

SAVANNAH HILTON HEAD INTERNATIONAL



2011 ANNUAL REPORT





2011

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SAVANNAH AIRPORT COMMISSION



(Back row from left to right):
Greg B. Kelly,
Assistant Executive Director
Sheldon Tenenbaum
Patrick S. Graham, Executive Director
Stephen S. Green, Vice Chairman
Sylvester Formey, Chairman
(Front row from left to right):
Lois Wooten
James B. Blackburn, City Attorney
Shirley James

The Mission of the Savannah Airport Commission is to provide leadership in aviation development necessary to provide safe, secure and functional facilities for the traveling public and airport tenants, managing such facilities while maintaining a least-cost approach, maintaining sufficient resources for future growth, providing adequate and affordable air service, promoting airport economic development and supporting regional economic development activities.



The Savannah Airport Commission is charged with the operation and management of Savannah/Hilton Head International. Founded in March 1955, the body is composed of a five-member Commission appointed by the Mayor and City Council of Savannah. Commission members serve five-year terms. Pictured above are the Commissioners who served in 2011.

The Vision of the Savannah Airport Commission is to provide safe, secure and efficient facilities and to provide air service, and promote the economic development of the airport and the region as a whole.

SENIOR STAFF

Patrick S. Graham AAE
Executive Director

Greg B. Kelly AAE
Assistant Executive Director

George Fidler PE
Director of Engineering/Construction

John Rauback
Director of Administration and Finance

Lori Lynah
Director of Marketing/Public Relations

Ralph Maggioni
Director of Foreign Trade Zone

Robert J. Uhrich AAE
Director of Air Service Development

Bernard Wright
Director of Operations

A MESSAGE FROM THE EXECUTIVE DIRECTOR

Throughout 2011, regional airports across the United States were experiencing the effects of a struggling global economy and rising oil prices. Airline mergers and consolidations resulted in a reduction of available seats, which in turn resulted in a 2% reduction in passenger traffic for Savannah/Hilton Head International. The Savannah Airport Commission kept a tight control on spending and ended the year with flat revenue growth, despite fewer passenger boardings. 2011 saw the end of air service at SAV from Allegiant Air and Vision Airlines, and the merger of United Airlines and Continental. With one more merger expected in the near future, the result will be only three major domestic carriers, and even further constraints on air service development.

While the vision of the Savannah Airport Commission is to provide safe, secure and efficient facilities along with competitive air service, it also includes promoting the economic development of the Airport and the region as a whole. After announcing the expansion of Gulfstream Aerospace on Airport property in 2010, construction on the North Aviation Development proceeded on schedule with completion expected in 2013. The FAA granted an Environmental Assessment (EA) and prepared a Finding of No Significant Impact (FONSI)/Record of Decision (ROD) in May on the project which will include a realignment of Gulfstream Road, construction of a taxiway bridge, extension of taxiway A and construction

of taxiway H. The development will also make way for additional aviation business adjacent to the air traffic control tower. The expected cost of the project is \$29 million and will be funded by grants from the Federal Aviation Administration, and from Airport revenues.

Savannah/Hilton Head International continues to offer first class customer service and facilities and in order to improve the passenger and visitor experience, renovations to the curbside and valet parking facilities were completed in 2011. In addition, the Airport Commission approved a renovation project that will include updates for our rental car counters and Savannah Square that will keep the facility in top condition.

As proven through previous years of uncertainty regarding air travel and the economy, Savannah/Hilton Head International will continue to be a driving factor in the growth of our region. We thank you for your continued support and look forward to serving the flying public and area businesses in 2012.

