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NOTICE

RENO-TAHOE AIRPORT AUTHORITY BOARD OF TRUSTEES BUDGET PUBLIC HEARING

Tuesday, May 22, 2018

9:00 am

Board Room, Administrative Offices
Second Floor, Main Terminal Building
Reno-Tahoe International Airport
Reno, Nevada

Item 3 is an action item for the Board to consider. The Board may discuss a matter when it is brought up, but no action may be taken on it unless it has been specifically included on an agenda as an action item.

Public comment at the Board meeting will be allowed on agenda items as well as non-agenda items. Persons are invited to submit comments in writing on agenda items and/or attend and make comment on that item at the Board meeting. Requests to speak on a particular item should be submitted to the Clerk of the Board before the item is called by the Chairman.

1. ROLL CALL
2. PUBLIC COMMENT – LIMITED TO THREE MINUTES PER PERSON
3. PUBLIC HEARING, DISCUSSION & ADOPTION OF FISCAL YEAR 2018-2019 BUDGET
 - a. #18(05)-23 Adoption of the Reno-Tahoe Airport Authority Fiscal Year 2018-2019 Budget
4. PUBLIC COMMENT – LIMITED TO THREE MINUTES PER PERSON
5. ADJOURNMENT

Items will not necessarily be considered in the sequence listed. This meeting may be continued if all of the items are not covered in the time allowed. If the meeting is to be continued, the time and place will be announced at the end of the portion of the meeting to be continued.

SUPPORTING MATERIAL: The designated contact to obtain supporting material is Claire Johnson, Clerk of the Board, P.O. Box 12490, Reno, NV, 89510 or 775-328-6410. Supporting material is also available at the Reno-Tahoe Airport (Administrative Offices) and at the scheduled meeting.

RTAA Budget Public Hearing – Fiscal Year 2018-2019

May 22, 2018 Board Meeting

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Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to notify the Clerk of the Board in writing at P.O. Box 12490, Reno, Nevada 89510 or by calling (775) 328-6410 prior to the meeting date.

THIS AGENDA HAS BEEN POSTED AT THE FOLLOWING LOCATIONS:

1. Airport Authority Administrative Offices – 2001 E. Plumb Lane, Reno
2. Washoe County Administrative Offices – 1001 E. 9th Street, Reno
3. Reno City Hall – One East First Street, Reno
4. Sparks City Hall – 431 Prater Way, Sparks



Board Memorandum

Reno-Tahoe Airport Authority

Date: May 9, 2018
To: Chairman & Board Members
From: Marilyn M. Mora, A.A.E, President/CEO
Subject: **ADOPTION OF THE RENO-TAHOE AIRPORT AUTHORITY FISCAL YEAR 2018-2019 BUDGET**

Memo: # 18(05)-23
For: May 22, 2018 Board Meeting

STAFF RECOMMENDATION

Staff recommends the adoption of the proposed Fiscal Year (FY) 2018-2019 Budget for the Reno-Tahoe Airport Authority (RTAA).

PURPOSE

The purpose of this action is to adopt the RTAA's annual budget for the period of July 1, 2018 through June 30, 2019. This period represents the Authority's fiscal year. Because of the comprehensive nature of the annual budget, this action is in support of all eight (8) of the proposed Reno-Tahoe Airport Authority (RTAA) Strategic Priorities: # 1 – Passenger and Air Cargo Service, # 4 – Safety and Security, # 2 – General Aviation, # 6 – Customer Experience # 7 – People, #5 – Financial Diversification and Growth, #3 – Facilities for Future, and #8 – Sustainability.

BACKGROUND

Pursuant to State law, a Public Hearing on the budget is scheduled for May 22, 2018 for adoption by the RTAA Board of Trustees. The Public Hearing was noticed in the *Reno Gazette-Journal* on May 11, 2018. The proposed budget and airline rates were reviewed with the Airline Airport Affairs Committee on May 1, 2018, as outlined in the airline agreement. Pursuant to State law, the Board must adopt the budget on or before June 1, 2018.

DISCUSSION

The proposed FY 2018-2019 Budget is a balanced budget with forecasted total revenue of \$61.674 million exceeding the proposed operating expense budget of \$44.144 million and debt service obligations of \$2.249 million.

The proposed budget is projected to generate \$15.281 million in net revenue after debt service, an increase of \$3.056 million as compared to the FY 2017-2018 adopted budget.

Budget Category	FY 2016-17 Actual	FY 2017-18 Budget	FY 2018-19 Budget	Budget to Budget Change
Operating Revenue ^(a)	\$50,965,944	\$52,530,135	\$56,154,485	\$ 3,624,350
Non-Operating Revenue	2,324,405	4,042,700	5,519,700	1,477,000
Total Revenue	53,290,349	56,572,835	61,674,185	5,101,350
O&M Expenditures	(38,112,913)	(42,100,139)	(44,144,229)	(2,044,090)
Net Available for Debt Service	\$15,177,436	\$14,472,696	\$17,529,956	3,057,260
Debt Service after PFCs	(3,576,066)	(2,247,300)	(2,248,900)	(1,600)
Net Revenue After Debt Service	\$11,601,370	\$12,225,396	\$15,281,056	\$ 3,055,660

(a) Operating Revenue, as presented in this table, is prior to the calculation of net revenue sharing with the airlines. RTAA gross revenues are prioritized to meet operating expense and debt service obligations before this calculation.

