

# **White Paper on Finances of Gness Field Airport**

Submitted to the Marin County Aviation Commission

by Rick Beach, Commission Member, Nominated by City of Novato

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## **People ask but information is hard to get, harder to understand**

For years, airport users have requested understandable information about the finances of Gness Field, the Marin County Airport. The Grand Jury in 2014 noted this difficulty. The County response stated “Wholly disagree” and pointed out where information could be found.

Unfortunately, not all information that airport users wanted was published nor was it understandable. Mysteries abound in areas of interdepartmental transfers, project grants, and the varying amounts of A-87 costs.

This white paper seeks to provide a comprehensive analysis of the airport finances from a variety of sources listed in Appendix A, Sources of Financial Information. Thanks to various people who contributed additional detail through requests of Supervisor Judy Arnold’s office, DPW staff, and public records requests of the Department of Finance.

*Note that due to different sources for similar information, exact amounts may vary from published reports. Any errors of compilation or omission are the responsibility of the author.*

## **Marin County separates the Airport Fund from the General Fund**

To begin, the County separates the airport finances from the General Fund. By complying with FAA grant assurances made by the County, all airport revenue must be

spent to the benefit of the airport. Using a separate fund makes it easier to comply with that grant assurance.

Further, Marin County policy dictates that no General Fund monies will be spent on the airport. That is, the airport does not benefit from the taxes collected from other taxpayers in Marin County. Ironically, property taxes on aviation assets do go to the General Fund that benefits other taxpayers.

The airport fund is referenced variously in County documents as a Special Aviation Fund, Airport Fund, Enterprise Fund, Business-Type Activity, and Capital Improvement Plan for the County Airport.

Consequently, revenue from airport users and businesses goes into a special segregated airport fund operated by the Department of Finance. Airport expenses are then paid out of that fund rather than the General Fund. Similarly, capital expenses for airport improvement projects and maintenance are proposed in a separate airport capital plan document. Finally, accounting for current spending from federal and state grants is kept offline in a spreadsheet due to the nature of those grants reimbursing expenses in arrears rather than providing cash in advance. That is, these grants offer an agreement to pay but not the funds in advance of a reimbursement request.

### Airport Fund Balance

For the past several years, airport revenue and expenses have contributed to a positive fund balance, which is needed for future grant funding:

<i>Special Airport Fund</i>	<i>FY2016-17</i>	<i>FY2015-16</i>	<i>FY2014-15</i>	<i>FY2013-14</i>
Total airport revenues	679,352	659,166	696,353	660,646
Total airport expenses	(802,723)	(1,005,977)	(796,518)	(664,892)
Intergovernmental revenue	200,926	198,412	69,322	58,614
<b>Fund balance, end of year</b>	<b>277,899</b>	<b>221,503</b>	<b>373,472</b>	<b>370,937</b>

The fund balance reported here contains both encumbered funds that have been committed to match grants from the FAA and Caltrans, as well as unencumbered funds that are expected to be used for future grants.

### Airport Revenues

From the detail provided in Trial Balance Reports for the airport fund, income can be broken down into components by source.

<i>Revenues</i>	<i>FY2016-17</i>	<i>FY2015-16</i>	<i>FY2014-15</i>	<i>FY2013-14</i>
4410125 Interest on Investments	1,232	580	731	395
4410415 \$0.06 Fuel Flowage fees	11,204	7,521	14,452	10,612
4410410 Sales and Services	20,633	16,526	8,989	10,442
4410430 Airport Business Rents	81,218	80,877	113,631	77,592
4410420 Airport Tie Down & Hangars	565,062	553,663	559,281	562,000
4550755 Federal - Grant	200,926	198,412	69,322	58,614
<b>Total Airport Revenue</b>	<b>880,278</b>	<b>857,579</b>	<b>766,406</b>	<b>719,654</b>

For FY2016-17, airport revenues include amounts paid by airport users, tenants and businesses that total \$679,352, as well as \$200,926 in reimbursements from the FAA and Caltrans that offset expenses for capital projects.

