



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

MEETING DATE: March 28, 2018
TO: Board of Directors
FROM: Kevin Smith, General Manager and Sally Lyon, Director of Finance and Administration
SUBJECT: Designating Unrestricted Net Assets

RECOMMENDATION: Review and approve amended PI 309 Designating Unrestricted Net Assets with proposed CY2018 designations as attached.

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 2017. 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-FY2016 DESIGNATION LEVELS (Previous Categories for 9/16 to 12/17 – 15 months)

The designation levels as of the District’s financial statements for the year ended 9/30/16 were as follows:

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

Proposed Modifications to Unrestricted Net Asset Categories

At year end 12/31/17, it is estimated that unrestricted net assets will be approximately \$10,000,000. This number will be finalized with the completion of the Audited Financial Statements in May 2018.

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

Designated for Debt Retirement	\$550,000
Designated for Pavement Maintenance Capital Reserve	\$1,500,000
Designated for Facility Maintenance Reserve	\$600,000
Designated for Forest Management Reserve	\$300,000
Designated for General Fund Operating Contingency	\$1,700,000
Designated for Annoyance Reduction/Outreach Reserve	\$500,000
Designated for Hangar 2 and/or ATC Tower Projects	\$2,500,000
Designated for Rolling Stock Reserve	\$250,000
Designated for Land Acquisition	\$1,000,000
Designated for Utility Capital Reserve	100,000
Total estimated unrestricted net assets at 9/30/16	\$9,000,000

One new designation for CY2018 is a set aside for Hangar 2 and/or the Air Traffic Control Tower construction. As these are large multi-year capital expenses staff recommends designating assets to these projects. It should be noted that CY2018 has an additional \$2,500,000 budgeted in the Non-Operational Costs-Capital Expenditures Budget. If the Board decides to move forward with either of these projects, construction will span 2 to 3 fiscal years.

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 with assistance from Hansford Economic Consulting prepared a 5 year financial forecast which was reviewed in detail at the Budget Workshop on March 7, 2018. Keep in mind the Forecast is based on the Districts current unrestricted "cash" balance (\$10,000,000) as opposed to unrestricted net "assets" (\$9,000,000). The Forecast has been attached for reference purposes.

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.

SAMPLE MOTION: I move to approve the proposed allocations and designations of the Districts Unrestricted Net Assets for CY2018.

ATTACHMENTS:

- Revised PI 309, Designating Unrestricted Net Assets
- 5 Year Financial Forecast