271	4,970,000
Compensated Absences	2,624,662	2,420,054	1,969,116	3,075,600	51,641
OPEB Liability	-	132,090	-	132,090	-
Estimated arbitrage taxes payable	97,517	80,154	-	177,671	-
Total long term liabilities	<u>\$ 246,855,661</u>	<u>\$ 574,251,343</u>	<u>\$ 255,345,372</u>	<u>\$ 565,761,632</u>	<u>\$ 5,021,641</u>

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

#### Note 7 – Pledged Revenue

The Airport System has pledged certain future revenues, net of specified operating expenses, to repay \$496,195,000 in Senior Revenue Bonds issued in May 2008. Proceeds from the bonds refunded Series 1992B, Series 1998A, Series 2002A, 45.4% of Series 2006A as well as provided \$323 million in financing for the Terminal Modernization Program. The bonds are payable solely from Net Revenues of the Airport System and are payable through 2041. Annual principal and interest payments on the bonds are estimated to require an average 36% of Net Revenues over the next four years. The total principal and interest remaining to be paid on these bonds is \$1,047,957,047. Principal and interest paid for the current year was \$20,183,811 and the total Net Revenues were \$49,941,066.

The Airport System has pledged Passenger Facility Charges to repay \$89,430,000 in Airport System Subordinate and PFC Revenue Refunding Bonds issued in May 2008. Proceeds from the bonds refunded Series 1996C, Series 1998B and 54.6% of Series 2006A. The bonds are payable through 2026. The pledged revenues below are estimated to require an average 27% of PFC Revenues over the next four years. Total principal and interest remaining to be paid on the bonds is \$127,943,157. Principal and interest paid for the current year was \$4,219,838 and PFC revenue was \$21,489,873. The table below identifies the available PFC revenue pledged for the payment of debt service on the Series 2008D and 2008E bonds:

<u>Fiscal Year Ending June 30</u>	<u>Passenger Facility Charges</u>
2010	\$ 7,821,256
2011	8,354,400
2012	8,266,300
2013	8,180,513
2014	8,077,535
2015	7,973,090
2016	7,889,565
2017	7,762,615

#### Note 8 - Rentals and Operating Leases

The Airport System derives a substantial portion of its revenues from charges to air carriers and concessionaires. Substantially all of the assets classified under capital assets in the statements of net assets are held by the Airport System for the purpose of rental or related use.

The Airport System as lessor, leases land, buildings and terminal space to air carriers and concessionaires on a fixed fee as well as a contingent basis. All leases of the Airport System are treated as operating leases for accounting purposes. Most of the leases provide for an annual review and re-determination of the rental amounts.

In fiscal years 2009 and 2008, the Airport System received approximately \$3,241,428 and \$7,400,150, respectively, for contingent rental payments in excess of stated minimums. The following is a schedule of future minimum rentals receivable on non-cancelable operating leases as of June 30, 2009.

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

Fiscal years ending June 30	
2010	\$ 17,030,764
2011	15,243,846
2012	14,525,028
2013	13,656,440
2014	11,797,516
2015-2019	6,011,078
2020-2024	3,112,422
2025-2029	3,159,258
2030-2034	1,367,844
2035-2039	410,872
Total future minimum rentals receivable	<u>\$ 86,315,068</u>

#### **Note 9 – Restricted Net Assets**

Restricted net assets are assets that are subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provision or enabling legislation.

On March 25, 2008, the Board of Supervisors approved a total TMP art budget of \$8 million which included a \$2 million endowment to be used to support the airport public art in perpetuity. The interest from the endowment fund will fund: a comprehensive conservation/maintenance and repair program, the creation and maintenance of an ongoing exhibition program and the commissioning of new and permanent artworks. On September 9, 2008, the Board of Supervisors approved a Resolution which directed the Airport System staff to deposit \$2 million into the Airport Art Endowment Fund, on or before October 15, 2008.

Net assets restricted by enabling legislation totaling \$103,733,132 and \$123,802,107 are included in statements of net assets at June 30, 2009 and 2008, respectively.

#### **Note 10 - Related Party Transactions**

The Airport System reimburses the County for the cost of providing the Airport System with security, engineering, administrative and certain maintenance services. Amounts charged by other County departments are reported as operating expenses during the period incurred or capitalized as capital assets. Accrued expenses for County services were \$2,056,978 and \$3,127,063 at June 30, 2009 and 2008, respectively.

Amounts charged by other County departments for fiscal years 2009 and 2008 are as follows:

	2009	2008
Charged to operations	\$ 19,167,353	\$ 18,184,367
Capitalized as capital assets	6,209,927	2,525,935
Total charged by other County departments	<u>\$ 25,377,280</u>	<u>\$ 20,710,302</u>

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

#### **Note 11 - Defined Benefit Pension Plan**

All permanent full-time or part time employees of the Airport System participate in the Sacramento County Employees' Retirement System (SCERS), a cost-sharing multiple-employer defined benefit public employee retirement system. A stand alone report is issued for SCERS and may be obtained from the County Department of Finance located at 700 H Street, Sacramento, California 95814. The payroll for Airport System employees covered by SCERS for the fiscal years ended June 30, 2009 and 2008 was \$20,526,538 and \$18,694,836, respectively. The Airport System's total payroll for the fiscal years ended June 30, 2009 and 2008 was \$21,472,378 and \$19,760,139, respectively. Retirement benefits are based on members' years of service and compensation. Additionally, SCERS provides for benefits upon death or disability of eligible members. Upon reaching five years of service, members have earned the right to receive a retirement benefit. Members are eligible for retirement at age 50 or after 30 years of service for miscellaneous members and 20 years of service for safety members.

Under the actuarial funding method used by SCERS, investments are valued at market and all unrealized gains and losses are recognized over the next five years. Therefore, contribution rates reflect the impact of market fluctuations on investments during the five-year period after they occur rather than upon disposition of the investment.

Member contributions are required by law and are based on age of entry into SCERS. County contributions are actuarially determined to provide for the balance of contributions needed. The authority for both benefit provisions and contribution obligations is derived from the County Employees Retirement Act of 1937. The contribution requirement for Airport System employees for the year ended June 30, 2009 was \$4,670,684 which consisted of \$3,448,250 from the Airport System and \$1,222,434 from employees; these contributions represented 16.8 percent and 6.0 percent, respectively, of covered payroll. The contribution requirement for the year ended June 30, 2008 was \$4,267,000 which consisted of \$3,199,000 from the Airport System and \$1,068,000 from employees; these contributions represented 17.1 percent and 5.7 percent, respectively, of covered payroll. For fiscal years 2009, 2008 and 2007, the Airport System's annual pension cost of \$3,448,250, \$3,199,200 and \$3,131,000 respectively, was equal to its required contributions.

#### **Note 12 – Post-Employment Health Care Benefits**

##### **Plan Description**

The Airport System is a department of the County, which provides medical insurance and dental insurance, and subsidy/offset payments as authorized by the Board of Supervisors on an annual basis. The Board of Supervisors must approve the benefit annually or it is terminated.

All annuitants are eligible to enroll in a retiree medical and/or dental insurance plan in a given calendar year if (1) they began receiving a continuing retirement allowance from SCERS during that calendar year, or (2) they were enrolled in the annual plan previously approved by the County, or (3) they previously waived coverage but elected to enroll during the County authorized enrollment period with a coverage date effective January of the given calendar year (continuous coverage).

Annuitytants who retired for any reason on or before May 31, 2007 are eligible to receive a County-paid medical or dental insurance subsidy/offset payment. Annuitytants who retire after May 31, 2007 are not entitled to any subsidy/offset payments. The amount of subsidy/offset payments for the calendar year 2008 ranged from \$122 to \$244 per month depending upon the years of service credit.



## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

The amount of any medical subsidy/offset payments made available to annuitants (who retired on or before May 31, 2007) shall be calculated based upon the annuitant's SCERS service credit. The amount of any dental subsidy/offset payments made available to annuitants shall be set by the Board of Supervisors.

Neither SCERS nor the County guarantees that a subsidy or offset payment will be made available to annuitants for the purchase of County-sponsored medical and/or dental insurance. Subsidy/offset payments are not a vested benefit of County employment or SCERS membership.

#### Funding Policy

The County currently pays for post-employment health care benefits of annuitants who retired on or before May 31, 2007 on a pay-as-you-go basis. These financial statements assume that pay-as-you-go will continue.

Additional details, actuarial assumptions, funded status of the plan and required supplementary information can be found in the County's Comprehensive Annual Financial Report.

#### Annual OPEB Cost and Net OPEB Obligation

The Airport System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2009 and 2008, are shown in the tables below.

	<b>June 30</b>	
	<b>2009</b>	<b>2008</b>
Annual required contribution	\$ 535,807	\$ 542,477
Interest on net OPEB obligation	3,432	-
Adjustment to annual required contribution	(7,892)	-
Annual OPEB cost	531,347	542,477
Contributions made	(499,322)	(410,387)
Increase in net OPEB obligation	32,025	132,090
Net OPEB obligation - beginning of year	132,090	-
Net OPEB obligation - end of year	\$ 164,115	\$ 132,090

Fiscal year ended	Annual OPEB Cost	Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$ 542,477	\$ 410,387	76%	\$ 132,090
6/30/2009	\$ 531,347	\$ 499,322	94%	\$ 164,115

Additional Disclosure: The County implemented GASB Statement 45 prospectively for the fiscal year ended June 30, 2008; therefore data for fiscal year ended June 30, 2007 is not available. In the future, information from the three most recent valuations will be presented.

