

Airport Finances

A Users Viewpoint

As pilots, we pride ourselves on maintaining situational awareness when flying. We strive to know and maintain the mechanical condition of our aircraft. Yet few of us ever consider the financial health of our airport until either our rents go up or the airport comes under threat because it is not “paying its own way”.

Our organization, CalPilots, is committed to the preservation of airports and ensuring that appropriate fiscal decision-making occurs. This presentation will present an outline on understanding airport finances, where to find information on the financial health of your airport, and using facts you find to help defend your airport.

Douglas Rice
Region 3 Vice-President - CalPilots
Lifetime Member
Pilot for 52 Years - 30,200 hours





Do you know where to look to see the financial condition of your airport?

Is your airport financially stable?

Does it have the funds to pay its portion of FAA Grants for airport improvements?

Is it accepting FAA Grants?

Does your airport have outstanding debts?

Each of us makes lots of decisions every time we fly. Is the airplane airworthy? Are we physically fit to fly? Is the weather ok? Do we have enough fuel to get us there? And on and on - each of these decisions matter!

Yet we take the financial health of our airport for granted and trust it to others. Why does it matter? Each of us makes a decision on where we base our aircraft - Do we tiedown or hangar - Where do we buy our fuel? Sometimes we have a choice of more than one airport - How do we choose?

Generally, our decision comes down to - Where is there space and how much is it going to cost me each month?

Yet the financial health of your airport affects all of these things and more. How is your airport viewed by the Airport Manager? Elected Officials? The Pilots?

So let's prepare for takeoff and begin our journey....



What is an Airport Sponsor?

An entity - be it city, county, authority, or district - financially and operationally responsible for the airport. If the airport seeks FAA Grants, then it is who the FAA requires to provide the matching funds, maintain the improvement, and abide by the Grant Assurances.

Within the entity, what department is the airport under? Why is this important?

Is the airport a stand alone entity? Does it exist under Public Works? Is it in another department where it may be subject to “Governmental Influences” such as Planning.

What is the path to the decision makers - the City Manager or City Council?

- 1) It is important to understand where the airport sits in the government hierarchy. This will indicate what the airport “chain of command” is and how it accomplishes the necessary decision making.
- 2) The department where the airport reports may demonstrate leadership obstacles or influence the availability of resources.

How do we monitor the Financial Health of our Airport?

It is important to note that what we are discussing here are public documents.

There should be no need for the Sponsor or Airport Manager to not provide them or at a minimum provide you the location where you can find them.



First, we will discuss the **ACFR - the Annual Consolidated Financial Report.**

This document may be produced by the sponsor itself or the airport data may be contained in the larger entities filing. This document is generally published up to seven months after the end of the Fiscal Year, and this will vary by entity.

It is an audited document and should contain a summary of the airport's revenue and expenses, including grant income and debt.

It is generally produced by the Finance Department of the entity and should be found on the entity's website.

Important: It is not the budget or a representation of the budget - It is a backwards looking overview of the airport's finances and may be very different from the current budget itself.

ANNUAL
COMPREHENSIVE
FINANCIAL
REPORT

Norman Y. Mineta
San José International
Airport
San José, California
A Department of the
City of San José
Fiscal Years Ended
June 30, 2022 and 2021



CITY OF TORRANCE, CALIFORNIA

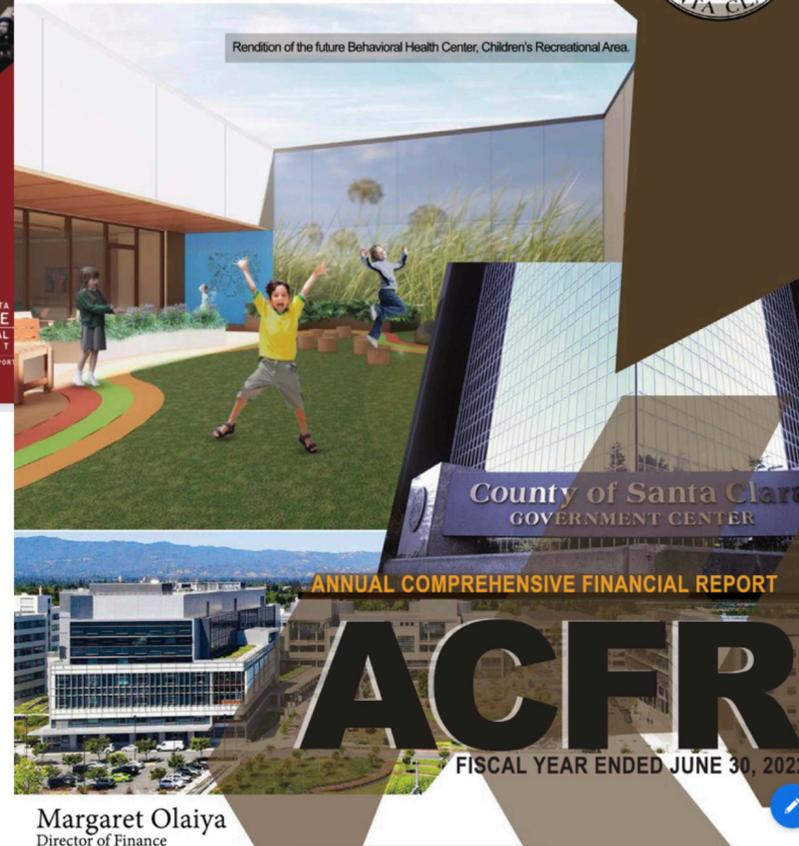
ANNUAL COMPREHENSIVE
FINANCIAL REPORT

DEPARTMENT OF FINANCE • FISCAL YEAR ENDED JUNE 30, 2022

COUNTY OF SANTA CLARA
STATE OF CALIFORNIA



Rendition of the future Behavioral Health Center, Children's Recreational Area.



ANNUAL COMPREHENSIVE FINANCIAL REPORT

ACFR

FISCAL YEAR ENDED JUNE 30, 2022

Margaret Olaiya
Director of Finance

City of South Lake Tahoe, California
Statement of Net Position – Proprietary Funds
September 30, 2022

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Airport	Parking Garage	Other Enterprise Funds	Totals	
Assets					
Current Assets					
Cash and investments (Note 3)	\$ 2,752,565	\$ 450,229	\$ 833,328	\$ 7,036,122	\$ 5,926,860
Restricted cash and investments (Note 4)	-	871,117	-	2,837,117	57,071
Accounts receivable - net	506,117	1,047	482	507,646	4,386
Total current assets	3,258,682	1,288,393	833,810	10,380,885	5,988,317
Non-Current Assets					
Advances to RDA Successor Agency (Note 10)	-	-	-	-	332,742
Capital assets (Note 6)	1,575,243	1,463,616	1,315,373	4,354,232	-
Nondepreciable	15,588,891	4,022,023	1,658,748	21,269,662	-
Depreciable	17,164,134	5,485,639	2,974,121	25,623,894	332,742
Total noncurrent assets	17,164,134	5,485,639	2,974,121	25,623,894	332,742
Total assets	20,422,816	11,774,032	3,807,931	36,004,779	6,321,059
Deferred Outflows of Resources					
Deferred outflows related to pensions	133,854	19,279	-	153,133	-
Liabilities					
Current Liabilities					
Accounts payable	80,560	45,534	441	126,535	8,347
Accrued interest payable	-	96,275	-	96,275	-
Deposits	61,353	-	-	61,353	-
Due to developers	1,352	-	-	1,352	-
Current portion of long-term debt (Note 7)	8,830	280,000	-	288,830	-
Compensated absences (Note 8)	11,816	-	-	11,816	-
Uninsured losses payable (Note 12)	-	-	-	-	1,263,486
Total current liabilities	163,911	421,809	441	586,161	1,271,833
Long-Term Liabilities					
Uninsured losses payable (Note 12)	-	-	-	-	4,653,514
Net pension liability	994,816	143,284	-	1,138,100	-
Long-term debt (Note 7)	39,568	5,555,000	-	5,594,568	-
Total long-term liabilities	1,034,384	5,698,284	-	6,732,668	4,653,514
Total liabilities	1,198,295	6,120,093	441	7,318,829	5,925,347
Deferred Inflows of Resources					
Deferred inflows related to pensions	7,108	1,024	-	8,132	-
Net Position (Note 9)					
Net investment in capital assets	17,115,736	(349,361)	2,974,121	19,740,496	-
Restricted for debt service	-	2,837,117	-	2,837,117	-
Unrestricted	2,235,531	3,184,438	833,369	6,253,338	395,712
Total net position	\$ 19,351,267	\$ 5,672,194	\$ 3,807,490	\$ 28,830,951	\$ 395,712

Management's Discussion and Analysis
For the Fiscal Year ended June 30, 2022

Figure A-5
Business-type Activities Expenses

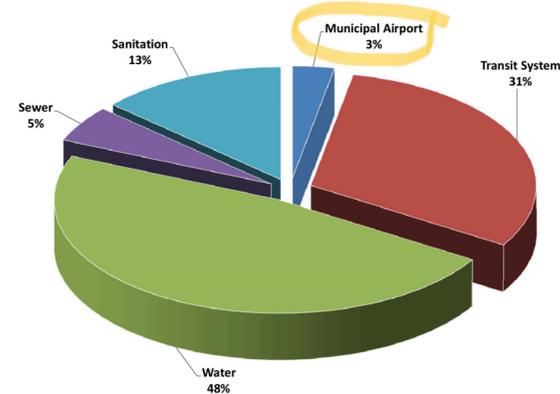
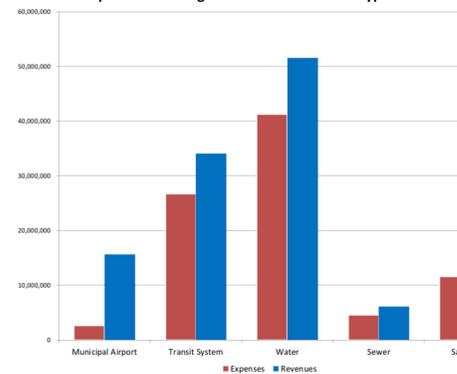


Figure A-6
Expenses and Program Revenues Business-type Activities



Management's Discussion and Analysis
(Unaudited)

A summary of revenues (in thousands) for the fiscal years ended June 30, 2022, 2021, and 2020 is as follows:

	2022	2021*	2020
Operating revenues:			
Landing fees	\$ 24,545	\$ 16,933	\$ 21,682
Terminal rental	68,490	62,005	62,690
Terminal buildings/concessions	13,164	11,106	20,623
Airfield	5,000	3,454	6,535
Parking and roadway	47,023	25,244	50,973
Fuel handling fees	2,453	1,722	2,289
General aviation/other	11,317	10,684	10,499
Customer facility charges for transportation costs	5,689	-	-
Total operating revenues	177,741	131,148	175,291
Nonoperating revenues:			
Passenger facility charges	\$ 19,674	\$ 9,377	20,456
Customer facility charges for debt service	7,967	6,539	15,394

A summary of expenses (in thousands) for the fiscal years ended June 30, 2022, 2021, and 2020 is as follows:

	2022	2021*	2020
Operating expenses:			
Terminal buildings/concessions	\$ 39,331	\$ 38,346	\$ 41,025
Airfield	24,777	22,096	21,912
Parking and roadway	14,431	12,217	16,761
Fuel handling costs	71	63	27
General aviation	913	962	1,717
General and administrative	20,122	21,231	24,159
Depreciation and amortization	55,260	53,235	55,383
Total operating expenses	154,905	148,150	160,984
Nonoperating expenses:			
Participating airline net revenue sharing	27,396	1,325	11,910
Interest expense	39,312	53,649	59,108
Bond issuance costs	-	2,239	-
Loss on capital assets disposal	-	13	-
Total nonoperating expenses	66,708	57,226	71,018
Total expenses	\$ 221,613	\$ 205,376	\$ 232,002

*FY 2021 balances have been restated due to the implementation of GASB Statement No. 87, *Leases*.

