REGULAR COMMISSION MEETING

PORT OF KENNEWICK **FEBRUARY 26, 2013 MINUTES**

CALL TO ORDER

Commission President Skip Novakovich called the Commission meeting to order at 2:00 p.m. in the Port of Kennewick Commission Chambers located at 350 Clover Island Drive, Suite 200, Kennewick, Washington 99336.

The following were present:

Board Members: Skip Novakovich, President
Don Barnes, Vice-President
Gene Wagner, Secretary

Staff Members: Tim Arntzen, Executive Director
Tana Bader Inglima, Director of Governmental Relations & Marketing
Tammy Fine, Director of Finance/Auditor
Larry Peterson, Director of Planning & Development
Bridgette Scott, Executive Assistant
Lucinda Luke, Port Counsel

PLEDGE OF ALLEGIANCE

Lucinda Luke led the Pledge of Allegiance.

PUBLIC COMMENT

No public comments were made.

CONSENT AGENDA

The consent agenda consisted of the following:

A. ***Approval of Direct Deposit and Warrants Dated February 15, 2013***
Direct Deposit totaling $27,591.80 and Expense Fund Voucher Numbers 34063 through 34066 totaling $4,179.85; for a grand total of $31,771.65.

B. ***Approval of Warrant Registers Dated February 27, 2013***
Expense Fund Voucher Numbers 34067 through 34102 totaling $76,283.63.
Construction Fund Voucher Numbers 3399 through 3404 in the amount of $26,172.58.

C. ***Approval for the Commission President to Execute the Memorandum of Understanding with the Confederated Tribes of the Umatilla Indian Reservation (CTUIR)***

D. ***Approval of Commission Meeting Minutes Dated January 8, 2013***

E. ***Approval of Commission Meeting Minutes Dated February 12, 2013***

MOTION: *Commissioner Barnes moved approval of the consent agenda; Commissioner Wagner seconded. With no further discussion motion carried unanimously. All in favor 3:0.*

PRESENTATION

A. Financial Report: Cost Allocation Financials

Ms. Fine shared a PowerPoint presentation illustrating the Cost Allocation Methodology, including some of the information presented by CliftonLarsonAllen on July 10, 2012. Please view Exhibit 1 for the original slides presented and Exhibit 2 for the slides (with minor clerical corrections) and the notes used by Ms. Fine.

Mr. Novakovich shared his appreciation for the thoroughness of the presentation. He commented when CliftonLarsonAllen gave their cost allocation presentation on July 10, 2012, the Commission agreed by consensus that the methodology should be used for all properties. He also feels it is important to remember that at that time the Commission agreed to ask DPZ to include private sector investment on capital improvements at the airport that were under contract. If they were not under contract, do not include them in the airport analysis because there have been a lot of promises about investments at the airport that since 2010 have not taken place. The Commission only wanted to use numbers that were real. Mr. Novakovich would like to establish the fact the Commission is still in agreement on the direction that was given to staff and DPZ in July, 2012.

Mr. Peterson commented regarding the cost allocation method that was discussed in July when DPZ came on board in the fall, we also spoke with DPZ and the Commission about how they should look at investments of public verses private sector that come out of the Charrette process and in July the Commission had indicated to Ms. Fine and port staff that the cost allocation methodology was logical. We explained at staff level to DPZ that the Commission, three months ago, approved the methodology to utilize the costs to run the airport and used the historical numbers as part of the baseline to project going forward. In late October, at a Commission Meeting, DPZ requested clarification for improvements related to either scenario, what column are the expenses put in. At staff level, we thought we heard if it is not under contract, it needs to stay in the Port's column. Mr. Peterson stated that was part of the problem with the 2011 Master plan. There were $20 million of improvements identified and $2 million were identified in the Port column and the success of Vista Field was dependent upon $18 million of funding that was not under contract or with a funding source identified. We asked the Port Commission, when it comes to who is responsible for the funding, we heard and we instructed DPZ if it is not under private sector contract, then the Port will be responsible. Those are the two big issues that came out of the cost allocation methodology which ties into what is the baseline for the airport, what is the Port's cost over time. Mr. Peterson inquired if staff instructed DPZ correctly: to follow the cost allocation methodology and have the Port be responsible for providing funding for improvements if they are not under private sector contract.

Mr. Novakovich confirmed staff followed the Commission's directive; in addition, after today's hour-long presentation it exemplifies and verifies that the Commission gave the right direction.

MOTION: *Commissioner Novakovich moved to ratify and confirm the accuracy of the cost allocation methodology and further ratify and confirm the direction previously given to DPZ to only include private sector investment in their airport analysis that is secured by contract. If no private sector investment in Vista Field has been secured by contract, DPZ is to assume that all capital improvements are to be constructed by the public sector, meaning this Port and its taxpayers; Commissioner Wagner seconded.*

Mr. Barnes recalls the discussion as a consent. One of the take away items he recalls is if a capital investment item was earmarked by the private sector, but did not have a contract, then the Port could undertake and make that investment. But, then the Port could, if a buyer or partner was identified, subsequently sell or lease it to the private sector. To give this positive momentum, and get the process going, he believes the Commission felt it was prudent to let the Port make the initial investment rather than rely on something not well defined or not under contract by the private sector. He feels for the purposes of the study that it was a prudent step.