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

#### **Note 13 - Commitments and Contingencies**

Construction Projects: The Airport System had approximately \$143,833,893 in outstanding construction contract commitments at June 30, 2009.

Federal Grant Awards: As of June 30, 2009, the Airport System had outstanding federal grant awards totaling approximately \$6.1 million for various construction projects at Sacramento International Airport. Such funds are not available to the Airport System until related approved expenses are incurred and, until such time, are not accrued as receivables.

On March 6, 2009, the FAA approved the County's Letter of Intent application to fund \$59.9 million of the eligible costs of the TMP. The AIP grant awards will span between fiscal years 2009 and 2015. In addition, the Airport System will receive \$11.3 million funding from the Transportation Security Administration under the American Recovery and Reinvestment Act for security-related projects.

Federal grant funds received or receivable are subject to audit and adjustment by the funding agency or their representative. If grant funds are received for expenses which are subsequently disallowed, the Airport System may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenses, if any, will not be material to the accompanying financial statements at June 30, 2009.

Environmental Mitigation: Due to various activities occurring on Sacramento International Airport property during 2002 and previous years, wetlands under the jurisdiction of the U.S. Army Corps of Engineers and potential habitat for the Giant Garter Snake (GGS) were allegedly damaged in several locations. The GGS is an aquatic snake listed as "threatened" pursuant to the federal Endangered Species Act and the California Endangered Species Act. As a result of negotiations with State and federal resource agencies, including the U.S. Fish and Wildlife Service (Service) and California Department of Fish and Game (DFG), it was agreed that the situation would be ameliorated through the Airport System's purchase of acreage appropriate for mitigation purposes.

It was also agreed among the resource agencies and the Airport System that the land would be developed as GGS habitat based on consulting assistance provided by specialists possessing special expertise in the habitat needs of the GGS. The habitat preserves were also designed in a manner to exclude water during the snake's winter hibernation period, in order to exclude migratory waterfowl that could pose an aviation safety hazard. During 2007, the Airport System conducted a competitive selection process to identify a qualified non-profit preserve manager for the 43-acre Prichard Lake Preserve on airport operational buffer property north of Sacramento International Airport.

As a result of this selection process, the County Board of Supervisors selected the Center for Natural Lands Management (CNLM) as the Prichard Lake Preserve manager, and authorized the Director of Airports to negotiate with CNLM for the management of other airport mitigation preserves that may be necessary in the future. Consequently, the Airport System negotiated terms and conditions with CNLM for the perpetual management of the 217-acre Willey Wetland Preserve in Sutter County.

The Service previously approved a conceptual design plan for the Willey Wetland Preserve. On July 17, 2007 the County Board of Supervisors approved Resolution 2007-0892, which authorized the Director of Airports to execute a Settlement Agreement between the Service and the County, which specifies the terms and conditions of the Prichard Lake and Willey Preserves. The Settlement Agreement was executed by the Director on July 17, 2007.

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

With regard to the Willey Wetland Preserve, the Airport System will retain title to the property, all of which was purchased during fiscal year 2005 with Airport Enterprise funding; no FAA grant-in-aid funding was utilized in this transaction. The Settlement Agreement specified that the Management and Funding Agreement and conservation easement be executed by April 30, 2008, and that the management and endowment fee be conveyed to the preserve manager by that date as well. Consequently, on April 22, 2008 the Board of Supervisors approved Resolution 2008-0322, which authorized the Director of Airports to:

- Execute a Management and Funding Agreement (MFA) with CNLM for perpetual management of the Willey Wetland Preserve;
- Convey a conservation easement to CNLM; and
- Convey an Initial and Endowment payment to CNLM in the amount of \$4,979,816.

The above actions were completed on April 24, 2008, in accordance with the terms of the Settlement Agreement. The Settlement Agreement also specified that construction of the Willey Wetland Preserve be completed by October 1, 2008. The construction contract was awarded through a competitive bid process to Western Engineering Contractors, Inc in the amount of \$3,217,997 (Board Resolution 2008-0389). As of the first week of October the construction project was almost complete, but delays beyond the control of the County and the contractor had been encountered. The County Airport System therefore requested that the Service agree to extend the construction completion deadline to November 15, 2008 for completing plant and water well installation. Service authorization for the requested extension was issued on October 3, 2008. Construction of the Willey Wetland Preserve was completed on November 14, 2008, after which CNLM assumed control and management of the site. In 2008 CNLM hired a full-time Preserve Manager, Mr. Judah Grossman, Ph.D. (Ecology/Ecological Restoration) for its Sacramento region, including the Prichard Lake and Willey Preserve. Mr. Grossman's responsibilities include the Prichard Lake and Willey Wetland Preserves.

In a letter dated February 4, 2009, the Service notified the Airport System that the terms and conditions of the Settlement Agreement had been completed, and that the preserves "...are both outstanding examples of habitat preservation and restoration."

Special Facilities Revenue Bonds: Variable Rate Demand Special Facilities Airport Revenue Bonds, Series 1998 (Special Facility Bonds) totaling \$9,900,000 were issued on November 3, 1998 to finance the demolition of an existing facility and construction and installation of a replacement aircraft maintenance hangar and associated facilities at Sacramento International Airport for The Cessna Aircraft Company (Cessna). Although taking the legal form of a financing lease between the County and Cessna, the substance of these arrangements is that the Special Facility Bonds constitute a special obligation of the Airport System payable from and secured by certain revenues under its lease with Cessna and certain proceeds pledged therefore under the Indenture. The bonds do not constitute a debt, liability or general obligation of the Airport System or a pledge of the faith and credit of the Airport System. The Airport System will not be obligated to levy any taxes or expend any funds for the repayment of the bonds. As of June 30, 2009 and 2008, the outstanding balance of the debt was \$8,800,000.

On May 1, 2008 the County terminated the Scheduled Airline Operating Agreement and Terminal Building Lease (Prior Agreement) and effective July 1, 2008, the County adopted a new airline Rate Ordinance pursuant to which airline rates and charges were calculated for fiscal year 2009. Under the Rate Ordinance, landing fees are calculated according to a cost center residual methodology and terminal building rentals are calculated according to a commercial compensatory methodology. As required by the Prior Agreement, a final settlement of airline rates and charges was conducted and a net amount of \$10.4 million was credited against future airline obligations. Under the Rate Ordinance, a similar true-up calculation will be performed. Due to the complexity of this calculation, the

## Notes to the Basic Financial Statements (continued)

### For the Fiscal Years ended June 30, 2009 and 2008

amounts due to the Airport System or the amounts that the Airport System may owe to the airlines for any given fiscal year cannot be reasonably determined until the following fiscal year. The amount of the true-up will be recorded in the period it becomes estimable.

#### **Note 14 – Subsequent Events**

On July 28, 2009, the Airport System issued additional bonds in the amount of \$480,050,000 to continue the financing of the Terminal Modernization Program as follows:

Airport System Senior Revenue Bonds		Airport System Subordinate and PFC/Grant Revenue Bonds	
Series 2009 A	\$ 31,115,000	Series 2009C	\$112,860,000
Series 2009 B	\$ 170,685,000	Series 2009D	\$165,390,000

The Airport System issued the Series 2009 Senior Bonds as Senior Obligations pursuant to the Master Indenture approved on May 1, 2008 and Third Supplemental Indenture, approved on July 1, 2009. The Series 2009 Senior Bonds are to be secured by the Trust Estate and payable from Net Revenues on parity with the Series 2008 Senior Bonds.

The Airport System issued the Series 2009 Subordinate Bonds as Subordinate Obligations under the Master Indenture and the Fourth Supplemental Indenture approved on July 1, 2009. The Series 2009 Subordinate Bonds are secured by the Trust Estate and payable from Net Revenues on parity with the 2008 Subordinate Bonds. Principal of and interest on the 2009C Bonds and Series 2009D Bonds are additionally payable from and secured by Available PFC Revenues which consist of a portion of the Passenger Facility Charges approved by the Federal Aviation Administration and imposed and collected with respect to International Airport, and by Available Grant Revenues which consist of a portion of the Letter of Intent grant awards approved by the FAA on March 6, 2009.

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## Statistical Section

This section contains the following subsections:

### Financial Trends

- Net Assets
- Changes in Net Assets

### Revenue Capacity

- Total Annual Revenues
- Total Annual Expenses
- Airline Rates and Charges
- Airline and Nonairline Revenues

### Debt Capacity

- Debt Service Coverage
- Ratio of Annual Debt Service to Total Expenses
- Debt per Enplaned Passenger
- Outstanding Debt

### Demographic and Economic

- Service Area Population
- Population/Personal Income
- Principal Employers

### Operating Information

- Activity Statistics
- Scheduled Airline Service
- Principal Customers/Airport System Employees/Capital Assets

## Statistical Section

The information contained in this section is not covered by the Independent Auditors' Report, but is presented as supplemental data for the benefit of the Comprehensive Annual Financial Report. The objectives of the statistical section are to provide financial users with additional historical perspective, context, and detail to assist in using information in the financial statements, notes to the financial statements, and required supplementary information to understand and assess a government's economic condition.

