MEMO:

To: Board of Directors and Staff
From: Jane Dykstra
Subject: Financial Report
Date: June 18, 2012

The Financial Statements for the Third Quarter of Fiscal 2012 are included in this section. They cover the period from April – June 2012.

The following financial analysis is based on the Detailed Financial Statements which appear on pages 7-10.

The number of gallons of 100LL sold in the first nine months of the current fiscal year approximated the number sold in the first nine months of the prior fiscal year (an increase of 616 gallons/1%). However, the increase in the average sales price per gallon (due to both increasing fuel costs and the increased gross margin added to full-service fuel sales) has allowed the related revenues to increase over the amount budgeted.

The District sold 5,877 (6.3%) more gallons of JetA in the first nine months of the fiscal year than were sold in the first nine months of the prior fiscal year. The resulting variance to the budgeted amount is an increase in revenues of $96,278. Other Airside Operating Revenues that vary significantly from the budget include Tiedowns and Transient Use Fees – both of which are ahead of budget due to a slight increase in activity and the changes in the fee schedule that went in place January 15, 2012. The only Airside Operating Revenue line that is significantly ($5,684) below budget is the services line. The budget was prepared with the assumption that there would be $4,200 in lav cart fees in the first nine months of the fiscal year, but the actual is only $1,425. The budget assumed eight lav services in a month; the month of June had the highest incidence of lav servicing with seven events. In addition, the annual GPU revenues budgeted at $3,750 were forecasted to begin in December and the District would have anticipated $2,625 in revenues from that source over the past seven months. Staff is currently working on a proposal for the purchase of a GPU; the issue will appear on the agenda for the August board meeting. Overall Airside Revenues, year-to-date through June 30, 2012 are $152,960 (16.38%) ahead of budget.

Other Business Leasing Income is $6,918 behind budget due to the vacancies in the first couple of months of the fiscal year (both Hangar #2 and the Careflight Modular), the timing of the CPI increases and the fact that the Soar Truckee revenues were allocated across all months – as opposed to being budgeted just in the May – September time frame. All other revenue sources are as anticipated in the budget. Total Revenues are $144,998 (6.43%) ahead of budget.

Total Payroll, Benefits and Allocations are $69,639 (4.43%) under budget. One of the larger dollar value variance to the budget is the vacation/ holiday/sick pay line. This is under what was budgeted due to the difficulty for employees to take vacation during the admin building completion/move process. This resulted in an increase in employee paid time off (PTO) balances – which can be seen in the "Allocated Wages and Benefits" line. The amount of the expense there (to record the accruals of the PTO) is $28,131, offset by payouts to separated employees and the allocation of fully loaded cost incurred due to the J/K Row project.

Another significant variance in the Payroll, Benefits and Allocation section is the Employee Benefits line. The year-to-date actual is $32,576 less than the year-to-date budgeted amount. That reflects a credit of $20,206 that the District received from Blue Shield in December 2011. Blue Shield has pledged to limit their annual net income to 2% of revenues and return the excess to their customers – this represented the District's credit related to their 2011 earnings.

Operating, General and Administrative Expenses are $308,141 (20.23%) under budget for the first nine months of the fiscal year and the Total Repairs and Maintenance Expense is $89,798 (13.49%) under budget. The following variance analysis provides explanations for individual line items that have a difference of more than $5,000 to the year-to-date budgeted amount.

Detailed Income Statement Line Item	Percentage Variance Over (Under) Budget	Dollar Variance Over (Under) Budget	Explanation
ACAT	(52.07%)	($57,000)	The largest single variance in ACAT's line item budget is Professional Services. Their annual budget included $35,100 - which YTD would be $26,325 – the total expended in the first nine months was $12,049. They also have a YTD budgeted amount of $12,000 for Public Outreach, of which $3,041 has been spent.
Conventions and Conferences	(48.74%)	($9,139)	Director attendance at conferences has been less than anticipated. Staff still has a few conferences scheduled during the final months of the fiscal year. An analysis will be performed on the allocation of staff attendance at events between "training" and conventions/conferences. If any reclassifications are required they will be recorded before year end.
Directors' Fees and Expense	(8.81%)	($10,977)	The number of meetings held is below the number budgeted, and the offsite expenses have been less than budgeted due to only having held one regular meeting offsite.