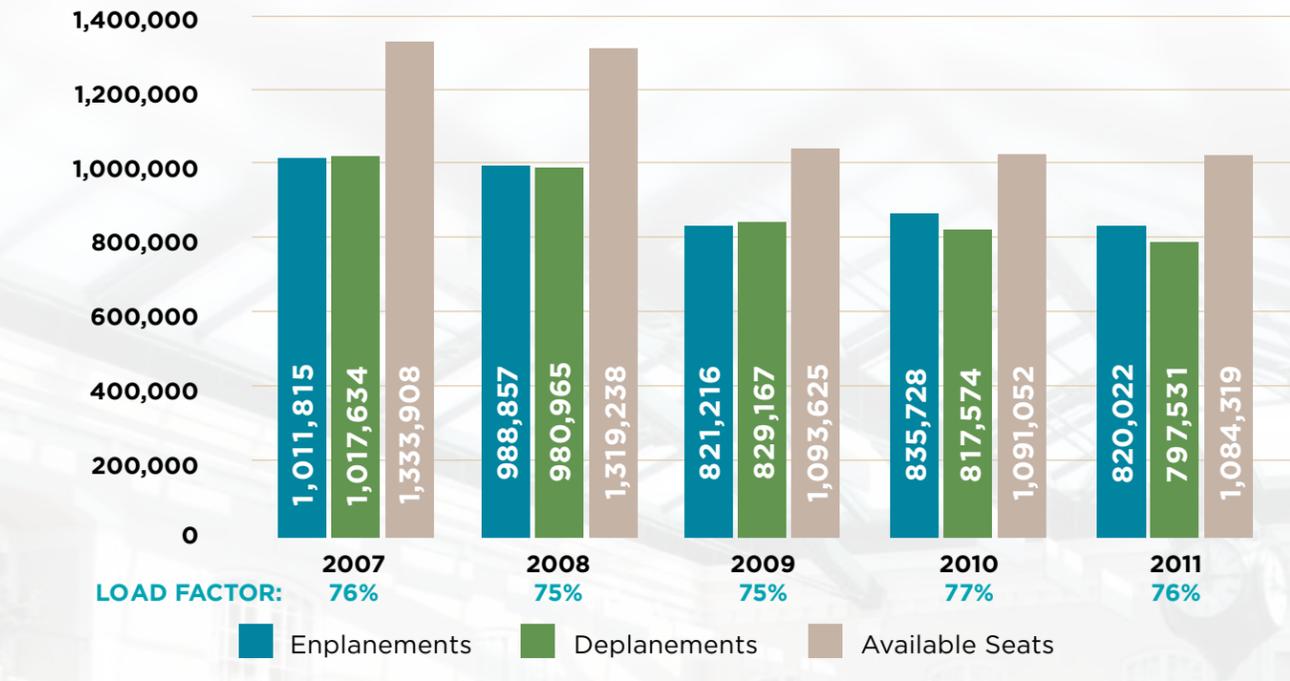


PATRICK S. GRAHAM
EXECUTIVE DIRECTOR

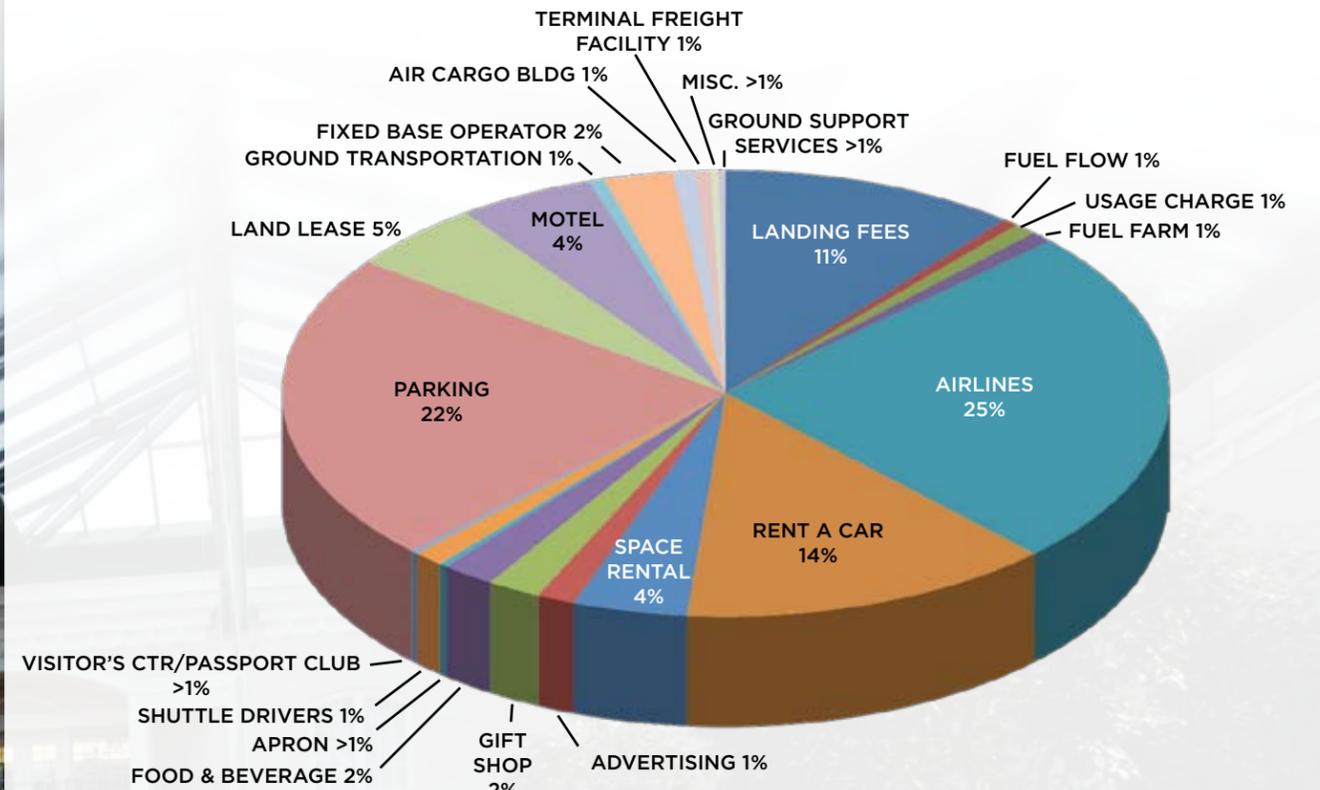


PASSENGER STATISTICS

ENPLANEMENTS AND DEPLANEMENTS



SOURCES OF AIRPORT REVENUE



STATISTICS

AIRLINE MARKET SHARE

ALLEGiant	> 1%
AMERICAN EAGLE	7%
CONTINENTAL	8%
DELTA	49%
UNITED	11%
US AIRWAYS	25%
VISION	> 1%

EMPLOYEES:

168

AIRLINE PASSENGERS:

1,617,553

4,432 passengers per day/average

TAKE-OFFS/LANDINGS:

98,806

271 per day/average

2011 YEAR IN REVIEW

FIRST QUARTER

The Savannah Airport Commission entered into an agreement with **Seacrest Partners, Inc.** to serve as the Airport's Insurance Agency of Record.

Phase I of a tree removal project was started at **Crosswinds Golf Course** in February 2011. A contract was issued to remove trees that penetrate or are within 10' of penetrating the FAR (Federal Aviation Regulations) Part 77 imaginary surfaces of Runway 10, and are objects affecting navigable airspace. The removal, marking or lighting of objects affecting navigable airspace of FAR 139 certificated airports is required for aircraft safety. Approval was received from the Corp of Engineers to cut the trees in the wetland as long as stumps were not removed.

SECOND QUARTER

Leadership Savannah graduates attended a presentation by the Airport in the Terminal Conference room. The 60+ participants were offered various tours of the Airport, Air Traffic Control Tower and baggage screening areas.

Savannah/Hilton Head International participated in a **VisitSavannah** Advertising Co-op with **Travelocity** for a Spring/Summer campaign promoting the area. The Travelocity partnership has provided VisitSavannah with one of its highest returns on investment and offered measurable results. In addition, the **Travelocity Roaming Gnome** made a visit to Savannah and offered an opportunity for the Airport to be involved in its successful social media campaign.

Numerous emergency agencies joined the Airport in a **Full-Scale Airport Emergency Plan Exercise** in May 2011. The exercise was conducted in accordance with Federal Aviation Administration regulations that require an airport operator to conduct live drills on airport property every three years.

In June, the **Savannah Airport Commission** voted to refinance Airport bonds for a savings of \$1,060,702.65.



THIRD QUARTER

To enhance safety and the appearance of the main intersection on Airways Avenue, sidewalks and bus stops were constructed. The improvements will benefit employees of the various hotels in the **Savannah Aviation Village**.



A group of 100 Airport employees, tenant employees and family members volunteered to host a water station for the first ever **Savannah Rock and Roll Marathon**.