The following sub-sections are included in the Statistical Section:

- A. Financial Trends- These schedules contain trend information to help the reader understand how the Airport System's financial performance has changed over time. **Refer to pages 61-63.**
- B. Revenue Capacity- These schedules contain trend information to help the reader assess the Airport System's ability to generate its airline and non-airline revenues. Also included in this section are total annual expenses. **Refer to pages 64-67.**
- C. Debt Capacity- These schedules present information to help the reader assess the affordability of the Airport System's current levels of outstanding debt and the ability to issue additional debt in the future. **Refer to pages 68-71.**
- D. Demographic and Economic Information- These schedules offer demographic and economic indicators to help the reader understand the environment within which the Airport System's financial activities take place. **Refer to pages 72-74.**
- E. Operating Information- These schedules contain information about the Airport System's operations and resources to help the reader understand how its financial information relates to the services the Airport System provides and the activities it performs. **Refer to pages 75-78.**



## Financial Trends

### Net Assets

	2009	2008	2007	2006	2005
Invested in capital assets - net of related debt	\$ 175,059,316	\$ 156,199,147	\$ 211,869,303	\$ 190,642,485	\$ 164,627,362
Restricted:					
Operating Reserve account	27,260,013	21,730,250	21,460,250	19,393,000	17,175,000
Reserve and Contingency fund	2,000,000	1,333,333	1,000,000	1,000,000	1,000,000
Capital construction	72,066,304	56,161,338	4,449,505	4,982,064	4,356,237
Passenger facility charges	103,733,132	123,802,107	103,826,206	81,920,131	66,390,568
Art Endowment and other restricted	2,062,811	-	-	-	-
Total restricted	207,122,260	203,027,028	130,735,961	107,295,195	88,921,805
Unrestricted	119,895,679	117,486,984	97,616,600	101,482,119	104,777,188
Total net assets	\$ 502,077,255	\$ 476,713,159	\$ 440,221,864	\$ 399,419,799	\$ 358,326,355

	2004	2003	2002	2001	2000
Invested in capital assets - net of related debt	\$ 126,762,388	\$ 105,508,679	\$ 102,971,937	\$ 102,097,452	\$ 50,051,991
Restricted:					
Operating Reserve account	17,953,000	17,358,000	16,274,000	14,473,000	13,147,000
Reserve and Contingency fund	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Capital construction	4,399,696	4,416,225	1,859,419	2,150,610	-
Passenger facility charges	52,398,305	48,136,050	44,350,274	37,445,391	44,961,050
Total restricted	75,751,001	70,910,275	63,483,693	55,069,001	59,108,050
Unrestricted	104,009,224	110,420,060	99,911,642	95,345,034	118,675,362
Total net assets	\$ 306,522,613	\$ 286,839,014 <sup>1</sup>	\$ 266,367,272	\$ 252,511,487	\$ 227,835,403

<sup>1</sup> Fiscal year 2003 net assets were restated due to change in accounting principles.

Source: Airport System's audited financial statements.

## Financial Trends (cont.)

### Changes in Net Assets

	2009	2008	2007	2006
Operating revenues:				
Concessions	\$ 68,600,549	\$ 66,416,283	\$ 64,892,106	\$ 60,367,151
Building rents	35,384,002	17,152,979	16,644,929	16,087,912
Airfield charges	10,710,482	22,352,752	15,680,196	17,779,295
Ground leases	2,314,441	3,641,980	4,723,344	4,403,407
Sale of fuel	580,904	808,229	652,942	1,339,214
Airport services	1,100,127	911,360	1,015,551	900,536
Other	299,511	101,491	39,528	102,681
Total operating revenues	<u>118,990,016</u>	<u>111,385,074</u>	<u>103,648,596</u>	<u>100,980,196</u>
Operating expenses:				
Salaries and benefits	33,640,076	32,174,897 <sup>1</sup>	30,274,323	28,897,193
Services and supplies	49,870,807	54,266,378	46,452,761	41,462,233
Cost of goods sold	497,815	665,627	573,187	1,081,550
Depreciation	25,750,395	23,707,907	21,062,790	20,162,706
Other	881,876	837,710	769,160	670,162
Total operating expenses	<u>110,640,969</u>	<u>111,652,519</u>	<u>99,132,221</u>	<u>91,814,508</u>
Operating income (loss)	<u>8,349,047</u>	<u>(267,445)</u>	<u>4,516,375</u>	<u>9,165,688</u>
Nonoperating revenues (expenses):				
Interest income	6,155,861	7,519,233	7,915,789	6,623,389
Passenger Facility Charges revenue	21,489,873	26,653,518	27,182,405	24,511,950
Intergovernmental revenue	978,992	1,620,376	686,586	849,340
Gain (loss) on disposal of assets	64,262	(17,151)	84,711	993
Other nonoperating revenue (expense)	157,388	(40,754)	82,107	223,468
Amortization of bond issuance cost	(563,240)	(257,068)	(271,965)	(175,358)
Interest expense	(18,203,544)	(12,651,944)	(12,057,704)	(10,536,254)
Net nonoperating revenues	<u>10,079,592</u>	<u>22,826,210</u>	<u>23,621,929</u>	<u>21,497,528</u>
Income before capital contribution and transfers	18,428,639	22,558,765	28,138,304	30,663,216
Capital contributions - grants	6,935,457	13,932,530	12,663,761	10,889,564
Changes in net assets	25,364,096	36,491,295	40,802,065	41,093,444
Total net assets, beginning of year	<u>476,713,159</u>	<u>440,221,864</u>	<u>399,419,799</u>	<u>358,326,355</u>
Total net assets, end of year	<u>\$ 502,077,255</u>	<u>\$ 476,713,159</u>	<u>\$ 440,221,864</u>	<u>\$ 399,419,799</u>

2005	2004	2003	2002	2001	2000
\$ 54,307,418	\$ 47,623,267	\$ 46,383,456	\$ 40,548,385	\$ 40,453,352	\$ 36,536,264
14,170,114	13,803,071	14,397,965	14,699,640	14,225,198	14,554,287
17,107,966	12,353,198	8,341,447	10,138,281	11,720,569	10,955,265
3,607,645	3,110,659	2,768,994	2,722,470	2,881,251	2,391,685
1,332,966	2,662,833	3,615,979	3,304,813	3,337,937	3,064,533
636,999	137,513	184,562	161,499	118,087	111,701
1,386,070	39,986	52,570	103,327	34,252	6,372
<u>92,549,178</u>	<u>79,730,527</u>	<u>75,744,973</u>	<u>71,678,415</u>	<u>72,770,646</u>	<u>67,620,107</u>
27,313,968	25,280,428	22,883,432	20,819,372	19,838,553	17,706,356
37,688,533	38,792,551	36,247,504	33,026,722	26,474,417	24,955,201
914,185	712,784	626,644	638,850	685,067	638,127
16,103,705	15,597,039	15,145,180	14,689,534	14,206,060	13,750,108
909,682	1,218,467	1,046,455	641,388	605,547	655,371
<u>82,930,073</u>	<u>81,601,269</u>	<u>75,949,215</u>	<u>69,815,866</u>	<u>61,809,644</u>	<u>57,705,163</u>
<u>9,619,105</u>	<u>(1,870,742)</u>	<u>(204,242)</u>	<u>1,862,549</u>	<u>10,961,002</u>	<u>9,914,944</u>
4,303,953	2,888,108	4,164,015	6,263,408	9,705,073	7,762,871
24,454,819	18,498,324	17,621,861	15,259,334	13,660,759	44,961,050
880,166	702,098	2,831,833	1,313,322	27,321	45,318
503,692	3,988	(1,878)	28,233	(69,863)	-
247,124	140,157	93,133	56,375	57,207	39,918
(171,740)	(171,740)	(171,740)	(128,151)	(128,151)	(128,151)
<u>(12,631,716)</u>	<u>(10,315,087)</u>	<u>(11,023,165)</u>	<u>(11,614,976)</u>	<u>(11,947,001)</u>	<u>(12,196,504)</u>
<u>17,586,298</u>	<u>11,745,848</u>	<u>13,514,059</u>	<u>11,177,545</u>	<u>11,305,345</u>	<u>40,484,502</u>
27,205,403	9,875,106	13,309,817	13,040,094	22,266,347	50,399,446
24,598,339	9,808,493	4,520,415	815,691	2,409,737	5,763,909
51,803,742	19,683,599	17,830,232	13,855,785	24,676,084	56,163,355
<u>306,522,613</u>	<u>286,839,014</u>	<u>269,008,782</u> <sup>2</sup>	<u>252,511,487</u>	<u>227,835,403</u>	<u>171,672,048</u>
<u>\$ 358,326,355</u>	<u>\$ 306,522,613</u>	<u>\$ 286,839,014</u>	<u>\$ 266,367,272</u>	<u>\$ 252,511,487</u>	<u>\$ 227,835,403</u>

<sup>1</sup> Certain amounts in the financial statements for fiscal year 2008 have been reclassified to conform to the fiscal year 2009 presentation.

<sup>2</sup> Fiscal year 2003 net assets were restated due to change in accounting principle.

Source: Airport System's audited financial statements.

