

MEMO:

To: Board of Directors and Staff
From: Jane E. Dykstra
Subject: Fiscal 2012-2014 Budget
Date: September 6, 2013

Attached you will find a draft budget for the 2013-2014 fiscal year. This is being provided to you in advance of the Budget Workshop, which is to be held on September 16, 2013 at 1:00 PM. For review and comparison purposes **please have a copy of last year's budget available to reference at 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 both types of fuel to be sold in the 2013-14 fiscal year is budgeted based on an estimate of the number of gallons that will be sold in FY2013. Based on historical data for 100LL sales, the number of gallons sold is projected to decrease by 3%. The number of gallons to estimate for JetA is more difficult since two of the last five years Runway 11-29 has been at least partially impacted due to major pavement work. The number of gallons estimated is estimated to increase 7% from the estimated FY2013 sales. For reference, the number of gallons of 100LL sold in the current year are forecasted to be 85% of the number that were sold in the year ended 9/30/2010, while the number of gallons of JetA is forecasted to be 137% of the number sold that year.

The fuel revenues are budgeted based on a margin of \$0.75 being added to the purchase price of 100LL for self-serve sales and an additional \$0.55 added for full-serve 100LL sales (the distribution between self versus full-serve sales was made based on the ratio since the new pricing structure took effect in January). A margin of \$2.00 is added to the purchase price of JetA to arrive at the sales price. The District's purchase prices at August 20, 2013 were used to estimate revenues. The Other Business Leasing (OBL) tenant discount program (Careflight, Sierra Aero and Soar Truckee) has been budgeted based on discounts of \$0.10 per gallon for 100LL and \$0.50 per gallon for JetA. The budget assumes the same number of gallons will be sold to the OBL tenants in the upcoming fiscal year as they purchased in the August 2012 – July 2013 time frame.

The District will have a new fuel provider beginning in October. The opportunity to become a "contract fuel" provider is being considered. Contract fuel is sold directly from the fuel provider (Avgas) to the user. The District pumps the fuel and can set the margin desired. There is no projection for the possible effect on sales volumes or profits as it is unknown; the margin will be closely monitored. Staff feels there is significant potential to incentivize existing jet and turbo prop aircraft to purchase fuel through contract fuel programs and/or pricing our fuel to be regionally competitive. As we begin offering with Avfuel, we will have the opportunity to work with their pricing and contract fuel specialists to better understand our market – with the end goal of maximizing the average JetA uplift per aircraft, taking in to consideration our facility limitations, altitude and potential for increased annoyance.

2. Tiedown and Transient Use Fee revenues were budgeted based on the activity for the last twelve months (with an adjustment factored in for the time RWY 11-29 was closed) and the fee schedule currently in effect.

3. Hangar Rental Revenues have been budgeted based on the rates that went into effect September 1, 2013. 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 12% vacancy rate has been factored into the budgeted revenues; the current vacancy rate is 9%.

The District has one executive hangar (A09) in the overnight hangar pool; note that when a T-hangar is vacant it can also be used as a nightly rental. The current year revenues from nightly hangar rentals are \$19,500 - \$20,000 have been included in the budget for the upcoming year.

4. A 1.0% CPI increase has been factored into the Rental Revenues for Other Business Leasing and Warehouse Revenues. No revenues have been budgeted for Hangar #2, as its disposition has yet to be decided.

5. Budgeted salaries, wages, and benefits (line 56) increased from last year's budget by 4.27%. This reflects an increase of 3.06% in salaries and wages, which includes the 1% COLA approved at the August Board Meeting.

The budget assumes all 19 positions are filled and, consistent with the prior year, includes seasonal snowplow workers in the Operations and Maintenance department. The District currently has 19 full-time (including one position filled by a temporary agency). A vacancy factor has been included in the budget – the factor was calculated as one-quarter of the total part-time wages budgeted (snow removal personnel) – AND – the wages equivalent to one of the District's hourly positions being open for one-quarter 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	Other Business Leases	Warehouse	Admin	Maint	Comm. Outreach	Land Mgmt.
General Manager	0.100	0.050	0.050	0.050	0.350	0.100	0.300	
Dir. Av. & Bus. Svcs.	0.150	0.150	0.025	0.025	0.425	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	0.050	0.100
Admin Clerk	0.100	0.020	0.010	0.010	0.600	0.010	0.250	
Com. & Env. Affairs Mgr.	0.100				0.150		0.700	0.050
District Clerk		0.400	0.010	0.010	0.500		0.080	
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		

