MEMO:

To: Board of Directors and Staff
From: Jane E. Dykstra
Subject: Fiscal 2011-2012 Budget
Date: September 1, 2011

Attached you will find a draft budget for the 2011-2012 fiscal year. This is being provided to you in advance of the Budget Workshop, which is to be held on September 8, 2011 at 6:00PM. For review and comparison purposes **please bring last year's budget to the workshop.** Consistent with prior years, flags (◄) have been added to denote items which require additional Board approval before funds may be expended.

Some budget highlights are as follows:

1. The number of gallons of 100LL fuel sold in the 2011-12 fiscal year is budgeted to be equal to the actual number of gallons sold in the period from August 2010 through July 2011. The number of gallons of JetA was estimated by starting with the number of gallons sold during that same twelve month time period and then adjusting to account for an anticipated decrease in sales of JetA during the Runway 10/28 Reconstruction Project. The construction project is anticipated to take eight weeks, and the number of gallons forecasted has been decreased by 26,085 to take the runway closure into account.

The fuel revenues are budgeted based on a margin of fifty cents being added to the purchase price of 100LL and a margin of $2.50 being added to the purchase price of JetA. At current prices, that equates to a 9% gross margin on 100LL and 42% margin on JetA. The purchase prices at August 23, 2011 were used to estimate revenues. In addition, revenue from truck rolls for full serve 100LL has been budgeted based on activity during the fiscal year that ran from October 2009 – September of 2010, as the Self-Serve Fueling Relocation Project had the truck roll fee suspended during the 2011 Fiscal Year. The tenant discount program has been budgeted based on a 20% discount of the District's gross margin being used to calculate the discounted price for the tenants.

2. Tiedown and Transient Use Fee revenues were budgeted based on the activity for the last twelve months. The Transient Use Fees were also adjusted to factor in the effect of the RWY 10/28 construction project scheduled for early summer 2012.

3. Hangar Rental Revenues have been budgeted based on current rates. The base rate for each hangar, less any annual prepayment discount, is considered revenue, and the signatory incentives taken by the tenants are reflected as expenses in the General and Administrative section. A 2% vacancy rate has been factored into the budgeted revenues. This is reflective of the turnover the District has seen over the past few months. The District has taken one executive hangar into the overnight hangar pool, and the estimated hangar revenues have been adjusted to remove the related revenues from the monthly invoicing and budget overnight rental revenues anticipated.

4. A 3.5% CPI increase has been factored into the Rental Revenues for Other Business Leasing and Warehouse Revenues. Revenues from Hangar #2 have been adjusted to show a potential tenant occupancy in January 2012 and Careflight is assumed to occupy the crew quarters November 1st. After the preparation of the draft budget, Frito-Lay, a warehouse tenant, gave their notice of intent to vacate. The budget does not reflect a vacancy factor for the warehouse; however, depending on interest received by the Director of Aviation and Business Services, one should be factored in. This will be discussed at the workshop.

5. Budgeted salaries, wages, and benefits increased from last year's budget by 12%. The increase in the salaries and wages is 4% ($1,264,499 in the prior year budget versus $1,315,411 in the current year). The 3.5% cost of living adjustment is responsible for the majority of that increase; however, the budget also includes an allowance for merit increases, which are at the discretion of the general manager. The merit increases were budgeted at an average of 2%, while the performance award line has been decreased by 50%. In addition, the budget includes two temporary, part-time intern positions at twenty hours per week: One for the airside operations (for a six month period) and one for the administrative offices (a full year is included in the budget). A vacancy factor has been included in the budget – the factor was calculated as one-quarter of the total temporary wages budgeted (includes both interns and snow removal personnel) – AND – the wages equivalent to one of the District's hourly positions being open for one-half of the year (based on an average of all hourly positions). Personnel expenses are allocated among the departments in accordance with management's best estimate of task performance. The following chart shows the percentage allocation by budgetary column.