## Revenue Capacity

### Total Annual Revenues

#### LAST TEN FISCAL YEARS

	2009	2008	2007	2006	2005
OPERATING REVENUES					
Concessions	\$ 68,600,549	\$ 66,416,283	\$ 64,892,106	\$ 60,367,151	\$ 54,307,418
Building rents	35,384,002	17,152,979	16,644,929	16,087,912	14,170,114
Airfield charges	10,710,482	22,352,752	15,680,196	17,779,295	17,107,966
Ground leases	2,314,441	3,641,980	4,723,344	4,403,407	3,607,645
Sale of aviation fuel	580,904	808,229	652,942	1,339,214	1,332,966
Airport services	1,100,127	911,360	1,015,551	900,536	636,999
Other	299,511	101,491	39,528	102,681	1,386,070
TOTAL OPERATING REVENUES	\$ 118,990,016	\$ 111,385,074	\$ 103,648,596	\$ 100,980,196	\$ 92,549,178
NONOPERATING REVENUES					
Interest income	6,155,861	7,519,233	7,915,789	6,623,389	4,303,953
PFC revenue	21,489,873	26,653,518	27,182,405	24,511,950	24,454,819
Capital contributions	6,935,457	13,932,530	12,663,761	10,889,564	24,598,339
Intergovernmental revenue	978,992	1,620,376	686,586	849,340	880,166
Other nonoperating revenue (exp)	157,388	(40,754)	82,107	223,468	205,563
TOTAL REVENUES	\$ 154,707,587	\$ 161,069,977	\$ 152,179,244	\$ 144,077,908	\$ 146,992,018

	2004	2003	2002	2001	2000 <sup>1</sup>
OPERATING REVENUES					
Concessions	\$ 47,623,267	\$ 46,383,456	\$ 40,548,385	\$ 40,453,352	\$ 36,536,264
Building rents	13,803,071	14,397,965	14,699,640	14,225,198	14,554,287
Airfield charges	12,353,198	8,341,447	10,138,281	11,720,569	10,955,265
Ground leases	3,110,659	2,768,994	2,722,470	2,881,251	2,391,685
Sale of aviation fuel	2,662,833	3,615,979	3,304,813	3,337,937	3,064,533
Airport services	137,513	184,562	161,499	118,087	111,701
Other	39,986	52,570	103,327	34,252	6,372
TOTAL OPERATING REVENUES	\$ 79,730,527	\$ 75,744,973	\$ 71,678,415	\$ 72,770,646	\$ 67,620,107
NONOPERATING REVENUES					
Interest income	2,888,108	4,164,015	6,263,408	9,705,073	7,762,871
PFC revenue	18,498,324	17,621,861	15,259,334	13,660,759	44,961,050
Capital contributions	9,808,493	4,520,415	815,691	2,409,737	2,526,129
Intergovernmental revenue	702,098	2,831,833	1,313,322	27,321	45,318
Other nonoperating revenue (exp)	140,157	93,133	56,375	57,207	38,918
TOTAL REVENUES	\$ 111,767,707	\$ 104,976,230	\$ 95,386,545	\$ 98,630,743	\$ 122,954,393

Source: Airport System's audited financial statements.

<sup>1</sup> Passenger Facility Charges & Intergovernmental Revenue restated to reflect the implementation of GASB 33.

## Revenue Capacity (cont.)

### Total Annual Expenses

#### LAST TEN FISCAL YEARS

	2009	2008	2007	2006
<b>OPERATING EXPENSES</b>				
Salaries and benefits	\$ 33,640,076	\$ 32,174,897 <sup>1</sup>	\$ 30,274,323	\$ 28,897,193
Services and supplies	49,870,807	54,266,378	46,452,761	41,462,233
Cost of goods sold	497,815	665,627	573,187	1,081,550
Depreciation and amortization	25,750,395	23,707,907	21,062,790	20,162,706
Other	881,876	837,710	769,160	670,162
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 110,640,969</b>	<b>\$ 111,652,519</b>	<b>\$ 99,132,221</b>	<b>\$ 92,273,844</b>
<b>NONOPERATING EXPENSES</b>				
Interest expense	18,203,544	12,651,944	12,057,704	10,536,254
Loss (gain) on disposal of assets	(64,262)	17,151	(84,711)	(993)
Amortization of bond issuance costs	563,240	257,068	271,965	175,358
<b>TOTAL EXPENSES</b>	<b>\$ 129,343,491</b>	<b>\$ 124,578,682</b>	<b>\$ 111,377,179</b>	<b>\$ 102,984,463</b>
	2004	2003	2002	2001
<b>OPERATING EXPENSES</b>				
Salaries and benefits	\$ 25,280,428	\$ 22,883,432	\$ 21,194,906	\$ 19,838,553
Services and supplies	38,792,551	36,247,504	32,887,678	26,474,417
Cost of goods sold	712,784	626,644	638,850	685,067
Depreciation and amortization	15,597,039	15,145,180	14,689,534	14,206,060
Other	1,218,467	1,046,455	641,388	605,547
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 81,601,269</b>	<b>\$ 75,949,215</b>	<b>\$ 70,052,356</b>	<b>\$ 61,809,644</b>
<b>NONOPERATING EXPENSES</b>				
Interest expense	10,315,087	11,023,165	11,614,976	11,947,001
Loss (gain) on disposal of assets	(3,988)	1,878	(28,233)	69,863
Rebate tax expense				
Amortization of bond issuance costs	171,740	171,740	128,151	128,151
<b>TOTAL EXPENSES</b>	<b>\$ 92,084,108</b>	<b>\$ 87,145,998</b>	<b>\$ 81,767,250</b>	<b>\$ 73,954,659</b>

Source: Airport System's audited financial statements.

<sup>1</sup>Certain amounts in the financial statements for fiscal year 2008 have been reclassified to conform to the fiscal year 2009 presentation.

## Revenue Capacity (cont.)

### Airline Rates and Charges

#### LAST TEN FISCAL YEARS

	2009	2008	2007	2006	2005
Landing fee rate (Per 1,000 lbs.) <sup>1</sup>	\$ 3.30	\$ 2.77	\$ 1.99	\$ 2.44	\$ 2.37
Terminal rental rates (Per Sq. Foot)					
Ticket counter	140.48	65.48	65.52	73.11	64.56
Office and enclosed	140.48	65.48	65.52	73.11	64.56
Unenclosed <sup>2</sup>	12.00	12.00	12.00	12.00	N/A
Holdroom	140.48	65.48	65.52	73.11	64.56
Baggage makeup/joint use	140.48	65.48	65.52	73.11	64.56
Storage	140.48	65.48	65.52	73.11	64.56

	2004	2003 <sup>3</sup>	2002	2001	2000
Landing fee (Per 1,000 lbs.)	\$ 1.79	\$ 1.21	\$ 1.57	\$ 1.72	\$ 1.72
Terminal rental rates (Per Sq. Foot)					
Ticket counter	48.00	58.20	54.60	54.45	57.60
Office and enclosed	48.00	58.20	54.60	54.45	57.60
Unenclosed <sup>2</sup>	N/A	N/A	N/A	N/A	N/A
Holdroom	48.00	58.20	54.60	54.45	57.60
Baggage makeup/joint use	48.00	58.20	54.60	54.45	57.60
Storage	48.00	58.20	54.60	54.45	57.60

Source: Airport System records.

#### Note:

The Airport System negotiated the first airline agreement which governed the calculation of rates and fees charged to scheduled airlines effective January 1, 1982. This agreement was terminated July 1, 1989 when the County adopted a Rate Ordinance relating to airline rates and fees. In October, 2000 a new airline agreement was executed and rates and fees were calculated in accordance with the Agreement until the agreement was terminated effective May 1, 2008, at which time rates and fees were again calculated in accordance with the Rate Ordinance. Effective July 1, 2008, the County adopted a new Rate Ordinance which governs the calculation of rates and fees.

<sup>1</sup>Signatory rate shown for years in which an airline agreement was effective.

<sup>2</sup>Effective July 2005, unenclosed space at \$1.00 per square foot per month added to Terminal Rental Rates.

<sup>3</sup>Average used for presentation purposes. Due to the imposition of a mid-year adjustment, the landing fee was decreased from \$1.39 (July – December 2002) to \$1.03 (January – July 2003).

## Revenue Capacity (cont.)

### Airline and Non-airline Revenues

#### LAST TEN FISCAL YEARS

	2009	2008	2007	2006	2005
<b>AIRLINE REVENUE:</b>					
Terminal rents	\$ 24,391,882	\$ 10,991,364	\$ 12,124,102	\$ 11,498,311	\$ 10,006,224
Gate use (apron) fees	6,234,017	1,847,839	1,478,640	1,465,139	628,401
Landing fees	10,471,032	22,108,669	15,477,727	17,250,215	16,861,922
Total	41,096,931	34,947,872	29,080,469	30,213,665	27,496,547
Percent of total revenues	26.6%	21.7%	19.1%	21.0%	18.7%
NON-AIRLINE REVENUES	77,893,085	76,437,202	74,568,127	70,766,531	65,052,631
Percent of total revenues	50.3%	47.5%	49.0%	49.1%	44.3%
NONOPERATING REVENUES	35,717,571	49,684,903	48,530,648	43,097,712	54,442,840
Percent of total revenues	23.1%	30.8%	31.9%	29.9%	37.0%
<b>TOTAL REVENUES</b>	<b>\$ 154,707,587</b>	<b>\$ 161,069,977</b>	<b>\$ 152,179,244</b>	<b>\$ 144,077,908</b>	<b>\$ 146,992,018</b>
Enplaned passengers	4,603,182	5,294,737	5,307,289	5,150,229	4,986,171
<b>REVENUE PER ENPLANED PASSENGER</b>	<b>\$ 33.61</b>	<b>\$ 30.42</b>	<b>\$ 28.67</b>	<b>\$ 27.98</b>	<b>\$ 29.48</b>
<b>AIRLINE REVENUE PER ENPLANED PASSENGER <sup>1</sup></b>	<b>\$ 8.93</b>	<b>\$ 6.60</b>	<b>\$ 5.48</b>	<b>\$ 5.87</b>	<b>\$ 5.51</b>
	2004	2003	2002	2001	2000 <sup>2</sup>
<b>AIRLINE REVENUE:</b>					
Terminal rents	\$ 9,438,916	\$ 10,070,679	\$ 9,050,197	\$ 8,773,980	\$ 9,159,263
Gate use (apron) fees	924,016	1,124,946	2,013,206	1,878,296	2,050,080
Landing fees	12,016,265	7,972,534	9,714,846	11,318,609	10,416,215
Total	22,379,197	19,168,159	20,778,249	21,970,885	21,625,558
Percent of total revenues	20.0%	18.3%	21.8%	22.3%	17.6%
NON-AIRLINE REVENUES	57,351,330	56,576,814	50,900,166	50,799,761	45,994,549
Percent of total revenues	51.3%	53.9%	53.4%	51.5%	37.4%
NONOPERATING REVENUES	32,037,180	29,231,257	23,708,130	25,860,097	55,334,286
Percent of total revenues	28.7%	27.8%	24.9%	26.2%	45.0%
<b>TOTAL REVENUES</b>	<b>\$ 111,767,707</b>	<b>\$ 104,976,230</b>	<b>\$ 95,386,545</b>	<b>\$ 98,630,743</b>	<b>\$ 122,954,393</b>
Enplaned passengers	4,563,607	4,314,273	4,042,585	4,104,096	3,837,471
<b>REVENUE PER ENPLANED PASSENGER</b>	<b>\$ 24.49</b>	<b>\$ 24.33</b>	<b>\$ 23.60</b>	<b>\$ 24.03</b>	<b>\$ 32.04</b>
<b>AIRLINE REVENUE PER ENPLANED PASSENGER <sup>1</sup></b>	<b>\$ 4.90</b>	<b>\$ 4.44</b>	<b>\$ 5.14</b>	<b>\$ 5.35</b>	<b>\$ 5.64</b>