With no further discussion motion carried unanimously. All in favor 3:0.

Mr. Barnes found it interesting that the capital investment since 1991 was $5.6 million, which over 20 years is a far higher number than the depreciation number being used in the statement of operations. He also noticed that the Port acquired some hangers in the list of capital assets that are being depreciated. He feels one could make the argument that the hangar acquisition serves to artificially increase the annual depreciation at the airport, but at the same time, these two hangars generate revenue, so if a person wanted to hold a position that the depreciation number should be reduced because of the acquired hangers, then the revenues generated by the hangars should be reduced, which would put you at the same point. He believes the report is very thorough and interesting. It also underscores that these are capital investments made by the Port over the period of time and these capital outlays do not include FAA funding. He feels this is a significant point. He stated these are Port expenditures without the benefit of FAA funding.

Mr. Novakovich commented that he and Mr. Peterson were giving a presentation on Vista Field and the study this morning, and Mr. Peterson pointed out a letter to the editor by someone in the Aircraft Owners and Pilots Association (AOPA) who mentioned that Vista Field will probably never receive FAA funding. Currently at eligible airports, 90% of capital improvements are paid by the FAA. Mr. Novakovich noted an article in today's newspaper stated the FAA is defunding several towers. It is fairly certain that Vista Field will not receive FAA funding. In fact, the FAA requested the Port send a letter stating that the Port of Kennewick would never ask for FAA funding again.

Mr. Arntzen confirmed the FAA's request for the Port of Kennewick to never ask for funding again. His recollection is that the Port has made exhaustive attempts to secure FAA funding. We started with an information conversation with Carol Suomi in the Seattle office, and then formalized our request in writing. The response from the FAA was to please not ask them again, and they requested the Port confirm they will not ask for funding

in writing. The Port chose not to do that because we did not want to be portrayed by the FAA or others as not wanting FAA funding. The Port hired a Federal government relations specialist to pursue the Port's interests, which included FAA funding. The response from Washington D.C. was the same as response from the Seattle office. The Port understands that it puts us at an extreme disadvantage to not receive FAA funding.

Mr. Peterson stated the Fast Focus in the Tri-City Herald included a letter from John Collins from AOPA. Mr. Collins provided an explanation as to why Vista Field is not an FAA funded airport and why it would not be a candidate for FA funding.

NEW BUSINESS

A. Vista Field Draft EIS

Mr. Peterson explained the DPZ team is reviewing the 108 comments received; many of which were not substantial to the report. About 15 comments were substantial. DPZ is currently responding to the comments, clarifying numbers, and making corrections if necessary. The final EIS will include responses to the 108 comments; Mr. Cadwell's twelve pages of comments warrant a fairly detailed response. They typically take 30-60 days to respond to comments. The Port is looking at mid-March to receive the final report. Mr. Peterson stated the intent is to provide the Commission with a document that has the best information on the issue to help the Commission make a decision related to the future of Vista Field. Then the Commission can weigh not only the facts, text and the numbers, as well as the intrinsic value of the airport and the opportunities that the alternatives might mean to the Port District.

Mr. Novakovich clarified DPZ will not make a recommendation to the Commission; they will only present factual information. According to the DPZ study, they only received one comment in the draft that said the no action alternative is acceptable, which was made by the UPS manager. Mr. Peterson shared other comments made during the Charrette and interviews stated that just doing the same thing and expecting different results is unacceptable. However, during the 30-day comment period, comments were received stating the no action alternative is the preferred route. When the report was created, only one person indicated the no action alternative was acceptable; that was UPS.

Mr. Novakovich inquired if the later comments approving the no action alternative were tracked. Mr. Peterson stated the article in Tri-City Herald tracked that, but he has only tracked who is or is not in the Port district. He stated Kristi Phil gave more details in her article. Mr. Peterson stated the whole idea of the draft EIS process is to comment on the document itself, not the decision that the Commission should make. Most of the commenters provided their recommendation for an alternative. The intent was to tune up the document and address any deficiencies identified in the document.

Mr. Novakovich inquired if any comments were made about the environmental affects for either alternative. Mr. Peterson stated one comment was received from Jim Katzaroff from Advanced Medical Isotope Corporation. That was the only contact DPZ had or received

during the process questioning the potential liability of what might be left over from former Navy operations. DPZ was not able to contact Mr. Katzaroff during the interview period to talk about the economic commitments that were identified in 2010 analysis and the likelihood of those occurring. Most of the comments had to due with the economics.