Personnel Cost Allocation by Department, by Position

	Airside Operations	**Hangars**	**OBL**	**Warehouse**	**Admin**	**Maint**	**Comm. Outreach**	**Land Mgmt.**
General Manager	0.100	0.050	0.050	0.050	0.350	0.150	0.250	
Dir Av. & Bus. Svcs.	0.125	0.200	0.025	0.025	0.400	0.050	0.175	
Dir. Finance & Admin.	0.200	0.100	0.050	0.050	0.500	0.050	0.050	
Dir. Ops & Maint.	0.250	0.050	0.050	0.050	0.300	0.150		0.150
Accounting Clerk		0.500			0.500			
Envir./Tech. Specialist	0.050				0.100		0.800	0.050
District Clerk	0.100	0.020	0.010	0.010	0.600	0.010	0.250	
Ops & Maint Employees	0.500	0.030	0.020	0.020	0.100	0.280	0.050	
Snow Removal - Temps	0.500	0.250	0.050	0.050	0.070	0.080		
Airside Intern	0.300	0.050				0.650		
Admin Intern					0.500		0.500	

A ten percent increase to employee insurance premiums is budgeted for the next renewal in August 2012. This increase is management's best estimate based on the fluctuating health care environment and past trends. Any renewal or change in insurance policy would be subject to analysis by an ad-hoc sub-committee; the District may opt to make changes at some time other than at the August renewal. The District's CalPERS contribution rate is currently 14.762%, and the most recent actuarial study forecast that rate going to 15.2% next July. The District's workers' compensation insurance experience factor increased from 68% to 88%, resulting in an increase of $9,193 over the prior year budget. The Training and Education expense has increased to cover courses in IT network administration, HVAC issues, employee flight currency, and to increase staff's knowledge of aviation-related issues.

6. Most Operating, General and Administrative Expenditures are based on actual amounts expended for the twelve-month period from 8/1/10 – 7/31/11 and then adjusting for specific circumstances. Detail is included in the Budget Assumption section.

7. Operating, G & A expenses increased $514,593 from last year's budget; however, $269,000

of that amount is relocation-related expenses for the move to the new admin building (primarily furniture, fixtures and equipment for the new building). In addition, the new building is anticipated to have significantly higher utility costs – although the amount of the increase can only be estimated at this time, the budget includes $123,000 more in utilities expenses than the prior year. Net of the relocation-related expenses and the utilities, the increase from the prior year is $122,500. Major (greater than $10,000) variances are detailed below (line items in parenthesis correlate to the budget draft):

- Access Control / Security Expenses (line 72) are budgeted at $2,000, a decrease of $49,336 from the prior year's budget. In the prior year the expenses related required maintenance and upgrades to the WASP (Wireless Airport Surveillance Platform) system were included in this line item. The 2011-2012 budget moves all WASP related expenses to line 92 – Operations Monitoring. The budgeted amounts for the WASP system will be discussed under that heading.

- County Support (line 77) is budgeted at $88,605, versus $69,375 in the prior year. The actual expense for fiscal 2011 was $79,720, and the budgeted amount is based on the expense as a ratio of property tax revenues.

- Election Expenses (not included in the current budget) were budgeted at $20,000 in the prior year.

- Credit Card Processing Fees (line 78) are budgeted at $10,597 more than the prior year. These are calculated off of anticipated revenues – which increased by $288,142.

- Directors' Medical Insurance (line 80) increased by $11,000 – a 12% premium increase was applied to the Directors' current policies.

- Insurance (line 86) – increases by $14,000 or 17% from the prior year budget. The primary reason for the increase is the increase valuation of the property coverage related to the new building – in addition, a 5% increase in premiums was included.

- Operations Monitoring (line 92) – This line includes both the costs related to the WASP system and the flight tracking system. The amount budgeted for the WASP system last year was $49,336, which included $28,000 in upgrades – the current budget includes $17,000 for the monitoring of the camera system, $9,000 to install asphalt pads around the cameras to aid in snow removal and brush/weed control efforts, and $4,000 for system upgrades. The flight tracking system expenses include the site leases ($15,000) and additional expenses of $12,000.

- The Outreach Program (lines 93-98) was developed by staff in the prior year as a revised way of managing the expenses related to Public Relations. The total of the line items was $109,706 in the prior year and the total is $135,050. The largest single line increase is $16,800 for sponsorships. The current budget includes $10,000 to sponsor a display at the Tahoe Maritime Museum in Homewood and $5,000 for Excellence in Education grants.

- Computer Support/Network Administration (line 105) expenses are budgeted at $20,000. In the prior year's budget the amount was $10,000. The District's increasing reliance on technology-driven applications requires an increase in professional support related to the IT network and the data management requirements.