Operating Revenue

The total FY 2018-2019 Operating Revenue, after the airline revenue sharing credit of \$2,719,300, is forecasted to be \$53,435,185. This \$3.072 million increase represents a 6.1% increase above the FY 2017-2018 Budget and a \$2.256 million increase or 4.4% above the FY 2017-2018 updated forecast revenues.

The changes in operating revenues, after net revenue sharing, from the Budget Workshop held April 12, 2018, are as follows:

	FY 2017-18		Workshop	Final	Variance
	Budget	Forecast	FY 2018-19 Budget	FY 2018-19 Budget	
Airline fees and rentals					
Landing fees	\$ 8,568,704	\$ 8,294,573	\$ 8,828,743	\$ 8,886,621	\$ 57,878
Terminal building space rental	7,561,500	6,548,200	7,769,900	7,688,700	(81,200)
TOTAL Airline fees and rentals	16,130,204	14,842,773	16,598,643	16,575,321	(23,322)
Non-Airline Revenues					
Other Aircraft Fees	969,000	1,051,800	1,037,500	1,037,500	-
Concession fees	11,652,700	12,680,900	12,863,400	12,980,000	116,600
Parking and Ground Transportation	11,330,900	12,059,800	12,182,500	12,182,500	-
Building, Hangar and Land Rent	7,650,650	7,962,200	7,984,300	7,979,200	(5,100)
Reimbursement for Services (BHS)	2,592,581	2,429,375	2,614,147	2,625,264	11,117
Other operating revenues	36,700	152,700	55,400	55,400	-
	34,232,531	36,336,775	36,737,247	36,859,864	122,617
Total Operating Revenue	50,362,735	51,179,548	53,335,890	53,435,185	99,295

- Landing fee revenues increased by approximately \$57,900 with the landing fee increasing from \$3.12 to \$3.14 per thousand pounds of landed weight. This increase is due to an allocation of the additional consulting services and community air service marketing expenses to the airfield cost center. See the Operating Expenses section below.
- Terminal rental revenues decreased by \$81,200 due to JetBlue Airways forecasted to execute the airline use and lease agreement to become a signatory airline. The rates and charges for non-signatory airlines do not include the airline revenue sharing credit to offset their costs and Jet Blue is estimated to save approximately \$142,000 per year.

This savings is partially offset by higher terminal rental rates due to an allocation of the additional consulting services and community air service marketing expenses to the terminal cost center and lower non-signatory airline revenue decreasing the revenue sharing credit. The average terminal rental rate increased from \$51.35 to \$53.39 per square foot.

- Concession fees increased by \$116,600 due to estimated new revenue from Vino Volo and Subway effective on January 1, 2019.
- Building, Hangar and Land rents decreased by \$5,100 due primarily to Squaw Valley Mountain vacating their leased space. Adjustments were made to tenant counter and back office rates based on the increase in terminal rates outlined above.
- Reimbursed Services increased approximately \$11,100 primarily due to additional utilities to be reimbursed and the impact of JetBlue becoming a signatory airline.

The FY 2018-2019 airline rates and charges are shown below in the Fiscal Impact Section.

Operating Expenses

The total FY 2018-2019 Operations and Maintenance Budget request is \$44,144,229. This is a \$2.044 million or 4.9% increase over the FY 2017-2018 Budget and \$1.913 million or 7.2% above FY 2017-2018 projected expenditures.

The changes in the proposed operating expense budget presented at the April 12, 2018 Budget Workshop are as follows:

	FY 2017-18		Workshop	Final	Variance
	Budget	Forecast	FY 2018-19 Budget	FY 2018-19 Budget	
Personnel Services	\$28,843,415	\$28,344,335	\$30,478,615	\$30,478,615	\$ -
Utilities & Communications	2,741,145	2,714,545	2,582,230	2,582,230	-
Purchased Services	5,731,568	5,289,058	5,732,323	5,907,323	175,000
Materials & Supplies	1,949,869	2,039,995	2,021,373	2,022,373	1,000
Administrative Expenses	2,834,142	2,801,636	3,053,288	3,153,688	100,400
Total	\$ 42,100,139	\$ 41,189,569	\$ 43,867,829	\$ 44,144,229	\$ 276,400
Increase in FY 2018-19 vs Prior Year Budget				\$ 2,044,090	
Percent Increase				4.9%	

- Purchased Services increased \$175,000 for the following:
 1. A traffic analysis to evaluate the impact of Interstate 580 improvements and the possible closure of the RNO “flyovers” of \$100,000
 2. A general aviation hangar rent rate methodology study of \$40,000
 3. Consultant services to assist in implementation of the new strategic plan of \$40,000
 4. Hangar 6 at the Reno-Stead Airport (RTS) of \$5,000
- Materials and Supplies are modestly increased by \$1,000 for printing and forms.
- Administrative Expenses are increased \$100,400 for the following: (1) community air service marketing of \$80,000 and (2) higher auto liability insurance premiums of \$20,400.