Functions/Programs	Expenses	Charges for Services
Primary Government:		
Governmental Activities:		
General government	\$ 28,428,070	\$ 1,867,490
Public safety	124,494,774	8,624,815
Public works	24,239,615	425,507
Culture and recreation	19,754,209	4,364,241
Community development	13,508,842	10,040,337
Interest on long-term debt	15,614,992	-
Total Governmental Activities	226,040,502	25,322,390
Business-Type Activities:		
Municipal airport	2,612,242	15,663,439
Transit system	26,684,425	539,507
Water	41,263,045	51,521,369

Business-Type Activities - Enterprise Funds	Municipal Airport Fund	Municipal Airport Fund
Assets and Deferred Outflows of Resources		
Current assets:		
Paid cash and investments (note 2)	\$ 8,151,252	
Cash and cash equivalents with fiscal agents (note 2)	-	
Accounts receivable	1,202,887	
Accrued interest receivable	718,236	
Lease receivable - current (note 5)	5,678,357	
Inventory	-	
Due from other governments (note 15)	-	
Total current assets	15,939,622	
Noncurrent assets:		
Advance to successor agency (note 12)	-	
Capital assets, net (note 3)	7,978,938	
Lease receivable - long term (note 5)	173,984,256	
Net pension asset	489,738	
Total noncurrent assets	182,452,932	
Deferred outflows of resources:		
Deferred pension amounts	143,154	
Deferred OPEB amounts	30,577	
Total deferred outflows of resources	173,731	
Total Assets and Deferred Outflows of Resources	198,466,625	
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable	150,615	
Contract retainer payable	40,006	
Deposits payable	184,587	
Accrued interest payable	86,370	
Accrued liabilities	-	
Due to other funds (note 12)	56,306	
Compensated absence payable-current	-	
Current installment sale loan payable - principal (note 6 and 7)	-	
Escrow payable - current	-	
Accrued liabilities for self-insurance claims - current (note 14)	-	
Unearned revenues (note 16)	226,781	
Total current liabilities	445,375	
Noncurrent liabilities:		
Compensated absences payable - long term	160,256	
Long-term obligations (notes 6 and 7)	-	
Accrued liability for self-insurance claims - long term (note 14)	-	
Net pension liability	44,653	
Net OPEB liability	152,250	
Total noncurrent liabilities	357,159	
Deferred inflows of resources:		
Deferred losses (note 3)	171,476,336	
Deferred pension amounts	861,876	
Deferred OPEB amounts	41,351	
Total deferred inflows of resources	172,379,563	
Total Liabilities and Deferred Inflows of Resources	375,984,302	
Net Position		
Net investment in capital assets	7,938,632	
Restricted	16,524,291	
Unrestricted	-	
Total Net Position	\$ 24,462,323	
Operating revenues:		15,663,439
Charges for services		-
Other		15,663,439
Total operating revenues		
Operating expenses:		1,145,624
Salaries and employee benefits		166,392
Services and supplies		688,536
Other professional services		213,461
Depreciation and amortization		12,392
Insurance and claims		349,367
City charges		-
Cost of water		36,470
Other		2,612,242
Total operating expenses		
Operating income (loss)		13,051,197
Nonoperating revenues (expenses)		4,444,534
Investment earnings		-
Gain on sale of capital assets		-
Assistance from other governments		-
Interest expense		-
Grants		4,444,534
Total nonoperating revenues (expenses) net		
Income (loss) before contributions and operating transfers		17,495,731
Capital grants		-
Transfers in (note 13)		-
Transfers out (note 13)		(10,839,219)
Change in net position		6,656,512
Total net position - July 1, 2021		13,433,611
Prior period adjustment (note 18)		4,372,200
Total net position - June 30, 2022		24,462,323

City of South Lake Tahoe, California
Statement of Net Position – Proprietary Funds
September 30, 2022

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Airport	Parking Garage	Other Enterprise Funds	Totals	
Assets					
Current Assets					
Cash and investments (Note 3)	\$ 2,752,565	\$ 3,450,229	\$ 833,328	\$ 7,036,122	\$ 5,926,860
Restricted cash and investments (Note 3)	-	2,837,117	-	2,837,117	57,071
Accounts receivable - net	506,117	1,047	482	507,646	4,386
Total current assets	3,258,682	6,288,393	833,810	10,380,885	5,988,317
Non-Current Assets					
Advances to RDA Successor Agency (Note 4C)	-	-	-	-	332,742
Capital assets (Note 6)					
Nondepreciable	1,575,243	1,463,616	1,315,373	4,354,232	-
Depreciable	15,588,891	4,022,023	1,658,748	21,269,662	-
Total noncurrent assets	17,164,134	5,485,639	2,974,121	25,623,894	332,742
Total assets	20,422,816	11,774,032	3,807,931	36,004,779	6,321,059
Deferred Outflows of Resources					
Deferred outflows related to pensions	133,854	19,279	-	153,133	-
Liabilities					
Current Liabilities					
Accounts payable	80,560	45,534	441	126,535	8,347
Accrued interest payable	-	96,275	-	96,275	-
Deposits	61,353	-	-	61,353	-
Due to developers	1,352	-	-	1,352	-
Current portion of long-term debt (Note 7)	8,830	280,000	-	288,830	-
Compensated absences (Note 8)	11,816	-	-	11,816	-
Uninsured losses payable (Note 12)	-	-	-	-	1,263,486
Total current liabilities	163,911	421,809	441	586,161	1,271,833
Long-Term Liabilities					
Uninsured losses payable (Note 12)	-	-	-	-	4,653,514
Net pension liability	994,816	143,284	-	1,138,100	-
Long-term debt (Note 7)	39,568	5,555,000	-	5,594,568	-
Total long-term liabilities	1,034,384	5,698,284	-	6,732,668	4,653,514
Total liabilities	1,198,295	6,120,093	441	7,318,829	5,925,347
Deferred Inflows of Resources					
Deferred inflows related to pensions	7,108	1,024	-	8,132	-
Net Position (Note 9)					
Net investment in capital assets	17,115,736	(349,361)	2,974,121	19,740,496	-
Restricted for debt service	-	2,837,117	-	2,837,117	-
Unrestricted	2,235,531	3,184,438	833,369	6,253,338	395,712
Total net position	\$ 19,351,267	\$ 5,672,194	\$ 3,807,490	\$ 28,830,951	\$ 395,712

**Management's Discussion and Analysis
(Unaudited)**

A summary of revenues (in thousands) for the fiscal years ended June 30, 2022, 2021, and 2020 is as follows:

	2022	2021*	2020
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Airfield	5,060	3,454	6,535
Parking and roadway	47,023	25,244	50,973
Fuel handling fees	2,453	1,722	2,289
General aviation/other	11,317	10,684	10,499
Customer facility charges for transportation costs	5,689	-	-
Total operating revenues	177,741	131,148	175,291
<u>Nonoperating revenues:</u>			
Passenger facility charges	\$ 19,674	\$ 9,377	20,456
Customer facility charges for debt service	7,967	6,539	15,394
Investment income (loss)	(4,681)	1,236	11,266
Lease interest income	274	288	-
Operating grants	718	619	486
CARES Act airport grants	12,095	53,538	-
CRRSA Act airport grants	13,422	1,647	-
ARP Act concession funding	6,586	-	-
Other, net	464	1,841	913
Total nonoperating revenues	56,519	75,085	48,515
Capital contributions	5,894	12,023	3,076
Total revenues	\$ 240,154	\$ 218,256	\$ 226,882

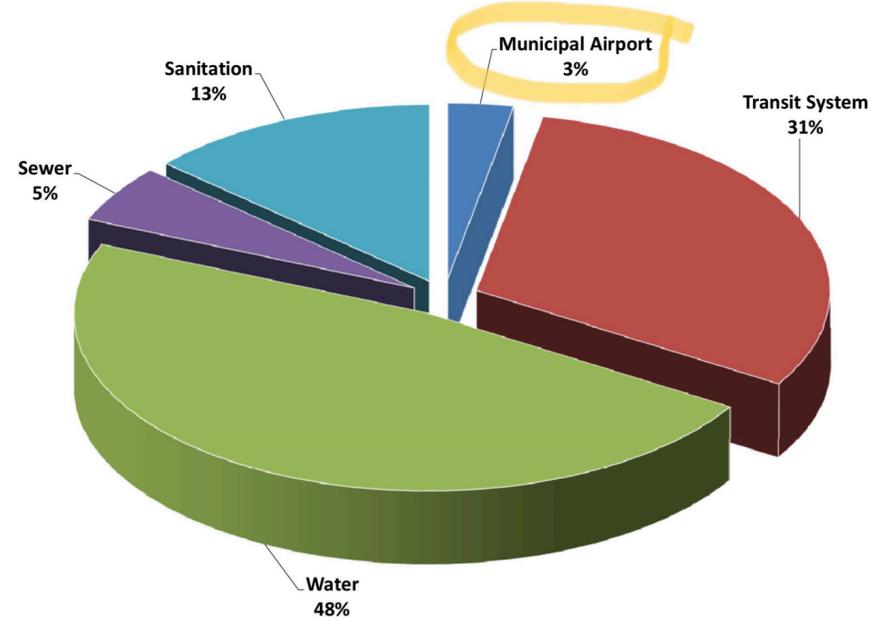
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A summary of expenses (in thousands) for the fiscal years ended June 30, 2022, 2021, and 2020 is as follows:

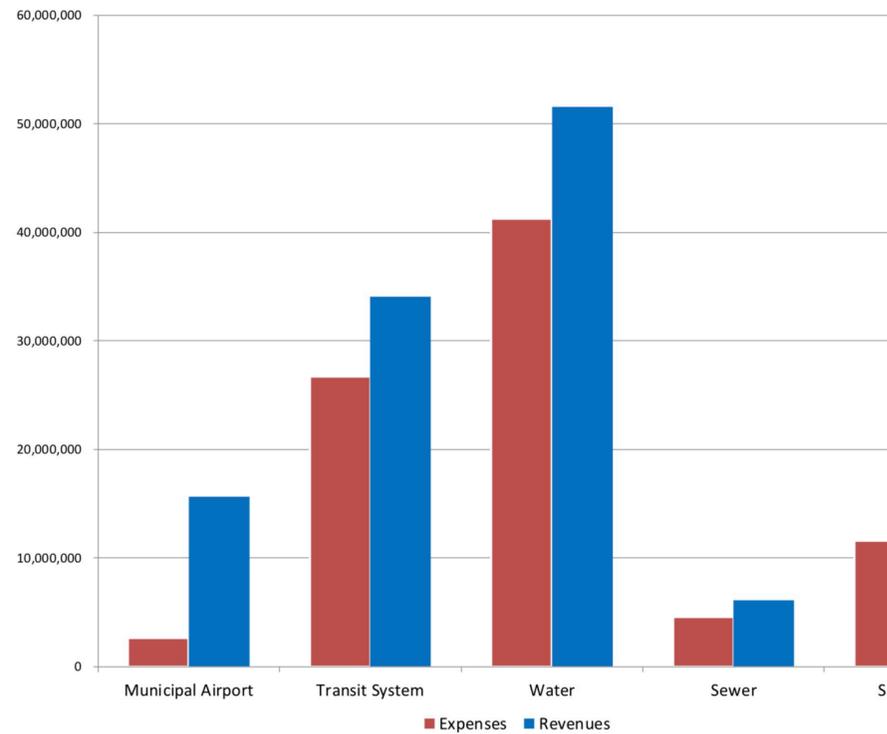
	2022	2021*	2020
<u>Operating expenses:</u>			
Terminal buildings/concessions	\$ 39,331	\$ 38,346	\$ 41,025
Airfield	24,777	22,096	21,912
Parking and roadway	14,431	12,217	16,761
Fuel handling costs	71	63	27
General aviation	913	962	1,717
General and administrative	20,122	21,231	24,159
Depreciation and amortization	55,260	53,235	55,383
Total operating expenses	154,905	148,150	160,984
<u>Nonoperating expenses:</u>			
Participating airline net revenue sharing	27,396	1,325	11,910
Interest expense	39,312	53,649	59,108
Bond issuance costs	-	2,239	-
Loss on capital assets disposal	-	13	-
Total nonoperating expenses	66,708	57,226	71,018
Total expenses	\$ 221,613	\$ 205,376	\$ 232,002

*FY 2021 balances have been restated due to the implementation of GASB Statement No. 87, *Leases*.