Detailed Income Statement Line Item	Percentage Variance Over (Under) Budget	Dollar Variance Over (Under) Budget	Explanation
Insurance	(13.00%)	($9,259)	A 5% increase in premiums was included in the budget, but by changing carriers, we were able to decrease our liability premium by 17% and the auto premium decreased by 6%. The increase in the property coverage policy premiums approved last monthis related to the policy year beginning July 1, and so is not reflected in these numbers.
Operating Supplies and Small Tools	48.28%	$6,879	The majority of the overage to budget in this line item ($4,000) is related to the purchase of deli equipment upon the vacancy of the former tenant. The purchase of certain appliances made the transition to the new tenant smoother. In addition, $1,900 was spent on traffic barricades and safety vests related to the Air Fair, but was not charged to the event.
Operations Monitoring Expenses	13.89%	$6,458	In the absence of the SRA support contract, TTAD has not had the benefit of the first year of operations being maintained under warranty. TTAD has contracted with an outside contractor to perform preventative maintenance at a YTD cost of over $17,000. Offsetting that overage are savings related to WASP upgrades of $4,000 that were budgeted, but have not yet been performed, and $9,000 to place pads around the cameras which was budgeted, but will not be completed due to the possibility of moving the cameras at some point.
Printing, Copying, Publication of Legal Notices	(61.10%)	($5,041)	The new copier contract does not have a per copy cost – it is imbedded in the monthly contract rate, and so it is no longer able to be broken out in the financial statements. Note that the "equipment rental" line on page 9 is slightly over the budgeted amount due to the higher monthly fee .

Legal Expenses	(22.08%)	($15,898)	Legal fees are broken into two categories in the budget; General Counsel and aviation law. The two are combined in the Detailed Income Statement. If the Aviation Law amount is broken out, the variance to budget for the General Counsel fees for the first nine months of the year is an overage of $11,102. The excess could be attributed to land questions, legal issues related to District policy, vendor disagreements and tenant issues. Fees related to the TCGC easement have been included in the cost of the easement.
Computer Support	(52.11)	($7,217)	Year-to-date computer support was budgeted to cover the new network monitoring system and consultant support. The new monitoring expenses have just started to reach their anticipated monthly amounts and there haven't been many consulting fees related to ongoing system issues – they have primarily been related to the relocation to the new building.
Other Professional	(95.48%)	($48,695)	Other professional fees were budgeted as follows: Capital Facilities Plan - $50,000 Appraisals - $10,000 Structural Review of Bldgs - $8,000 The anticipated fees have been yet to be incurred. The charged incurred to date in this category relate to consultants contacted regarding personnel issues, the actuarial valuation of our retirement plan from CalPERS and TNT-TMA consultation.
Engineering	(36.42%)	($6,010)	Most of the engineering fees being incurred relate directly to open projects and are being charged there.
Internet/Print/Broadcast and Direct Mail	(44.93%)	($22,088)	This category includes funding for web/print/broadcast outreach. The budget included funding to develop an iPad application at $15,000, which has not occurred. The first copy of the newsletter came in $2,250 under budget, and the amount spent on the website is $4,380 less than the amount budgeted year-to-date.