Source: Audited financial statements and Airport System statistics reports.

<sup>1</sup>Includes air cargo landing fees as part of cost.

<sup>2</sup>Nonoperating revenue for FY 99/00 restated to reflect implementation of GASB 33.



## Debt Capacity

### Debt Service Coverage

#### LAST TEN FISCAL YEARS

	2009 <sup>3</sup>	2008	2007	2006	2005
<b>SENIOR REVENUE BONDS</b>					
Revenues <sup>1</sup>	\$ 134,667,273	\$ 118,940,257	\$ 116,610,194	\$ 111,466,818	\$ 104,769,369
Operating Expenses <sup>2</sup>	(84,890,322)	(87,769,525)	(78,636,521)	(72,668,987)	(67,524,525)
Net Revenues	<u>\$ 49,776,951</u>	<u>\$ 31,170,732</u>	<u>\$ 37,973,673</u>	<u>\$ 38,797,831</u>	<u>\$ 37,244,844</u>
Accrued Debt Service <sup>3</sup>	<u>\$ 15,971,841</u>	<u>\$ 15,507,142</u>	<u>\$ 12,458,165</u>	<u>\$ 14,721,391</u>	<u>\$ 16,835,805</u>
<b>RATIO OF NET REVENUES TO DEBT SERVICE</b>	<u>3.1</u>	<u>2.0</u>	<u>3.0</u>	<u>2.6</u>	<u>2.2</u>
<b>PFC AND SUBORDINATED REVENUE BONDS<sup>4</sup></b>					
PFC revenues <sup>5</sup>	\$ 20,508,755	\$ 26,653,518	\$ 27,182,405	\$ 24,511,950	\$ 24,454,819
Accrued Debt Service	<u>\$ 6,939,856</u>	<u>\$ 4,153,778</u>	<u>\$ 3,877,516</u>	<u>\$ 3,882,096</u>	<u>\$ 3,951,616</u>
<b>RATIO OF REVENUES TO DEBT SERVICE</b>	<u>3.0</u>	<u>6.4</u>	<u>7.0</u>	<u>6.3</u>	<u>6.2</u>
	2004	2003	2002	2001	2000
<b>SENIOR REVENUE BONDS</b>					
Revenues <sup>1</sup>	\$ 90,323,829	\$ 89,255,168	\$ 83,865,381	\$ 84,936,877	\$ 78,480,010
Operating Expenses <sup>2</sup>	(66,842,925)	(63,338,095)	(56,134,649)	(49,297,268)	(45,103,600)
Net Revenues	<u>\$ 23,480,904</u>	<u>\$ 25,917,073</u>	<u>\$ 27,730,732</u>	<u>\$ 35,639,609</u>	<u>\$ 33,376,410</u>
Accrued Debt Service	<u>\$ 16,840,105</u>	<u>\$ 15,062,285</u>	<u>\$ 12,106,987</u>	<u>\$ 12,099,721</u>	<u>\$ 12,105,681</u>
<b>RATIO OF NET REVENUES TO DEBT SERVICE</b>	<u>1.4</u>	<u>1.7</u>	<u>2.3</u>	<u>2.9</u>	<u>2.8</u>
<b>PFC AND SUBORDINATED REVENUE BONDS<sup>4</sup></b>					
PFC revenues <sup>5</sup>	\$ 18,498,324	\$ 17,621,861	\$ 15,259,334	\$ 13,706,418	\$ 12,807,547
Accrued Debt Service	<u>\$ 3,951,476</u>	<u>\$ 3,946,921</u>	<u>\$ 3,948,571</u>	<u>\$ 3,946,527</u>	<u>\$ 3,945,652</u>
<b>RATIO OF REVENUES TO DEBT SERVICE</b>	<u>4.7</u>	<u>4.5</u>	<u>3.9</u>	<u>3.5</u>	<u>3.2</u>

Note: The calculations presented in this table provide an indication of debt capacity but do not conform to the rate covenant calculations prescribed by Section 6.04 (b) of the Bond Indenture.

<sup>1</sup>Per bond indenture and prior resolution, Revenues include all Airport System revenues excluding certain interest earnings and restricted revenues.

<sup>2</sup>Per bond indenture and prior resolution, Operating Expenses include all Airport System operating costs and certain capital and other non operating expenses. Operating Expenses exclude depreciation, amortization and debt service.

<sup>3</sup>The Accrued Debt Service for 2009 includes the principal payment due on July 1, 2009.

<sup>4</sup>Per the second supplemental indenture, PFC and Subordinated Revenue Bonds are payable from and secured by pledged Available PFC Revenues and Net Revenues subordinate and junior to the lien on Senior Revenue bonds.

<sup>5</sup>PFC and Subordinated Revenues represent PFC collections and interest earned during the year.

## Debt Capacity (cont.)

## Ratio of Annual Debt Service to Total Expenses

## LAST TEN FISCAL YEARS

	2009	2008	2007	2006	2005
Principal	\$ 4,970,000	\$ 4,705,000	\$ 7,660,000	\$ 6,705,000	\$ 6,425,000
Interest <sup>1</sup>	18,203,544	11,516,327	11,800,681	11,881,872	14,082,421
Total debt service	<u>\$ 23,173,544</u>	<u>\$ 16,221,327</u>	<u>\$ 19,460,681</u>	<u>\$ 18,586,872</u>	<u>\$ 20,507,421</u>
Total expenses	<u>\$ 129,364,269</u>	<u>\$ 124,769,226</u>	<u>\$ 111,488,714</u>	<u>\$ 102,984,463</u>	<u>\$ 95,188,366</u>
RATIO OF DEBT SERVICE TO TOTAL EXPENSES	<u>17.9%</u>	<u>13.0%</u>	<u>17.5%</u>	<u>18.1%</u>	<u>21.8%</u>

	2004	2003	2002	2001	2000
Principal	\$ 4,845,000	\$ 4,470,000	\$ 4,250,000	\$ 4,055,000	\$ 4,565,000
Interest <sup>1</sup>	14,366,581	14,164,206	11,585,558	11,796,248	11,996,333
Total debt service	<u>\$ 19,211,581</u>	<u>\$ 18,634,206</u>	<u>\$ 15,835,558</u>	<u>\$ 15,851,248</u>	<u>\$ 16,561,333</u>
Total expenses	<u>\$ 92,084,108</u>	<u>\$ 87,145,998</u>	<u>\$ 81,767,250</u>	<u>\$ 73,954,659</u>	<u>\$ 70,029,818</u>
RATIO OF DEBT SERVICE TO TOTAL EXPENSES	<u>22.6%</u>	<u>21.8%</u>	<u>19.6%</u>	<u>21.7%</u>	<u>22.9%</u>

<sup>1</sup>Does not include capitalized interest.