**Figure A-5
Business-type Activities Expenses**



**Figure A-6
Expenses and Program Revenues Business-type Activities**



<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Primary Government:		
Governmental Activities:		
General government	\$ 28,428,070	\$ 1,867,490
Public safety	124,494,774	8,624,815
Public works	24,239,615	425,507
Culture and recreation	19,754,209	4,364,241
Community development	13,508,842	10,040,337
Interest on long-term debt	15,614,992	-
Total Governmental Activities	226,040,502	25,322,390
Business-Type Activities:		
Municipal airport	2,612,242	15,663,439
Transit system	26,684,425	539,507
Water	41,263,045	51,521,369

business-type Activities

Enterprise Funds

	Municipal Airport Fund	Nonma
Assets and Deferred Outflows of Resources		
Current assets:		
Pooled cash and investments (note 2)	\$ 8,151,252	
Cash and cash equivalents with fiscal agents (note 2)	-	
Accounts receivable	1,392,087	
Accrued interest receivable	718,236	
Lease receivable - current (note 5)	5,678,357	
Inventory	-	
Due from other governments (note 15)	-	
Total current assets	15,939,932	
Noncurrent assets:		
Advance to successor agency (note 12)	-	
Capital assets, net (note 3)	7,978,938	
Lease receivable - long term (note 5)	173,864,236	
Net pension asset	489,788	
Total noncurrent assets	182,332,962	
Deferred outflows of resources:		
Deferred pension amounts	143,154	
Deferred OPEB amounts	30,577	
Total deferred outflows of resources	173,731	
Total Assets and Deferred Outflows of Resources	198,446,625	
Liabilities and Deferred Inflows of Resources		
Current liabilities:		
Accounts payable	150,415	
Contract retainage payable	40,906	
Deposits payable	184,587	
Accrued interest payable	-	
Accrued liabilities	86,370	
Due to other funds (note 12)	-	
Compensated absences payable-current	56,306	
Current installment sale loan payable - principal (notes 6 and 7)	-	
Easement payable - current	-	
Accrued liabilities for self-insurance claims - current (note 14)	-	
Unearned revenues (note 16)	326,791	
Total current liabilities	845,375	
Noncurrent liabilities:		
Compensated absences payable - long term	160,256	
Long-term obligations (notes 6 and 7)	-	
Accrued liability for self-insurance claims long-term (note 14)	-	
Net pension liability	44,653	
Net OPEB liability	155,255	
Total noncurrent liabilities	360,164	
Deferred inflows of resources:		
Deferred leases (note 5)	171,876,336	
Deferred pension amounts	861,076	
Deferred OPEB amounts	41,351	
Total deferred inflows of resources	172,778,763	
Total Liabilities and Deferred Inflows of Resources	173,984,302	
Net Position		
Net investment in capital assets	7,938,032	
Restricted	-	
Unrestricted	16,524,291	
Total Net Position	\$ 24,462,323	\$ 11,4

Operating revenues:

Charges for services

Other

Total operating revenues

Operating expenses:

Salaries and employee benefits

Services and supplies

Other professional services

Depreciation and amortization

Insurance and claims

City charges

Cost of water

Other

Total operating expenses

Operating income (loss)

Nonoperating revenues (expenses)

Investment earnings

Gain on sale of capital assets

Assistance from other governments

Interest expense

Grants

Total nonoperating revenues (expenses) net

Income (loss) before contributions and operating transfers

Capital grants

Transfers in (note 13)

Transfers out (note 13)

Change in net position

Total net position - July 1, 2021

Prior period adjustment (note 18)

Total net position - June 30, 2022

Municipal
Airport
Fund

\$ 15,663,439

\$

-

15,663,439

1,145,624

166,392

688,536

213,461

12,392

349,367

-

36,470

2,612,242

13,051,197

4,444,534

-

-

-

-

4,444,534

17,495,731

-

-

(10,839,219)

6,656,512

13,433,611

4,372,200

\$ 24,462,323

\$

The airport's finances, in a different but standardized form, are then sent to the State Controller's office. Each year, on or around November 1, the previous years ACFR information is published and available for comparison to other airports.

Here is a sample of what the information from your airport might look like:

Entity Name	Santa Clara	Santa Clara	Santa Clara	Santa Clara
Entity ID	43	43	43	43
Fiscal Year	2021	2020	2019	2018
Aircraft Parking_Operating Revenues	2250517	2167590	2004752	2045652
Lease of Ground Area_Operating Revenues	279483	299378	289995	281884
Fuel Flowage Fees_Operating Revenues	62055	29202	44832	42283
Other Operating Revenues_Operating Revenues	294996	275470	239302	294915
Total Operating Revenues_Operating Revenues	2887051	2771640	2578881	2664734
Landing Areas_Maintenance and Operation_Operating Expenses	671509	647520	572832	524508
Terminal Buildings and Areas_Maintenance and Operation_Operating Expenses	718177	444544	369968	383843
General and Administrative Expenses_Operating Expenses	1318059	1209181	863255	1169637
Depreciation and Amortization Expenses_Operating Expenses	552578	505694	496956	497366
Other Operating Expenses_Operating Expenses	183452	NULL	-1170	NULL
Total Operating Expenses	3443775	2806939	2301841	2575354
Operating Income (Loss)	-556724	-35299	277040	89380
Investment Earnings_Nonoperating Revenues	19901	130998	152221	47922
Aid for Construction_Intergovernmental – Federal_Nonoperating Revenues	99000			
Total Nonoperating Revenues	118901	130998	152221	47922
Interest Expense_Nonoperating Expenses	198321	236311	247393	228306
Total Nonoperating Expenses	198321	236311	247393	228306
Income (Loss) Before Capital Contributions, Transfers, and Special and Extraordinary Items	-636144	-140612	181868	-91004
Total Capital Contributions	0	0	0	0
Transfers In	25166	28612	262016	173649
Transfers Out	-39700			
Total Special and Extraordinary Items	0	0	0	0
Change in Net Position	-650678	-112000	443884	82645
Net Position (Deficit), Beginning of Fiscal Year	11480000	11592000	11148116	11747572
Adjustment	NULL	NULL	NULL	-682101
Reason for Adjustment	NULL	NULL	NULL	To record GASB75 and remove GASB45
Net Position (Deficit), End of Fiscal Year	10829322	11480000	11592000	11148116
Net Investment in Capital Assets_Net Position (Deficit)	11476105	11829000	11507000	11146116
Unrestricted_Net Position (Deficit)	-646783	-349000	85000	2000
Total Net Position (Deficit)	10829322	11480000	11592000	11148116

Airport Data is available from the California State Controllers website is updated annually around November 1

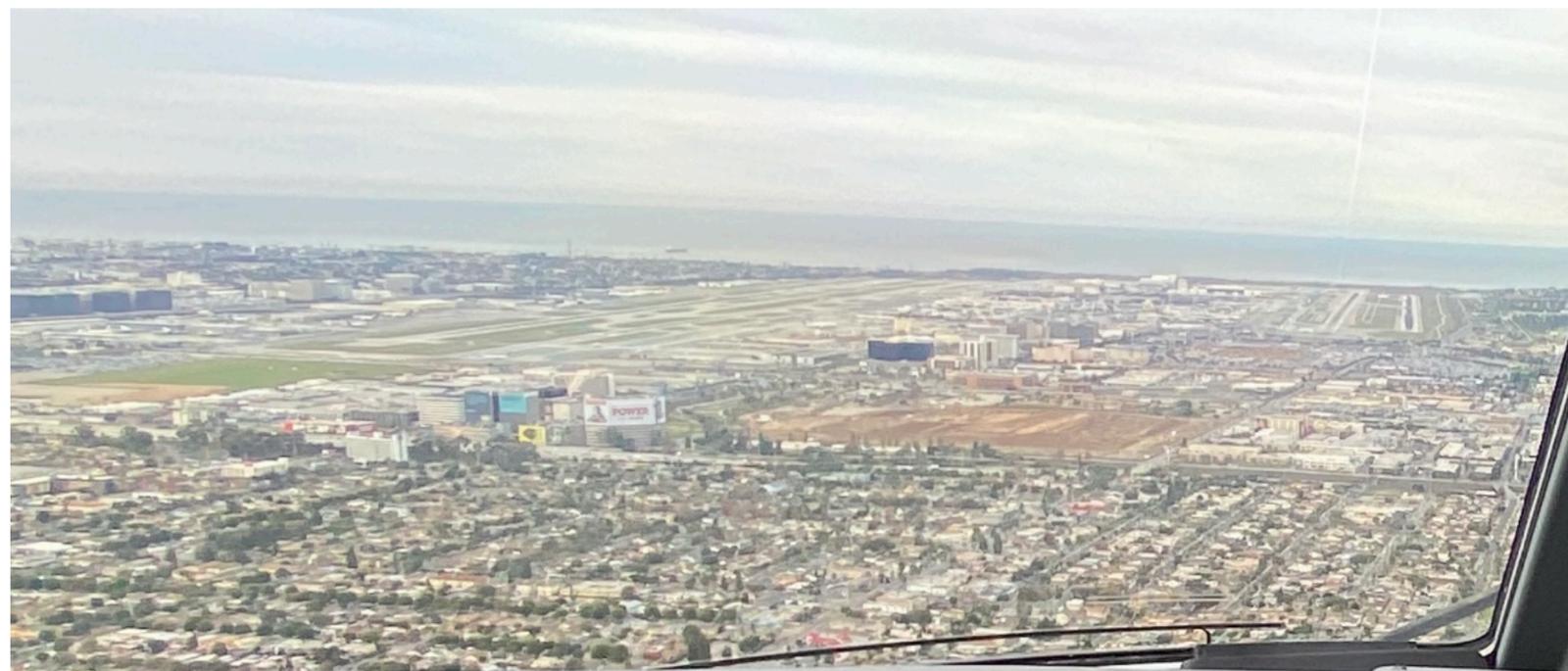
Once the raw data excel file is downloaded, navigate to the tab “CIX_AIRPORT_ENTERP_FUND” to find the information.

City Sponsored Airport Data can be found at:

<https://bythenumbers.sco.ca.gov/Raw-Data/Cities-Raw-Data-for-Fiscal-Years-2020-21/kyrq-f99p>

County Sponsored Airport Data can be found at:

https://bythenumbers.sco.ca.gov/api/views/3wyv-ctzt/files/8359fa54-ad1c-4739-a792-4678aa99317e?filename=CountiesRawData_FY2020-2021_20220914_V3.xlsx



What is the **Airport Enterprise Fund** and Why is it important?

An enterprise fund is crucial - it is its own budget and accounting mechanism and is separate from the General Fund.

It insulates the airport from the General Fund and provides transparency for the aviation community. For lack of a better term, the AEF is the pot where all of the revenue for the airport is deposited and from which all of the expenses are paid.

The FAA has little to no control over the AEF except to ensure that Grant Funds are properly accounted for and funds are not being transferred from the airport (except in rare occasions)

Self-Sustainability

This is the “Goal” of every airport. Some airports lack the revenue sources to reach this goal, some have “structural impediments”, most meet this easily.

As pilots/aircraft owners, it is in our own best interest to seek the equilibrium of Self-Sustainability for the protection of our airport. Maintaining this fends off attacks from those who would say we don't pay our own way.



Budget

As pilots/aircraft owners, we understand the basics of aircraft budgeting. There are fixed costs, variable costs, and set-asides for contingencies.

For the most part, airports run in a similar fashion, **BUT....**

We need to remember that these are government entities and they budget in ways that may seem foreign to us (or even inept).

From looking at the budget documents, it would appear that many of their spending estimates are a W.A.G.

