

**INTER-OFFICE MEMORANDUM**  
DEPARTMENT OF PUBLIC WORKS

January 25, 2018

**TO: Aviation Commission**

**FM: Eric Steger, Assistant Director**

**RE: Response to *White Paper on Finances of Gness Field Airport***

A document submitted by Rick Beach entitled, *White Paper on Finances of Gness Field Airport*, was provided as part of the December 7, 2017, Aviation Commission meeting packet as correspondence. As described in the document, the white paper seeks to provide an analysis of airport finances. The document was discussed at the Aviation Commission meeting and a request was made by the Commission for an official response from the County. The document was reviewed by both Public Works Accounting staff and the Department of Finance, resulting in the following response to the Aviation Commission.

**General Comments**

The Gness Airport Fund is used to account for the general airport operations, office and administrative expenses, and the maintenance of airport facilities, not just to track grant revenues or to make it easier to comply with grant assurances as stated in Mr. Beach's "white paper." The Airport Fund receives revenue and disburses for its expenses accordingly. To suggest that airport expenses should be paid out of the General Fund is not consistent applicable accounting rules and standards. The County of Marin's compliance with generally accepted accounting principles (GAAP) and Government Accounting Standards Board (GASB) serve as the basis for how Airport activities are reported, which is to classify Airport transactions as business-type activities of a proprietary enterprise fund.

Excel spreadsheets referenced in the document are used for convenience outside of the financial system and are not audited or used for official County records. Ad-hoc reports from the financial system also do not provide auditable information. The Airport's finances are included in the annual audited Countywide Financial Statements. These reports can be found on Department of Finance's (DOF) public-facing website:

<https://www.marincounty.org/depts/df/financial-reports>. Commission members can rely on the audited financial statements as opposed to excel spreadsheets or ad-hoc reports when discussing airport finances.

In our general ledger, fund 6720 is called "Special Aviation." For the Comprehensive Annual Financial Report (CAFR), for financial reporting purposes, this fund is called "Gness Airport." This fund is a Proprietary Enterprise Fund, of which its activities are considered Business-Type activities. In addition, the County's Capital Improvement Plan includes projects involving the Airport. Further, the Airport Fund is not, in any form, "operated or administered" by the DOF. Rather, it is a Proprietary Enterprise Fund that incorporates transactions from billing and collections from DOF Central Collections, but is primarily administered by the County's Department of Public Works. DOF is an independent office with Countywide fiscal responsibility. DOF's role, as mandated by the State, is to provide fiduciary oversight, not administration. They maintain the County's accounting system and general ledger, compile the Countywide financial statements, and administer the Countywide indirect overhead costs.

*Property Taxes*

In regards to the information contained on page 2 of the document: It is important to note that the statement "property taxes on aviation assets do go to the general fund that benefits

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other taxpayers" is not accurate. All property taxes (Real, Personal or Business) paid by taxpayers are for the benefit of all residents of Marin in the form of Countywide services such as fire, police, roads, flood control, etc.

Below is a corrected table 'Property Taxes for Past 4 Years', from page 5 of the document:

<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	237,496
Taxes to Novato Schools	180,263	228,694	266,000	266,208
Total Property Taxes	360,527	428,634	552,000	503,704

In regards to the information contained on page 9 of the document, we note the following:

- 1) The FY 2011-12 'Taxes on Unsecured to General Fund' should be \$24,056; thus the Total Taxes to Marin County General Fund for FY 2011-12 amounts to \$237,496; and
- 2) The FY 2011-12 'Taxes on Unsecured to NUSD' should be \$52,768, thus making the FY 2011-12 total Taxes to Novato Unified School District \$266,208; and total for all Property Taxes for FY 2011-12 should therefore be \$503,704.

### *Fund Balance vs Net Position*

Because the Airport Fund is a Proprietary Enterprise Fund, technically the Airport does not have a Fund Balance, rather, it has a Net Position. This Net Position at the end of each fiscal year is calculated by taking the opening Net Position balance, adding current year revenues, subtracting current year expenses, arriving to Ending Net Position for the fiscal year. Mr. Beach had incorrectly assumed that end of year "fund balance" is calculated by taking current year revenues and simply subtracting expenses. That is not the case, revenues less expenses equals current year change in net position.

### **Gross Airport Fund**

#### **Net Position Details**

#### **FY 2013-14 through FY 2015-16**

	<b>FY 2015-16</b>	<b>FY 2014-15</b>	<b>FY 2013-14</b>
Beginning Net Position	6,117,840	6,152,069	6,101,316
Airport Revenues	659,167	697,084	661,041
Airport Expenses	(971,887)	(800,635)	(668,902)
Intergovernmental Revenue	198,412	69,322	58,614
Change in Net Position	(114,308)	(34,229)	50,753
Ending Net Position	6,003,532	6,117,840	6,152,069

### *Revenues*

The table below corrects some minor mathematical errors.

<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>880,275</b>	<b>857,579</b>	<b>766,406</b>	<b>719,655</b>

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*Expenses*

Mr. Beach's breakout of Airport expenses is incorrect, as it simply takes the trial balance, without any consideration of year-end adjustments and mapping that is done for financial reporting. As such, a calculation of audited Airport expense details, which ties back to our published CAFR is provide below. FY 2016-17 is purposely excluded, as this audited information will not be available until the end of January. A-87 is a countywide formula that is approved by the State Controller's Office.

Gross Airport Fund, Airport Expense Detail

Operating Expenses	FY 2015-16	FY 2014-15	FY 2013-14
Salaries and employee benefits	194,034	186,430	187,493
Services and supplies	678,494	515,138	382,449
Depreciation and amortization	94,950	94,950	94,950
Total Operating Expenses	967,478	796,518	664,892
Transfers out	4,409	4,117	4,010
<b>Total Expenses</b>	<b>971,887</b>	<b>800,635</b>	<b>668,902</b>

*Business Enterprise System Changes*

The County changed business enterprises systems between FY 2015-16 and FY 2016-17 (SAP to Tyler Munis) and certain accounting procedures changes may affect how certain information is reported, particularly capital-related funds.

C: Raul Rojas, Director of Public Works  
Roy Given, Director of Finance  
Dan Jensen, Airport Manager