Mr. Arntzen believes it would be our intention for staff to present a formal agenda report and resolution when it comes time to present the final EIS. At that point, the Commission would give the authorization to staff to sign the SEPA letter and send it in. The Commission has provided further guidance on several critical elements. The intention is to bring the whole document to the Commission, and ask for authorization to direct Mr. Peterson as the SEPA responsible official to sign it and turn it in. So you basically get another bite at the apple.

REPORTS COMMENTS AND DISCUSSION ITEMS

A. *Clover Island Corner Office Building*

Mr. Peterson has received several inquiries to lease the old Port building. When the Commission approved the 2013 Work Plan, the wording "Hold the corner parcel for complimentary development projects." was used. Mr. Peterson requested clarification of the Commission's intent.

The Commission is in consensus to keep the work plan as is and not lease the old Port building.

B. *Commissioner Meetings (formal and informal meetings with groups or individuals)*

Commissioners reported on their respective committee meetings and presentations.

C. *Non-Scheduled Items*

Mr. Novakovich thanked Mr. Peterson for an excellent job with the Vista Field presentations. He feels Mr. Peterson did a marvelous job staying neutral and sharing information with the public. At the presentations, Mr. Novakovich requested each organization provide a letter stating their position with regard to Vista Field study, no matter what it is.

PUBLIC COMMENTS

Carl Cadwell, 909 N. Kellogg, Kennewick. Dr. Cadwell thanked Ms. Fine for a thorough report. He stated the report shows direct allocated and indirect costs for the keep Vista Field alternative; however, this has not been done for the redevelopment alternative. He feels in order to have an "apples to apples" comparison; you should put in the admin costs, the direct costs of managing that process as well as the indirect costs that make them so you are comparing apples and apples. He is confused when the Commissioners said that nothing was included that did not have a direct contract in place, so that would mean the $400,000,000 in redevelopment should be placed on the Port's side of the ledger because the Port does not have any contracts in place. That is how he understood the motion made. Right now it is all private costs developing the property, except for some infrastructure. The way he heard the motion, he would expect that to show up on the Port's side of

the ledger also as doing all that development out there, so now you have an "apples to apples" comparison. He commented on the no action alternative; he does not want to see Vista Field continue the way it is. When it was presented to him, he had not read in detail the letter that says the no action alternative is to implement the 2011 Master Plan. The way it was presented to him by Mr. Mehaffy, do you want to see it continue the way it is? The answer is clearly no, he thinks most pilots, or active people at Vista Field, do not want to see it continue the way it is. He thinks the Vista Field plan adopted in 2011 is clearly a very viable alternative, he feels it was mislabeled in the descriptor of "no action" it should say "implement 2011 Master Plan", it would have been much clearer as to what was meant by no action.

Marjy Leggett, 4019 Horizon Drive, Pasco, and Airport Support Network Volunteer for Vista Field. Ms. Leggett shared her appreciation for Ms. Fine's presentation; it helped her understand where the numbers are coming from. She also had the same impression as Dr. Cadwell, when Mr. Mehaffy spoke about the no action alternative. She did not understand what no action meant. Ms. Leggett stated Ms. Fine's report was very detailed, like keeping track of all staff time. She inquired if this is done for all properties. Ms. Fine stated the Commission has asked staff to apply it consistently for properties; although, this is not normally done by ports. Ms. Fine explained the State Auditor's Office is not set up to review this much detail. It is more for internal purposes to determine how all the properties are operating. Only the Port of Seattle is using this much detail and they are a significant port with a lot of accounting staff.

Mr. Brent Gerry, taxpayer, 5401 Kalakaua Court, West Richland. Mr. Gerry stated in regards to the funding that was to be brought forth for the Master Plan, he understood from the presentation that there was a certain amount of funding set aside for the Port's investment and there was also a certain amount of funding to come from the private sector; which has yet to come forward, and that is what was being clarified by the earlier motion.

No further public comments were made.

Mr. Novakovich anticipates the Executive Session to last approximately 40 minutes for Potential Litigation, per RCW 42.30.110(1)(i), with no action anticipated. Mr. Novakovich asked the public to notify Port staff if they will return after the executive session.

Mr. Novakovich recessed the meeting at 3:45 p.m., for approximately 5 minutes.

Mr. Novakovich reconvened the meeting into Executive Session at 3:52 p.m. for 40 minutes.

EXECUTIVE SESSION

A. Potential Litigation, per RCW 42.30.110(1)(i)

Ms. Scott exited the chambers at 4:32 p.m. to extend the Executive Session 2 minutes.

The regular meeting reconvened at 4:33 p.m. with no action taken.

ADJOURNMENT

With no further business to bring before the Board; the meeting was adjourned at 4:33 p.m.

APPROVED:

PORT of KENNEWICK
BOARD of COMMISSIONERS

Skip Novakovich, President

Don Barnes, Vice President

Gene Wagner, Secretary

PORT of KENNEWICK
Open for Business!