Wild @\$\$ Guess

Here are the budget results for Santa Clara County for FY 2022/23

FY22 BUDGET ACTUALS - COST CENTERS 1920/1921/1922			
Fiscal Year 2022 YTD (6/30/2022)			
Budgetary Posting	Curr.M.Bud	YTD Actual	Avail Budg
4302100 Property Rental	170,000.00	351,263.76	181,263.76
4302500 Leases	188,800.00	189,214.16	414.16
4302720 Space Rentals	1,440,000.00	1,662,525.08	222,525.08
4302730 Fuel Flowage	30,000.00	23,419.49	6,580.51
4302740 Transient Aircraft Parking	4,000.00	11,593.50	7,593.50
4302750 Airport Hangar Wait List Fee	250.00		250.00
4530900 Federal-Retiree Drug	2,300.00	1,167.46	1,132.54
4727100 Other Charges for Service	500.00		500.00
4811110 Sale of Fuel	750,000.00	136,642.85	613,357.15
4813450 Misc Income-Charge		109.00	109.00
4813550 Returned Checks		150.00	150.00
4813800 Miscellaneous Income - Other		12.92	
4813920 Other Operating Revenue	35,000.00	60,942.50	25,942.50
* REVENUES	2,620,850.00	2,437,040.72	183,809.28
4920120 IC - Transfers In		11,127.04	11,127.04
* TRANSFER IN		11,127.04	11,127.04
5101000 Permanent Employees	418,729.00	360,358.48	58,370.52
5101100 Temporary Employees	1,000.00		1,000.00
5103000 Overtime	17,500.00	38,481.22	20,981.22
5103100 Holiday Overtime	12,000.00	7,574.53	4,425.47
5104000 Premium Pay	6,500.00		6,500.00
5107000 Salary Savings Factor	83,409.00		83,409.00
5108600 Miscellaneous Salaries	4,011.00		4,011.00
5110100 Retiree Medical Insurance	34,674.00	30,417.80	4,256.20
5110200 Health Insurance	99,948.00	77,233.76	22,714.24
5110300 Unemployment Insurance	43.00	40.44	2.56
5110400 FICA - Employer Share	25,978.00	24,930.90	1,047.10
5110500 Medicare Tax - Employer Share	6,076.00	5,915.01	160.99
5110601 PERS-ER Pd EE Contri	9,584.00	5,480.03	4,103.97
5110602 PERS-ER Pd ER Contri	32,708.00	27,402.76	5,305.24
5110603 PERS-UAL-Misc	53,011.00	48,246.95	4,764.05
5110610 POB PERS UAL-MISC	4,442.00	3,901.92	540.08
5110700 Workers' Compensation	14,250.00	15,108.30	858.30
5111200 Deferred Comp Expense -ER	102.00	85.62	16.38
* SALARIES AND BENEFITS	657,177.72	645,177.72	11,969.28
5200000 Clothing & Personal	2,900.00	4,905.12	2,005.12
5200100 Safety Shoes	1,500.00	1,672.60	672.60
5205100 Communications&Phone	1,500.00	1,011.82	488.18
5205350 IC-Wireless Voice&Da	794.00	933.66	139.66
5215400 Custodial Services	6,100.00	10,797.82	4,697.82
5215600 Janitorial Supplies	4,000.00	10,609.69	8,917.17
5215700 Garbage	5,500.00	6,067.12	567.12
5230400 Maintenance - Equipment-Other	3,000.00	2,487.74	512.26
5230700 Vehicle Towing	1,500.00	160.00	1,340.00
5235100 Maint-Struct, Improv	219,000.00	68,790.20	150,032.09
5250100 Office Expense	500.00	1,013.36	529.82
5250200 Postage Expense - External	300.00	393.27	93.27
5250250 IC-Postage Expense - Internal		338.53	338.53
5250700 Printing - External	1,000.00		1,000.00
5250900 Education Expense - Other	3,000.00		3,000.00
5251000 Workshops,Conf & Sem	2,000.00		2,000.00
5251400 Books & Periodicals	100.00		100.00
5255100 Prof & Specialized Svc	133,000.00	115,771.34	17,228.66
5255650 IC-Info Tech Serv	2,645.00	2,918.71	273.71
5255660 IC-Entpse Lic.Agrmt	3,832.00	3,739.30	92.70
5255850 IC-Cty Cnsl-Legl-Int	250,150.00	237,859.00	12,291.00
5258400 Hazardous Materials Management	3,500.00	9,216.82	5,716.82
5260100 Publications and Legal Notices	250.00		250.00
5265100 Rent&Lease Equip Oth	10,000.00	3,247.07	6,752.93
5265130 Chemical Toilets	9,500.00	13,724.06	4,224.06
5275100 Small Tools and Instruments	39,000.00	24,073.24	63,073.24
5275200 PC Hardware	399.59	3,435.70	3,036.11
5285100 Bulk Fuel	750,000.00	81,119.33	668,880.67
5285300 Mileage	100.00	1,082.09	982.09
5285400 Automobile Services - External	8,000.00	6,190.89	1,809.11
5290100 Utilities	205,000.00		205,000.00
5290110 Utilities - Electricity	9,246.00	99,745.35	90,499.35
5290120 Utilities - Natural Gas		2,999.99	2,999.99
5290130 Utilities - Water		30,495.61	30,495.61
5340900 Employee Recognition	100.00		100.00
5341000 Overtime Meal	100.00		100.00
5350400 SVS and Supplies - Other	10,000.00	24,686.68	25,260.18
8215000 IC-Settlem-Ext DRA	4,500.00	80,100.26	75,600.26
* OTHER EXPENSES	1,692,016.59	801,439.89	877,001.55
5400200 Debt Service - Principal	30,300.00		30,300.00
5410200 Interest on Bonds	9,500.00		9,500.00
* DEBT SERVICE	39,800.00		39,800.00
1305000 Equipment & Furniture	50,000.00		50,000.00
* EQUIPMENT	50,000.00		50,000.00
1304400 Vehicles Non Law Enforcement	953,609.94	357,748.21	326,508.45
* VEHICLES	953,609.94	357,748.21	326,508.45
5530200 Capital Proj Svc&Sup	5,042,082.24	235,283.53	4,749,384.91
7100000 IC-labor Cost Alloca		22,579.79	22,579.79
8300000 Overhead Allocation		21,295.19	21,295.19
8200000 Settlement-External	60,000.00		60,000.00
* CAPITAL PROJECT	5,102,082.24	279,158.51	4,765,509.93
** 06081920 REID-HILLVIEW AIRPORT cc1920	5,873,805.77	364,643.43	5,898,106.97

FY22 BUDGET ACTUALS - COST CENTERS 1921			
Fiscal Year 2022 YTD (6/30/2022)			
Budgetary Posting	Curr.M.Bud	YTD Actual	Avail Budg
4301100 Interest-Deposits		283.67	283.67
4302100 Property Rental	33,000.00	34,337.88	1,337.88
4302500 Leases	72,000.00	72,000.00	
4302720 Space Rentals	944,000.00	966,621.47	22,621.47
4302730 Fuel Flowage	9,500.00	12,285.40	2,785.40
4540500 FED - FAA Funds	570,667.00	570,667.00	
4813910 Cash Discounts Taken		1.80	1.80
4813920 Other Operating Revenue	3,500.00	4,180.50	680.50
4910200 Sale of Excess Land		141,400.00	141,400.00
* REVENUES	1,632,667.00	1,801,777.72	169,110.72
5101000 Permanent Employees		121,505.98	121,505.98
5101100 Temporary Employees	8,000.00		8,000.00
5103000 Overtime	1,000.00	7,992.21	6,992.21
5103100 Holiday Overtime	500.00	3,567.96	3,067.96
5104000 Premium Pay	250.00		250.00
5108600 Miscellaneous Salaries	6,536.00		6,536.00
5110100 Retiree Medical Insurance		10,647.06	10,647.06
5110200 Health Insurance		28,956.10	28,956.10
5110300 Unemployment Insurance		13.90	13.90
5110400 FICA - Employer Share		8,200.69	8,200.69
5110500 Medicare Tax - Employer Share		1,917.91	1,917.91
5110601 PERS-ER Pd EE Contri		837.66	837.66
5110602 PERS-ER Pd ER Contri		9,548.69	9,548.69
5110603 PERS-UAL-Misc		15,831.47	15,831.47
5110610 POB PERS UAL-MISC		1,249.29	1,249.29
5110700 Workers' Compensation		4,920.42	4,920.42
5111200 Deferred Comp Expense -ER		31.25	31.25
* SALARIES AND BENEFITS	16,286.00	215,220.59	198,934.59
5205100 Communications&Phone	3,000.00	3,276.42	276.42
5215400 Custodial Services	7,540.00		7,540.00
5215600 Janitorial Supplies	250.00		250.00
5215700 Garbage	10,500.00	9,224.04	1,275.96
5230400 Maintenance - Equipment-Other	500.00	1,181.25	681.25
5230700 Vehicle Towing	200.00	1,200.00	1,000.00
5235100 Maint-Struct, Improv	42,943.30	105,693.96	90,515.67
5250100 Office Expense	100.00		100.00
5250700 Printing - External	1,000.00		1,000.00
5251400 Books & Periodicals	50.00		50.00
5255100 Prof & Specialized Svc	16,594.75	62,799.64	46,204.89
5255650 IC-Info Tech Serv	381.00	253.84	127.16
5255660 IC-Entpse Lic.Agrmt	360.00	240.00	120.00
5255850 IC-Cty Cnsl-Legl-Int	4,035.00	1,722.50	2,312.50
5258400 Hazardous Materials Management	1,000.00	5,465.00	4,465.00
5260100 Publications and Legal Notices	100.00		100.00
5265100 Rent&Lease Equip Oth	20,500.00	16,593.69	3,906.31
5265130 Chemical Toilets	2,200.00	7,374.16	5,174.16
5275100 Small Tools and Instruments	500.00	70.05	429.95
5285300 Mileage	100.00	3,234.74	3,134.74
5285400 Automobile Services - External	3,000.00	8,065.43	5,065.43
5290110 Utilities - Electricity	30,773.00	57,406.79	26,633.79
5290130 Utilities - Water		375.33	375.33
5341000 Overtime Meal	100.00		100.00
5350400 SVS and Supplies - Other	11,319.84	28,385.82	17,065.98
8210000 Settlement-External		825.45	825.45
8215000 IC-Settlem-Ext DRA	4,500.00	67,439.47	62,939.47
* OTHER EXPENSES	161,546.89	380,827.58	247,045.70
5400200 Debt Service - Principal	39,700.00		39,700.00
5410200 Interest on Bonds	240,895.00	155,500.00	85,395.00
* DEBT SERVICE	280,595.00	155,500.00	125,095.00
5530200 Capital Proj Svc&Sup	448.41		448.41
* CAPITAL PROJECT	448.41		448.41
** 06081921 SOUTH CO AIRPORT cc1921	1,173,790.70	1,050,229.55	151,326.16

FY22 BUDGET ACTUALS - COST CENTERS 1922			
Fiscal Year 2022 YTD (6/30/2022)			
Budgetary Posting	Curr.M.Bud	YTD Actual	Avail Budg
4301100 Interest-Deposits	9,000.00	49,428.90	40,428.90
4530900 Federal-Retiree Drug	4,500.00		4,500.00
4813910 Cash Discounts Taken		7.12	7.12
* REVENUES	13,500.00	49,436.02	35,936.02
4920120 IC - Transfers In	269,317.32	258,190.28	11,127.04
* TRANSFER IN	269,317.32	258,190.28	11,127.04
5101000 Permanent Employees	372,776.00	380,907.09	8,131.09
5102000 Salaries Without Benefits	19,317.32		19,317.32
5108600 Miscellaneous Salaries		89.00	89.00
5110100 Retiree Medical Insurance	17,337.00	19,341.09	2,004.09
5110200 Health Insurance	49,974.00	52,360.68	2,386.68
5110300 Unemployment Insurance	38.00	37.96	0.04
5110400 FICA - Employer Share	21,855.00	22,337.08	482.08
5110500 Medicare Tax - Employer Share	5,408.00	5,543.76	135.76
5110601 PERS-ER Pd EE Contri	5,196.00	5,206.38	10.38
5110602 PERS-ER Pd ER Contri	25,156.00	25,460.96	304.96
5110603 PERS-UAL-Misc	47,193.00	54,304.52	7,111.52
5110610 POB PERS UAL-MISC	3,954.00	4,165.27	211.27
5110700 Workers' Compensation	12,687.00	14,121.23	1,434.23
5111200 Deferred Comp Expense -ER	51.00	55.29	4.29
5199999 Accrued Compensated Absences	196,000.00	5,556.81	190,443.19
* SALARIES AND BENEFITS	777,031.32	589,398.12	187,633.20
5200000 Clothing & Personal	1,740.00	2,493.15	753.15
5205100 Communications&Phone	4,250.00	4,887.54	637.54
5205300 IC - Telecommunication Services	8,033.00	8,040.00	7.00
5205350 IC-Wireless Voice&Da	3,339.00	3,090.60	248.40
5220200 IC-Insurance	76,691.00	76,691.00	
5235100 Maint-Struct, Improv	19,000.00	3,134.32	15,865.68
5245100 Membership Dues and Fees	2,500.00	890.00	1,610.00
5250100 Office Expense	2,500.00	2,984.37	674.26
5250200 Postage Expense - External	4,000.00	1,730.41	2,269.59
5250250 IC-Postage Expense - Internal		500.00	500.00
5250700 Printing - External	1,000.00		1,000.00
5250750 IC-Printing-Internal	624.00	1,078.35	454.35
5250900 Education Expense - Other	500.00		500.00
5251000 Workshops,Conf & Sem	3,000.00	1,255.00	1,745.00
5251400 Books & Periodicals	250.00	694.34	444.34
5255100 Prof & Specialized Svc	315,000.00	36,915.69	278,084.31
5255650 IC-Info Tech Serv	72,292.00	72,320.16	28.16
5255660 IC-Entpse Lic.Agrmt	3,389.00	2,670.49	718.51
5255850 IC-Cty Cnsl-Legl-Int	91,520.00	46,182.00	45,338.00
5258200 IC-Prof Svc-Internal	5,068.00	6,970.00	1,902.00
5258250 IC - Prof Svc Int Tr	245,697.00	245,697.00	
5265100 Rent&Lease Equip Oth	7,500.00	2,700.00	4,800.00
5265110 Copy Machines	1,000.00	1,216.33	216.33
5275100 Small Tools and Instruments	100.00	2,679.64	2,579.64
5275200 PC Hardware	2,000.00		2,000.00

5280000 Special Department Expense	400,000.00		400,000.00
5281610 IC-Cost Allocation Plan	267,583.00	267,583.00	
5285110 IC-Fuel - Internal		13,544.77	13,544.77
5285200 IC-Auto Svs-Internal		899.53	899.53
5285300 Mileage	1,000.00	356.49	643.51
5285400 Automobile Services - External	2,000.00		2,000.00
5285700 Local Meals and Meetings	100.00		100.00
5285800 Business Travel	2,500.00	2,315.95	184.05
5340900 Employee Recognition	100.00	216.56	116.56
5350400 SVS and Supplies - Other	4,000.00	2,263.75	1,736.25
5350500 Direct Expenses - Other	5,000.00		5,000.00
* OTHER EXPENSES	1,553,276.00	812,000.44	741,

No, it was not intended for you to read the previous slide.



