



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

AGENDA TITLE: Review of 2021 TTAD Financial Allocation Study and Direction to Ad Hoc Committee and Staff

MEETING DATE: January 5, 2022

PREPARED BY: Ad Hoc Committee - Director Hetherington, Director Diamond. Ad Hoc Committee Staff Support - General Manager, Kevin Smith and Kelly Woo Finance and Administration Director.

RECOMMENDATION: Review 2021 Cost and Allocation Study Materials, hear presentation from Jeff Kohlman of Aviation Management Consultants Group (AMCG) and provide input, comments, and direction to Ad Hoc Committee and staff. This current draft of the allocation study is a final draft. The full document will not be finalized until the full Board has had an opportunity to provide comments, edits, and feedback. The “Next Steps” portion of this Staff Report also provides a suggested review and future action process.

DISCUSSION: At the February 2021 Board Meeting the Board of Directors selected AMCG to conduct a Financial Allocation Analysis for the District to consider primary, secondary, and Tertiary revenue and cost centers. The primary and secondary cost centers and revenue streams were reviewed and allocated by function using 3 years of historical TTAD financial data. The financial records primarily utilized were operating revenues, operating expenses, and capital costs for fiscal year 2018, 2019, and 2020. The tertiary analysis is based solely on the 2020 data.

The Ad Hoc Committee consisting of Directors Diamond and Hetherington along with Staff members Kelly Woo and Kevin Smith have worked closely with Jeff Kohlman of AMCG and his team to provide the attached final draft of the 2021 TTAD Financial Allocation Analysis. The primary intent of the study is to be a tool to inform the District regarding all financial decisions: examples include current and future rate setting, staffing options, leasing, equipment

purchases, foregone revenue for “community purposes”, and/or the agency partnership intentions. The study also provides financial transparency to the public and airport users.

Jeff Kohlman of AMCG will make a full presentation on this study along with supporting materials related to FBO Fee and Hangar Rent Analysis at our Workshop Scheduled for January 5, 2021 from 2:00 to 4:00 PM. In preparation for this Workshop and to assist in your review of the Study, the Ad hoc Committee and staff wanted to highlight a few items related to this analysis:

- It is important to note that this allocation study reviews 3 fiscal years (2018, 2019, 2020).
- Return on Investment (ROI) or Internal Rate of Return (IRR) are not considered in this analysis. This could be completed if desired on enterprise business lines.
- Property tax, interest income, FAA Airport Improvement Program funding, or State funding is not reflected in this analysis.
- The Allocation Study includes substantial amounts of capitalized costs in the allocation tables. While the study shows the capitalized expenditures amortized over a given number of years depending on the asset, it does not include Federal funds used to build the asset in the case of a taxiway or runway.
- Certain Primary and Secondary cost Centers such as “District”, “Community Investment” etc. do not have a revenue source to offset costs. Discounts we provide to non-profit non-aviation tenants also contribute to financial results in the “District” category.
- The current “Airside” cost center includes the majority of Air Traffic Control Tower (ATC) and ADS-B costs. 90% of tower staffing costs are included in this Cost Center. 10% of ATC is included in Noise and Annoyance Programs. If future data shows that the tower is becoming more efficient and effective with noise and annoyance abatement, more of the 90% airside allocation should be moved to noise and annoyance abatement. Understanding these Airside, Landside and Aviation Real Estate allocations will help inform rate setting including land leasing discussions.

The Allocation Study is intended to assist the District in understanding operating and capital expenses compared and analyzed with District enterprise revenues sources. This can help to inform future revenue needs in the absence of property tax or federal funding dollars.

NEXT STEPS: The Ad Hoc Committee and Staff would like Board input on thoughts, comments, impressions and/or additional information the Board would like to receive. The next phase of this project would be to consider rate setting opportunities as well as any operational changes or efficiencies we as a District should consider. The Ad Hoc Committee recommends the following steps, goals for meetings, and future meetings:

1. Meeting 1 - January 5th Allocation Study Workshop – Hear presentation from AMCG along with information and observations from ad hoc committee and staff to understand the study and identify areas of focus/concern for future review.

2. Meeting 2 – Date TBD – Discuss one or more of the topics to be considered in more detail (FBO, fueling, leasing, hangars, etc.) and arrive at a rough goal for the GM to use to suggest options for Board consideration.
3. Meeting 3 – GM proposes options from Meeting 2 topic. We then discuss the next topic area and the process starts anew. This process could be completed as part of our regular Board Meeting schedule or in special meetings or workshops.

The Ad Hoc Committee and Staff are working with AMCG to finalize an FBO Fee Comparison Study, Airport Rent Study, and Hangar Rent Analysis which will assist in our future discussion and evaluation of District lease rates as well as rates, fees, and charges. These studies will be available for the future meetings on this topic as recommended above.

FISCAL IMPACT: The cost for this Analysis was \$27,500 with an additional \$7,500 for the FBO Fee and Hangar Rent Study.

SAMPLE MOTION: No motion is necessary for this request.

ATTACHMENTS:

2021 TTAD Financial Allocation Analysis