COST ALLOCATION METHODOLOGY

- Angela Richardson, CPA, CliftonLarsonAllen Senior Manager
- Jessica Redifer, CPA, CliftonLarsonAllen Senior Accountant
- Tammy Fine, CPA, CFE, Port of Kennewick CFO

COST ALLOCATION PLAN - OVERVIEW

- **What triggered the Port's cost allocation plan? (process started in 2010).**
- **Historical costs [which does not include depreciation (capital cost), direct staffing cost, & indirect cost].**
- **Depreciation expense (capital cost)**
- **Cost methodology July 10, 2012 presentation and results (CliftonLarsonAllen).**

COST ALLOCATION PLAN - OVERVIEW

- Comparable airports in Washington State review.
- Airport cost allocation – direct staffing.
- Airport tasks performed by staff from January 2010 through July 2012.
- Airport cost allocation – indirect staffing.
- DPZ "No Action Scenario" financials and assumptions.

Port's Cost Allocation Model – Required Financials

Port of Kennewick
STATEMENT OF ACTIVITIES
ARISING FROM CASH TRANSACTIONS STATEMENT C-1
For the Year Ended December 31, 2011

	2011
OPERATING REVENUE	
Airport operations	$ 43,518
Marina operations	292,505
Property lease/rental operations	675,199
Total operating revenues	1,011,222
OPERATING EXPENSES	
General operations	808,743
Maintenance	204,868
General and administration	1,401,061
Total operating expenses	2,414,672
Operating loss	(1,403,450)
NON OPERATING REVENUES (EXPENSES)	
Interest income	30,746
Ad valorem tax revenue	3,184,426
Disposal of capital asset	228,830
Cash Received on Notes Receivable	53,484
Purchase of capital assets	(1,346,549)
Interest paid on long-term debt	(76,042)
Principal paid on long-term debt	(115,000)
Capital contributions	567,785
Other Revenues	10,961
Other (Expenses)	(223,663)
Total nonoperating revenues (expenses)	2,314,978
Net Increase (decrease) in cash and Investments	911,528
Beginning Balance of Cash and Investments	11,221,886
ENDING BALANCE OF CASH AND INVESTMENTS	12,133,414

Port of Kennewick
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2011

	2011
OPERATING REVENUE	
Property lease/rental operations	$ 672,066
Marina operations	298,100
Airport operations	43,302
Total operating revenues	1,013,468
OPERATING EXPENSES	
General operations	770,164
Maintenance	204,868
General and administration	1,407,072
Total before depreciation	2,382,104
Depreciation	1,138,841
Total operating expenses	3,520,945
Operating loss	(2,507,477)
NON OPERATING REVENUES (EXPENSES)	
Ad valorem tax revenue	3,186,768
Interest income	30,746
Gain on sale of assets	161,536
Other Revenues	10,961
Other (Expenses)	(299,705)
Total nonoperating revenues (expenses)	3,090,306
Increase in net assets, before capital contributions	582,829
Capital contributions	567,785
Increase in net assets	1,150,614
TOTAL NET ASSETS	
Beginning of the year	50,029,574
Prior period adjustments	(1,659)
End of the year	$ 51,178,529

Port's Cost Allocation Model

AIRPORT PROFIT AND LOSS (excluding depreciation (capital cost), staffing cost, and indirect cost)

Year	Revenues	Expenses	Profit/ (Loss)	Comments
2012 Budget	$38,039	$ 73,112	$(35,073)	BUDGETED
Unaudited 2011	$43,302	$66,343	$(23,041)	TO BE AUDITED BY SAO- Cash Basis
Unaudited 2010	$42,194	$72,185	$(29,991)	TO BE AUDITED BY SAO- - Cash Basis
2009	$34,911	$50,255	$(15,344)	SAO AUDITED NUMBERS - Accrual Basis
2008	$55,037	$144,679	$(89,642)	SAO AUDITED NUMBERS ($75k FBO payout & master plan) -Accrual Basis
2007	$65,391	$63,599	$1,791	SAO AUDITED NUMBERS - Accrual Basis
2006	$62,407	$58,285	$4,122	SAO AUDITED NUMBERS - Accrual Basis
2005	$57,824	$75,014	$(17,190)	SAO AUDITED NUMBERS - Accrual Basis
2004	$30,425	$70,071	$(39,646)	SAO AUDITED NUMBERS - Accrual Basis
2003	$31,716	$67,286	$(35,570)	SAO AUDITED NUMBERS - Accrual Basis
2002	$27,636	$48,889	$(21,253)	SAO AUDITED NUMBERS - Accrual Basis
2001	$27,178	$116,186	$(89,008)	SAO AUDITED NUMBERS - Includes $61k for master plan - Accrual Basis
2000	$33,501	$40,344	$(6,843)	SAO AUDITED NUMBERS - Accrual Basis
1999	$23,126	$42,451	$(19,325)	SAO AUDITED NUMBERS - Accrual Basis
1998	$27,140	$41,642	$(14,502)	SAO AUDITED NUMBERS - Accrual Basis
1997	$26,502	$34,586	$(8,084)	SAO AUDITED NUMBERS - Accrual Basis
1996	$27,381	$29,615	$(2,234)	SAO AUDITED NUMBERS - Accrual Basis
1995	$28,129	$32,429	$(4,300)	SAO AUDITED NUMBERS - Accrual Basis
AVERAGE 18 YR LOSS			**$(24,729.68)**	