It was presented so that you are aware of the complexity of a government budget - storm clouds ahead.

Now, let's look at a couple of inaccuracies in that process.

To provide you a closer look at the example, consider the following:

FY23 BUDGET ACTUALS - COST CENTERS 1920				
Fiscal Year 2023 YTD (12/31/2023)				
Budgetary Posting	Curr.M.Bud	YTD Actual	Avall Budg	
4302100 Property Rental	547,000.00-	261,355.67-	285,644.33-	
4302500 Leases	270,000.00-	88,772.55-	181,227.45-	
4302720 Space Rentals	1,660,000.00-	964,204.10-	695,795.90-	
4302730 Fuel Flowage	1,000.00-	1,907.39-	907.39	
4302740 Transient Aircraft Parking	4,000.00-	11,140.05-	7,483.05	
4302750 Airport Hangar Wait List Fee	500.00-	114.17-	385.83-	
4530900 Federal-Retiree Drug	2,300.00-	1,076.23	3,376.23-	
4727100 Other Charges for Service	500.00-		500.00-	
4811110 Sale of Fuel	1,720,000.00-	172,378.29-	1,547,621.71-	***
4813450 Misc Income-Charge		170.00-	170.00	
4813920 Other Operating Revenue	29,000.00-	7,993.52-	21,349.48-	*

• REVENUES	4,234,300.00-	1,506,959.51-	2,727,340.49-	*~*
5101000 Permanent Employees	763,450.00	327,867.69	435,582.31	
5101100 Temporary Employees	1,000.00		1,000.00	
5103000 Overtime	17,500.00	14,462.27	3,037.73	
5103100 Holiday Overtime	10,000.00	7,106.38	2,893.62	
5104000 Premium Pay	10,500.00		10,500.00	
5107000 Salary Savings Factor	83,409.00-		83,409.00-	
5108600 Miscellaneous Salaries	4,011.00		4,011.00	
5109000 Accrued Salary Expense		11,173.31	11,173.31-	
5110100 Retiree Medical Insurance	47,559.00	25,737.72	21,821.28	
5110200 Health Insurance	147,668.00	81,735.18	65,932.82	
5110300 Unemployment Insurance	67.00	9.94	57.06	
5110400 FICA - Employer Share	47,335.00	21,548.39	25,786.61	
5110500 Medicare Tax - Employer Share	11,069.00	5,039.57	6,029.43	
5110601 PERS-ER Pd EE Contri	11,552.00	2,845.85	8,706.15	
5110602 PERS-ER Pd ER Contri	57,863.00	26,490.82	31,372.18	
5110603 PERS-UAL-Misc	99,866.00	55,521.24	44,344.76	
5110610 POB PERS UAL-MISC	7,667.00	3,167.15	4,499.85	
5110700 Workers' Compensation	23,944.00	11,586.56	12,357.44	
5111200 Deferred Comp Expense -ER	168.00	76.28	91.72	
5190000 Accrued Benefits Expense		7,670.59	7,670.59-	

* SALARIES AND BENEFITS	1,177,810.00	602,038.94	575,771.06	
5200000 Clothing & Personal	4,800.00	567.50-	5,367.50	
5200100 Safety Shoes	2,750.00	271.43	1,978.57	
5205100 Communications&Phone	1,500.00	537.38	962.62	
5205350 IC-Wireless Voice&Da	300.00	1,900.81	1,600.81-	*
5215400 Custodial Services	10,900.00	3,167.79	7,732.21	
5215600 Janitorial Supplies	10,307.46	3,096.26	7,211.20	
5215700 Garbage	8,500.00	4,554.60	3,945.40	
5230400 Maintenance - Equipment-Other	3,000.00	735.20	2,264.80	
5230700 Vehicle Towing	1,500.00		1,500.00	
5235100 Maint-Struct, Improv	105,177.71	48,593.62	56,584.09	
5245100 Membership Dues and Fees		1,032.08	1,032.08-	
5250100 Office Expense	516.46	1,021.09	521.09-	
5250200 Postage Expense - External	300.00	979.39	679.39-	
5250250 IC-Postage Expense - Internal	300.00		230.31	

5250700 Printing - External	1,000.00		1,000.00	
5250800 PC Software		89.91	89.91-	
5250900 Education Expense - Other	2,000.00	3,178.68	1,178.68-	
5251000 Workshops,Conf & Sem	1,000.00		1,000.00	
5251400 Books & Periodicals	100.00		100.00	
5255100 Prof & Spcialzed Svc	25,000.00	7,593.03	36,293.03-	
5255650 IC-Info Tech Serv	1,714.00	2,014.00	300.00-	
5255660 IC-Entpse Lic.Agrmt	3,209.00	2,474.82		
5255850 IC-Cty Cnsl-Legl-Int	232,520.00	38,904.40	193,615.60	
5258400 Hazardous Materials Management	2,000.00	1,694.64	305.36	
5260100 Publications and Legal Notices	250.00		250.00	
5265100 Rent&Lease Equip Oth	7,500.00	3,524.72	327.62	
5265130 Chemical Toilets	9,500.00	5,166.21	4,333.79	
5275100 Small Tools and Instruments	3,000.00	16,599.11	13,599.11-	*X
5275200 PC Hardware		185.51	185.51-	
5285100 Bulk Fuel	1,720,000.00	234,918.26	1,485,081.74	**
5285300 Mileage	100.00	163.63	63.63-	
5285400 Automobile Services - External	8,000.00	14,613.86	6,613.86-	*
5285800 Business Travel		892.60	892.60-	
5290100 Utilities	120,000.00		120,000.00	****
5290110 Utilities - Electricity	9,246.00	54,450.31	45,204.31-	
5290120 Utilities - Natural Gas		16,790.10	16,790.10-	
5290130 Utilities - Water		32,360.03	32,360.03-	
5340900 Employee Recognition	100.00		100.00	
5341000 Overtime Meal	100.00		100.00	
5350400 SVS and Supplies - Other	20,573.50	25,247.49	7,433.49-	*
8215000 IC -Settlemt-Ext DRA	4,500.00	59,284.16	54,784.16-	*
* OTHER EXPENSES	2,321,264.13	585,467.62	1,674,369.02	
5400200 Debt Service - Principal	30,300.00		30,300.00	
5410200 Interest on Bonds	9,500.00		9,500.00	
* DEBT SERVICE	39,800.00		39,800.00	←
1305000 Equipment & Furniture	50,000.00		50,000.00	
* EQUIPMENT	50,000.00		50,000.00	
1304400 Vehicles Non Law Enforcement	615,861.73	269,353.28	346,508.45	
* VEHICLES	615,861.73	269,353.28	346,508.45	
5530200 Capital Proj Svc&Sup	4,762,923.73	10,339.00	4,605,509.93	
7100000 JC-labor Cost Alloca		5,377.81	5,377.81-	
8300000 Overhead Allocation		4,843.94	4,843.94-	
* CAPITAL PROJECT	4,762,923.73	20,560.75	4,595,288.18	
** 06081920 REID-HILLVIEW AIRPORT cc1920	4,733,359.59	29,538.92-	4,554,396.22	

By now, you are asking yourself - Why did we do this exercise?

As you drill down into the depths of the budget documents, you find little nuggets...

Questions that you need to ask about.

Here is one from the previous pages:

In FY 2022, the annual budget for Utilities (Electricity, Gas, and Water) was **\$240,900** - the amount actually spent was **\$190,800**.

For FY 2023, the planned budget for Utilities was **\$165,200** - the amount actually spent at the mid-year point (6 months) was **\$143,800**.

Does any of this make sense?





Take a break

EYES GLAZE OVER



“On Budget vs. Off Budget”

What do you mean? When referencing the Airport Enterprise Fund and Self-Sustaining, we are referring to the revenue generated on the airport that stays on the airport.

On Budget

Hangar and Tiedown Rents
FBO Leases
Fuel Flowage Fees



Off Budget

This refers to taxes and fees that you pay that do not stay on the airport and benefit the General Fund or other beneficiaries (ie. Schools)- The FAA does not currently recognize these as Airport Revenue and there is no obligation to keep these funds solely for airport use.

Possessory Interest Taxes

Personal Property Taxes

Sales Tax

Gas Tax (Both State and Federal)

A note here: Caltrans Aeronautics should be the recipient of the State Gas Tax Revenue but the Legislature took those funds for General Fund purposes.

Therefore, Caltrans has no (or very limited) funding to provide assistance to airports to meet Grant Funding requirements.

FAA Grants

First and foremost, this is your money. You pay the taxes that provide these grants
(in addition to the local and state taxes you pay)

Airport Improvement Grants (AIP) are provided for the safety and efficiency of our airports. They are ticket tax dollars, not General Fund money.

They provide 90 percent of the funding for things like paving runways, improving lighting and signage, and other airport improvements.

More importantly, they come with strings attached -

A 20 year commitment to maintain the asset and

A commitment to abide by 39 Grant Assurances that the FAA Enforces

The FAA has a toolbox they utilize to ensure that responsible decision making occurs on the of sponsors (including the Grant Assurances) but some of these actions are not well documented to provide clarity for the public. Often, the FAA appears to have a very limited ability to address these issues. The relevant sections of the Grant Assurances - 13 Accounting System, Audit, and Record Keeping, 24 Fee and Rental Structure, and 25 Airport Revenues - appear to provide little to no protection for the user community who both utilize and pay for the airport.



Commercial vs. Non-Commercial Space -

This has arisen at a number of airports - most recently at SNA. The issue is one of definition, responsibility and oversight.

The definition of what is commercial or not depends on who rents the property and what restrictions (aircraft size or operation) are placed on the space

Who is the responsible party for renting space - the airport or the FBO? If it is the FBO, then the airports have deemed the space “commercial” and rents the ground accordingly. If it is the airport, then each space is generally assigned a parcel number (taxed as possessory interest) and the space is considered non-commercial and use may be restricted (ie. Part 91 non-flight school or flying club use)

Oversight depends on the lessor - Is it an individual/corporation/flying club or an FBO? In either case, the airport rules apply but there may be additional restrictions placed on use depending on the business plan or model of the FBO.

Now let's take a look at four different cases which CalPilots is aware of and which we are participants in discussions with the airport sponsor, pilot organizations, and/or the FAA.



Santa Clara County Airports - Santa Clara County has decided to stop taking FAA Grants for Reid Hillview Airport. The intent here is to allow the 20 year clock to run out in 2031 so that the county may close the airport. Without grants, the county has decided to “self-fund” improvements required to maintain a safe environment and meet the requirements of the Grant Assurances.

This has resulted in “loans” from the General Fund to the airport - the current amount exceeds \$7 million and is projected to reach \$20 million over a ten year span. The first of these loans is due in 2027 - they are interest only. The Airport Director has stated on the record that there are no plans in place to pay off the principal. Further, the interest rate is floating and determined at the the end of each quarter - how do you budget for that?