Very early on a chilly Saturday morning, the group filled countless water cups for the 23,000 runners that participated in the event that brought a whopping \$32 million economic impact for the Savannah area economy.



Less than one year after starting service to Fort Lauderdale, **Allegiant Air** ceased operations at Savannah/Hilton Head International.

Rental Car Managers and Property representatives met with staff to determine the next CFC (Customer Facility Charge) projects. The priorities will be new signage, new rental car counters, addition of check in booths for the parking areas, repainting of existing canopies, repaving of Ida J. Gadsden Drive, sealing and striping of the Service Center parking lots and installation of additional CCTV's to cover leased areas.



FOURTH QUARTER

The Savannah Airport Commission approved contracts totaling \$1.35 million for improvements to the valet parking area and terminal curbside.

Ben Lao, the original architect for the Airport's main terminal building, was contracted to perform a **Functional Facility Report**. The findings of that report were then built into an **Airport Modernization Program** that will include both structural and aesthetic updates to the terminal. Improvements will include a facelift for the Savannah Square area and adjacent restrooms, a complete interior and exterior sign redesign and an update for the Visitor's Information Center on the lower level of the terminal. Lower level flooring will be replaced in conjunction with the replacement of the Rental Car Counters that's covered by CFC. Improvements are expected to cost between \$1.7 and \$2 million dollars and should be completed by the end of 2013.

In November, the Savannah Airport Commission approved Supplemental Agreement No. 12 with **URS Corporation Southern** not to exceed \$646,495 for **Savannah/Hilton Head International's (SAV) Master Plan Update**. The last Master Plan was done in 1998 and the FAA has requested that a new one be completed. The Plan will cover the airfield, improvements to the passenger terminal, aircraft apron, ground access, parking, land use and airport support facilities to include roadways and parking. It will provide a full analysis of the current status and where SAV needs to be in 20 years. The FAA has reviewed the scope of the plan and the project will be funded through the Airport Improvement Plan.

Just in time for the Thanksgiving rush, **Samuel Adams Toasts Savannah** opened in the Concourse. The new pub celebrates local flavor with scenic photos of the area and features award-winning Samuel Adams craft beers. In addition, the Airport welcomed a newly renovated **Burger King** back to the lineup of food choices for travelers.

In December, passengers began enjoying the new **charging stations** installed in the Concourse. The stations offer a place to sit and relax or work, while charging those essential mobile devices that travelers can't live without.

For the 15th consecutive year, passengers were entertained by performers from area school musical groups. During the holiday season more than 1,500 participants from over 25 area schools entertained passengers and visitors.



GREEN INITIATIVE

Savannah/Hilton Head International continued to increase its green initiative program to include recycling over 10 different types of materials including scrap metal, rubber, asphalt, paper, newspapers, glass, aluminum, cardboard, plant waste, motor oil, lead-acid batteries, vehicle tires and coffee grounds.

The public drop-off location is convenient for our neighbors and combined with the efforts of Airport employees and tenants, accounted for a total of 41.51 tons of recycled glass, paper and aluminum.

Airport landscaping was kept beautiful with the addition of recycled plant material and over 12,000 pounds of coffee grounds.

NORTH AVIATION DEVELOPMENT PROJECT

In support of a \$500 million expansion by the Airport's largest tenant **Gulfstream Aerospace**, the Airport is proceeding with a \$29 million land development project. Construction on the North Aviation Development (NAD) project started in 2010 and has an expected completion date of March, 2013.

The project will include:

- Realignment of Gulfstream Road
- New Electrical Vault
- Construct Taxiway H

- Construct Taxiway Bridge
- Construct Taxiway A Extension

The project will not only benefit Gulfstream's expansion, but also opens up to 280 acres of vacant property north of the terminal building for future aviation manufacturing and general/corporate aviation facilities.



AIRLINES SERVING THE AIRPORT

Through December 31, 2011.