OPERATING LOSS SINCE 1995	TOTAL CAPITAL SPENT SINCE 1995	TOTAL OPERATING LOSS PLUS CAPITALIZED COST SINCE 1995
$ (445,134.30)	$ (4,561,341.31)	$ (5,006,475.61)

NOTES:

NOTE 1: The 2010 & 2011 figures are unaudited and subject to change based on results of a future audit to be conducted by the State Auditor's Office. **Further, these numbers do not include indirect cost allocation, staffing cost, or depreciation expenditures.**

NOTE 2: Total capital spent since 1995 does not include capital assets disposed of. Therefore, the actual cost incurred by the Port should be more than shown. The total capitalized cost since inception in 1991 = $5,561,979 (does not including all of 2012 cost-to-date)

Port's Cost Allocation Model – Accounting of Depreciation Expense (Capital Costs)

Asset	Property Description	Date In Service	Cost	Prior Depreciation	**Current Depreciation**	End Depr	Net Book Value	Method	Period
Group: Group: VISTA FIELD AIRPORT									
204	Runway Improvements	12/15/91	8,544.27	6,084.85	**341.77**	6,426.62	2,117.65	S/L	25.0
213	1992 Improvements	10/15/92	9,421.50	9,421.50	**0.00**	9,421.50	0.00	S/L	25.0
216	Runway & Street Paving	12/15/92	12,232.86	9,296.96	**489.31**	9,786.27	2,446.59	S/L	25.0
218	Runway Improvements	12/15/92	188,147.76	142,967.80	**7,525.91**	150,493.71	37,654.05	S/L	25.0
219	Runway & Street Paving	12/15/92	297,857.04	226,398.20	**11,914.28**	238,312.48	59,544.56	S/L	25.0
220	Illuminators	12/15/92	3,975.00	3,021.00	**159.00**	3,180.00	795.00	S/L	25.0
221	Lighting	12/15/92	3,648.00	2,772.48	**145.92**	2,918.40	729.60	S/L	25.0
225	Testing	6/15/93	1,255.00	932.86	**50.20**	983.06	271.94	S/L	25.0
226	Materials	6/15/93	9,451.61	7,025.58	**378.06**	7,403.64	2,047.97	S/L	25.0
231	Power	8/15/93	1,742.05	1,283.24	**69.68**	1,352.92	389.13	S/L	25.0
233	Paving	9/15/93	273,807.08	200,791.80	**10,952.28**	211,744.08	62,063.00	S/L	25.0
234	Lighting	9/15/93	8,237.00	6,040.44	**329.48**	6,369.92	1,867.08	S/L	25.0

Port's Cost Allocation Model – Accounting of Depreciation Expense (Capital Costs)

Asset	Property Description	Date In Service	Cost	Prior Depreciation	**Current Depreciation**	End Depr	Net Book Value	Method	Period
Group: Group: VISTA FIELD AIRPORT									
344	Roof/Insulation Replacement	10/31/97	37,612.32	26,642.12	**1,880.62**	28,522.74	9,089.58	S/L	20.0
374	Carpet	3/31/98	1,734.26	1,734.26	**0.00**	1,734.26	0.00	S/L	7.0
388	Signs, Posts & Install	5/31/98	375.54	340.12	**25.04**	365.16	10.38	S/L	15.0
403	2 Picnic Tables	6/30/98	1,107.67	1,107.67	**0.00**	1,107.67	0.00	S/L	7.0
416	Fuel Facility Improvements	7/31/98	27,624.81	14,825.28	**1,104.99**	15,930.27	11,694.54	S/L	25.0
434	Tiedown Anchors	8/31/98	1,171.07	1,040.93	**78.07**	1,119.00	52.07	S/L	15.0
435	Chain Link Fence	8/31/98	1,544.40	1,372.80	**102.96**	1,475.76	68.64	S/L	15.0
436	5 Poles	8/31/98	801.90	712.80	**53.46**	766.26	35.64	S/L	15.0
489	Engineering	11/30/98	4,619.08	2,417.28	**184.76**	2,602.04	2,017.04	S/L	25.0
510	Fuel Tank Upgrade	12/31/98	124,706.20	64,847.25	**4,988.25**	69,835.50	54,870.70	S/L	25.0
519	Fuel Tank Upgrade	2/09/99	64.86	33.46	**2.59**	36.05	28.81	S/L	25.0
520	Fuel Pump Phone Line	2/09/99	312.87	161.59	**12.51**	174.10	138.77	S/L	25.0