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Pilot Outreach	(72.36%)	($8,412)	Pilot outreach expense primarily relates to the “in-kind” payment credit given to EAA in exchange for rent. The settlement is performed once a year in August or September and the expense will be recorded at that time.
Relocation Expenses	(26.91%)	($73,743)	Not all expenses are in yet; the FF&E category still has an available balance of approximately $35,000, but deck & patio furniture (among other items) has yet to be purchased. As Peter Beaupre finalizes his allocations of building costs, there may be more expenditures that are reclassified to this account.
Utilities	(23.48%)	($49,486)	The utilities charges for the new building were estimated by Peter Beaupre based on the plans. The actual amounts have come in below the amount anticipated.
Equipment Expense	(32.15%)	($21,461)	Amount is under budget due to decreased use of diesel fuel for plowing. Diesel fuel was budgeted at $30,000 for the year – the year-to-date expenditure has been less than $13,000.
Airfield Equipment, Lights and Signs	(64.15%)	($51,481)	The final purchase of the solar taxiway lights came in at $12,000 – as opposed to the $55,000 budgeted. Other projects (including painting, fencing, tank cleaning, and harness installation) have yet to be completed.
Airfield Maintenance	24.17%	$62,425	The budget anticipated$100,000 in pavement maintenance related to summer 2011 projects rolling into the current fiscal year, and then an additional $150,000 of the $430,000 budgeted for summer 2012 projects occurring by the end of June. In actuality, the summer 2011 work performed by West Coast was in dispute last fall and $224,700

Detailed Income Statement Line Item	Percentage Variance Over (Under) Budget	Dollar Variance Over (Under) Budget	Explanation
Airfield Maintenance cont'd			(including project management fees) have been charged against the current year's budget. In addition, there have been $65,580 in summer 2012 charges (design/engineering) and $26,600 in crack filling materials purchased. The construction on the pavement projects has not begun – but is anticipated it will be completed before the end of the fiscal year. The current West Coast contract and change order for work to be performed totals $899,570. The overage in this line item was authorized by the board in May.
Hangar Maintenance	(31.94%)	($34,257)	Projects, including the $10,000 budgeted for M Row roof repair, and hangar painting have not yet been completed.
Other Business Buildings	260.69%	$9,776	The floor in hangar #2 was resurfaced before the tenant occupied ($6,385) and there were various expenditures related to the modular that were required before Careflight could move in ($5,000).
Warehouse Maintenance	56.66%	$9,349	There were $14,000 included in the FY2011 budget to repair/replace the warehouse fire alarm system. The work was then combined with the work on the admin building which delayed it into the current fiscal year.
Land Management	(83.45%)	($62,589)	Forestry and obstruction removal work budgeted for this summer has yet to occur. The forestry work is dependent on the completion of the forest management plan and the obstruction removal work is pending a decision on runway classification (non-precision vs. visual) which will affect the scope of the project.

Detailed Income Statement Line Item	Percentage Variance Over (Under) Budget	Dollar Variance Over (Under) Budget	Explanation
Depreciation Expense	(2.98%)	($32,684)	The budget anticipated that depreciation expense would be booked on the new building once we occupied. The asset records require that the construction be finalized and allocated to accounts before the individual assets can be depreciated. Once that is done, the depreciation expense will be trued up.
Property Tax Revenue	4.43%	$134,214	Property Tax Revenues were budgeted base on the Valuations from the two counties. In October, the District received the Estimated Allocations from the counties. Property Tax Revenues are accrued based on that report, which totals about $150,000 in additional property tax revenues.
Operating Grants	N/A	$34,703	Operating grants were not included in the budget as the State Department of Transportation had suspended the grant program. When the suspension was lifted, the District applied and received the $10,000 entitlement. In addition, the District received a $24,703 grant from the NV County Transportation Commission to offset costs of the Airport Master Plan.
Other Expense	N/A	$73,659	This is the total net book value of the fixed assets written off – primarily related to the move to the new building: 1998 Terminal Remodel $63,994 Board room/Deli/TV furniture $3,525 Traffic Counters $6,140

The new audit firm, James Marta & Company, will be in the office on July 24 and 25 to begin preliminary work.

The employees met with the representative from Paychex and completed applications for the new insurance program – the policy year will begin August 1, 2012.

The US Department of Transportation and the FAA have instituted a new process to manage AIP grant payments. I have received training and "applied" for a user account. The new system is set to start the first of August.

The construction at Hangar Rows J and K project is substantially complete. I have processed two draws in the past month totaling $505,975. No construction invoices have been received to date on the 10/28 project.

Now that June financial data has been finalized, the next step in the budgeting process will commence. A draft will be discussed by staff by mid-August and the draft for the September 6th workshop will be to the Board before the Labor Day holiday.

If you have any additional questions, please give me a call at 587-7692.