1-800-433-7300

3 Daily Nonstop Departures to **DALLAS / FORT WORTH**
Daily Number of Seats - 144

1 Daily Nonstop Departure to **MIAMI**
Daily Number of Seats - 65



1-800-525-0280

3 Daily Nonstop Departures to **NEWARK**
Daily Number of Seats - 150

2 Daily Nonstop Departure to **HOUSTON**
Daily Number of Seats - 100



1-800-221-1212

10 Daily Nonstop Departures to **ATLANTA**
Daily Number of Seats - 1324

3 Daily Nonstop Departures to **NY LAGUARDIA**
Daily Number of Seats - 150

2 Daily Nonstop Departures to **DETROIT**
Daily Number of Seats - 100



1-800-241-6522

3 Daily Nonstop Departures to **WASHINGTON DC / DULLES**
Daily Number of Seats - 150

3 Daily Nonstop Departure to **CHICAGO / O'HARE**
Daily Number of Seats - 150



1-800-428-4322

9 Daily Nonstop Departures to **CHARLOTTE**
Daily Number of Seats - 670

1 Daily Nonstop Departures to **PHILADELPHIA**
Daily Number of Seats - 86

Saturday Only
Nonstop Departure to **WASHINGTON REAGAN**
Daily Number of Seats - 50



2011 GENERAL AVIATION HIGHLIGHTS

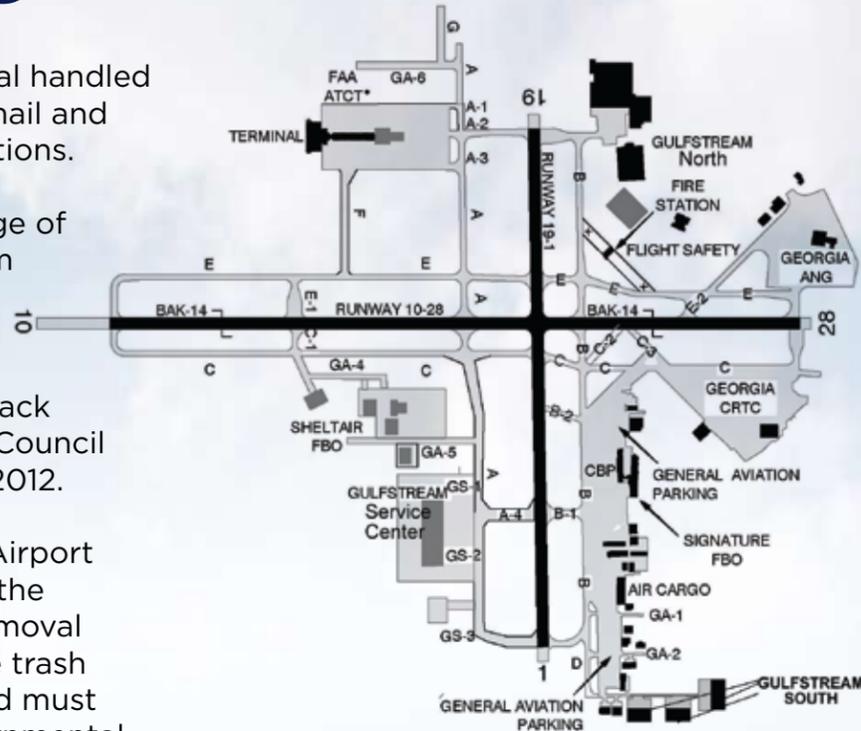
Savannah/Hilton Head International handled 8,408 tons of cargo and express mail and had 52,746 general aviation operations.

In 2011, SAC expanded the coverage of its Closed Circuit Television System to include more of the general aviation areas.

Plans for a general aviation wash rack were submitted to Savannah City Council and construction should begin in 2012.

In October of 2011, the Savannah Airport Commission voted to consolidate the collection of international trash removal from general aviation aircraft. The trash is treated like hazardous waste and must be disposed of according to governmental regulations. The Airport now manages the international trash removal and covers the cost through a Per Use Fee and the General Aviation Fund.

Summer brought completion of a project that would extend GA connector Taxiways and develop the site around the Air Traffic Control Tower north of the Airport Terminal.