Port's Cost Allocation Model – Accounting of Depreciation Expense (Capital Costs)

Asset	Property Description	Date In Service	Cost	Prior Depreciation	**Current Depreciation**	End Depr	Net Book Value	Method	Period
Group: Group: VISTA FIELD AIRPORT									
688	2001 North Quay/Deschutes-Street Improvements	11/13/01	536,043.42	0.00	**0.00**	0.00	536,043.42	Land	0.0
693	Electrical Fence	10/31/02	118,903.76	54,497.57	**5,945.19**	60,442.76	58,461.00	S/L	20.0
694	Taxiway Improvements	12/30/02	462,659.00	166,557.24	**18,506.36**	185,063.60	277,595.40	S/L	25.0
696	Road Construction	12/30/02	30,400.61	10,944.18	**1,216.02**	12,160.20	18,240.41	S/L	25.0
720	Pedestal Mailbox/Concrete Pad	3/31/03	2,694.94	1,572.03	**179.66**	1,751.69	943.25	S/L	15.0
721	Wall Partition	5/31/03	1,191.30	262.22	**30.55**	292.77	898.53	S/L	39.0
722	Gasboy Dispenser/Valve	5/31/03	4,564.53	3,917.86	**456.45**	4,374.31	190.22	S/L	10.0
761	Less Land Sale (cost) - R. L and Amera Land	5/31/04	-3,231.07	0.00	**0.00**	0.00	-3,231.07	Land	0.0
762	Hangar Access Road	7/26/04	44,829.94	22,165.90	**2,988.66**	25,154.56	19,675.38	S/L	15.0
	Parking Lot Improvements -								

Port's Cost Allocation Model – Accounting of Depreciation Expense (Capital Costs)

Asset	Property Description	Date In Service	Cost	Prior Depreciation	**Current Depreciation**	End Depr	Net Book Value	Method	Period
Group: VISTA FIELD AIRPORT									
932	Land Improvements - A&E/Survey/Recording	12/31/07	8,113.23	2,163.52	**540.88**	2,704.40	5,408.83	S/L	15.0
933	Hangar Improvements - Matheson	9/30/07	78,320.39	22,190.78	**5,221.36**	27,412.14	50,908.25	S/L	15.0
934	FBO Improvements	11/30/07	11,020.35	2,999.98	**734.69**	3,734.67	7,285.68	S/L	15.0
935	Taxiway Improvements - reflectors	10/31/07	407.78	113.29	**27.19**	140.48	267.30	S/L	15.0
936	Hangar Purchase - 6600 W. Deschutes #C	12/31/07	607,425.33	62,300.04	**15,575.01**	77,875.05	529,550.28	S/L	39.0
937	Hangar Purchase - 6600 W. Deschutes #B	12/31/07	607,914.00	62,350.16	**15,587.54**	77,937.70	529,976.30	S/L	39.0
946	Vista Field Study	3/09/11	200,020.27	11,112.24	**13,334.68**	24,446.92	175,573.35	S/L	15.0
962	Airport Equipment - Tie downs	3/31/07	355.22	337.44	**17.78**	355.22	0.00	S/L	5.0
989	FBO Improvements	12/31/08	5,564.85	1,112.97	**370.99**	1,483.96	4,080.89	S/L	15.0

Port's Cost Allocation Model - Accounting of Depreciation Expense (Capital Costs)

AIRPORT PROFIT AND LOSS (excluding staffing cost and indirect cost)

Year	Revenues	Expenses	Capital Expense	Profit/ (Loss)
2012 Budget (pre-study)	$ 38,039	$ 73,112	$ 4,305	$ (39,378)
Unaudited 2011	$ 43,302	$ 66,343	$ 206,444	$ (229,485)
Unaudited 2010	$ 42,194	$ 72,185	$ -	$ (29,991)
2009	$ 34,911	$ 50,255	$ 1,029	$ (16,373)
2008	$ 55,037	$ 144,679	$ 5,565	$ (95,207)
2007	$ 65,391	$ 63,599	$ 1,313,556	$ (1,311,765)
2006	$ 62,407	$ 58,285	$ 194,623	$ (190,501)
2005	$ 57,824	$ 75,014	$ 47,791	$ (64,981)
2004	$ 30,425	$ 70,071	$ 295,882	$ (335,528)
2003	$ 31,716	$ 67,286	$ 8,451	$ (44,021)
2002	$ 27,636	$ 48,889	$ 611,963	$ (633,217)
2001	$ 27,178	$ 116,186	$ 669,515	$ (758,523)
2000	$ 33,501	$ 40,344	$ 42,546	$ (49,389)
1999	$ 23,126	$ 42,451	$ 101,247	$ (120,573)
1998	$ 27,140	$ 41,642	$ 163,685	$ (178,187)
1997	$ 26,502	$ 34,586	$ 261,084	$ (269,168)
1996	$ 27,381	$ 29,615	$ 337,912	$ (340,147)
1995	$ 28,129	$ 32,429	$ 295,743	$ (300,043)
TOTAL	$ 681,838	$ 1,126,973	$ 4,561,341	**$ (5,006,476)**