The following percentages of FY2016-17 revenue suggests the proportion of revenue from on-airport sources:

- Interest on pooled investments (0.2%) that hold airport fund balance
- Fuel flowage fee (1.6%) from collecting \$0.06 per gallon of fuel dispensed (both avgas and jet-A) at Gness Field
- Concession fee (3.0%) collected from airport business permit holders based on 1% of their gross revenue (\$20,633 suggests \$2,063,300 in gross revenue)
- Rents for airport business (12%) from occupying offices and hangars (not including subleases of offices and hangars at 451 Airport Road, the BEMAC lease)
- Rents for from hangars (83%) further breaks down into three categories:
  - Hangars on tie-downs (174 tenants of hangars A-xxx and B-xxx, \$319,226 (47%) \$1,834 per tenant)
  - County-managed hangars (29 tenants of hangars C-1xx to C-3xx, C-5xx, \$126,171 (19%) \$4,350 average per tenant)
  - Corporate hangars (11 tenants of hangars C-4xx, C-6xx to C-10xx, \$109,552 (16%) \$9,959 average per tenant)

### Airport Expenses

Airport expenses can be summarized in the following general categories:

- Personnel expenses for Airport Manager and Airport Attendant
- Professional services for consultants
- Security services
- Utilities
- Building maintenance services
- Office and travel expenses
- Interdepartmental transfer for DPW management staff expenses
- Interdepartmental transfers for DPW airport vehicles and maintenance
- Interdepartmental transfer for A-87 cost allocation plan

<i>Expenses</i>	<i>FY2016-17</i>	<i>FY2015-16</i>	<i>FY2014-15</i>	<i>FY2013-14</i>
Personnel subtotal	197,092	197,829	187,504	186,712
5210110 Professional Services	128,509	200,882	32,102	132,063
5210140 Professional Services - Security	100,734	85,246	73,441	27,534
Utilities subtotal	59,663	54,833	56,732	58,528
5211115 Building and Plant Maintenance	25,348	29,534	26,873	23,483
Office & Travel subtotal	12,563	12,161	6,160	5,756
5220310 Land & Buildings		396	2,654	61,134
5220410 Construction		(200)	20,395	-
5450135 Oth Infrastructure	86,657	94,047	94,047	94,047
5510220 InterFnd DPW Vehicle	12,325	15,954	18,805	8,826
5510260 InterFnd DPW S&B (*)	22,233	86,342	93,974	82,674
5510270 InterFnd Eng/Road/Svc	32,950	17,908	67,683	34,307
5510270 InterFnd DPW BMain	38,716	51,143	45,230	48,147
5510800 InterFnd Insurance	24,277	24,917	24,498	19,026
5510900 InterFnd A-87 (**)	57,285	131,942	90,234	4,032
<b>Total Airport Expenses</b>	<b>802,723</b>	<b>1,005,977</b>	<b>797,593</b>	<b>664,109</b>

\* Suspect that the amount for FY2016-17 will be increased when expenses are finalized  
 \*\* See the later section The A-87/CAP Transfer Explained for details on the varying amounts

### Budget for Airport Fund

Oddly, the annual budget for the Airport Fund routinely shows a negative surplus of expenses over revenue. The missing information appears to be the omission of federal/state grant funds to reimburse expenses.

<i>Special Airport Fund Budget</i>	<i>FY2016-17</i>	<i>FY2015-16</i>	<i>FY2014-15</i>	<i>FY2013-14</i>
Total operating revenues	701,500	732,591	722,591	698,591
Total operating expenses	(788,566)	(890,946)	(879,830)	(768,163)
Intergovernmental revenue	0	0	0	0
<b>Budgeted expense over revenue</b>	<b>87,066</b>	<b>158,355</b>	<b>157,239</b>	<b>69,572</b>

### Airport Capital Improvement Projects

Capital expenses for the airport are planned in the Marin County Capital Improvement Plan submitted along with the annual budget. These planned projects over a five-year planning horizon represent proposed work mostly funded by federal grants from the FAA. Projects that qualify for the FAA Airport Improvement Plan will be funded by a grant for 90% from the Aviation Trust Fund, which is in turn funded by excise taxes on aviation fuel sold around the country. Additionally, approved projects may receive a state grant from the Caltrans Division of Aeronautics for 4.5% of the project capped at a maximum of \$100,000. The remaining project costs must be matched by local sources, which come from the surplus fund balance in the Airport Fund.