FOREIGN TRADE ZONE

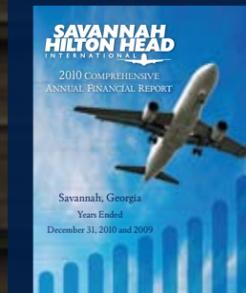
Foreign Trade Zones (FTZs) were created in the United States to provide special customs procedures to U.S. plants engaged in international trade-related activities. Duty-free treatment is accorded to items that are processed in FTZs and then reexported, and duty payment is deferred on items until they are brought out of the FTZ for sale in the U.S. market. This helps to offset customs advantages available to overseas producers who compete with domestic industry. Interest is peaking in FTZs because of the economy. Big Box importers are saving millions of dollars in

Merchandise Processing Fees alone and two 3PL (Third Party Logistics) providers in Savannah will service two large importers by the end of 2012. Significant savings provide wider margins or more competitive pricing not available to non-FTZs.

Savannah Foreign Trade Zone 104 is adding to its ranks in 2011-2012. Present FTZ users are NuStar Energy, Tumi Luggage, Mitsubishi Power Systems and Savannah Warehouse Services. Hugo Boss, Firth Rixon, John Deere and Matson Global are slated to begin operations in 2012.

AWARDS

For the 15th consecutive year, the Airport passed the FAA Part 139 Certification Inspection with no exceptions noted.



For the 13th year in a row, the Savannah Airport Commission was awarded a Certificate of Achievement from the Government Finance Officers Association of the United States and Canada for Excellence in Financial Reporting (CAFR*) for its report for the fiscal year ending December 31, 2010.



SAV's retail shops Flip Flop Stop and Sunglass Warehouse were presented a Third Place Award in the Airport Council International Richard A. Griesbach Excellence in Airport Concessions Contest honoring superior airport concessions for best new retail concept.

* Comprehensive Annual Financial Report

These financial statements for the year ending **December 31, 2011** are provided by management and are for information only and have not been audited.

The following statements are being provided:

- Statement of Net Assets
- Statement of Liabilities & Net Assets
- Statement of Revenues, Expenses & Changes in Net Assets
- Statement of Cash Flow / Fund Balance

A SUMMARY OF THE MAJOR CHANGES FOLLOW:

DESCRIPTION	Dollars in Millions		CHANGE
	2011	2010	
Cash Position	17.2	17.0	0.2
Restricted Assets	9.3	8.5	0.8
Total Assets	206.8	202.1	4.7
Current Liabilities	3.4	2.5	0.9
Total Liabilities	19.6	20.2	(0.6)
Net Assets	187.2	181.9	5.3
Operating Revenues	22.6	22.2	0.4
Operating Expenses	26.1	25.9	0.2
Operating Income / (Loss)	(3.5)	(3.7)	0.2
Net Income / (Loss) Before Capital Contribution	0.1	(0.3)	0.4
Capital Contribution	5.1	5.0	0.1
Increase in Net Assets	5.2	11.8	(6.6)
Total Revenues	23.3	23.2	0.1
O & M Expense	15.6	15.3	0.3
Net Revenues	7.7	7.9	(0.2)
Total Fund Collections	32.4	31.5	0.9
Total Fund Uses	28.3	26.5	1.8
Net Increase/(Decrease) in Fund Balance	4.1	5.0	(0.9)
Debt Service Coverage	3.47	3.46	1.00%

Questions concerning the financial statements and any other information provided should be directed to:

PATRICK S. GRAHAM, C.P.A., A.A.E.,
EXECUTIVE DIRECTOR, SAVANNAH AIRPORT COMMISSION

400 Airways Avenue • Savannah, GA 31408
(912) 964-0514 • www.savannahairport.com

STATEMENT OF NET ASSETS: YEAR-TO-DATE: DECEMBER 31

	2011	2010
CURRENT ASSETS		
Unrestricted Assets		
Cash	\$ 4,101,565	\$ 778,443
Investments	13,155,328	16,248,384
Receivables	1,921,802	1,754,036
Inventories	175,777	161,584
Prepaid expenses	195,286	202,617
Current portion lease receivable	215,848	197,839
TOTAL UNRESTRICTED CURRENT ASSETS	19,765,606	19,342,903
CURRENT RESTRICTED ASSETS		
Revenue bond renewal & replacement cash	2,000,000	2,000,000
Restricted cash & cash equivalents	7,069,579	6,257,300
Restricted accounts receivable	217,015	207,763
TOTAL RESTRICTED ASSETS	9,286,594	8,465,063
Bond issuance cost	603,900	499,162
Leases receivable, net of current portion	1,936,908	2,151,715
Investments Long-term	11,490,863	8,531,384
TOTAL	14,031,671	11,182,261
Capital Assets		
Land	11,190,828	11,561,094
Buildings & improvements	153,598,783	152,839,920
Runways, taxiways & lights	72,496,357	72,468,436
Equipment	15,416,317	15,673,694
Access roads	18,375,240	17,983,302
Construction in progress	15,003,532	7,533,416
	286,081,057	278,059,862
Accumulated depreciation	(122,369,446)	(114,960,177)
TOTAL CAPITAL ASSETS	163,711,611	163,099,685
TOTAL ASSETS	\$206,795,482	\$202,089,912

