



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

MEETING DATE: June 23, 2021
TO: Board of Directors
FROM: Kevin Smith, General Manager and Kelly Woo, Director of Finance and Administration
SUBJECT: Designating Unrestricted Net Assets

RECOMMENDATION: Review and approve amended PI 309 Designating Unrestricted Net Assets with proposed CY2021 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 that 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 spring. 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 FY2019 DESIGNATION LEVELS - For reference purposes

The designation levels as of the District's financial statements for the prior year ending 12/31/2019 were as follows:

| | |
|--|--------------------|
| Designated for Debt Retirement | \$500,000 |
| Designated for Pavement Maintenance Capital Reserve | 1,000,000 |
| Designated for Facility Maintenance Reserve | 400,000 |
| Designated for Forest Management Reserve | 300,000 |
| Designated for General Fund Operating Contingency | 1,378,312 |
| Designated for Annoyance Reduction/Outreach Reserve | 500,000 |
| Designated for Hangar 2 and/or ATC Tower Projects | 1,500,000 |
| 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 12/31/19 | \$6,928,312 |

Proposed Modifications to Unrestricted Net Asset Categories

At year end 12/31/20 the unrestricted net assets were \$6,540,200. Staff recommends the following categories for the allocation of unrestricted net assets along with the proposed designation levels:

| | |
|---|--------------------|
| Designated for Debt Retirement (CalPERS UAL and/or Hangars) | \$500,000 |
| Designated for Pavement Maintenance Capital Reserve | \$1,000,000 |
| Designated for Facility Maintenance Reserve | \$500,000 |
| Designated for Forest Management Reserve | \$300,000 |
| Designated for General Fund Operating Contingency | \$1,490,200 |
| Designated for Annoyance Reduction/Outreach Reserve | \$500,000 |
| Designated for Large Capital Projects (ATC Tower, Admin. Bldg.) | \$1,000,000 |
| Designated for Rolling Stock Reserve | \$250,000 |
| Designated for Land Acquisition | \$1,000,000 |
| Total unrestricted net assets at 12/31/20 | \$6,540,200 |

The Board of Directors has the option of moving funds between categories or creating new categories at anytime during the budget year by amending PI 309 in a public meeting.

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.

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 CY2020 and move to approve the revised PI 309 as attached.

ATTACHMENTS:

- Revised PI 309, Designating Unrestricted Net Assets