The question pending with the FAA is: Is there a Fiduciary Responsibility on the part of the sponsor to operate the airport in a business-like manner?

Torrance Airport - Torrance has a significant income from leases to automobile dealers whose facilities are located on land leased from the airport. According to the most recent Torrance ACFR, the airport receives approximately \$12.5 million annually from these leases,

but as there are no grants in place the city takes approximately \$11 million of that money and transfers it to the General Fund.

There are currently no restrictions that prevent the city from doing this.

Entity Name	Fiscal Year	Hangar Space Rentals_Operating Revenues	Lease of Ground Area_Operating Revenues	<u>Lease of Ground Area_Operating Revenues</u>	Total Operating Revenues	Personnel Services_Operating Expenses	Total Operating Expenses	Operating Income (Loss)	<u>Transfers Out</u>
Torrance	2021	2798740	12052924	12052924	15497471	1371533	3223334	12274137	-11144125
Torrance	2020	2751647	11232106	11232106	14205844	1545151	3385872	10819972	-10284125
Torrance	2019	2714422	11269972	11269972	14213549	979038	3374388	10839161	-9959303
Torrance	2018	2616602	10666075	10666075	13495432	1005630	3542152	9953280	-10051466

The City of San Jose - According to the most recent San Jose Mineta International Airport

ACFR, General Aviation revenue was approximately \$11 million and expenses were \$920,000. The airport operates under an Airline Lease Agreement - this essentially takes all of the revenue from the entire airport (GA, Parking, Rent-a-car, Terminal Rents, and Landing Fees) and places them in a single pot with a target of 125% of the budget. In most cases, the only year most airports missed these goals was in 2020 during Covid but the airports received Federal Grants that minimized the damage.

At the end of the year, if the total revenue exceeds the 125% figure then the airlines get a rebate. This varies from year to year and airport to airport and the range can be significant.

In 2022, SJC received approximately \$32 million in Cares Act and BIL funds - none of these funds were allocated to General Aviation or GA businesses - and the airlines received an end-of-year rebate of approximately \$27.5 million.

In 2022, SNA Total Revenue was \$178 million and expenses were \$138 million leaving a profit of \$46.7 million.

LAWA (Los Angeles World Airports - they run LAX and Van Nuys) for 2023 is projecting \$1.73 Billion in revenue and \$988 million in expenses.

Both of these indicate numbers indicate that the airlines received significant rebates and/or reductions or minimal increases in fees (landing fees and rents) at the end of the year which GA does not participate in.

It should be noted here that the airlines frequently pay reduced taxes or have the ability to avoid some taxes altogether due to their methods of conducting business (ie. Out of state fuel and parts purchases as well as aircraft registration) which avoid personal property or sales taxes.

Airport Districts in California are another type of sponsor with a significant difference - they are taxing entities with significant incomes. There are currently 9 such districts in the state:

Truckee-Tahoe Airport District

Santa Maria Public Airport District

Minter Field Airport District

Cameron Park Airport District

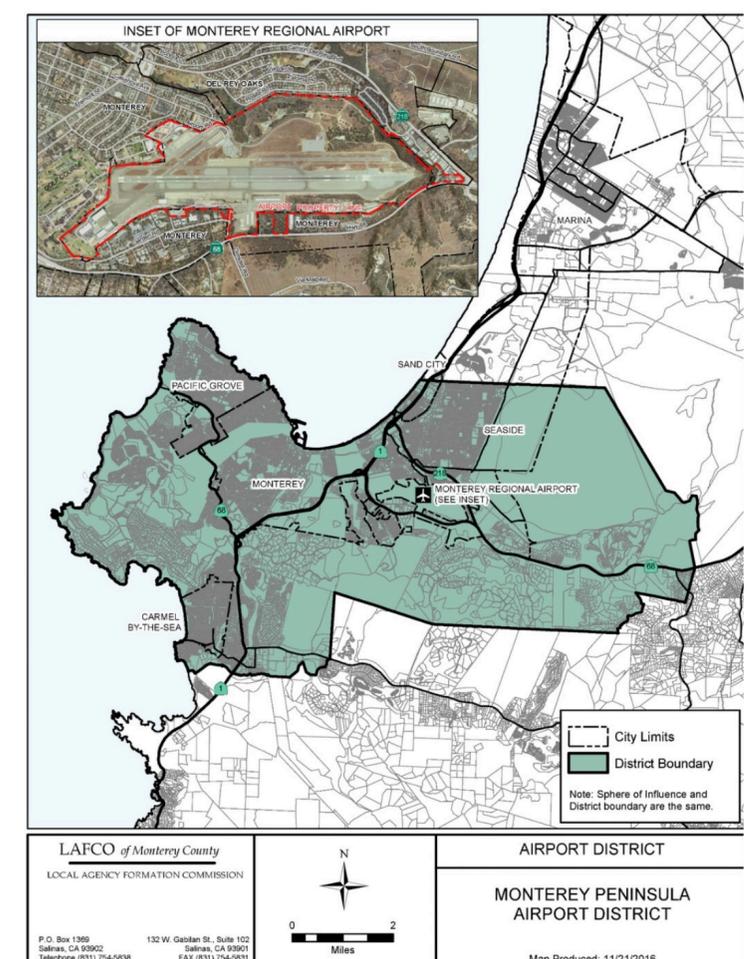
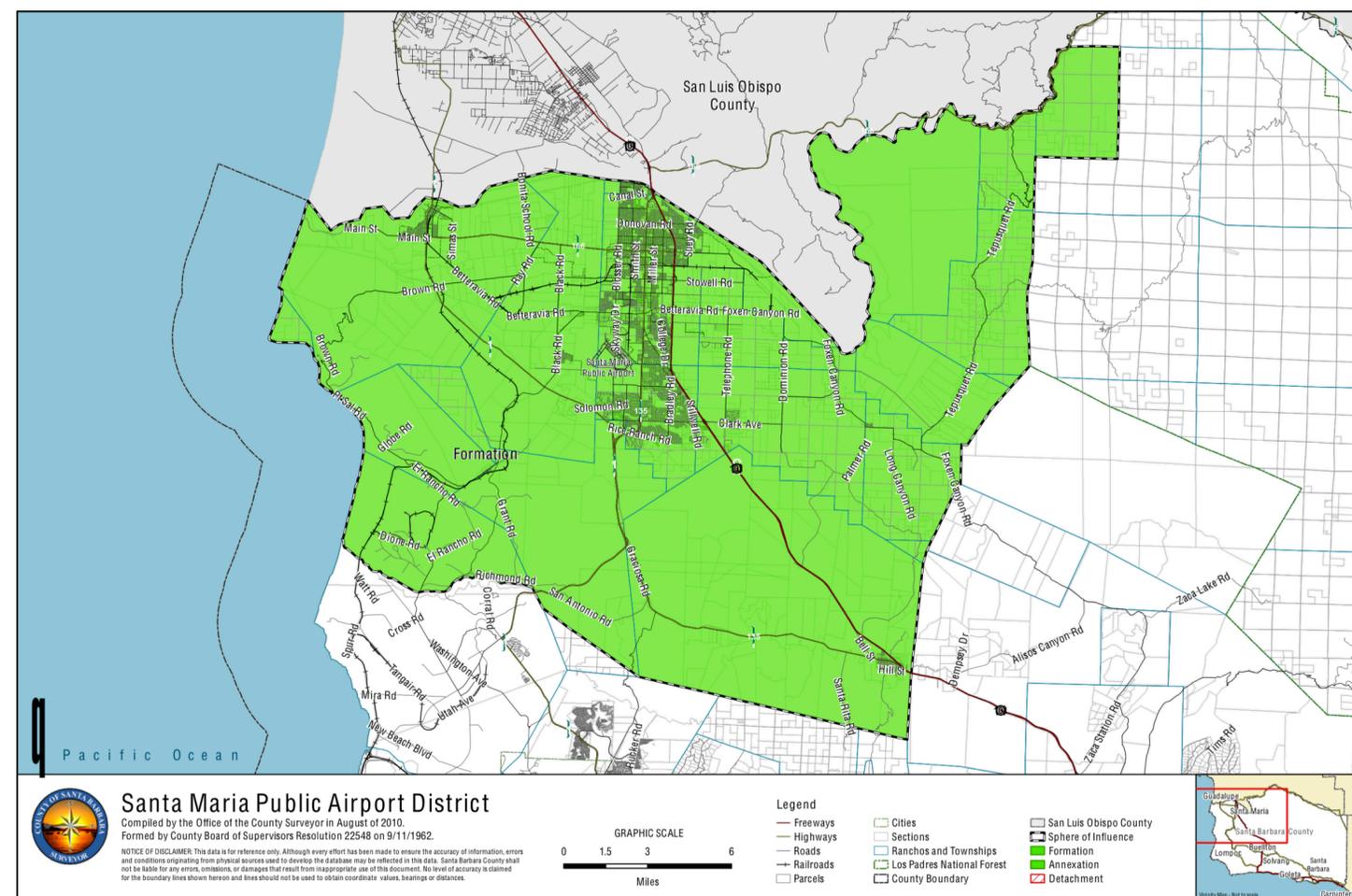
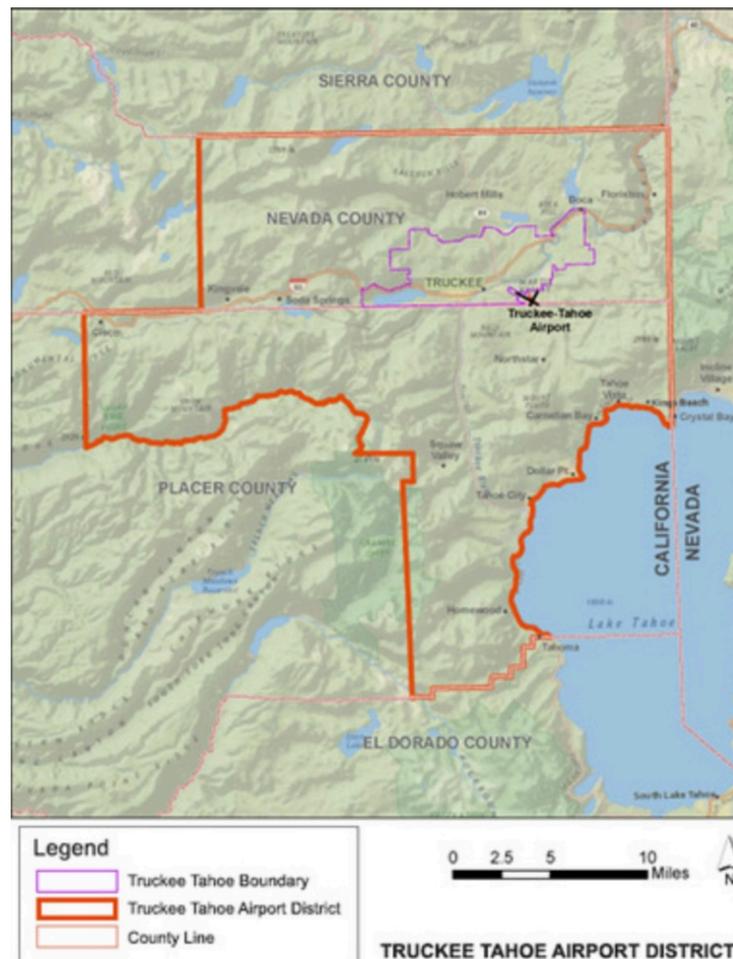
Mojave Air and Space Port