STATEMENT OF LIABILITIES AND NET ASSETS:

Year-to-Date: December 31

	2011	2010
CURRENT LIABILITIES		
Accounts payable & accrued expenses	\$1,655,367	\$1,171,325
Accrued vacation liability	659,208	688,758
Salaries & wages payable	105,081	89,550
Security deposits	64,810	61,237
Contract payable-retainage	725,773	337,054
Deferred revenue	157,194	133,430
TOTAL CURRENT LIABILITIES	3,367,433	2,481,354
NON-CURRENT LIABILITIES		
Net OPEB Obligation	3,051,760	2,406,126
Revenue Bonds (Unamortized Net Disc / Prem)	13,752,306	15,961,519
Deferred Loss on Bond Refunding	(550,845)	(688,266)
TOTAL NON-CURRENT LIABILITIES	16,253,221	17,679,379
TOTAL LIABILITIES	19,620,654	20,160,733
NET ASSETS		
Invested in capital assets net of related debt	150,510,150	147,826,432
Restricted for airport facilities		
Bond reserve funds	5,895,879	5,814,015
Bond debt service reserve	1,501,000	0
* Passenger facility charges	436,709	1,311,623
Customer facility charges	1,381,824	1,349,504
General Aviation fund charges	20,249	0
Savannah Aviation village fund charges	46,817	39,288
Other restricted assets	4,116	
Unrestricted	27,378,084	25,588,317
TOTAL NET ASSETS	187,174,828	181,929,179
TOTAL LIABILITIES AND NET ASSETS	\$206,795,482	\$202,089,912

*PFC accrual based 12/31/2011.
Actual reported PFC to FAA (Federal Aviation Administration) is \$259,307
Total remaining funds collected as required by FAA.

STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET ASSETS:

Year-to-Date: December 31

REVENUES:	2011	2010	EXPENSES:	2011	2010
Landing Fees	\$2,421,474	\$2,325,063	R/W T/W Mtc.	94,822	66,722
Fuel Flow	151,147	156,440	Bldg Mtc.	1,709,632	1,815,993
Usage Charge	168,477	151,829	Equipment Mtc.	517,018	447,075
Fuel Farm	219,385	244,723	Apron Mtc.	3,631	7,926
Airlines	5,598,701	5,391,560	Ground Mtc.	677,601	718,669
Rent A Car	3,079,836	3,028,204	Advertising	43,014	84,801
Space Rental	895,054	887,377	Janitorial Mtc.	809,432	757,281
Advertising	313,861	366,463	Utilities	1,362,506	1,283,631
Gift Shop	497,865	484,475	General	2,447,229	2,831,309
Telephones	13,977	14,294	Security	1,298,404	1,242,073
Vending Machines	2,380	12,072	Administrative	2,803,349	2,683,749
Food & Beverage	417,215	415,000	Operation Center	106,526	98,371
Baggage Handling	2,400	2,400	Marketing	535,175	418,700
Mini Mall / Visitor's Center / Passport Club	41,382	42,088	Employee Benefits	3,183,970	3,028,469
Shuttle Drivers	259,643	266,084	Fuel Farm	81,997	116,723
Apron	59,049	58,803	Passport Club / Visitor's Center	255,328	231,762
Parking	5,069,763	5,021,958	Shuttle Drivers	197,676	218,299
Land Lease	1,180,260	970,160	Ground Transportation Starters	108,960	89,126
Motel	1,105,073	944,750	Ground Support Services	48,972	17,082
Industrial Park	8,400	8,400	Depreciation	9,833,916	9,768,006
Ground Transportation	155,278	143,596	TOTAL OPERATING	\$26,119,158	\$25,925,767
Fixed Base Operator	517,761	611,327	EXPENSES:		
Air Cargo Building	216,236	221,614	NET OPERATING	(3,504,089)	(3,737,583)
Terminal Freight Facility	131,500	128,969	INCOME OR (LOSS):		
Miscellaneous	44,153	283,382			
Ground Support Services	44,800	7,150	NON-OPERATING	2011	2010
TOTAL OPERATING	\$22,615,069	\$22,188,184	REVENUE / EXPENSE:		
REVENUE:			* Passenger Facility	3,047,826	2,717,454
			Charges		
			Customer Facility Charges	510,213	510,033
			General Aviation Fund Charges	60,288	77,291
			Savannah Aviation Village	60,600	59,250
			Facility Charges		
			Interest Revenue	685,564	866,356
			Interest Expense	(687,586)	(903,999)
			Bond Issuance / Premium /	(93,372)	(121,766)
			Loss on Refunding		
			Net Increase / (Decrease)	(40,831)	185,027
			Fair Market Value		
			Gain / (Loss) on	39,708	85,647
			Asset Disposals		
			Gain on Recovery of Bad Debt	0	9,822
			TOTAL NON-OPERATING	\$3,582,410	\$3,485,115
			REVENUE/EXPENSE		
			NET INCOME OR (LOSS) BEFORE	78,321	(252,468)
			CAPITAL CONTRIBUTIONS		
			CAPITAL CONTRIBUTIONS	5,167,328	4,842,933
			NET ASSETS ADJUSTMENTS	0	7,208,040
			INCREASE IN NET ASSETS	\$5,245,649	\$11,798,505