18 YEAR AVERAGE AIRPORT LOSS SINCE 1995

$ (278,138)

NOTES:

NOTE 1: The 2010 & 2011 figures are unaudited and subject to change based on results of a future audit to be conducted by the State Auditor's Office. **Further, these numbers do not include indirect cost allocation or staffing cost.**

NOTE 2: Total capital spent since 1995 does not include capital assets disposed of. Therefore, the actual cost incurred by the Port should be more than shown. The total capitalized cost since inception in 1991 = $5,561,979 (does not including all of 2012 cost-to-date)

Port's Allocation Methodology Goals and Objectives

- Improve financial information and assist in making informed business decisions
- Ensure cost allocation is equitable
- Ensure cost allocation method can be replicated
- To tie the benefits of the cost to the cost object (i.e. the property, project, operating unit, line of business, etc.)

Port's Independent Review – July 10, 2012

- CliftonLarsonAllen performed an independent review of the Port's cost allocation methodology and financial compilation (July 10, 2012)
- Independent review found the Port's plan
  - accurate
  - fair
  - consistent
  - followed proper guidance for cost allocation plans.

Commission Review – July 10, 2012

- After hearing CliftonLarsonAllen's presentation to the Commission, the Commission was in consensus that the Port's methodology has been proven and is consistent and justifiable. The Commission directed Ms. Fine to prepare ROI's on all Port properties using the approved cost methodology as presented by CliftonLarsonAllen.

Port's Cost Allocation Model – Airport Comparison

- Compiled Data from Washington State Airports to Compare to the Port of Kennewick:
  - Obtained Asset Size
  - Obtained Total Revenues
  - Obtained Total Expenses
  - Obtained Direct Staffing Cost
  - Obtained Indirect Cost Allocated
  - Obtained Depreciation Expenses

Sources used: FAA, Washington State Auditor's Office, and Actual Ports Verified

Port's Cost Allocation Model – Need For Direct Staffing & Indirect Cost Allocation

COMPARATIVE WASHINGTON STATE AIRPORT PROFIT & LOSS

CONFIRMED AIRPORT FINANCIALS		AIRPORT			2011							
PORT	FAA Funded	Balance Sheet Book Value (cost)	2011 Capital Expenses	Outstanding Debt	610 Revenues	710 Expenditures	Airport Depreciation	Staff Cost	% of Staff Cost vs. Exp (less Dep.)	Indirect Cost	% Indirect vs. Exp (less Dep.)	Profit/ (Loss)
Seattle-Seatac	Yes	3.6B	166.8m	2.6B	349.7M	308.6M	116.7M	110.6M	58%	49.8M	26%	41M
Camas-Washougal	NO	3.4M	$0	$0	333,702	496,320	101,217	43,871	11%	167,388	42%	(162,618)
Anacortes	Yes	6.6M			271,065	575,355	388,265		0%	48,410	26%	(304,290)
Port Townsend	Yes	2M	229K	0	119,241	427,125	276,198	49,259	33%	20,546	14%	(307,884)
Skagit County	Yes	28.6M	2.8M	273,339	648,260	1,078,746	696,650	202,663	53%	447,008	54%	(430,486)
Chehalis-Centralia	Yes		147K	2,525,448	559,361	1,006,784		250,813	25%	0	0%	(447,423)
Friday Harbor	Yes	18.5M	1.2M	0	446,410	894,620	416,732	310,882	65%	75,638	16%	(448,210)
Walla Walla	Yes		1.6M	3.7M	2,852,854	3,325,420	1,620,816	888,121	52%		0%	(472,566)
Bellingham	Yes	91M	15.6M	30.2M	7,069,396	7,648,629	3,073,978	3,231,790	71%	942,517	21%	(579,233)
Port Angeles - William R Fairchild	Yes	23M	271K	0	317,411	1,101,606	519,664	86,894	15%	344,292	59%	(784,195)
Yakima Air Terminal	Yes		229K	260K	1,224,309	2,089,664	963,650	962,870	86%		0%	(865,355)
Olympia	Yes	28.9M	631K	0	731,732	1,893,096	854,699	348,268	34%	423,961	41%	(1,161,364)
Bremerton	Yes	31M	584K	655K	405,155	1,580,705	772,613	367,725	46%	131,770	16%	(1,175,550)
Chelan County - Pangborn Memorial	Yes	27M	866K	653K	998,718	$2,349,246	872,914	785,821	53%	-	0%	(1,350,528)
Port of Benton	Yes	19.5M	2.5M	0	341,806	1,912,406	659,594	-	0%	-	0%	(1,570,600)
Pasco (3)	Yes		3.9M	1.8M	5,141,002	6,822,881	3,022,592	2,514,883	66%		0%	(1,681,879)
Boeing Field	Yes		17.7M	5M	18,9M	25M	4.1M	13.4M	64%		0%	(6,024,000)

