

[TTAD Letterhead]

March 15, 2024

VIA EMAIL

Mr. Karl Zittel
Western-Pacific Region
Federal Aviation Administration
777 S. Aviation Boulevard, Suite 150
El Segundo, CA 90245

RE: Truckee-Tahoe Airport Land Use Compliance Inspection Report

Dear Mr. Zittel:

This letter responds to the Land Use Compliance Inspection Report (the “Report”) for the Truckee-Tahoe Airport (the “Airport”) dated January 31, 2024, and your request for corrective action regarding several items enumerated below. On behalf of the Truckee-Tahoe Airport District (the “District”), I would like to first express my sincere appreciation for your and the rest of the Land Use Compliance Inspection team’s feedback and professionalism throughout this process. The District values its partnership with the FAA, and we very much appreciated the opportunity to show your team around our Airport and engage in constructive discussion.

The Report identifies several potential discrepancies which, for ease of reference, are copied in *italicized* text below. The District’s response and, where applicable, proposed corrective action is detailed under each of the items enumerated below.

1. *Intermixing of operational, federal funding and public taxes in a single general fund. TTAD identifies multiple revenue sources that include operational rents, federal funding (AIP), and property tax revenue. However, TTAD funds numerous Agency Partnership and Community Sponsorship Expenses out of a single Airport Enterprise Fund.*

As discussed during your on-site visit, the District agrees that segregating the District’s property tax revenue from the District’s airport operating revenue will allow the District to better demonstrate compliance with the FAA’s Revenue Use Policy. As the Report notes, the total cost of the District’s Agency Partnership and Community Sponsorship activities represents less than fourteen percent of the District’s annual tax revenue. Clearly, there are more than adequate property tax revenues to support these programs, and the District has not expended airport revenues subject to the FAA’s Revenue Use Policy for these purposes. Nevertheless, the District appreciates that its compliance with the Revenue Use Policy could be more clearly demonstrated by discontinuing the practice of comingling all revenue in a single account.

Accordingly, as corrective action, the District has already opened a separate account with its banking institution. Effective as of January 1 of this year, the District’s property tax revenue is being deposited into this separate account. The District is funding all Agency Partnership and

Community Sponsorship programs (or other programs and expenses not properly categorized as capital or operating expenses of the Airport) solely from this separate account. The only expenses that will be funded from the Airport Enterprise Fund (into which airport operating revenues are deposited) are those for which airport revenue may be lawfully expended, in accordance with the Revenue Use Policy. As discussed below, the District intends to make certain transfers from the property tax revenue account to the Airport Enterprise Fund where (i) the District is offering discounted aeronautical rates for participation in community benefit programs (e.g., the Fly Quiet Program) or (ii) where necessary to supplement operating revenues. To the extent funds are transferred from the property tax revenue account to the Airport Enterprise Fund, they will thereafter be used only for purposes compatible with the Revenue Use Policy.

2. *TTAD is required to report homebased aircraft to the appropriate County for tax purposes. TTAD Homebasing Program offers existing signatory tenants a monthly discount who choose to declare their aircraft homebased at TRK. The funding for this Signatory Incentive is provided through District funds, not aeronautical revenues.*

As discussed under Item 1 above, the District has implemented measures to segregate property tax revenue from its airport operating revenues. The District previously funded the Homebasing Program through property tax revenues. However, effective January 1 of this year, the District has discontinued the Homebasing program. Accordingly, no further corrective action is necessary.

3. *Under Federal Regulation (2 CFR Part 200, Subpart F), entities spending \$750,000 or more in federal funds annually must undergo a single audit. The deadline for submitting this audit report is either within nine months after the end of the entity's fiscal year or within 30 days following the receipt of the auditor's report, whichever is earlier.*

The District understands its obligation to conduct a single audit in those years where the expenditure of federal funds exceeds \$750,000. The District has fully complied with this requirement in all years except FY2021, for which year the audit report was timely *completed*, but not *submitted* until September 7, 2023, due to the District's and its accountants' mutual oversight.

As corrective action, the District has implemented additional internal procedures to ensure that a similar oversight does not occur in the future. The existing scope of work between the District and its accountants has long included verification of whether a single audit is required considering the federal funding received in a fiscal year and, if so, the preparation of a single audit report. The District has now added reminders to its internal calendaring system to ensure that the single audit report is submitted, if prepared, as well as to the web-based portal that facilitates the exchange of information between the District and its accountants. The District has communicated the importance of timely submission of the single audit report to its accountants, as well, and has been assured that they will also enhance their internal procedures to prevent a similar oversight in the future. Additionally, the District intends to update its Financial Policy Instruction to specifically reference the requirement to submit the single audit report. The District believes that these additional reminders will substantially reduce the chance that a similar mistake is made again.

The District is in the process of completing its single audit for FY2023. The District expects to receive the final report of its auditor on or around April 2024 and will ensure that the report is timely and properly submitted within thirty days thereafter.

4. *Fly QT Program - The TTAD provides a financial Signatory Incentive to TRK tenants that commit to the TTAD's voluntary quiet flying procedures. The funding for this Signatory Incentive is provided through District funds, not aeronautical revenues.*

As discussed under Item 1 above, the District has implemented measures to segregate property tax revenue from its airport operating revenues. The District has issued new leases to all hangar tenants, which leases became effective during January / February 2024. The District offers an addendum to all hangar leases, providing a discount of \$30.00 per month if the tenant agrees to participate in the Fly Quiet Program. For each tenant that participates in the Fly Quiet Program, the District is transferring \$30.00 from its newly established property tax revenue account to the Airport Enterprise Account. Upon such transfer, these funds are held in the Airport Enterprise Account to be used only for purposes compatible with the FAA Revenue Use Policy.

