

MEMO:

To: Board of Directors and Staff
From: Jane Dykstra
Subject: Financial Report
Date: March 18, 2014

Airside Revenues from the period from October 1, 2013 through February 28, 2014 are \$250,161 ahead of budget – with net Airside Revenues \$98,546 ahead of budget. Fiscal year-to-date fuel sales through March 18, 2014 versus the prior year are as follows:

	Gallons Sold		Increase (Decrease)
	10/1/12 - 3/18/13	10/1/13 - 3/18/14	
100LL	26,510	30,944	4,434
JetA	68,019	110,052	42,033

Transient use fees over the same period are down – from 722 events in the prior year to 666 the period ended March 18, 2014 - this includes waived fees due to fuel purchases. When the operations data is compiled for the quarterly report, this data will be analyzed.

Total revenues are \$260,216 (20%) ahead of the year-to-date budget. Operating, General and Administrative Expenses are 14% below budget, and Repair and Maintenance Expenses are 22% below budget on a year-to-date basis. Detail of significant variances to budgeted expense amounts will be reviewed by staff and presented to the board in conjunction with the March 2014 financial statements at the April 23, 2014 meeting.

The District's auto policy expires April 1, 2014; the policy will be renewed with the current provider (Century National) at a consistent rate with the prior year. The overall expense has increased due to the purchase of three vehicles in the past twelve months (replacement of the Operations truck and one flatbed and purchase of the Subaru Forester). Alliant approached various markets for proposals, however, no other carriers were able to match the proposal from Century.

The renewal process has also begun for the workers' compensation policy and the property insurance coverage – both of which expire June 30, 2014. SDRMA (our Workers' Comp provider) has informed us of a few factors that will affect the cost of the insurance over the coming year:

- They will be awarding the District a longevity bonus of \$2,506 as we have participated in their program for 26 years.
- The SDRMA board took action in February to increase the rates per \$100 of payroll by 10% across the board. The other factors that are involved in the workers' compensation insurance expense are the total dollar amount of payroll and the Experience Modification Factor (EMOD).
- The District's EMOD will decrease from the current 119% to 90% for the July 1, 2014 – June 30, 2015 policy year. That calculation is based on claims activity and

the relationship of expected losses to actual losses. SDRMA estimates this decrease in the EMOD could result in savings to the District of over \$10,000. This reduction is directly related to employees being safety conscious as they complete their assigned tasks.

All of these factors will be included in the estimate of the workers' compensation premiums that will be used in the 2014-2015 budgeting process. As a point of reference, the District's expense for Workers' Compensation insurance in the prior fiscal year was \$55,385.

Another expense that significantly impacts the District is the CalPERS retirement contribution. As you know, the State of California passed the Public Employee Pension Reform Act of 2012 (PEPRA), which created a third tier for new members; the new formula is 2% @ 62. Therefore, the District has three tiers: the "original" 2.7% @ 55, the second tier (added by the Board in 2012) of 2% @ 60, and the new PEPRA imposed tier. As has been stated before, these changes will not have the immediate effect of lowering the District's expense; however, over time, the District will see the benefit of a decreased cost for the retirement program. In the table below, I have noted the employee breakdown by plan.

The employer contribution rates for the current PERS year and the upcoming (July 1, 2014 – June 30, 2015) PERs year for the plans are shown in the table below. We have been notified by PERS that recent changes to their strategic asset allocation and actuarial assumptions will impact employer rates beginning in PERS year 2016-17. They estimate the increase to be 0.9%-1.9% for the 2.7% @ 55 plan and 0.4%-1.0% for the 2% @ 60 plan.

	2013 - 2014 rate	2014 - 2015 rate	# of employees at 4/1/2014
2.7% @ 55	15.685%	16.691%	14
2% @ 60	8.049%	8.005%	2
2% @ 62	6.250%	6.250%	3

Note that I did not include myself in the employee count above, but I did include my replacement – so the total number of employees is 19. My replacement, Sally Lyon, will start work on Monday, March 31, 2014. We are looking forward to welcoming her to the District. Please stop by my office if you are in the area, and I will introduce you to her.

The District is interested in pursuing the "District Transparency Certificate of Excellence" from the Special District Leadership Foundation. Many of the requirements are related to the District's website, so I have been working with the design team to ensure the required items are all present in our site. Once the website is up, we will gather the required documents and submit the application; the Board will be advised of the results of the review.

If you have any questions, please contact me at 587-7692.