AD-HOC Review of AMCG Study of Hangar Rate Analysis-Aug. 2010

- Purpose of the Review
  - Evaluation of the Aviation Management Consulting Groups (AMCG) 2010 Analysis of the Hangar Rent Cost Allocation Structure.
  - Answer the Question – "Are the Hangar Tenants being Subsidized by Taxpayer Dollars"?
  - Answer the Question – "Is it Time for Another Study"?

Facts, Terms & Background

- Truckee has 226 Hangars:

  -- 206 Small Hangars
  * 197 T-Hangars
  * 9 End Pocket Hangars
  * Capital Costs Declining

  -- 20 Executive Hangars
  * A & F Rows – 2 Hangars each
  * L Row – 6 Hangars
  * H Row 10 Hangars

- Airside:

  -- Runways 11/29 and 2/20

  -- All Taxiways, all Apron Areas including around the Hangars

- Landside:

  -- Airport Roadways & General Parking Lots

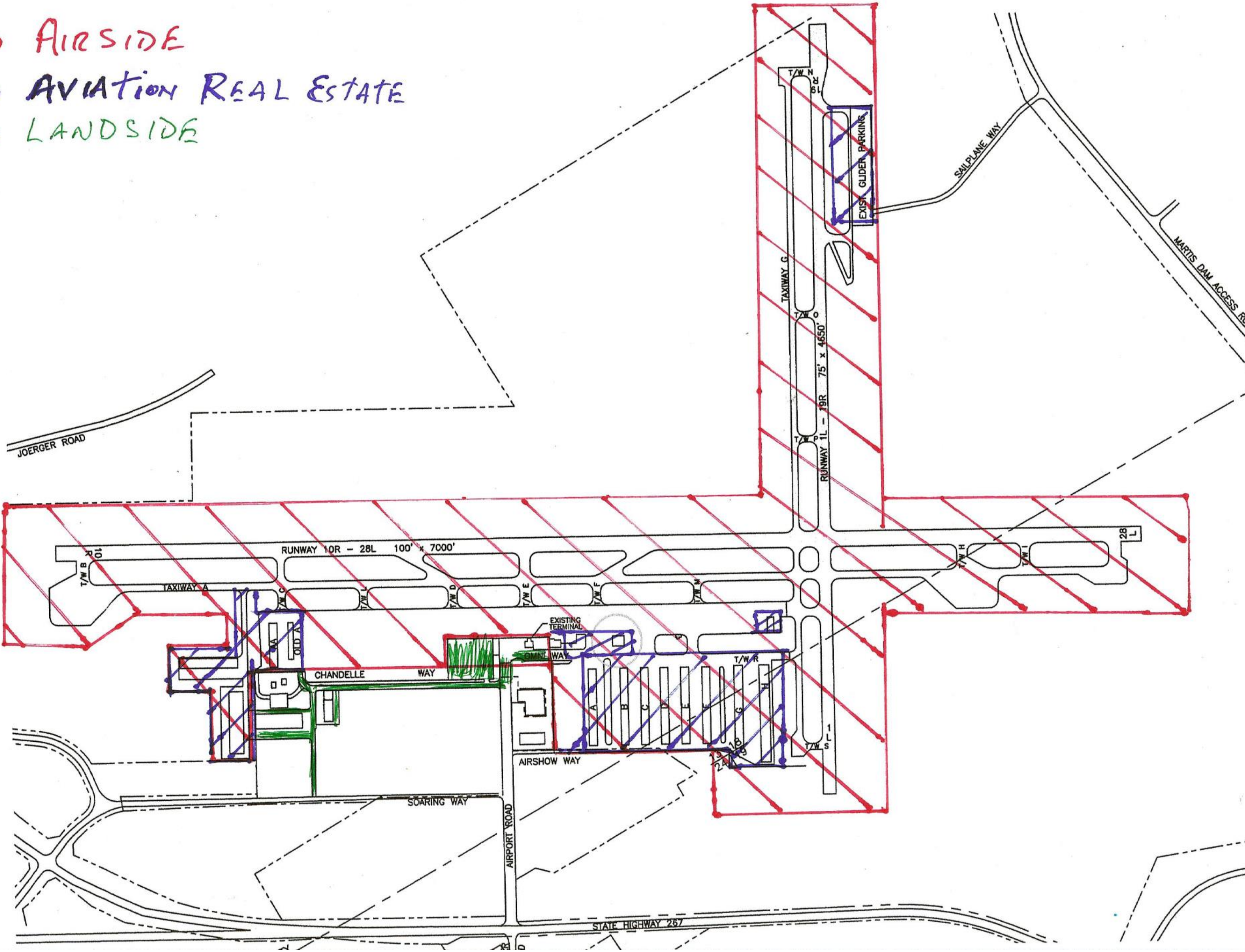
- Aviation Real Estate:

  -- All Hangars

  -- EAA Building

  -- Soar Truckee

- AIRSIDE
- AVIATION REAL ESTATE
- LANDSIDE



Facts, Terms & Background - Continued

- Assumed Flying Ops. in 2009 for AMCG Study:
  - Transient Operations = 62%
  - Local/Hangered Plane Operations = 38%
- Truckee Flying Activity w/o Soar Truckee - 1/1/12 to 8/31/12
  - 8,496 Total Operations (Take Offs & Landings)
    - 68% Transient Planes
      - Jets = 12% of Total Operations
      - Turbo Props = 20% of Total Operations
      - Singles = **<u>31%</u>** of Total Operations
      - Twins = 5% of Total Operations
    - 32% of Plane Operations Hangared in Truckee
      - Jets = 1% of Total Operations
      - Turbo Props = 4% of Total Operations
      - Singles = **<u>25%</u>** of Total Operations
      - Twins = 3% of Total Operations

Aviation R.E. 2009 Allocation & Calculations

• AMCG Study Allocation Methodology – Pgs. 1-37

– Hangar Revenue		$1,282,397
– Operating Expenses	$463,670	
– 25% Airside Costs	283,844	
– Access to Airside Cost (38% of 75%)	323,582	
– Annualized Capital Costs	420,551	
– 88% of Landside Costs	148,741	($1,640,388)
Profit/(Loss) from Hangars		($357,991)

• AMCG Financial Reports – Pgs. 38 - 101

– Hangar Revenue		$1,282,397
– Operating Expenses	$463,670	
– 25% Airside Costs	283,844	
– Annualized Capital Costs	420,551	
– 88% of Landside Costs	148,741	($1,316,806)
Profit/(Loss) from Hangars		($34,409)

This Analysis Has Generated a Few Questions

- 1. Why review a Pricing Methodology in detail stating 38% of the remaining 75% of Airside Costs should be charged to the hangar tenants, but not include it in all the detailed financial Reports?
- 2. Why charge Hangar Tenants 88% of the Landside Costs when their Airside Usage is pegged at 38%?
- 3. Why did the Labor Costs for the Hangars increase 56% from 2006 to 2009 when the rate of increase for the Total Labor Costs at the airport only increased 24% during the same period?

Some Interesting Information From My Readings

- The Airport is a portion of this Country's Transportation Network, which Part of the reason we get federal funding.
- The Airport has Economic Benefits to the Community.
- These Economic Benefit is why in 1958 the taxpayers created a "Special District" and began to get FAA funding.
- Car Owners Don't Pay to Drive on Most Roads.(Dropped 38% Chg)
- FAA – Policy Regarding Airport Rates and Charges – 6/21/96
  - Aeronautical Fees May Not Unjustly Discriminate Against Users or User Groups.
- FAA Grant Assurances Include:
  - 22A – Airport is Available for Public Use on Reasonable Terms.
  - 22B – FBO's Shall Provide Services on a Reasonable Basis.

Question 1: Why Drop the Usage Charge of 38% of 75% of the Airside Costs?