*PFC reported is on accrual based 12/31/2011.
Actual reported PFC to FAA (Federal Aviation Administration) is \$3,032,389.35.
Total funding collected as required by FAA

STATEMENT OF CASH FLOW / FUND BALANCE: Year-to-Date: December 31

FUND	2011	2010
Airline Terminal Rentals	\$5,598,701	\$5,391,560
Landing Fees	2,421,474	2,325,063
Miscellaneous Airfield Income	539,009	552,993
Aircraft Apron Fees	59,049	58,803
Non-Airline Revenues	14,036,544	13,955,234
Investment Earnings	685,564	866,356
TOTAL REVENUES (Operating and Non-Operating)	23,340,341	23,150,009
O & M Expenses	15,639,608	15,254,460
Work in Progress / Special Projects Open	0	0
NET REVENUES	7,700,733	7,895,549
2001 Bond Debt Service	2,962,585	3,058,999
O & M Reserve Increment	81,864	84,486
Capital Equipment / Facilities	410,143	469,285
NET REMAINING REVENUES	4,246,140	4,282,779
COVERAGE CALCULATION:		
Net Revenues	7,700,733	7,895,549
Plus: Rolling Coverage	740,646	764,750
Plus: PFC Collections (Available for Debt Svc)	1,851,616	1,911,874
ADJUSTED NET REVENUES	10,292,995	10,572,173
DEBT SERVICE COVERAGE (Adj Net Rev ÷ Debt Svc)	3.47	3.46
TOTAL FUND COLLECTIONS:		
Total Revenues	23,340,341	23,150,009
Direct Finance Leases - Principle	191,854	175,817
Passenger Facility Charges - Airlines	3,047,826	2,717,454
AIP Funds	4,968,932	4,793,107
State Funds	13,395	49,826
Customer Facility Charges - Rental Cars	510,213	510,033
General Aviation Fund Charges	60,288	77,291
Savannah Aviation Village Fund Charges	60,600	59,250
Revert Acquisitions	185,000	0
TOTAL	32,378,449	31,532,787
TOTAL FUND EXPENDITURES:		
Total O & M Expenditures	15,639,608	15,254,460
2011 Bond Debt Service	2,962,585	3,058,999
Total Capital Expenditures	9,676,757	8,226,116
Work in Progress / Special Projects Open	0	0
TOTAL	\$28,278,951	\$26,539,574
NET INCREASE / (DECREASE) IN FUND BALANCE	\$4,099,498.00	\$4,993,213





**SAVANNAH
HILTON HEAD**
INTERNATIONAL