## Debt per Enplaned Passenger

## LAST TEN FISCAL YEARS

	2009	2008	2007	2006	2005
Bonds payable	\$ 559,630,572	\$ 562,376,271	\$ 244,133,482	\$ 248,835,292	\$ 261,578,571
Enplaned passengers	<u>4,603,182</u>	<u>5,294,737</u>	<u>5,307,289</u>	<u>5,150,229</u>	<u>4,986,171</u>
DEBT PER ENPLANED PASSENGER	<u>\$ 121.57</u>	<u>\$ 106.21</u>	<u>\$ 46.00</u>	<u>\$ 48.32</u>	<u>\$ 52.46</u>

	2004	2003	2002	2001	2000
Bonds payable	\$ 267,519,013	\$ 271,879,455	\$ 195,617,887	\$ 199,570,443	\$ 203,302,998
Enplaned passengers	<u>4,563,607</u>	<u>4,314,273</u>	<u>4,042,585</u>	<u>4,104,096</u>	<u>3,837,471</u>
DEBT PER ENPLANED PASSENGER	<u>\$ 58.62</u>	<u>\$ 63.02</u>	<u>\$ 48.39</u>	<u>\$ 48.63</u>	<u>\$ 52.98</u>

## Debt Capacity (cont.)

### Outstanding Debt

#### LAST TEN FISCAL YEARS

<b>Revenue Bonds</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
1989 series (6.97% to 7.0%, due 2003-2020)	\$ -	\$ -	\$ -	\$ -
1992 series (5.8% to 6.0% , due 2006-2024)			6,290,000	6,290,000
1996 series A (5.3% to 6%, due 2006-2024)				
1998 refunding series A (4.1% to 5.0%, due 2006-2026)			38,780,000	39,730,000
2002 series A (3.0% to 5.25%, due 2006-2032)			69,865,000	71,290,000
2002 refunding series B (3.0% to 5.25%, due 2006-2020)			13,900,000	14,650,000
2006 series A (variable interest rate per auction, due 2007 - 2024)			76,325,000	79,450,000
2008 series A (4.85% to 5.0%, due 2028-2041)	166,675,000	169,575,000		
2008 series B (4.25% to 5.75%, due 2013-2039)	313,760,000	314,340,000		
2008 refunding series C (5.20%, due 2012)	12,280,000	12,280,000		
<b>Total revenue bonds</b>	<b>492,715,000</b>	<b>496,195,000</b>	<b>205,160,000</b>	<b>211,410,000</b>
<b>PFC and Subordinated Revenue Bonds</b>				
1996 series C (5.3% to 5.9%, due 2006-2010)			4,870,000	6,150,000
1998 refunding series B (4.1% to 5.0%, due 2006-2026)			44,365,000	44,495,000
2008 refunding series D (5.0%, due 2026)	45,595,000	46,390,000		
2008 refunding series E (4.25% to 5.75%, due 2013-2024)	42,345,000	43,040,000		
<b>Total PFC and subordinated revenue bonds</b>	<b>87,940,000</b>	<b>89,430,000</b>	<b>49,235,000</b>	<b>50,645,000</b>
<b>Total bonds payable</b>	<b>\$ 580,655,000</b>	<b>\$ 585,625,000</b>	<b>\$ 254,395,000</b>	<b>\$ 262,055,000</b>



## Demographic and Economic Service Area Population

### LAST TEN FISCAL YEARS

	2009	2008	2007	2006	2005
PRIMARY AREA					
Sacramento County	1,433,187	1,424,415	1,406,804	1,385,607	1,369,855
Placer County	339,577	333,401	324,495	316,508	305,675
Yolo County	200,709	199,066	193,983	190,344	187,743
San Joaquin County	689,480	685,660	675,463	670,159	659,885
El Dorado County	180,185	179,722	178,674	176,204	173,407
Sutter County	96,554	95,878	93,919	91,450	88,945
Yuba County	72,900	71,929	70,745	69,827	66,734
TOTAL PRIMARY AREA	3,012,592	2,990,071	2,944,083	2,900,099	2,852,244
SECONDARY AREA	942,379	942,002	938,650	935,164	926,661
TOTAL POPULATION	3,954,971	3,932,073	3,882,733	3,835,263	3,778,905

	2004	2003	2002	2001	2000
PRIMARY AREA					
Sacramento County	1,335,400	1,309,600	1,279,900	1,258,600	1,209,500
Placer County	292,100	275,600	264,900	257,500	234,400
Yolo County	184,500	181,300	176,300	173,500	162,900
El Dorado County	644,513	166,000	163,600	159,700	152,900
San Joaquin County	168,100	625,600	607,487	591,081	568,991
Sutter County	85,500	83,200	81,900	80,900	77,900
Yuba County	64,800	62,800	61,000	60,800	60,700
TOTAL PRIMARY AREA	2,774,913	2,704,100	2,635,087	2,582,081	2,467,291
SECONDARY AREA	912,425	901,878	889,834	882,722	869,721
TOTAL POPULATION	3,687,338	3,605,978	3,524,921	3,464,803	3,337,012

Source: California Department of Finance.

Secondary area population is estimated at 81% of total population for counties included in this category. The secondary area includes Alpine, Amador, Butte, Calaveras, Colusa, Glenn, Napa, Nevada, Plumas, Sierra, Solano, Tehama and Tuolumne Counties.

## Demographic and Economic (cont.)

### Population/Personal Income of Sacramento County

#### LAST TEN FISCAL YEARS

	2009	2008	2007	2006	2005
Population	1,433,187	1,424,415	1,406,804	1,385,607	1,369,855
Personal income	N/A <sup>1</sup>	\$ 50,157,252	\$ 48,313,850	\$ 46,376,000	\$ 43,228,715
Per capita personal income	N/A <sup>1</sup>	\$ 36,340	\$ 35,197	\$ 34,014	\$ 31,987
Unemployment rate (%)	11.1	6.5	5.3	4.7	4.5

	2004	2003	2002	2001	2000
Population	1,335,400	1,309,600	1,279,900	1,258,600	1,209,500
Personal income	\$ 40,093,483	\$ 38,649,539	\$ 37,225,183	\$ 35,016,668	\$ 32,018,953
Per capita personal income	\$ 30,538	\$ 29,699.00	\$ 29,398.00	\$ 28,463.00	\$ 26,535.00
Unemployment rate (%)	5.2	5.2	4.7	4.2	4.8

Source: California Department of Finance, U.S. Bureau of Labor Statistics and the US Department of Commerce.

<sup>1</sup> Figures not available

## Demographic and Economic (cont.)

### Principal Employers for the County of Sacramento

Employer (a)	JUNE 30, 2009			JUNE 30, 2000		
	Employees (b)	Rank	Percentage of Total County Employment	Employees (c)	Rank	Percentage of Total County Employment
Kaiser Permanente	9,608	1	1.50%	7,826	3	1.34%
Sutter / California Health Services	8,220	2	1.28%	15,100	1	2.59%
CHW / Mercy Health Care	6,328	3	0.99%	6,000	5	1.03%
Intel Corporation	6,300	4	0.98%	5,000	10	0.86%
Wells Fargo & Co.	6,272	5	0.98%			
AT & T California	5,389	6	0.84%			
Hewlett-Packard	3,600	7	0.56%	5,800	6	1.00%
Raley's Inc. / Bel Air	3,335	8	0.52%	6,430	4	1.10%
Health Net of California	2,720	9	0.42%			
PRIDE Industries	2,504	10	0.39%			
Oracle Corporation				8,500	2	1.46%
Pacific Bell & Subsidiaries				5,658	7	0.97%
Horizons West Inc.				5,400	8	0.93%
Apple Computers				5,000	9	0.86%
Total	54,276		8.46%	70,714		12.14%

(a) Pacific Bell merged with AT&T in November 2005

(b) Source: Sacramento Business Journal Annual Book of Lists

(c) Source: Sacramento Area Commerce and Trade Organization



## Operating Information

### Activity Statistics

#### LAST TEN FISCAL YEARS

##### SACRAMENTO INTERNATIONAL AIRPORT

###### Passengers

	2009	2008	2007	2006	2005
Enplanements	4,603,182	5,294,737	5,307,289	5,150,229	4,986,171
Deplanements	4,605,605	5,303,596	5,307,799	5,144,838	4,974,239
Total passengers	9,208,787	10,598,333	10,615,088	10,295,067	9,960,410

###### Air mail (lbs.)

Inbound	2,347,643	420,402	2,356,604	8,488,572	10,955,369
Outbound	1,666,447	2,828,593	1,320,976	7,018,259	10,373,197
Total air mail	4,014,090	3,248,995	3,677,580	15,506,831	21,328,566

###### Air freight (lbs.)

Inbound	71,964,353	89,168,308	79,697,218	75,706,041	76,002,268
Outbound	78,120,699	82,452,491	74,955,862	61,030,139	55,446,447
Total air freight	150,085,052	171,620,799	154,653,080	136,736,180	131,448,715

###### Aircraft operations

	140,179	167,725	173,903	172,902	162,397
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##### SACRAMENTO EXECUTIVE AIRPORT

Aircraft operations	94,035	98,130	122,271	118,405	109,765
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##### SACRAMENTO MATHER AIRPORT

###### Air mail (lbs.)<sup>1</sup>

Inbound	-	-	-	-	-
Outbound	-	-	-	-	-
Total air mail	-	-	-	-	-

###### Air freight (lbs.)

Inbound	52,722,440	81,703,461	72,609,458	68,851,888	67,014,010
Outbound	54,753,639	87,841,564	82,530,228	60,115,274	58,295,663
Total air freight	107,476,079	169,545,025	155,139,686	128,967,162	125,309,673

###### Aircraft operations

	91,014	88,245	94,886	98,099	80,532
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##### SACRAMENTO INTERNATIONAL AIRPORT

###### Passengers

Enplanements	4,563,607	4,314,273	4,042,585	4,093,049	3,837,471
Deplanements	4,551,895	4,332,641	4,025,712	4,092,629	3,869,635
Total passengers	9,115,502	8,646,914	8,068,297	8,185,678	7,707,106

###### Air mail (lbs.)

Inbound	8,230,789	7,092,275	7,599,352	10,137,470	8,257,440
Outbound	14,043,719	14,300,327	17,018,953	22,807,330	24,699,669
Total air mail	22,274,508	21,392,602	24,618,305	32,944,800	32,957,109

###### Air freight (lbs.)

Inbound	71,737,037	74,534,298	66,279,952	49,849,350	52,181,649
Outbound	58,015,622	60,348,955	56,605,573	47,870,051	51,933,150
Total air freight	129,752,659	134,883,253	122,885,525	97,719,401	104,114,799

###### Aircraft operations

	162,416	159,795	153,846	150,737	153,157
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##### SACRAMENTO EXECUTIVE AIRPORT

Aircraft operations	140,935	120,200	112,153	125,643	117,603
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##### SACRAMENTO MATHER AIRPORT

###### Air mail (lbs.)<sup>1</sup>

Inbound	-	-	13,269,189	100,742,973	79,286,702
Outbound	-	-	13,527,397	99,645,644	81,863,396
Total air mail	-	-	26,796,586	200,388,617	161,150,098

###### Air freight (lbs.)

Inbound	67,511,356	59,180,276	61,048,773	73,951,857	83,397,349
Outbound	60,536,105	56,800,781	67,379,721	71,192,100	74,854,739
Total air freight	128,047,461	115,981,057	128,428,494	145,143,957	158,252,088

###### Aircraft operations

	75,110	75,356	82,578	82,283	N/A
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Source: Sacramento County Airport System activity reports.

