



**TRUCKEE TAHOE AIRPORT DISTRICT
BOARD OF DIRECTOR STAFF REPORT**

MEETING DATE: October 26, 2016
TO: Board of Directors
FROM: Sally Lyon, Director of Finance and Administration
SUBJECT: Designating Unrestricted Net Assets

RECOMMENDATION: Adopt PI 309 Designating Unrestricted Net Assets with revisions and modifications to the unrestricted net asset categories.

DISCUSSION: Net Assets are the amount by which the District's assets exceed its liabilities. Net assets may consist of three components:

- Invested in capital assets, net of related debt, - this amount is equal to the District's net investment in fixed assets, as we have no outstanding debt.
- Restricted - net assets which have constraints placed on them by external creditors, grantors, contributors, or laws or regulations of other governments. We currently have no requirements for restricted net assets.
- Unrestricted – those net assets that do not meet the definition of “invested in capital assets,” or “restricted.” Per the Governmental Accounting Standards Board (GASB) Statement No. 34,

In the government environment, net assets often are designated to indicate that management does not consider them to be available for general operations. In contrast to restricted net assets, these types of constraints on resources are internal and management can remove or modify them.

The basis for the District's current designations were reviewed and revised in the fall of 2015. The Board reviews the allocations and makes appropriate changes annually. The current Policy advises that “prudent fiscal management of the funds which have been entrusted to the District calls for annual re-evaluation of the noted designations.”

The current designations can be broken down into two classifications:

1. Those that are set dollar amounts such as the Designation for Annoyance Reduction and Community Outreach Programs or Land Acquisition;
2. Those that are calculated based on District planning documents such as the Capital Facility, Utilities, Rolling Stock, Forest Management and Pavement Maintenance Plans or the General Fund Operating Contingency, which is calculated based on estimated property tax revenues and cash flow projections.

A report about unrestricted net assets from the California Special District Association notes that prudent accumulation of reserves:

- A. reflects the District’s view of its business environment;
- B. supports and informs strategic planning by identifying opportunities and constraints;
- C. helps inform customers and constituents about the District’s direction and priorities by showing funding to priority mission areas.

Prior Year-FY2015 DESIGNATION LEVELS (Previous Categories)

The designation levels as of the District’s financial statements for the year ended 9/30/15 are as follows:

Designated for Land Acquisition	\$1,000,000
Designated for General Fund Operating Contingency	2,820,000
Designated for Approved FY2016 & 2017 Projects	3,978,045
Designated for Annoyance Reduction/Outreach Reserve	1,000,000
Designated for Forest Management Reserve	500,000
Designated for Pavement Maintenance Capital Reserve	1,000,000
Designated for Facility Maintenance Reserve	500,000
Designated for Utility Capital Reserve	50,000
Designated for Rolling Stock Reserve	250,000
	\$11,098,045
Total unrestricted net assets at 9/30/15	\$11,098,045

Proposed Modifications to Unrestricted Net Asset Categories

Last Fall, the General Manager and Finance Director recommended various modifications and changes in asset designation categories and to base such on current District Capital Improvement Plans and other financial forecasting tools to more accurately plan for the future capital and operational needs.

At year end 9/30/16, it is estimated that unrestricted net assets will be approximately \$9.25 million. This number will be finalized with the completion of the Audited Financial Statements in early 2017.

Staff recommends the following categories for the allocation of unrestricted net assets along with the proposed designation levels:

Designated for Debt Retirement	\$0
Designated for Pavement Maintenance Capital Reserve	2,150,000
Designated for Facility Maintenance Reserve	600,000
Designated for Forest Management Reserve	500,000
Designated for General Fund Operating Contingency	2,500,000
Designated for Annoyance Reduction/Outreach Reserve	1,000,000
Designated for Rolling Stock Reserve	350,000
Designated for Land Acquisition	2,000,000
Designated for Utility Capital Reserve	150,000
Total estimated unrestricted net assets at 9/30/16	\$9,250,000

FISCAL IMPACT: Designating funds in the various areas proposed does not limit the District's flexibility to move and use the funds when a compelling opportunity presents itself. Staff continues to prepare a 10 year Financial Forecast for the District. It is our intent to have this document ready for Board Review by the Nov. 30th Board Meeting.

PUBLIC COMMUNICATIONS: The designations are detailed in the financial statements and are a primary indicator to the reader of the financial statements of the current direction of the Board. They are an important form of communication with TTAD's constituents.

ATTACHMENTS:

- Draft of PI 309, Designating Unrestricted Net Assets
- Capital/Operating Reserves and 5 & 10 Year Funding Needs