### FAA Grants for Airport Improvement Projects

Federal grants reimburse the County for project expenses after the fact using prompt EFT (electronic funds transfer) procedures. Consequently, the County contracts for an airport service, pays the expense and then submits a reimbursement request to the FAA. The County tracks the amount of reimbursements to each FAA grant awarded using an offline spreadsheet. This data was provided as of September 2017.

<i>FAA Grant</i>	<i>Description</i>	<i>FAA Grant</i>	<i>Remaining</i>	<i>Local Match</i>
03-06-0167-016-2014	Airport Layout Plan with Narrative and Aeronautical Survey	\$225,000	\$59,966	\$25,000
03-06-0167-017-2014	Wildlife Hazard Assessment	\$90,000	-	\$10,000
03-06-0167-018-2015	AWOS	\$83,160	\$4,850	\$9,240
03-06-0167-019-2015	Pavement Management Plan	\$67,500	(\$3,019)	\$7,500
03-06-0167-020-2015	EIS Supplemental	\$322,524	\$270,706	\$35,836
03-06-0167-021-2016	Rehabilitate Runway – Design	\$220,050	\$75,118	\$24,450
03-06-0167-022-2016	Wildlife Hazard Management Plan & Phase V SFEIS	\$295,000	?	\$32,778
03-06-0167-023-2017	Rehabilitate Runway - Construction	\$2,274,386	?	\$252,710

### Gross Field Capital Improvement Plan

The improvement projects proposed for Gness Field appear in the Marin County Capital Improvement Plan for FY2016-2017. That plan identifies on-going projects committed or funded in prior years and goes out five years in the future to FY2020-2021:

<i>Project Description</i>	<i>Prior Year</i>	<i>FY2016-2017</i>	<i>FY2017-2018</i>	<i>FY2018-2019</i>	<i>FY2019-2020</i>	<i>FY2020-2021</i>
Miscellaneous Maintenance		100,000	100,000	100,000	100,000	100,000
Runway Ext. Supplemental EIS	358,360					
Upgrade Automatic Weather Observation System (AWOS)	92,400					
AGIS, ALP with Narrative	250,000					
Pavement Maintenance Management Plan (PMMP)	75,000					
Wildlife Hazard Assessment	100,000					
Design of existing runway resurfacing		244,500				
Ex. runway resurfacing & reconstruction.			1,850,000			
Wildlife Hazard Management Plan			25,000			
Final Supplemental EIS Review		115,000				
Ramp Apron Rehabilitation Design				150,000		
Environmental Mitigation/ Permitting Runway 13/31 Extension					6,500,000	
Runway 13/31 and Parallel Taxiway Ext Design					300,000	
Phase 1 Runway 13/31 and Parallel Taxiway Ext Construction						4,000,000
Runway 13/31 and Parallel Taxiway Ext Construction Phase 2 Design						650,000
<b>TOTALS</b>	<b>875,760</b>	<b>459,500</b>	<b>1,975,000</b>	<b>250,000</b>	<b>6,900,000</b>	<b>4,750,000</b>

## Property Taxes are not Airport Revenue

The FAA determined that property taxes are not airport revenue. The County assesses aircraft, hangars owned privately, possessory interest of the tie-down space, improvements, and business equipment stored at Gness Field.

### Property Taxes for Past 4 Years

The property taxes raised at the airport are split approximately 50-50 to the Novato Public Schools and the Marin County General Fund. Where property taxes collections data was provided, property taxes averaged approximately \$400,000 per year over the past 4 years.