<sup>1</sup>Air mail operations began at Mather Airport in August 1999 and ceased in August 2001.

## Operating Information (cont.)

### Scheduled Airline Service

As of June 30, 2009

#### MAJOR AIRLINE SERVICE

Airline	Nonstop Service	One-Stop, Same-Plane Service
Alaska	Seattle, WA (SEA)	
American	Dallas/Ft. Worth, TX (DFW)	Dayton, OH (DAY)
Continental	Houston, TX (IAH)	
Delta	Atlanta, GA (ATL) Salt Lake City, UT (SLC)	Billings, MT (BIL) Orlando, FL (MCO)
Frontier	Denver, CO (DEN)	
Hawaiian	Honolulu, HI (HNL)	
JetBlue	Long Beach, CA (LGB) New York, NY (JFK)	
Mexicana	Guadalajara, Mexico (GDL) San Jose Cabo, Mexico (SJD) Morelia, Mexico (MLM)	Mexico City, Mexico (MEX)
Northwest	Minneapolis, MN (MSP)	Columbus, OH (CMH) Newark, NJ (EWR)
Southwest	Burbank, CA (BUR) Chicago, IL (MDW) Denver, CO (DEN) Las Vegas, NV (LAS) Los Angeles, CA (LAX) Ontario, CA (ONT) Orange County, CA (SNA) Phoenix, AZ (PHX) Portland, OR (PDX) San Diego, CA (SAN) Seattle, WA (SEA)	Austin, TX (AUS) Nashville, TN (BNA)  Raleigh/Durham, NC (RDU) St. Louis, MO (STL)
United	Chicago, IL (ORD) Denver, CO (DEN) Washington, D.C. (IAD)	Omaha, NE (OMA) Rochester, NY (ROC)
US Airways	Charlotte, NC (CLT) Las Vegas, NV (LAS) Philadelphia, PA (PHL) Phoenix, AZ (PHX)	

## Operating Information (cont.)

### Scheduled Airline Service (cont.)

As of June 30, 2009

#### REGIONAL AIRLINE SERVICE

Airline	Nonstop Service
Horizon	Boise, ID (BOI) Palm Springs, CA (PSP) Portland, OR (PDX) San Jose, CA (SJC) Santa Barbara, CA (SBA)
United Express	Eureka/Arcata, CA (ACV) Los Angeles, CA (LAX) San Francisco, CA (SFO)

## Operating Information (cont.)

### Principal Customers/Airport System Employees/Capital Assets

FOR FISCAL YEARS 2008-09 AND 1999-00

#### Principal Customers

	2008 - 09		1999 - 00	
	Customer Revenue	% Total Customer Revenue	Customer Revenue	% Total Customer Revenue
AMPCO/APCOA Parking <sup>1</sup>	\$ 49,540,200	41.63%	\$ 25,378,447	37.53%
Southwest Airlines	18,496,107	15.54%	7,851,294	11.61%
United Airlines	4,320,762	3.63%	3,031,298	4.48%
Hertz Corporation	3,667,469	3.08%	-	-
	<u>\$ 76,024,538</u>	<u>63.89%</u>	<u>\$ 36,261,039</u>	<u>53.62%</u>

<sup>1</sup> AMPCO took over operations January 1, 2006. APCOA Parking ceased operations on December 31, 2005.

#### Airport System Employees

	2008 - 09	1999 - 00
Full Time Employees	406	377

#### Capital Assets

	2008-09	2007-08	2006-07	2005-06	2004-05
Aiports	4	4	4	4	4
Licensed Vehicles:					
Cars and Light Trucks	149	148	120	112	108
Buses	47	41	35	44	47
	2003-04	2002-03	2001-02	2000-01	1999-00
Aiports	4	4	4	4	4
Licensed Vehicles:					
Cars and Light Trucks	120	116	126	114	101
Buses	55	47	45	39	37

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## Bond Disclosure Section

This section contains the following subsections:

Annual Report

Historical Enplaned Passengers

Historical Aircraft Landed Weights

Airlines' Market Shares of Enplaned Passengers

Airlines' Market Shares of Aircraft Landed Weight

Airline and Nonairline Operating Revenues



## Annual Report

In accordance with the requirements of the Continuing Disclosure Certificates for the Sacramento County Airport System Revenue Bonds, Series 2008 and 2009 and the Airport System PFC and Subordinated Revenue Bonds, Series 2008 and 2009 (collectively, the “Certificate”) the Sacramento County Airport System (Airport System) is including this section to meet the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5)(the Rule).

Beginning with the Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2007-2008, and each CAFR thereafter, the Bond Disclosure Section provides the required information consistent with Section 4 of the Certificate. The CAFR is filed with each National and State Repository specified in the Rule, and with any other repository that shall be identified in the future.

### ANNUAL REPORT

The following items are required by the Certificate to be included in the Annual Report:

- A. The audited financial statements of the Airport System for the most recently completed Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. **Refer to the Financial Section, pages 34-37 of this report.**
- B. An annual updating, to reflect results of the most recently completed fiscal year, of the following tables:
  1. Historical Enplaned Passengers. Refer to EXHIBIT 1, page 83 of this report.
  2. Historical Aircraft Landed Weights. Refer to EXHIBIT 2, page 84 of this report.
  3. Airlines’ Market Shares of Enplaned Passengers. Refer to EXHIBIT 3, page 85 of this report.
  4. Statement of Revenues, Expenses and Changes in Net Assets. Refer to the Statistical Section, Financial Trends, pages 62-63 of this report.
  5. Airlines’ Market Shares of Aircraft Landed Weight Refer to EXHIBIT 4, page 86 of this report.
  6. Nonairline Operating Revenues. Refer to EXHIBIT 5, page 87 of this report.
  7. Summary of Historical Revenues, Expenses and Debt Service Coverage. Refer to the Statistical Section, Debt Capacity, page 68 of this report.

### REPORTING OF SIGNIFICANT EVENTS

On June 18, 2009, Moody’s Investors Service downgraded the ratings on the Sacramento County Airport System’s outstanding senior lien revenue bonds from “A1” to “A2”, and the outstanding subordinate lien and PFC revenue bonds from “A2” to “A3”, and assigned a stable outlook.

On June 24, 2009, Standard & Poor’s affirmed the ratings on the Sacramento County Airport System’s outstanding senior lien revenue bonds at “A+”, and the outstanding subordinate lien and PFC revenue bonds at “A”, and revised the outlook from stable to negative.

On November 21, 2008, Financial Security Assurance (FSA), the bond insurer for the Sacramento County Airport System's Series 2008 Bonds, was downgraded by Moody's from "Aaa" to "Aa3".

The above events were disclosed as material events when announced. No additional significant events, as identified in Section 5 of the Certificate, have occurred for any of the outstanding bonds issued by the Sacramento County Airport System, and there is no knowledge on the part of the County of any impending significant events that would require disclosure under the provisions of the Certificate.

## Historical Enplaned Passengers

### EXHIBIT 1

#### FISCAL YEARS ENDED JUNE 30

ENPLANEMENTS	2009	2008	2007	2006	2005
Major and Other Airlines (a)	4,245,972	4,741,650	5,075,849	4,897,981	4,763,946
Regional Airlines	357,210	553,087	231,440	252,248	222,225
TOTAL	4,603,182	5,294,737	5,307,289	5,150,229	4,986,171
Percent Change From Prior Year	(13.1%)	(0.2%)	3.1%	3.3%	9.3%

ENPLANEMENTS	2004	2003	2002	2001	2000
Major and Other Airlines (a)	4,336,932	4,096,459	3,853,587	3,966,953	3,707,787
Regional Airlines	226,675	217,814	188,998	137,143	129,684
TOTAL	4,563,607	4,314,273	4,042,585	4,104,096	3,837,471
Percent Change From Prior Year	5.8%	6.70%	(1.5%)	6.9%	4.3%

Source: Airport System statistics reports.

(a) Major airlines are defined for this analysis as scheduled airlines operating aircraft with 60 or more seats; other airlines are nonscheduled.