- 75% of Airside Costs in 2009 was $851,532.
- The Methodology was requiring the local tenants, to Pay 38% of this cost or $323,582.
- Conversely, the transients (62% of the Operations) would have been expected to pay the remaining Airside Cost, Which would be $527,750. ($851,532 – $323,582).
- However, transient fees of $120,720 added to tie down fees of $52,886, totaling $173,606 comes up $354,144 short of paying their share of the Airside Costs.
- In addition, 31% of total activity is from transient single engine small planes with no transient use fee charges.
- This would have been discriminatory against local hangar tenants. Maybe this is why it was dropped from the detailed analysis.

Truckee Take Off & Landing Activity

w/o Soar Truckee 1-1-12 to 8-31-12

- **8 Months of Activity Totaled 8,496 Operations:**
  - Jets -- Transient = 12%; Home Based = 1%
  - Turbo Props. -- Transient = 20%; Home Based = 4%
  - Singles -- Transient = 31%; Home Based = 25%
  - Twins -- Transient = 5%; Home Based = 3%
- **Transient Fee Capable Aircraft:**
  - Jets -- Transient = 12% or 1,010 Operations
  - Turbo Props. -- Transient = 20% or 1,740 Operations
  - Twins -- Transient = 5% or 426 Operations
- **Planes Excluded From Transient Fees**
  - Transient Singles -- 31% of Total Operations
  - Jets -- 1% of Home Based Jets
  - Turbo Props. -- 4% of Home Based Turbo Props
  - Twins -- 3% of Home Based Twins

Question 2: Why Charge Hangar Tenants 88% of Landside Costs?

- Aviation Real Estate(hangar tenants) were charged 88% of Landside Costs or $148,741
- The basis for using 88% is that hangar square footage represents 88% of the total real estate square footage on the airport.
- Note- All other Analysis' is based on traffic activity. Which would be 38%.
- The difference between an 88% charge and a 38% charge to hangar tenant costs is $84,512.

Question 3: Why Did Hangar Labor Costs Go Up 56% When Total Labor Increased 24%?

- Total TTAD Labor Costs – 2006 to 2009:

	2006	2009
Payroll	$1,056,924	$1,292,071
Taxes	17,220	20,889
Benefits	420,325	536,724
Total	$1,494,469	$1,849,684
	Three Year Increase of 24%	

- Aviation Real Estate(Hangars) Labor Costs:

	2006	2009
Payroll	$130,501	$201,175
Taxes	2,126	3,252
Benefits	51,899	83,568
Total	$184,526	$287,995
	Three Year Increase of 56%	

- Aviation Real Estate Labor growth of 24% vs. 56% would total $228,812 . A reduction of $59,183 in the 2009 analysis of hangar costs.

Summary

- Are Hangar Tenants Being Subsidized by Taxpayers?

  NO!

- The Evidence, using the discussed assumptions, points to the hangar tenants generating a profit for the Airport of approximately $100K and cash flow of over $500,000.

- The Financials:

The Financials:	Accounting Basis		Cash Flow Basis
2009 Revenue	$1,282,397		$1,282,397
Operating Expenses	(463,670)		(463,670)
Labor Adjustment	59,183		59,183
Gross Profit	$877,910	GM = 68.5%	$877,910
Airside Charges = 25%	(283,844)		(283,844)
Annualized Capital Costs	(420,551)		0
Landside Costs = 88%	(148,741)		(148,741)
Landside Adjustment	84,512		84,512
Profit/(Loss)	$109,286		$530,137

- Plus Property Taxes on 226 Hangars & 138 Truckee based planes adds over $250K to Placer and Nevada Counties revenues annually.

Summary - Continued

- No, I don’t Recommend Another Study. We Didn’t/Don’t Use the Study to set Rates. Market Based Pricing is What We Have Relied Upon, Even after this Extensive Study.
- I Would Continue to Look to Staff for Annual or Bi-Annual Input on Rates in Similar Airports.
- However, I Would Note We Do Have a 4 to 5% Vacancy Rate in Our Small Hangars.