<i>Property Taxes at Gness Field</i>	<i>FY2014-15</i>	<i>FY2013-14</i>	<i>FY2012-13</i>	<i>FY2011-12</i>
Taxes to General Fund	180,264*	199,940	286,000	266,882
Taxes to Novato Schools	180,263*	228,699	266,000	301,151
<b>Total Property Taxes</b>	<b>360,527*</b>	<b>428,639</b>	<b>552,000</b>	<b>568,033</b>

*\* FY2014-15 taxes includes only aircraft; need estimate of unsecured property taxes for FY2014-15*

For further details, see Appendix B, Detail on Property Taxes paid on Gness Field. For an explanation of the use of property taxes in Marin County, see [Where Your Property Tax Dollars Go](#) on the Marin County website.

### **Assessed Value of Aircraft at Gness Field**

As of FY2015-2016, the assessed value of aircraft at Gness Field totaled almost \$35,000,000. There were 146 aircraft assessed with values from \$8,666 to \$8,324,766 with a median value of \$80,863.

Note that the 6 jets based at Gness Field account for 57% of the aircraft assessed value. The loss or gain of a single high-value jet would have a significant effect on the amount of property taxes contributed to the Marin County General Fund and Novato Public Schools.

### **The A-87/CAP Transfer Explained**

Director of Finance, Roy Given, provided an explanation the A-87/Cost Allocation Plan (CAP) in response to questions posed by the Gness Field Community Association. They had noticed a wide variation in these costs between years between \$4,000 and \$133,000. Was the county siphoning off funds from the airport?

The A-87/CAP allocation is required of the County by the State of California. The purpose is to identify and allocate costs for central services that benefit departments on a reasonable and consistent basis.

Where possible where the department itemizes the costs for their services, the airport transfers funds to reimburse those departments. Examples include the costs for the airport truck and radios.

Other departments provide centralized services without itemizing services, and all County funds, including the airport, contribute to pay for those costs. Examples include the Departments of Finance, Risk Management, Human Resources, etc.

To explain the variances between years, Director Given emphasized these points:

- Budgeted CAP charges for the current year are based on actual data from 2 years prior;
- Budgeted CAP charges for the current year are also offset by a carry-forward from prior year. The prior year carry-forward is calculated by subtracting the CAP charge from 2 years prior from the current year CAP charge, which may be positive or negative;
- Actual CAP charges can also include direct charges that may have been missed from previous fiscal years.

To explain the high CAP charge in FY2012 of \$133K, the County discovered that two years earlier in FY2010, DPW undercharged the airport for direct building maintenance expenses by \$60,127 that inflated the CAP allocation cost. In FY2014, the carry forward reduced the CAP charge to \$4K. If DPW had correctly charged the airport in FY2010, then the airport would have seen a smoother CAP charge over the past few years.

For FY2016-2017, Director Given provided the A-87/CAP allocations that totaled \$84,828 in this spreadsheet:

<i>4100101000 County Airport</i>	<i>FY'16 Actuals</i>
1 Building Depreciation	0
2 Equipment Depreciation	0
3 3000011000 County Mgmt & Budget	3,670
4 3000031000 Risk Management	10,682
5 3200 Dept of Finance	38,529
6 3400010000 County Counsel	100
7 3500 Human Resources	4,942
8 3600 Information Services	6,117
9 3600021000 Telephone Svcs	87
10 4100011000 Building Maintenance	16,971
11 4100021000 Printing Services	407
12 4100041000 Purchasing	419
13 4100111000 County Garage	1,861
14 5200021000 Landscape Services	0
15 9000011000 Countywide Expense	1,228
16 ERP System Development	6,269
<b>Total Current Allocations</b>	<b>91,284</b>
Less: Prior Year Allocations	97,740
Carry-Forward	(6,456)
<b>Proposed Costs</b>	<b>84,828</b>

This helps show the contributions to the CAP and the calculation of the proposed cost for each year.

## Aviation Trust Fund Contributions from Gness Field

The FAA Airport Improvement Plan funds projects from the Aviation Trust Fund. For general aviation, a major component of revenue to that fund comes from excise taxes on the sale of aviation fuel for both piston and turbine aircraft. Similarly, the California Division of Aeronautics relies upon excise taxes from aviation fuel to fund its operations and grants.