## Historical Aircraft Landed Weight (in 1,000 lb. units)

### EXHIBIT 2

#### FISCAL YEARS ENDED JUNE 30

	2009	2008	2007	2006	2005
Passenger airlines					
All airlines except regionals	5,763,957	6,293,924	6,489,593	6,185,453	6,037,113
Regionals	233,100	456,937	304,247	288,094	255,984
SUBTOTAL	5,997,057	6,750,861	6,793,840	6,473,547	6,293,097
All cargo airlines	811,693	982,234	949,579	728,999	771,423
TOTAL	6,808,750	7,733,095	7,743,419	7,202,546	7,064,520
Percent change from prior year	(12.0%)	(0.1%)	7.5%	2.0%	5.4%
	2004	2003	2002	2001	2000
Passenger airlines					
All airlines except regionals	6,037,113	5,661,830	5,419,459	5,077,398	4,977,201
Regionals	255,984	273,734	264,845	228,166	169,319
SUBTOTAL	6,293,097	5,935,564	5,684,304	5,305,564	5,146,520
All cargo airlines	771,423	764,687	856,342	972,391	1,277,422
TOTAL	7,064,520	6,700,251	6,540,646	6,277,955	6,423,942
Percent change from prior year	5.4%	2.4%	4.2%	(2.3%)	3.6%

Source: Airport System Records

## Airlines' Market Shares of Enplaned Passengers

### EXHIBIT 3

#### FISCAL YEARS ENDED JUNE 30

	2009	2008	2007	2006
PERCENTAGE OF TOTAL ENPLANEMENTS				
Major Airlines (a)				
Southwest Airlines	52.6%	50.1%	49.9%	49.9%
United Airlines	7.5%	7.6%	8.8%	10.1%
US Airways (America West Airlines)	6.5%	5.5%	5.9%	5.8%
Delta Airlines	4.4%	4.5%	5.0%	4.9%
Alaska Airlines	4.0%	4.3%	4.8%	4.9%
American Airlines	3.2%	3.8%	4.1%	4.6%
Continental Airlines	3.5%	2.9%	2.8%	2.7%
Frontier Airlines	2.9%	2.6%	2.4%	2.3%
Jet Blue Airlines	2.1%	2.2%	2.8%	1.7%
Northwest Airlines	2.4%	2.0%	2.0%	2.2%
Hawaiian Airlines	1.8%	1.7%	2.0%	1.7%
Mexicana Airlines	1.3%	1.1%	1.1%	1.2%
Aloha Airlines	0.0%	0.9%	1.3%	0.8%
Regional Airlines				
Skywest	4.2%	3.5%	3.8%	4.0%
Horizon Airlines	2.7%	2.9%	2.3%	2.2%
Express Jet	0.8%	2.8%	0.3%	
ASA/Delta Connection	0.0%	1.0%	0.3%	0.5%
Air Canada Jazz	0.1%	0.4%	0.1%	
Mesa Airlines	0.0%	0.2%	0.2%	0.4%
All Other Airlines (b)			0.1%	0.1%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
RANKING				
Major Airlines (a)				
Southwest Airlines	1	1	1	1
United Airlines	2	2	2	2
US Airways (America West Airlines)	3	3	3	3
Delta Airlines	4	4	4	4
Alaska Airlines	6	5	5	4
Continental Airlines	7	9	8	7
American Airlines	8	6	6	5
Frontier Airlines	9	11	9	8
Northwest Airlines	11	13	11	9
Jet Blue Airlines	12	12	8	10
Hawaiian Airlines	13	14	11	10
Mexicana Airlines	14	15	13	11
Aloha Airlines		17	12	12
Regional Airlines				
Skywest	5	7	7	6
Horizon Airlines	10	8	10	9
Express Jet	15	10	14	
ASA/Delta Connection		16	14	13
Air Canada Jazz	16	18	16	
Mesa Airlines		19	15	14

Source: Airport System statistics reports.

(a) Defined for this analysis as scheduled airlines operating with 60 or more seats.

(b) Includes nonscheduled, charter, and supplemental airlines.

## Airlines' Market Shares of Aircraft Landed Weight

### EXHIBIT 4

FISCAL YEARS ENDED JUNE 30

	2009	2008	2007	2006	2005
Major passenger airlines (a)					
Southwest	48.8%	45.0%	43.7%	45.7%	45.0%
United Airlines	6.3%	6.8%	8.0%	9.6%	9.2%
America West Airlines	5.4%	4.8%	5.3%	5.2%	4.7%
Alaska Airlines	3.6%	3.7%	4.2%	4.4%	4.4%
Delta Air Lines	3.3%	3.6%	4.2%	4.1%	4.7%
American Airlines	2.2%	2.6%	3.0%	3.6%	4.8%
Frontier Airlines	3.0%	2.3%	2.2%	2.1%	1.8%
Continental Airlines	2.3%	2.0%	1.9%	2.0%	1.9%
Northwest Airlines	1.7%	1.5%	1.5%	1.7%	1.9%
Hawaiian Airlines	1.7%	1.6%	2.0%	1.6%	1.7%
Jet Blue Airlines	1.8%	2.0%	2.7%	1.5%	1.5%
Mexicana Airlines	1.2%	1.2%	1.1%	1.3%	1.0%
Aloha Airlines	0.0%	1.0%	1.6%	0.8%	0.7%
SUBTOTAL	81.2%	78.1%	81.4%	83.6%	83.3%
Regional airlines	3.4%	5.9%	5.8%	5.9%	5.5%
Other passenger airlines (b)	3.4%	3.3%	0.5%	0.4%	0.3%
Cargo airlines (c)	11.9%	12.7%	12.3%	10.1%	10.9%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

	2004	2003	2002	2001	2000
Major passenger airlines (a)					
Southwest	45.4%	44.1%	42.2%	38.7%	37.4%
United Airlines	8.6%	8.2%	9.2%	12.2%	13.1%
America West Airlines	5.6%	5.5%	7.9%	7.5%	6.9%
Alaska Airlines	4.6%	3.6%	3.8%	3.6%	3.8%
Delta Air Lines	5.0%	5.3%	4.9%	4.8%	5.5%
American Airlines	4.4%	5.1%	4.5%	2.9%	3.1%
Frontier Airlines	1.5%	1.6%	0.6%		
Continental Airlines	1.7%	1.6%	1.5%	1.2%	0.2%
Northwest Airlines	2.0%	2.3%	2.6%	2.4%	2.0%
Hawaiian Airlines	1.8%	1.8%	0.1%		
Jet Blue Airlines	0.4%				
Mexicana Airlines	0.5%	0.6%			
Aloha Airlines	0.7%	0.1%			
TWA	82.2%	0.0%	0.8%	1.7%	1.7%
SUBTOTAL	6.1%	79.8%	78.1%	75.0%	73.7%
Regional airlines	0.3%	6.4%	5.7%	4.6%	4.9%
Other passenger airlines (b)	11.4%	0.7%	0.7%	0.5%	0.7%
Cargo airlines (c)	100.0%	13.1%	15.5%	19.9%	20.7%
TOTAL	117.8%	100.0%	100.0%	100.0%	100.0%

Source: Airport System records.

(a) Defined for this analysis as scheduled passenger airlines operating aircraft with 60 or more seats.

(b) Includes nonscheduled, charter and supplemental airlines.

(c) Includes cargo airlines operating at Mather Airport.

## Airline and Nonairline Revenues

### EXHIBIT 5

#### FISCAL YEARS ENDED JUNE 30

	2009	2008	2007
<b>Airline Revenue</b>			
Terminal building rents and fees	\$ 24,391,882	\$ 10,991,364	\$ 11,484,629
Aircraft parking fees	3,403,731	884,287	1,478,640
Loading bridge fees	2,830,286	963,552	639,473
Landing fees	10,471,032	22,108,669	15,477,727
<b>TOTAL AIRLINE REVENUE</b>	<b>\$ 41,096,931</b>	<b>\$ 34,947,872</b>	<b>\$ 29,080,469</b>
<b>NonAirline Revenue</b>			
<b>Airfield area</b>			
Commerical fees	\$ 5,503	\$ 10,393	\$ 10,900
Other landing fees	94,934	117,974	50,539
Aviation fuel sales	845,638	1,129,119	1,152,967
<b>SUBTOTAL</b>	<b>946,075</b>	<b>1,257,486</b>	<b>1,214,406</b>
<b>Terminal building</b>			
Food/beverage	3,181,139	3,116,846	3,329,248
Merchandise	2,094,087	2,068,342	1,582,411
Advertising	456,643	651,857	602,468
Telephones	(34,920)	20,628	31,632
Vending	208,026	218,249	206,846
<b>SUBTOTAL</b>	<b>5,904,975</b>	<b>6,075,923</b>	<b>5,752,605</b>
<b>Parking</b>			
Parking	49,811,395	47,191,301	46,289,886
<b>SUBTOTAL</b>	<b>49,811,395</b>	<b>47,191,301</b>	<b>46,289,886</b>
<b>Other areas</b>			
Auto rentals	9,842,490	10,409,537	10,221,977
Auto rental shuttle bus fees	2,616,398	2,254,039	2,140,558
Taxi/shuttle bus fees	425,291	478,115	479,648
Agricultural leases	-	(12,093)	160,056
Tiedown and hangars	730,797	704,925	717,947
FBO rentals	166,622	165,389	164,322
Aviation ground leases	2,049,707	3,160,651	4,063,263
Other rentals/miscellaneous	4,003,275	3,739,078	2,525,497
<b>SUBTOTAL</b>	<b>19,834,579</b>	<b>20,899,642</b>	<b>20,473,268</b>
<b>Other revenue</b>			
Service fees	1,100,127	911,360	1,015,551
Miscellaneous revenue <sup>1</sup>	474,099	251,281	233,170
<b>SUBTOTAL</b>	<b>1,574,227</b>	<b>1,162,641</b>	<b>1,248,721</b>
<b>TOTAL NONAIRLINE OPERATING REVENUES</b>	<b>78,071,251</b>	<b>76,586,992</b>	<b>74,978,885</b>
Interest income <sup>1</sup>	5,071,128	4,719,298	5,661,918
<b>TOTAL NONAIRLINE REVENUE</b>	<b>\$ 83,142,379</b>	<b>\$ 81,306,290</b>	<b>\$ 80,640,803</b>

Source: Airport System audited financial statements.

<sup>1</sup>As defined in the Bond Master Indenture.

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