The District's CalPERS (line 46) contribution rate is currently 15.685%, and the most recent actuarial study forecasts that rate going to 16.6% in July 2014. However, CalPERS has advised all contracting agencies that changes they have made to their amortization policies may have an affect on the rate that goes into effect 7/1/14. To be conservative, the budget uses a rate of 17% for the period from July 1, 2014 – September 30, 2014. Line 46 includes both the District portion of the contribution and the employee portion – Line 47 then backs out the employee contribution that is made through payroll deductions. The District has three tiers of the pension plan in effect: the 2.7%@55 tier includes 17 of the current employees, the 2%@60 tier includes 2 employees, and the 2%@65 tier, which will be applicable to new employees going forward,

assuming they are not current PERS members. All employer contributions are calculated at the highest rate as the effect of the various tiers is not significant until a larger percentage of the employee population falls into the other tiers.

Employee Benefit Insurance (line 50) is budgeted to increase 2.8% from the prior year's budget. The change in the employee health insurance program, which added a self-insurance portion for the District, went into effect on August 1, 2012; the District's annual savings under the new program will not be known until all claims are filed for the year, but appear to be over \$70,000. The history of the first year in the program was used to calculate the self-insurance portion of the medical coverage for FY2014. The District's medical premiums paid to Anthem are budgeted to increase 12% beginning with the renewal on August 1, 2014. The dental and vision premiums are budgeted to increase by 7% at the time of the policy renewal. The amount shown as Employee Benefit Insurance is net of the 7% employees contribute toward the insurance.

The District's Workers' Comp Insurance (line 51) experience factor has increased from 103% to 119%. The increase over the prior year's budget is \$11,700 or 19%. The District had a large Workers' Comp claim in 2009, which will roll out of the experience factor calculations next year. Due to good claims history since then, the experience factor is expected to decrease next year. Training and Education (line 53) costs are budgeted at \$48,000 to reflect the Aviation Knowledge Certification Program, the general manager's aviation stipend, employee flight currency, and other employee training opportunities. Other Employee Benefits (line 54) include the General Manager's car allowance of \$500/month, cell phone and uniform allowances, plus insulated coveralls, rain gear and other safety clothing as needed.

6. Most Operating, General and Administrative Expenditures are based on actual amounts expended for the twelve-month period from 8/1/12 – 7/31/13 and then adjusting for specific circumstances. Detail is included in the Budget Assumption section.

7. Operating, G & A expenses (lines 60 – 121), in total, increased \$93,151 from last year's budget. Major (greater than \$10,000) variances are detailed below (line items in parenthesis correlate to the budget draft):

- ACAT (lines 62 - 66) has been budgeted at \$148,000 in total. The prior year budgeted amount was \$72,500. Hardy Bullock and the ACAT can address any questions related to their budget, a copy of which is attached to this memo.
- Air Show (line 69) has been budgeted at \$130,000 based on the latest thinking of the Air Fair and Family Festival Committee. The prior year budgeted amount was \$115,000; the actual amount expended was just over \$105,000.
- Aviation Safety Initiatives (line 71) have been budgeted at \$15,000, a decrease from the \$25,000 budgeted in the prior year. Actual expenditures through July 31, 2013 were \$5,275.
- Directors' Fees & Board Meeting Expenses (line 77) is budgeted at \$40,000 versus \$62,300 in the prior year; a decrease of \$22,300. The portion in the Community Outreach Department column (\$20,000) represents the estimated costs of broadcast/internet production. The amount in the prior year was \$40,000 as the costs for the process were unknown at that time.
- Election Expenses are not budgeted; in the prior year they were estimated at \$25,000.
- Geographic Information System (line 86) – Over the prior three years the District has

incurred costs related to the system setup and training. The current year budget includes \$37,000 in expenses – a decrease from the \$60,000 budgeted in the prior year.