Debt Service

Total combined debt service for FY 2018-2019 is budgeted to be \$2,248,900, an increase of \$1,600 or 0.1% above the FY 2017-2018 Budget.

Property, Plant and Equipment (PP&E)

The total PP&E request for FY 2018-2019 is \$1,007,671. This is a decrease of \$84,205 or 7.7% from the FY 2017-2018 PP&E budget amount of \$1,091,876. The PP&E budget was increased by \$458,000 from the proposed budget outlined at the Budget Workshop in April due to reclassification of a truck mounted cold air blower from a capital project to PP&E.

Capital Projects

The FY 2018-2019 Capital Project requests for RNO and RTS of \$9.492 million are funded by RTAA internally generated and other local funds (primarily the general purpose, special fund, and rental car customer facility charges (CFC)).

This request is \$651,000 higher than the proposed FY 2018-2019 Budget, outlined at the Budget Workshop in April, due to the following:

(1) \$130,000 increase in the Rental Car Ready Return Area Configuration project; (2) addition of Airport Communication Center Remodel project in the amount of \$1,194,000 for costs not eligible for Passenger Facility Charges (PFCs); and (3) addition of the IT Office Remodel project in the amount of \$35,000.

This increase was partially offset by the delay in the implementation of the Enterprise Asset Management System of \$250,000 and the reclassification of the truck mounted cold air blower from a capital project to PP&E of \$458,000.

The revised capital project budget request is an increase of approximately \$4.302 million above from the FY 2017-2018 Budget.

FISCAL IMPACT

The annual budget determines the RTAA departments' operating budgets, employee complement, property/plant/equipment to be acquired, capital projects to be constructed, and sets the airlines' landing fees and rental rates. The total operating revenues and airline rates and charges modestly differ from the amounts previously presented at the Budget Workshop on April 12, 2018 due to revisions based on subsequent review and alteration by staff.

The impact of these changes results in an increase in the landing fee of \$0.02 and average terminal rental rate of \$2.04 as well as a corresponding increase of \$0.11 in airline cost per enplaned passenger (CPE) to \$7.07. The revised CPE ratio remains significantly below the estimate of \$7.23 projected in the FY 2017-2018 adopted budget, reflecting a significantly higher airline net revenue sharing credit of \$551,900 or an increase of 25.5%.

The following table presents a financial summary and key ratios proposed in the FY 2018-2019 Budget:

Budget Category	FY 2018-19 Budget				
	2017-18 Budget	Workshop Budget	Final Budget	Budget to Budget Variance	% Change
Airline Revenue	\$ 16,130,204	\$ 16,598,643	\$ 16,575,321	\$ 445,117	2.8%
Non-Airline Revenue	34,232,531	36,737,247	36,859,864	2,627,333	7.7%
Total Operating Revenue	\$ 50,362,735	\$ 53,335,890	\$ 53,435,185	\$ 3,072,450	6.1%
Operating Expenses	\$ 42,100,139	\$ 43,867,829	\$ 44,144,229	\$ 2,044,090	4.9%
Debt Service net of PFCs	\$ 2,247,300	\$ 2,248,900	\$ 2,248,900	\$ 1,600	0.1%
Debt Service Coverage Ratio	5.46X	7.76X	7.63X		
Landed Weight (000's)	2,932,677	2,893,828	2,893,828	(38,849)	-1.3%
Enplaned Passengers	1,801,291	1,948,002	1,948,002	146,711	8.1%
Signatory Landing Fee	\$ 2.99	\$ 3.12	\$ 3.14	\$ 0.15	5.0%
Terminal Rental Rate	\$ 54.95	\$ 51.35	\$ 53.39	\$ (1.56)	-2.8%
Net Revenue Available for Sharing	\$ 2,167,400	\$ 2,842,300	\$ 2,719,300	551,900	25.5%
Cost per Enplanement	\$ 7.23	\$ 6.96	\$ 7.07	\$ (0.16)	-2.3%

COMMITTEE COORDINATION

A Budget Workshop was held on April 12, 2018 and a budget update is scheduled for the Finance and Business Development Committee meeting to be held May 15, 2018.

RECOMMENDATION

It is hereby recommended that the Board adopt the following motion:

“It is hereby moved that the Board of Trustees adopts the Reno-Tahoe Airport Authority Fiscal Year 2018-2019 Budget.”

MMM/to/cj