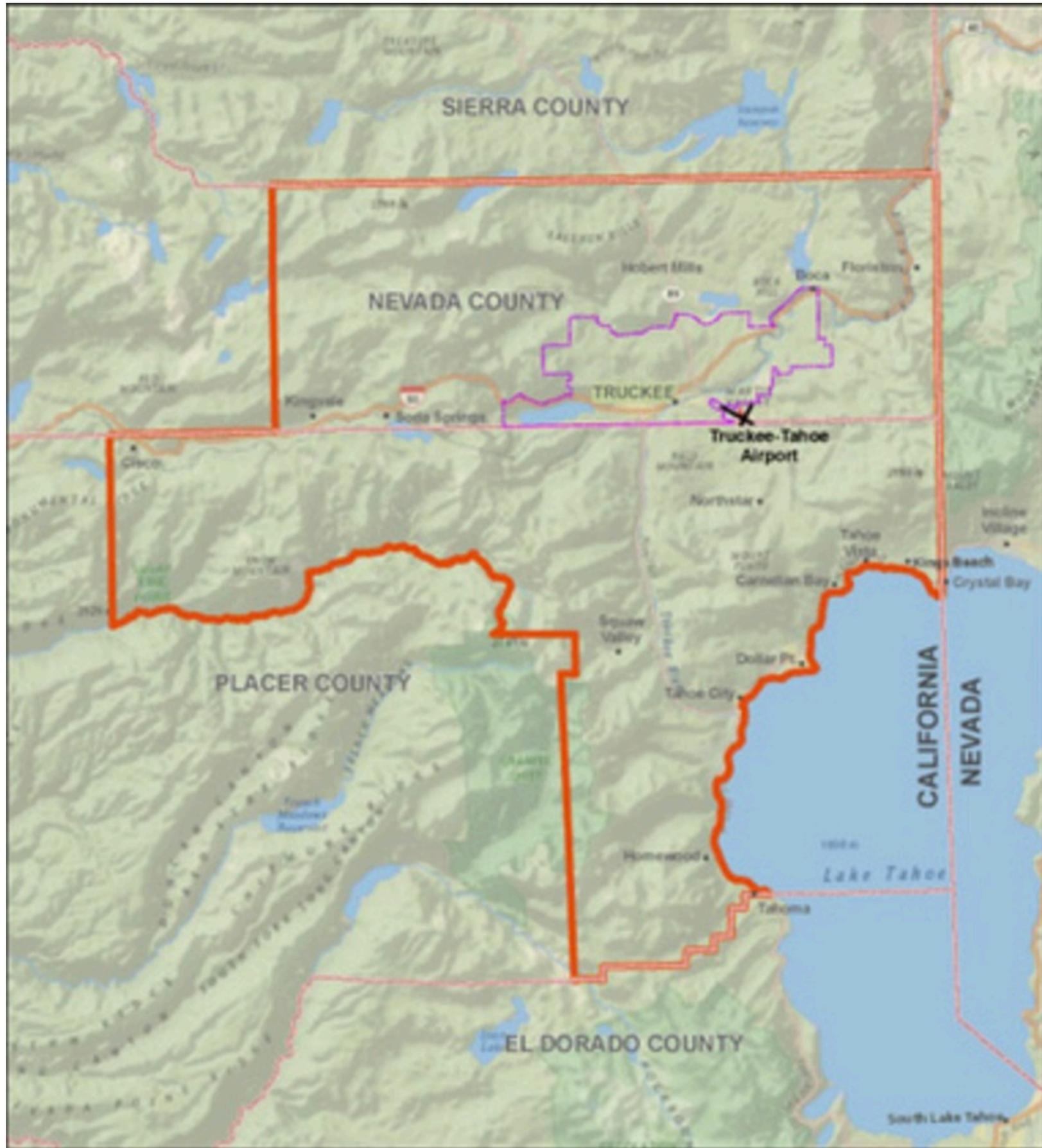
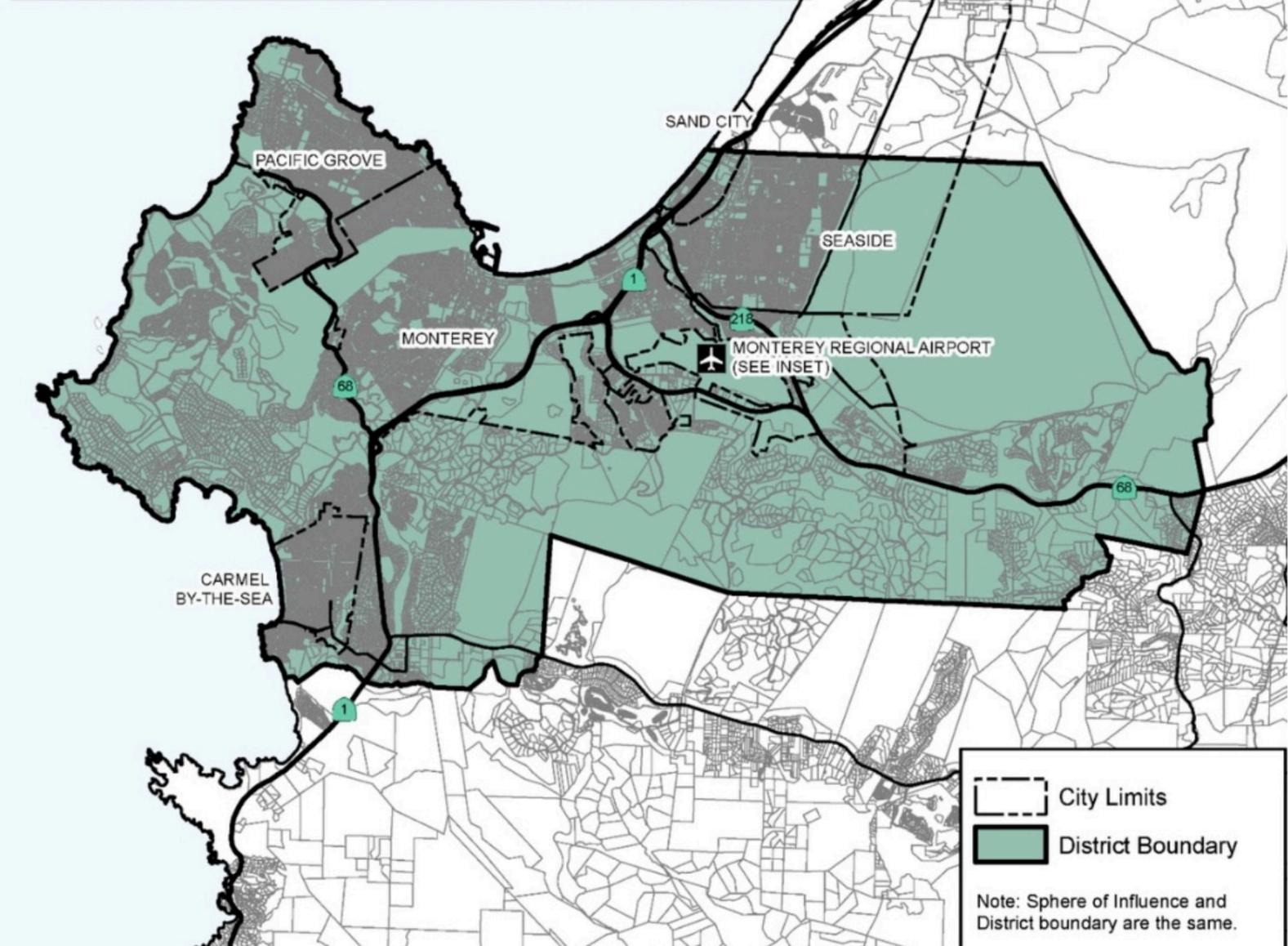
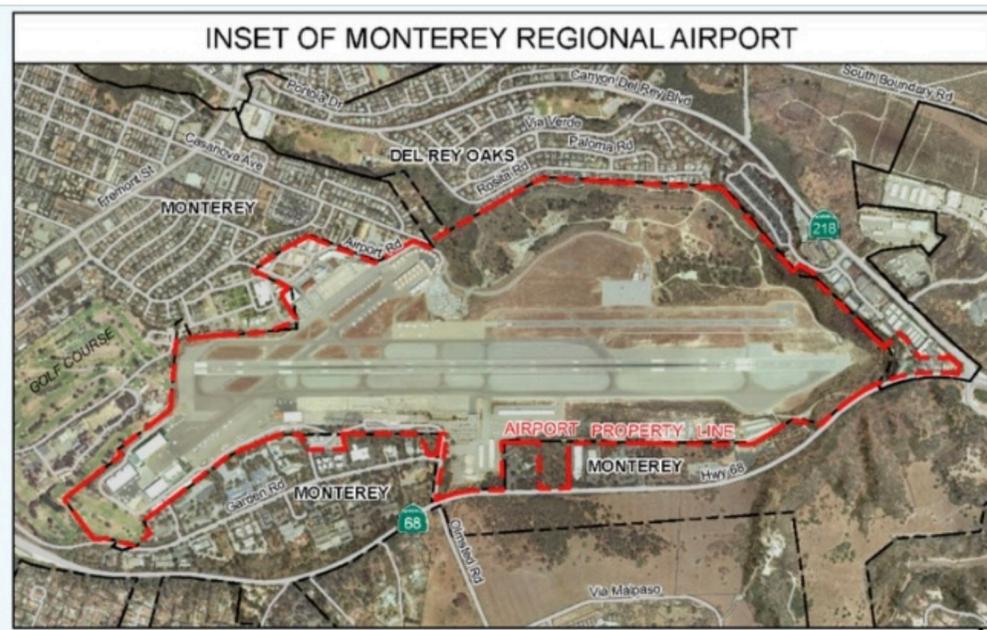
Monterey Peninsula Airport District

Big Bear Airport District

Indian Wells Valley Airport District

Yucca Valley Airport District





Truckee-Tahoe Airport District - This district encompasses a large taxation revenue stream that extends beyond the airport boundary. The result is it has revenue exceeding \$15 million annually and spends this beyond the district boundary and even outside of the state. The result of this is a blurring of the lines as to where airport fund expenditures end and general tax revenue spending begins. The FAA is currently looking into this situation.



Depreciation

As a general rule, depreciation is a normal non-cash out expense designed to provide for future expenditures at the end of life for the repair or replacement of assets. With airports, however, the lines are less defined as grants may pay most of the replacement cost.

It would appear some entities may use this accounting item to show that the airport is financially a drain on the community.

Entity Name	Entity ID	Fiscal Year	Depreciation and Amortization
California City	1182	2021	NULL
Calipatria	1184	2021	NULL
Chowchilla	1200	2021	NULL
Hollister	1306	2021	NULL
Rialto	1466	2021	NULL
Willits	1590	2021	NULL
Los Angeles	1364	2021	444981206
San Francisco	1492	2021	331135351
Oakland	1414	2021	55931000
San Jose	1496	2021	53133886
Long Beach	1359	2021	14827000
Fresno	1277	2021	10845232
Victorville	1571	2021	9073542
Santa Barbara	1510	2021	6303208
Palm Springs	1428	2021	5722352
San Diego	1489	2021	3542323
Redding	1461	2021	1767988
Chico	1197	2021	1325068
South Lake Tahoe	1539	2021	1216968
Salinas	1482	2021	979574
Hayward	1297	2021	976764
Modesto	1387	2021	785141
Marina	1375	2021	742253
Riverside	1473	2021	712303
Tracy	1557	2021	645629
Auburn	1149	2021	640447
El Paso De Robles	1252	2021	572106
Fullerton	1278	2021	482177
Brawley	1172	2021	467240
Merced	1382	2021	429022
Hanford	1294	2021	417527
Watsonville	1579	2021	402559
Petaluma	1438	2021	349291
Rio Vista	1470	2021	336127
Santa Monica	1516	2021	335690
Visalia	1573	2021	324488
Porterville	1452	2021	322545
Hawthorne	1296	2021	317470
Livermore	1353	2021	305997
Madera	1369	2021	299490
Calexico	1181	2021	259547
Oroville	1423	2021	253211
Lincoln	1350	2021	246783
Redlands	1462	2021	231485
Torrance	1556	2021	221988
Mammoth Lakes	1371	2021	215691
Bakersfield	1153	2021	199684
Lompoc	1358	2021	196104
Red Bluff	1460	2021	191664
Susanville	1547	2021	172545
Banning	1155	2021	169851
Tulare	1560	2021	160943
Oakdale	1413	2021	157835
Tehachapi	1550	2021	140427
Reedley	1465	2021	125393
Healdsburg	1298	2021	117340
Ukiah	1565	2021	109724
Montague	1389	2021	97488
Delano	1236	2021	96033
Los Banos	1365	2021	92462
Gustine	1292	2021	83773
Oceanside	1416	2021	76047
Palo Alto	1430	2021	69495
Cloverdale	1206	2021	59716
Dunsmuir	1246	2021	59527
Corning	1218	2021	47308
Corona	1219	2021	14296
Woodlake	1594	2021	2344