- Insurance (line 85) is budgeted at \$10,000 less than the prior year (\$80,000 versus \$90,000) primarily due to the decrease in property coverage premiums related to the Public Entity Insurance Program.
- Office Equipment – Repair and Maintenance and Purchase (line 87) – The increase in this line item over the prior year budget is \$22,500. The increase in information technology equipment over the past three years contributes to the increase, as does the addition of a backup server site in the maintenance building (budgeted cost is \$10,000).
- The Outreach Program (lines 92-99) - The total of the line items was \$212,200 in the prior year and the FY2014 total is \$210,050 – which represents a slight decrease. The detail is being highlighted here because the amounts in some of the individual line items changed significantly. In the current year, there are \$24,000 budgeted for an outside consultant to help in building on the communications gains made with the master plan work; there were no funds budgeted for outside public relations consultants in the prior year. Another significant change is the breaking out of the Website expenses into their own line. The estimated fees to complete the new website are \$45,000; \$7,625 had been incurred through August 31, 2013. An additional \$15,000 has been budgeted for the development of a TTAD app.
- Professional Services – Computer Support/Network Administration (line 106) – have increased from \$21,700 in the FY2013 budget to \$61,500 in the FY2014 budget. The increase is the result of budgeting \$18,000 for an IT Content Management System, \$8,000 for penetration testing and an internal threat assessment, and increases to network and data monitoring services. As the new Director of Finance and Administration will not be as familiar with the software applications, the budget includes funds to purchase product support as needed.
- Professional Services - Other Professional Fees (line 107) are budgeted at \$279,000 for the 2013-2014 fiscal year. The anticipated projects include: \$150,000 for the Airport Master Plan, \$85,000 for aviation consulting (including the 'one-in/one-out' issue, visual RNAV, procedure projects, and operator outreach), \$30,000 in consulting costs related to the creation of a utility facilities plan, \$7,000 related to appraisals of potential land purchases, \$5,000 for the Art Coordinator, and \$2,000 for consultation related to employment issues. This represents an \$85,000 decrease from the prior year's budget.
- Professional Services – Engineering (line 108) has increased \$39,429 from the FY2013 budget. That reflects the inclusion of the \$36,429 in Design/Construction Administration costs related to the projects in the Facilities Maintenance Plan.
- Professional Services – Fiscal Analyst/Sustainability Evaluation (line 109) has increased from \$10,000 in the prior year to \$35,000 in FY2014. The current year's budget includes \$10,000 to evaluate the multipurpose community hangar project and \$35,000 to be used to be used as directed to evaluate projects such as the re-purposing of a row of T-hangars, evaluation of the District's minimum standards or other fiscal sustainability questions.

8. Repair and Maintenance Expense (lines 122 – 135) includes expenses related to the District's vehicles, equipment, airfield, and facilities. The projects contained in the Facility Maintenance Plan are included here. 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 \$22,550 from the prior year budget. The increase represents \$10,000 in refurbishment to the older of the District's JetA trucks, \$10,000 for snow removal equipment blades (purchase and maintenance), an additional \$5,000 in diesel fuel (related to both an increase in cost and an anticipated increase in usage), and \$2,600 to replace the rear main seal on the new JetA truck.
- The airfield equipment line (line 126), is \$16,000 more than the prior year budget. The current total of \$86,600 includes \$65,000 in electrical repairs to the fuel farm and the self-serve fuel island suggested by the Facilities Maintenance Plan. The balance of the expenses relate to airfield signage, equipment, beacons and lights.
- The "R&M - Pavement Maintenance and Cracksealing" expense (line 128), includes funds (\$20,000) to purchase supplies for crack sealing performed by District employees and \$15,000 for an update to the Pavement Management Plan (PMP). It also includes a placeholder of \$695,750 for pavement maintenance projects to be completed next summer - the acceleration of the PMP has left only \$63,000 of work scheduled for the summer of 2014. The updating of the PMP this fall will rectify this situation. The \$695,750 assumes a project such as the "rehabilitation" of South Ramp will be planned. The projects 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. Of the \$528,180 budgeted, \$399,430 represents amounts taken from the Facilities Maintenance Plan detail. Budgeting for those projects was done using the amounts in the Plan; however, individual project costs will be analyzed and some costs may be lower if projects are completed by Staff.
- Estimated Forest Management expenses of \$266,800 have been included in this section (line 133), based on the approved Forest Management Plan.

9. Other Income and Expense includes the LAIF interest income which is calculated at 0.25% (July's effective yield was 0.267%), on a sliding balance that reflects the estimated timing of the in-flow of property tax revenues. Earnings on the certificates of deposit have been included as well.