For avgas, the excise taxes total \$0.373 per gallon (\$0.193/gal to federal, \$0.18/gal to state). For jet fuel, the excise taxes total \$0.238 per gallon (\$0.218/gal to federal, \$0.02/gal to state).

In Marin County, a local fuel flowage fee of \$0.06 per gallon is collected on each gallon of avgas or jet fuel dispensed. In FY2016-2017, fuel flowage fees collected \$11,204 that equates to 186,733 gallons.

That suggests that fuel sales at Gness Field contributed \$11,204 to operate the airport and approximately \$50,000 to the federal and state aviation trust funds.

Note that Gness Field received about \$4,000,000 in grants for improvement projects over the past four years.

## **Appendix A: Sources of Financial Information**

**County of Marin Proposed Budget** in [Marin County Budget Overview, FY2013-14, FY2014-16, FY2015-16, FY2016-18](#), look for "Revenues and expenditures by program" under Department of Public Works, then look for "Other Funds" for "County Airport"

**Capital Improvement Program** in [Marin County Budget Overview, FY2013-14, FY2014-15, FY2015-16, FY2016-17](#), look for the section "Airport Improvements" for the "Summary of Proposed Airport Projects and Expenditures"

**Comprehensive Annual Financial Reports** in Marin County [Department of Finance Financial Reports](#) website, [FY2013](#), [FY2014](#), [FY2015](#), contain summary information about the Special Airport Fund, look for "Combining Statement of Net Position" for fund balance and asset values, "Combining Statement of Revenues, Expenses and Changes in Net Position" for summary of revenue and expense items, and "Combining Statement of Cash Flows" for fund balance at beginning and end of year.

**Single Audit Reports**, [FY2010-11](#), [FY2011-12](#), [FY2012-13](#), [FY2013-14](#), that contain lists and amounts of FAA grants used by Gness Field, Marin County Airport.

**Trial Balance Reports** produced by the Marin County Finance Department upon request from the public (or via the office of Supervisor Judy Arnold). Ken Mercer obtained three years of such reports for FY2014, FY2015, FY2016. Eric Steger provided one for FY2017.

**Assessment Roll Statistics** report of the Unsecured Assessment Roll provided by the Marin County Assessor-Recorder-County Clerk office for years 2014, 2015 and 2016

**Property tax revenue reports** from Airport Manager, Dan Jensen, and the Marin County Finance Department.



## Appendix B: Detail on Property Taxes paid on Gross Field

Property taxes can be separated by aircraft and other unsecured property as follows:

<i>Property Taxes at Gross Field</i>	<i>FY2014-15</i>	<i>FY2013-14</i>	<i>FY2012-13</i>	<i>FY2011-12</i>
Taxes on Unsecured to General Fund	TBD	24,090	72,560	28,704
Taxes on Aircraft to General Fund	180,264	175,850	213,440	238,178
<b>Taxes to Marin County General Fund</b>	<b>180,264</b>	<b>199,940</b>	<b>286,000</b>	<b>266,882</b>
Taxes on Unsecured to NUSD	TBD	52,844	52,560	62,973
Taxes on Aircraft to NUSD	180,263	175,850	213,440	238,178
<b>Taxes to Novato Unified School District</b>	<b>180,263</b>	<b>228,694</b>	<b>266,000</b>	<b>301,151</b>
<b>Total Property Taxes</b>	<b>360,527</b>	<b>428,634</b>	<b>552,000</b>	<b>568,033</b>

For aircraft based at Gross Field, the assessor maintains a record of each owner for purposes of taxes. Note that the assessed value of aircraft has changed over the past several years.

<i>Assessment of Property</i>	<i>FY2015-16</i>	<i>FY2014-15</i>	<i>FY2013-14</i>	<i>FY2012-13</i>
<b>Aircraft property assessed value</b>	<b>34,834,174</b>	<b>35,876,923</b>	<b>33,989,189</b>	<b>42,690,000</b>
# aircraft owners	146	169	169	
# aircraft over \$1MM	6	9	6	
Largest value	8,324,766	5,140,079	5,384,164	
Average Value	238,590	212,289	201,119	
Median value	80,863	68,241	67,584	
Least value	8,666	2,279	7,290	