TRUCKEE TAHOE AIRPORT DISTRICT
INTEROFFICE MEMORANDUM

TO: BOARD OF DIRECTORS AND STAFF

FROM: KEVIN BUMEN AND KEVIN SMITH

SUBJECT: 2ND QUARTER 2012 OPERATING RESULTS REVIEW

DATE: JULY 16, 2012

CC:

The numbers presented in the attached report are for the quarter ending June 2012 and the same for 2011 for comparison purposes. The new fee schedule has been in place since mid-January 2012. The overall results are again favorable showing steady or increased revenues in most business areas. A key indicator, net revenue per aircraft, has increased 38% over 2011. The net revenue per aircraft increased by $285 for aircraft weighing more than 12,500 pounds.

Revenue can be increased in many ways. At this point, it seems the increases are most directly related to overall price/margin changes, rather than significant changes in the purchasing behavior of customers.

Some comments on the data:

- Total aircraft for the period were relatively consistent year over year.
- The number of sales events for both 100LL and Jet A increased for the period. This may be driven by weather during the period which was favorable to flying.
- The average uplift is slightly lower for Jet A. It is important to note that a few large volume purchases can swing this number in either direction. In June 2011, we had two military aircraft take over 4,000 gallons of Jet A. These types of events distort the data. We're in the process of analyzing this further to better understand the effect.
- The FBO Revenues and Net Revenues are up again in this quarter. This is expected with the changes made to the fee schedule related to tie-downs and Transient Use Fees (TUFs). In Q1 revenue increased with a decline in operations. If revenues had declined in Q1 or Q2 it would be reasonable to conclude that pricing changes negatively influenced customer purchasing behavior. So far, we're not seeing that trend.

- Tie-down nights increased 34% creating over $5000 in additional revenue. This is likely driven by the fact that the first night tie-down is now not included in the TUF.
- Approximately 1 out of 3 customers chooses to purchase fuel in lieu of a TUF. Staff is closely watching the relationship between discounted TUF and minimum fuel volumes. Increased net Jet A revenues are closely tracking with the discounted TUF. While overall TUF revenues have increased as a result of increased pricing, it is still unclear what the overall effect of the "fuel or fee" structure has been. Staff feels more time is needed to fully evaluate this trend and will continue to monitor and evaluate relative to the overall success of the program.
- While we have been the region high for Jet A, complaints from users, especially over the past two months, have been steady and regular.
- 1 in 5 transactions for 100LL are being delivered by the fuel trucks. This option now includes a waived truck roll fee with a minimum purchase of 20 gallons. The truck fuel price is also higher, in alignment with self serve/full services industry standards.

What's Next:

- We are looking at 100LL pricing. We are near the very bottom on the regional low. Only Carson Airport is lower. With the goal in mind of keeping flying affordable, we intend to make our pricing more competitive with the regional average rather than the regional low.
- While we feel we were successful in increasing the net revenue per aircraft over the past two Quarters, we need a better understanding concerning correlations and relationships between TUF's pricing structure, average uplift, Jet A gross margins, and industry practices on waiving TUF fees for fuel purchases. We are considering some professional consulting assistance to review our TUFs and industry practices for waiving fees in relation to fuel purchases to better understand how we fit into the industry and how we can more competitively price our products
- Right now, aside from Reno Tahoe International, we are the region high for Jet A. Our next strategy will be to lower Jet A prices to a price point above the region average but not the region high and see how that affects the average uplift.

Note: As we close out our fiscal year in September, we will be looking at any increased expenses related to this shift in pricing strategy. We will particularly be interested in evaluating if we think net revenue increases have been diluted by increased costs to provide services. From what we can see right now, we don't think costs have increased as a result of the pricing strategy over prior years.