Entity Name	Entity ID	Fiscal Year	Depreciation and Amortization
California City	1182	2020	NULL
Firebaugh	1267	2020	NULL
Rialto	1466	2020	NULL
Willits	1590	2020	NULL
Los Angeles	1364	2020	450605758
San Francisco	1492	2020	312118091
Oakland	1414	2020	56019000
San Jose	1496	2020	55382980
Long Beach	1359	2020	12691000
Fresno	1277	2020	10997806
Victorville	1571	2020	9097915
Santa Barbara	1510	2020	6359799
Palm Springs	1428	2020	5686202
San Diego	1489	2020	3368651
Redding	1461	2020	1763362
South Lake Tahoe	1539	2020	1254004
Chico	1197	2020	1220738
Hayward	1297	2020	987279
Hollister	1306	2020	921155
Salinas	1482	2020	873034
Modesto	1387	2020	749490
Riverside	1473	2020	708738
Marina	1375	2020	672693
Auburn	1149	2020	609944
El Paso De Robles	1252	2020	561542
Brawley	1172	2020	511188
Fullerton	1278	2020	482177
Merced	1382	2020	429022
Tracy	1557	2020	413002
Hanford	1294	2020	381087
Petaluma	1438	2020	374490
Santa Monica	1516	2020	361161
Watsonville	1579	2020	353485
Oroville	1423	2020	347898
Rio Vista	1470	2020	336183
Hawthorne	1296	2020	315046
Madera	1369	2020	308871
Livermore	1353	2020	306829
Visalia	1573	2020	277485
Porterville	1452	2020	271410
Calexico	1181	2020	259547
Redlands	1462	2020	247944
Lincoln	1350	2020	247626
Bakersfield	1153	2020	240245
Mammoth Lakes	1371	2020	236698
Torrance	1556	2020	200237
Lompoc	1358	2020	196104
Red Bluff	1460	2020	195572
Susanville	1547	2020	172545
Banning	1155	2020	169851
Tulare	1560	2020	162095
Tehachapi	1550	2020	154764
Reedley	1465	2020	124185
Delano	1236	2020	113004
Ukiah	1565	2020	109724
Oakdale	1413	2020	96834
Montague	1389	2020	95393
Healdsburg	1298	2020	92803
Los Banos	1365	2020	91914
Oceanside	1416	2020	76047
Dunsmuir	1246	2020	72728
Gustine	1292	2020	57955
Cloverdale	1206	2020	53584
Palo Alto	1430	2020	49432
Corning	1218	2020	33132
Chowchilla	1200	2020	14683
Corona	1219	2020	14297
Calipatria	1184	2020	13992
Woodlake	1594	2020	2344

Entity Name	Entity ID	Fiscal Year	Depreciation and Amortization
California City	1182	2019	NULL
Firebaugh	1267	2019	NULL
Gustine	1292	2019	NULL
Hanford	1294	2019	NULL
Rialto	1466	2019	NULL
Los Angeles	1364	2019	407664245
San Francisco	1492	2019	268788751
Oakland	1414	2019	56577000
San Jose	1496	2019	49026263
Long Beach	1359	2019	11867000
Fresno	1277	2019	11025287
Victorville	1571	2019	7557865
Santa Barbara	1510	2019	6105137
Palm Springs	1428	2019	5833652
San Diego	1489	2019	2864165
Redding	1461	2019	1609931
South Lake Tahoe	1539	2019	1233091
Chico	1197	2019	1224146
Hayward	1297	2019	1119227
Hollister	1306	2019	917053
Salinas	1482	2019	884612
Modesto	1387	2019	719937
Riverside	1473	2019	709690
Auburn	1149	2019	611272
Marina	1375	2019	600452
Brawley	1172	2019	548081
Fullerton	1278	2019	475427
El Paso De Robles	1252	2019	457919
Merced	1382	2019	448792
Petaluma	1438	2019	389743
Santa Monica	1516	2019	361161
Hawthorne	1296	2019	346072
Rio Vista	1470	2019	330153
Watsonville	1579	2019	319829
Tracy	1557	2019	310946
Livermore	1353	2019	310005
Madera	1369	2019	308870
Visalia	1573	2019	290761
Porterville	1452	2019	289797
Lincoln	1350	2019	271683
Calexico	1181	2019	260317
Bakersfield	1153	2019	245150
Mammoth Lakes	1371	2019	245131
Redlands	1462	2019	237449
Red Bluff	1460	2019	204968
Lompoc	1358	2019	196315
Susanville	1547	2019	172545
Banning	1155	2019	169851
Tulare	1560	2019	166382
Tehachapi	1550	2019	151084
Oroville	1423	2019	132573
Delano	1236	2019	132224
Torrance	1556	2019	121949
Reedley	1465	2019	120773
Ukiah	1565	2019	106513
Dunsmuir	1246	2019	98319
Healdsburg	1298	2019	96036
Montague	1389	2019	95729
Los Banos	1365	2019	90962
Oakdale	1413	2019	82926
Oceanside	1416	2019	79472
Cloverdale	1206	2019	47409
Corning	1218	2019	33132
Palo Alto	1430	2019	21114
Willits	1590	2019	15162
Chowchilla	1200	2019	14683
Corona	1219	2019	14297
Calipatria	1184	2019	13992
Woodlake	1594	2019	2344

Entity Name	Entity ID	Fiscal Year	Depreciation and Amortization
Firebaugh	1267	2018	NULL
Gustine	1292	2018	NULL
Rialto	1466	2018	NULL
Willits	1590	2018	NULL
Los Angeles	1364	2018	365464482
San Francisco	1492	2018	265169440
Oakland	1414	2018	55187638
San Jose	1496	2018	47486266
Long Beach	1359	2018	11175000
Fresno	1277	2018	10431071
Victorville	1571	2018	7434827
Palm Springs	1428	2018	6851969
Santa Barbara	1510	2018	5723792
San Diego	1489	2018	2210986
Mammoth Lakes	1371	2018	1321937
Redding	1461	2018	1296947
Chico	1197	2018	1224146
Hayward	1297	2018	1186032
South Lake Tahoe	1539	2018	1117346
Hollister	1306	2018	913011
Salinas	1482	2018	844192
Modesto	1387	2018	704375
Riverside	1473	2018	693195
Marina	1375	2018	500565
El Paso De Robles	1252	2018	457823
Fullerton	1278	2018	455454
Merced	1382	2018	454718
Auburn	1149	2018	430324
Petaluma	1438	2018	388435
California City	1182	2018	375796
Hawthorne	1296	2018	322510
Tracy	1557	2018	316372
Rio Vista	1470	2018	312803
Livermore	1353	2018	311270
Watsonville	1579	2018	306924
Madera	1369	2018	298717
Visalia	1573	2018	292704
Porterville	1452	2018	291289
Santa Monica	1516	2018	263007
Calexico	1181	2018	260317
Hanford	1294	2018	235803
Bakersfield	1153	2018	226550
Torrance	1556	2018	222334
Lincoln	1350	2018	217736
Red Bluff	1460	2018	191586
Banning	1155	2018	191228
Lompoc	1358	2018	178932
Redlands	1462	2018	175312
Tulare	1560	2018	171983
Susanville	1547	2018	164205
Tehachapi	1550	2018	152339
Delano	1236	2018	128581
Reedley	1465	2018	121308
Oroville	1423	2018	116910
Dunsmuir	1246	2018	100508
Healdsburg	1298	2018	98128
Los Banos	1365	2018	89930
Oakdale	1413	2018	81306
Oceanside	1416	2018	79472
Montague	1389	2018	73911
Cloverdale	1206	2018	41924
Corning	1218	2018	33132
Corona	1219	2018	25797
Palo Alto	1430	2018	21114
Chowchilla	1200	2018	14683
Calipatria	1184	2018	13992
Woodlake	1594	2018	2344
Brawley	1172	2018	1
Ukiah	1565	2018	0

Let's look at an example of how this might play out.

The City of South Lake Tahoe has expressed the position that they want the South Lake Tahoe Airport to be fully Self-Sustaining. The current budget for the airport is just over \$1 million per year. In order to accomplish this goal, they have doubled hangar rents and landing fees, however, they continue to depreciate assets at the airport in an amount that exceeds the airport budget.

General and Administrative Expenses_Operating Expenses	50004	133033	80410	130214
Cost of Sales and Services_Operating Expenses	NULL	NULL	NULL	NULL
Depreciation and Amortization Expenses_Operating Expenses	1216968	1254004	1233091	1117346
Other Operating Expenses_Operating Expenses	NULL	NULL	NULL	NULL

The airport only has a few assets to depreciate. The ramp, runways, and taxiways were funded by grants at 90% by the FAA. The hangars were constructed in 1995 and the loan was paid off in 2015.

All that is left is the terminal building - interestingly, the primary tenant of the terminal building is The City of South Lake Tahoe's City Hall and ...They are in their 7th year without a rent increase - The current rent is approximately \$2.30 per square foot for the roughly 10,000 square feet of office space they occupy.

So let's step back

What is the role of the FAA in oversight of these airports?

What protections are available to the users in assuring that they are included in the equation? What changes need to be made to the Grant Assurances to provide proper protections?

How do we address a sponsor who is still covered by the Grant Assurances but has decided to no longer accept grants. Instead, they are doubling the burden on the users by collecting taxes that fund grants and also forcing them to pay for the airport's improvements through rates and charges,

If an airport has no grants and thus is not bound by the Grant Assurances, how do we assess their Fiduciary Responsibility? They divert airport funds with impunity to the General Fund without limitation or oversight as though it was their personal ATM machine.

Finally, we enter into the realm of the FAA-sanctioned Airline Lease Agreement, where all funds generated on the airport go into the pot to reduce the cost of operation for the airlines by controlling the Cost per Passenger Emplaned (CPE). The airlines underwrite the bottom line but also receive a rebate at the end of the year that effectively reduces their costs. Meanwhile, the users see their costs rise annually regardless of the rebate because they do not participate in the revenue sharing.



Is the current method of oversight and regulation adequate in protecting the airport users from sponsors who are able to manipulate revenues generated on the airport for either their gain or the benefit of others? In what venue is that oversight enforceable?

Can the FAA provide defensible definitions of the terms they are responsible for:

Define the conditions that equate to “Transfer of Noise”
Define what “Fair and Reasonable” means where rates are concerned?



There are two additional conditions that impede this process:

- 1) the delay in reporting via ACFR and State Controllers Reports of up to 15 months - timely action is not possible because financial reporting is significantly delayed
- 2) the current agreements at Air Carrier airports with revenue sharing and rebates to the carriers at fiscal year end places General Aviation at an extreme disadvantage. General Aviation deserves a place at the table and a share of the pie

This also works in reverse: There are instances where revenues are deliberately suppressed by the sponsor to the detriment of the users - we can cite:

- 1) the substandard rents such as the terminal rent at TVL
- 2) refusal to enter into long term leases with the FBO's at RHV which reduces both lease and tax revenue.

As a result of the above, are there any disciplinary measures available to penalize airport sponsors short of removal of funding? Some sponsors might wear this as a "badge of honor" because it justifies their argument that airports are not profitable. They in turn might raise fees in an attempt to make the airport less desirable or simply use the lack of self-sufficiency as a stronger argument to close the airport.

Finally, some questions regarding “Self-Sufficiency”:

- 1) What is the view of the FAA regarding off-budget revenue as it relates to self sufficiency of an airport. These are not insignificant sums of money which most airports do not get credit for generating. We need to redefine the view of “Self-Sufficiency” to include all sources of revenue and taxes paid on the airport and not just what is on the airport budget.
- 2) If a sponsor chooses to use General Fund monies to supplement the Airport Enterprise Fund, what oversight and financial requirements are placed on that sponsor. If the conditions on those loans are a burden to the users, what options are available to them? Should there be a cap on the financial impact or loan conditions placed on the AEF that protect the users?
- 3) The question of whether these actions are responsible on the part of a sponsor is one which currently only the FAA can judge. How can we protect the users who are going to be left with both the financial and political baggage of any decision going forward.

The question remains: **How and under what authority are the users able to address the fiduciary responsibility of a sponsor?** As you can see, none of the questions we have asked are simple and all pertain to issues that have or will occur at airports in the future.

Closing

So now ask yourself:

How is my airport doing?

Who is financially responsible?

Are they running my airport in a prudent manner?

Are funds from my airport going to the General Fund?

Are funds from the General Fund going to support my airport?

Are the funds generated on the airport staying on the airport?

Are the tax revenues generated on the airport recognized by local elected officials?

We have covered a lot of ground here. There is still more that we could discuss, but our goal in presenting this information to you is to 1) open your eyes regarding your airport, 2) provide you with a basic understanding of how airport finance works, and 3) demonstrate to you why those of us involved with CalPilots are here to assist you and protect our airports.

