

TRUCKEE TAHOE AIRPORT DISTRICT  
BOARD OF DIRECTORS AGENDA ITEM SUMMARY

Topic: **PI 213.0 - DESIGNATING UNRESTRICTED NET ASSETS**

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Purpose	Information:	Guidance:	Decision: <b>X</b>
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Recommendation	Adopt PI 213.0, revised as follows: <ul style="list-style-type: none"><li>• A decrease in the amount of funds designated for Future Acquisition/Management of Land to Maintain Open Space from \$3 million to \$2.25 million.</li><li>• An added designation specific to Pavement Maintenance.</li><li>• Revision to the Grant-Eligible Project designation to omit reference to pavement maintenance-specific projects.</li></ul>
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Last Action	The current PI 213 was approved at the 9/23/2010 Board Meeting. The only change to the policy from the previous version was to adjust the amount designated for "Future Acquisition/ Management Of Land To Maintain Open Space" from \$2 million to \$3 million.
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Discussion	<p><b>BACKGROUND</b></p> <p>Net Assets are the amount by which the District's assets exceed its liabilities. Net assets may consist of three components:</p> <ul style="list-style-type: none"><li>• Invested in capital assets, net of related debt, - this amount is equal to the District's net investment in fixed assets, as we have no outstanding debt.</li><li>• Restricted - net assets which have constraints placed on them by external creditors, grantors, contributors, or laws or regulations of other governments. We currently have \$16,468 that is restricted related to the funds we are required to set aside as a bond for the sewerage facilities that were dedicated to TSD.</li><li>• Unrestricted – those net assets that do not meet the definition of "invested in capital assets," or "restricted." Per GASB Statement No. 34, <i>In the government environment, net assets often are <u>designated</u> to indicate that management does not consider them to be available for general operations. In contrast to <u>restricted</u> net assets, these types of constraints on resources are <u>internal</u> and management can remove or modify them.</i></li></ul> <p>The basis for the District's current designations were developed by a subcommittee of the Board in October of 2006. The Board has reviewed the allocations and made appropriate changes in October of 2007, September of 2008, August of 2009, September of 2010 and September of 2011.</p>
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The current Policy advises that “prudent fiscal management of the funds which have been entrusted to the District calls for annual re-evaluation of the noted designations.”

The current designations can be broken down into two classifications:

- Those that are set dollar amounts such as the Designation for Annoyance Reduction and Community Outreach Programs, or the Designation for Pavement Maintenance and;
- Those that are calculated based on District planning documents such as the Designation for Grant Eligible Capital Improvement Projects, which is based on grant-eligible projects forecasted for the two years beyond the year currently being budgeted; or the Designation for Operating Funds, which is calculated based on estimated property tax revenues and cash flow projections.

A paper about unrestricted net assets from the California Special District Association notes that prudent accumulation of reserves:

- a. reflects the District’s view of its business environment;
- b. supports and informs strategic planning by identifying opportunities and constraints;
- c. helps inform customers and constituents about the District’s direction and priorities by showing funding to priority mission areas.

**CURRENT ISSUES**

In fiscal 2010-2011 there were \$1,000,000 budgeted for land acquisition/development. The District expended \$1,814,276 to obtain the Conservation Easement on Martis Creek Estates. The amount in excess of the current year’s budget will be deducted from the net assets designated for land acquisition/management, leaving a balance in that designation account of \$2,185,724. Staff suggests rounding the funds in that designation to \$2.25 million. In addition, the 2011-2012 budget will include \$750,000 for land acquisition/development.

Due to the restrictions on FAA grant funding availability, Staff has proposed adding a designation to specifically address pavement maintenance. The amount stated is \$500,000. In addition, the designation related to grant-eligible projects has been revised to delete the references to pavement maintenance projects only; pavement reconstruction projects would still be included in the designation for grant-eligible projects, as they have a higher priority with the FAA. As federal funding has become more restricted, the

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likelihood of funding for capital projects such as a plow truck or ramp lighting has greatly decreased. The revised policy recognizes that these projects may need to be funded by the District.

When the District's financial statements for the year ended 9/30/11 are prepared, the designations will be something like this, if the revised policy instruction is adopted (based on 8/31/11 balance, adjusted for estimated activity through the end of the fiscal year):

Designated for land acquisition	\$ 2,250,000
Designated for annoyance reduction and community outreach	1,000,000
Designated for completion of prior year capital projects	2,613,000
Designated for operating funds	2,050,000
Designated for grant-eligible projects	705,000
Designated for non-grant eligible projects	1,852,000
Designated for fuel spill cleanup	30,000
<b>Estimated total unrestricted net assets at 9/30/11</b>	<hr/> <b>\$ 10,500,000</b> <hr/>

The amount designated for completion of prior year projects includes the administration building at \$2,250,000 (per the projected cash flow) and \$363,000 for the pavement maintenance work scheduled to commence in late September. If that project is completed before year-end, it will not be included in this category.

The designation for operating funds is calculated based on budgeted cash flow for the upcoming year. The policy states that the minimum designation should be equal to four month's cash flow. The final amount designated at 9/30/11 will be revised based on the approved budget. The amount shown here is an estimation based on the current draft of the budget.

The amount designated for grant-eligible projects is based on the formula outlined in the policy. As stated above, the calculation takes into account grant-eligible projects which are forecasted for the two years beyond the year currently being budgeted. The current ACIP shows the following projects which are included in the calculation:

2013	Replace Plow Truck	\$ 420,000
2014	Replace Loader	\$ 460,000
2014	Mill & Fill of Jet Ramp/Airshow	\$ 530,000

The amount designated for non-grant eligible projects would be earmarked for the projects listed as "other capital projects" in the five-year plan. The specific projects listed (excluding the \$200,000/year in 'other') total \$354,000 dollars in fiscal 2013 and

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	\$195,000 in fiscal 2014.
Fiscal Impact	Designating funds in the various areas proposed does not limit the District's flexibility to move and use the funds when a compelling opportunity presents itself.
Communication Strategy	The designations are detailed in the financial statements and are a primary indicator to the reader of the financial statements of the current direction of the Board. They are a form of communication with stakeholders that should not be overlooked.
Attachments	Draft of PI 213.0