- Other Professional Fees (line 106) are budgeted at $68,000 for the 2011-2012 fiscal year. The anticipated projects include: Development of standardized capital facilities plans (as described in the Strategic Plan) for $50,000, miscellaneous appraisal fees related to possible property acquisition ($10,000), and the review of specific facilities by a structural engineer ($8,000).

- As mentioned previously, the utilities expenses are forecasted to increase substantially once the new building is completed – in addition, there will likely be some overlap where the District will have utility expenses related to both buildings.

8. Repair and Maintenance Expense (lines 124 – 135) includes expenses related to the District's vehicles, equipment, airfield, and facilities. In addition, the forest management expenses are included in this section of the budget.

- The expenses for vehicles and equipment include fuel and insurance, in addition to repair and maintenance costs.
- The equipment expense (line 125) increased $32,250 over the prior year budget. The key elements of the total are as follows: Diesel fuel - $30,000, Routine equipment maintenance - $14,000, Contingency for unanticipated serious repairs - $10,000 (the age of the heavy equipment makes the likelihood of a serious unexpected problem a reality; the loader is 26 years old, the plow truck is 21 years old, and the Oshkosh snowblower is 18 years old), Replacement of tug batteries - $8,500, Replacement of tire chains for heavy equipment - $7,000, Purchase of aircraft recovery equipment - $5,000.
- The airfield equipment line (line 126), includes $55,000 to replace the remaining solar taxiway lights – a project begun in the 2009-2010 fiscal year, as well as $10,000 for safety equipment, $8,000 to paint the beacon, $7,000 for fuel tank cleaning and $5,000 to fence in the Alder Hill beacon.

The "R&M - Pavement Maintenance and Cracksealing" expense (line 128), includes funds ($30,000) to purchase supplies for crack sealing performed by District employees. It also includes $450,000 for pavement maintenance (slurry seals, seal coats or other treatment, as determined by management) and $50,000 for pavement striping. These amounts are place holders for work to be prescribed by the Pavement Management Plan. If the plan is finalized before the budget is brought to the Board of Directors for approval, the amounts will be revised. These are expenditures which could be grant eligible, but are not a capital item. They are included in the budget with no assumption of FAA grant participation; timing and FAA funding priorities will determine if any of the cost of the projects is shared with the FAA.

Repair and Maintenance - Facilities (line 131) includes facilities related maintenance expenses spread across the various departments. The Hangars amount includes $69,000 to perform structural reinforcement to the L Row hangars necessitated by snow load/snow unloading issues, $24,000 to paint two rows of hangars, and $10,000 to repair roof leaks on the M Row hangars. The repair and maintenance expense in the Other Real Estate column includes $15,000 to install emergency exits in the warehouse, and $6,000 to upgrade the fire panel in the warehouse to integrate with the new admin building. The Maintenance column includes funding to repair the roof of the maintenance building ($14,000).

Estimated Forest Management expenses of $150,000 have also been included in this section. The budget anticipates costs of $100,000 for maintenance on the off airfield properties and $50,000 for obstruction removal on the airfield.

9. Other Income and Expense includes the LAIF interest income which is calculated at 0.3% (July's effective yield was 0.38%), on a sliding balance that reflects the estimated timing of expenditures for the building and land purchase and the in-flow of property tax revenues. Earnings on the certificates of deposit have been included as well. On line 154 the receipt of

the $500,000 long term receivable from the Joerger Family is included.

10. Capital Expenditures have been broken into three sections: FAA Grant Eligible, Other Projects, and Land Purchases/Development.

- **FAA Grant Eligible** (lines 164-169): The FAA Eligible items include the **Reconstruction of RWY 10/28,** which has been tentatively approved for the summer of 2012. The project has been included using the engineer's estimate for option A – not including the removal of the "hump" in the runway. The **Reconstruction of Pavement at Hangar Rows J & K – eligible portion** has been included with the ineligible portion showing in line 179**.** The engineering of this project is complete and it is shovel-ready. According to management's discussion with the FAA, there is no funding available this federal fiscal year; however, there is a possibility that it could be covered out of the 2011-2012 AIP funding cycle. The **Segmented Circle,** which is tied to the RWY 10/28 project, also has the engineering/design completed. The **Airport Master Plan** is on the ACIP, and staff is working on getting the RFQ process. The **Ramp Lighting Upgrade** will not be funded this federal fiscal year, but since it is completely engineered/designed, it is possible that it could be funded in the summer of 2012.