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

- **FAA Grant Eligible** (lines 163-173): The only FAA Eligible capital item listed is the replacement of the 1990 OshKosh **Plow Truck**, which is also included in the ACIP as a 2014 expenditure. The specifications are being prepared so that the District can have the project on the FAA's desk when the next round of funding is discussed.
- **Other 2013-2014 Projects** (lines 178-191): The purchase of **Enhanced Aircraft Rescue and Firefighting Resources** is listed on line 179 – this asset would benefit not only the District, but also the community, in the event there was an aircraft accident/fire off of the airfield. It could also be used for regular assistance and emergency calls throughout the community. The **Design and Permitting for a Multipurpose Community Hangar** is included at \$375,000. The Godbe community survey showed that the constituents are in favor of this project. The

budget includes funds in line 109 to study the feasibility of the project. If the Board chooses to move to the next phase of the project, funds are budgeted for design and permitting, with construction anticipated in FY2015. The construction of the **Helipad for Emergency Services** on the Tahoe City golf course and the **Replacement of AWOS** are two projects that continue on the budget from the prior fiscal year. The helipad should break ground in 2014 and the AWOS project is underway. **Replacement of the Bald Mountain Beacon** is required due to height and safety issues. The replacement of the **2000 Man-lift** with a used model and **Replacement of the 2007 Operations Truck** were both anticipated by the Equipment Replacement Schedule, which is included in the Budget Workshop informational package. The District should make a more permanent **Jet Fuel Convault for Emergency Services** which will meet environmental and FAA requirements. A **Small 4WD SUV** would be used by District personnel for travel in winter (currently the van is used, but it is only 2WD), as a vehicle for outreach, administrative and operational needs. The **Vehicle Lift in the Maintenance Bay** requires replacement to allow personnel to safely service the District's equipment. The purchase of **Lease Management Software** will allow Staff to more effectively and efficiently manage the leased properties; the software was successfully demoed during FY2013.

- **Land Purchase/Development** (lines 193-195): Note that no funds have been allocated in the FY2014 budget for the purchase or development of additional property. At the September 2012 Board Meeting, the Board designated \$2 million in unrestricted net assets for this purpose. Staff is preparing the designations of unrestricted net assets for the September 2013 Board Meeting, and the \$750,000 that was budgeted in FY2013 for land acquisitions (and not spent) will be added to the existing \$2 million. There will then be \$2.75 million set aside for acquisitions, and those funds are accessible if a parcel becomes available, so no additional funding will be made in the FY2014 budget. The total net cash flow related to Land Management that is shown in line 204 (\$311,223) relates to forest management work on the parcels, general and administrative expenses related to the open space, and personnel costs of managing the property.

11. The assessed valuation of properties within the District's boundaries (from both counties) was slightly (2.85%) more than the prior year. Property Taxes (lines 207-212) have been estimated based on the Assessed Valuations received from the counties and the historical ratios of taxes received to prior valuations. The Estimated Allocations from the counties won't be received until after the budget is finalized. The budget assumes property tax revenues will increase by 1% for Placer County and 0.5% for Nevada County over the actual tax receipts in the July 1, 2012 – June 30, 2013 – those estimations include a reserve of 1%.

12. The Budget shows an estimated decrease of cash reserves of \$756,430. The chart on the following page shows a summary of the percentage of property tax revenues used by each of the categories highlighted by the Board's suggested budgeting parameters. Note that the ARFF truck, the multipurpose hangar and the helipad are all included in the "Other Capital Projects" category above, although a portion of each could be considered "Community Outreach."

Area/Program	% of Property Taxes in FY2014 Draft Budget	% of Property Taxes in FY2013 Budget
Loss from Operations	47	47
Included in above percentage:		
Master Plan	(2)	(4)
Pavement Maintenance	(17)	(21)
Facilities Maintenance Projects	<u>(11)</u>	<u>n/a</u>
Operating Loss – net of above	17	22
TTAD Portion of FAA Grant Projects	1	2
Annoyance Reduction Programs and Community Outreach Projects	29	27
Other Capital Projects	34	13
Land Purchase / Management	7	21

Please feel free to contact me before the Budget Workshop on the 16th with any questions you may have – note that I will be out of the office September 12 – 13. 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 or the supporting schedules out of the way beforehand.