5. *Aeronautical hangars are being used to store inoperative aircraft for extended periods of time. Hangar F11 houses a Samsung Swan Starduster Too aircraft. While the aircraft has a valid operating certificate based on FAA's database, it appears the aircraft has not been operated recently due to dust build-up, flat tire and posted operating certificate expiration dated December 31, 2019. The tenant has been paying aeronautical rates when the aircraft doesn't appear operational nor aeronautical. This concern can be remedied by adopting the FAA "Policy on the Non-Aeronautical Use of Airport Hangars, effective July 1, 2017" and incorporating this policy into the airport minimum standards.*

As noted above, the District issued new leases to all hangar tenants at the Airport effective January 1, 2024. Among other enhancements, all hangar leases now contain the following provisions:

- Tenant shall ensure that Tenant's Aircraft authorized to be stored at the Hangar under this Agreement are at all times operational, registered, and in an airworthy condition in accordance with all applicable laws, rules, and regulations. Notwithstanding the foregoing, Tenant shall be permitted to conduct the non-commercial construction of amateur-built or kit-built aircraft in the Hangar.
- The Hangar shall not be used for non-aeronautical storage or other non-aeronautical purposes; provided, however, Tenant may store non-aeronautical personal property on a limited basis, in accordance with the FAA's Policy on the Non-Aeronautical Use of Airport Hangars, 81 Fed. Reg. 38,906 (June 15, 2016), as determined in the sole and absolute discretion of the District's General Manager.
- Tenant may only use the Hangar for . . . temporary parking of Tenant's owned or leased noncommercial vehicle(s) while Tenant is present at the Hangar or flying Tenant's Aircraft. The storage of boats, trailers, and other recreational vehicles in the Hangar is prohibited.

The hangar leases also permit the District to conduct regular inspections of the hangars, without notice, to ensure tenant compliance with the above provisions. The District intends to conduct inspections of all hangars in the second quarter of 2024, including ensuring that all aircraft stored in hangars are in an airworthy condition (or that that the tenant is proceeding with due diligence to restore the aircraft to an airworthy condition within a reasonable timeframe).

The District has communicated these requirements to tenants and made clear that it will strictly enforce the Hangar Use Policy going forward. The District believes it is appropriate to afford all tenants until the second quarter of 2024 to come into compliance. The District intends to take enforcement action, including termination of leases, against any tenant that does not comply.

6. *Airport Layout Plan – Exhibit A/Property Map should be updated to reflect non-aeronautical use. ALP currently indicates property as Aviation Use.*

The Report identifies an area on Airport property currently used to stage storage containers, which are rented by the District to local community-based organizations and government. This area of the Airport is used for non-aeronautical purposes but is designated for aviation use on the ALP. The District understands that it must obtain the FAA’s approval (or a determination that such approval is not required) pursuant to *Updated Instructions to Airports District Offices and Regional Office of Airports Employees Regarding Airport Layout Plan Reviews and Projects Potentially Affected by Section 153 of the FAA Reauthorization Act* (June 22, 2023) and the *Policy Regarding Processing Land Use Changes on Federal Acquired or Federally Conveyed Airport Land* (Dec. 8, 2023). The District intends to submit an appropriate request pursuant to these policies and procedures. As an initial step, however, the District will determine the fair market value rent for all property and District-owned facilities used for non-aeronautical purposes. While the District intends to continue leasing the storage containers at nominal rent to community-based organizations, the District will transfer the fair market rental value from its newly established property tax revenue account to the Airport Enterprise Fund, as described above.

The District anticipates completing the appraisal and submitting an appropriate request to the FAA within ninety (90) days from the date of this response.

7. *The airport lacks adequate hangar usage standards evidenced by the overabundance of non-aeronautical item storage in sponsor-owned aircraft hangars. We visited several aircraft hangars and found most aircraft had unimpeded ingress/egress to the ramp area, however, many hangars are used for storing furniture, snowmobiles, boats, vehicles, housewares, books, and other items resulting in the non-aeronautical storage becoming predominant and the aeronautical use becoming incidental. Most of these concerns could be remedied by adopting the “Policy on the Non-aeronautical Use of Airport Hangars effective July 1, 2017” and incorporating this policy into the airport minimum standards.*

Please see response to Item 5, above.

8. *The safety inspection of the airfield revealed several issues:*
 - a. *A few airfield sign bases had erosion that should be flush to ground level.*

The District intends to rectify any erosion at the base of airfield signs at the conclusion of the winter season, or as soon as snow deposits will otherwise permit.

- b. *No fence line, However vehicle prevention has been established with either large rock, barricades, and large drainage ditches.*

The District is currently conducting an Airport Security Assessment in accordance with the Transportation Security Administration's *Security Guidelines for General Aviation Airport Operators*. As you know, the District is not required to fence the entire airfield; however, the District anticipates that it will apply for funding under the Airport Improvement Program to enhance security measures upon the completion of the Assessment.

- c. *One faded sign in the construction area. Replacement has been obtained and will be replaced by TTAD following construction.*

The District has removed the sign identified, as construction was completed.

We trust that the corrective action proposed above will resolve the FAA's concerns. Again, the District thanks you for your partnership in ensuring that the Airport is safe, secure, and managed in accordance with all applicable federal obligations. Should you have any questions about the foregoing response or any other matter, please do not hesitate to contact me.

Sincerely,

Robb Etnyre
General Manager