- **Other 2011-2012 Projects** (lines 178-188): The **Administration Building – Year 3**, has been included at $2.25 million, based on Project Manager Peter Beaupre's cash flow projections. This is net of expenditures that do not meet capitalization thresholds. The non-eligible portion of **Hangar Rows J & K Pavement** is also included here, based on Atkins' estimates. The Board has directed staff to purchase a **Ground Power Unit** (GPU); the lead time is such that it will likely not happen until after the first of October. **Improvement of Emergency Services Facilities** encompasses a landing area for a helicopter, as well as possible additional expenses related to the remodeling of the modular unit. **Jiffy Wash** is budgeted at $50,000; the current setup (basically a coin-operated high pressure hose) is in need of replacement and appropriate environmental measures. The **GIS Software/System Setup and Training** includes software and relevant data acquisition and development for the system. A **Playground Structure** to occupy the new garden area has been discussed by staff – additional information will be obtained before presenting the project to the Board. The purchase of two **Snowmobiles and a trailer** is necessitated by the issues surrounding access to the flight tracking transmitters in the winter – access to the various beacons would also be improved. A **Vacuum Excavator** would be used to clean the cracks in advance of filling them. It would also be used to clean the pad eyes and slotted drains. The District's "mules" (Kawasaki utility vehicles) are nine years old. Staff is in the process of trying to determine which type of vehicle is best suited for the District's needs. A **Golf Cart** would be the first option – it will be evaluated before deciding how to round out the "fleet" of utility vehicles as they are replaced. The **Dump Station** is included in the 2011-2012 budget – staff plans to have the purchase of the lav cart completed in the 2011 fiscal year; however, the dump station will not be finished until the fall.

  The percentage of property tax revenue represented by the Admin Building projects has been broken out to show its effect on the category as a whole. Note that the total for Other 2011-2012 Projects, net of the Admin Building, represents 10% of Property Tax Revenues

- **Land Purchase/Development**: A placeholder of $750,000 was used in the budget. The costs related to the management of District land (e.g. Waddle Ranch forest work) have been included with the funds designated for purchase/development to calculate the percentage of property taxes used for Land Purchase/Management.

11. The slide in real estate prices continued to have an effect on the assessed valuation of the

properties within the District's boundaries. The assessed valuation for Nevada County dropped significantly (-5.3%) for the 2011-2012 property tax year. The Placer County valuation was relatively flat when compared to the prior year. Property Taxes have been estimated based on the Assessed Valuations received from the counties and the historical ratios of taxes received to prior valuations. Last year the revenues from Placer County were short of the estimated allocation they provided us by $89,178 (3.0%) and revenues from Nevada County were short of their estimated allocation by 0.4%. As a result, after calculating an estimate of tax revenues, a 2.5% reserve will be taken on the Placer County Revenues and a 1% reserve will be taken on the total calculated for Nevada County (overall average is 2%). The Estimated allocations from the counties won't be received until after the budget is finalized. The overall decrease in Property Tax Revenues from the actual received for the 2010-2011 property tax year to the amount budgeted for fiscal 2012 is 5%.

12. The Budget shows an estimated decrease in cash of $1,630,273 – including the $2,250,000 estimated for capital costs of the administration building and $269,000 in additional expenses. If the effect of the building was excluded, the net cash flow would be an increase to cash of $888,727 for the year. A summary of the percentage of property tax revenues used by each of the categories highlighted by the Board's suggested budgeting parameters appears below.

Area/Program	% of Property Taxes (up to) Suggested	% of Property Taxes in 2011-2012 Budget
Loss from Operations (Exclusive of Admin Building related costs)	20	22
TTAD Portion of FAA Grant Projects	10	5
Annoyance Reduction Programs and Community Outreach Project	25	19
Other Capital Projects (Exclusive of Admin Building)	15	10
Land Purchase / Management	30	22
Administration Building Capital and Non-capital		62
Pavement Maintenance		13

Please feel free to contact me before the Budget Workshop on the 8th with any questions you may have. Many decisions must be made by the Board, and the workshop will go more smoothly if everyone has any technical questions on the formulation of the budget out of the way beforehand.