Port's Cost Allocation Model – Need For Direct Staffing & Indirect Cost Allocation

PORT OF KENNEWICK RATIO ANALYSIS TO TOTAL EXPENSE
Direct Staffing Cost Ratio 37%
Indirect Cost Ratio 11%

WASHINGTON STATE AIRPORT AVERAGE RATIO ANALYSIS TO TOTAL EXPENSE
Direct Staffing Cost Ratio 37%
Indirect Cost Ratio 16%

Port's Cost Allocation Model

Identified all direct costs and applied those costs to operations/property

VISTA FIELD AIRPORT - 2011

Expenses		
Repairs to Equipment/Building	$	6,600
Utilities	$	15,374
Outside Services	$	2,500
Legal Expenses	$	7,707
Janitorial Expenses	$	2,790
Maintenance	$	16,645
Insurance (liability only)	$	11,260
Telephone and Internet	$	2,080
Misc	$	1,387
Direct Salary Expense	$	153,573

Port's Cost Allocation Model – Direct Staffing Cost Calculation

Ratio: Airport Direct Staffing Expense To Total Port Staffing Expense

Direct Staffing Expenses:

Airport Direct Staffing Expense	$ 153,573
Total Port Staffing Expense	$ 1,202,533
Airport Direct Staffing Expense Percentage of Total	12.7%

PORT of KENNEWICK
Open for Business!

Port's Cost Allocation Model – Direct Staffing Cost Calculation

- How Did Staffing Cost Get Allocated to the Airport?

Out of the total Port workforce, 12% man hours was deemed to be spent in airport operations. Staffing allocation was determined by:

1. Sampling of timesheets for all staff who logged their hours by operation/task;
2. Sampling estimate was further refined by conducting staff interviews covering their job duties and tasks performed, reviewing their time allocations, and comparing estimated time with the sampling results;
3. Then we compiled each staff member's time spent in the operation versus their total hours and performed an analysis to have staff confirm for the final data input.
4. The percentage of individual time worked was then allocated to each operation and then multiplied by the individual staffing cost.

PORT of KENNEWICK
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VISTA FIELD AIRPORT TASKS PERFORMED SINCE MARCH 2010 THROUGH JULY 16,2012

- **Tammy Fine, CPA, CFE, Port of Kennewick CFO**

PORT TASKS RELATED TO VISTA FIELD

- Update Commission on the vast amount of projects and tasks performed at Vista Field since 2010.
- This shows the Ports efforts to support the Airport and the continued efforts towards sustaining the viability of the Vista Field.
- Gives Commissioners a good example of the amount of work and time that is required for operations at Vista Field.

Note: this does not capture all staff time or projects or tasks spent working on Vista Field.

2010 VISTA FIELD EXPENSES (note: this does not include staff time or indirect cost allocation):

- $4,559.45 to Rogers Surveying for Airport Hangars (capital)
- $25,675 to JUB for the Vista Field Master Plan update (capital)
- $7,027.09 on repairs to airport
- $12,455.56 to City of Kennewick, Cascade Natural Gas and BPUD for utilities of FBO building, and Hangars
- $10,117.12 to outside services for IT and planning
- $606.50 for legal fees for the airport – FBO lease, ensuring longevity of the airport, and other legal matters
- $4,674.87 to Dependable and Waste Management for janitorial and garbage
- $17,300.30 to Heritage, Senski, Coyote Crew, Ray Poland and Baisch for grounds maintenance and snow removal
- $11,481.44 for airport liability and storage tank pollution insurance only (does not include property)
- $1,415.44 for telephone and internet services
- $ 7,106.45 for miscellaneous expenses – feasibility study, advertisement, etc....
- $17,667.39 for airport portion of governmental relations consultant cost

TOTAL 2010 = **$120,086.61**

2011 VISTA FIELD EXPENSES (note: this does not include staff time or indirect cost allocation):

- $3,700 to Chris Herath for Airport Hangar Design (capital)
- $7,450 to JUB for finalizing the Vista Field Master Plan (capital)
- $3,767.25 for new beacon (capital)
- $2,656.08 for new exterior lights on hangars (capital)
- $2,875 for slurry seal project (capital)
- $3,247.11 to fix Don Clayhold's hangar door
- $3,352.85 on other repairs to airport
- $15,373.91 to City of Kennewick, Cascade Natural Gas and BPUD for utilities of FBO building, Jackson's building and Hangars
- $2,500 to Anchor QEA for Vista Field fee analysis
- $7,706.75 for legal fees for the airport – FBO lease, ensuring longevity of the airport, and other legal matters
- $2,789.67 to Dependable and Waste Management for janitorial and garbage
- $16,644.79 to Heritage, Senski, Coyote crew, and Baisch for grounds maintenance

2011 VISTA FIELD EXPENSES (note: this does not include staff time or indirect cost allocation):

- $11,259.90 for airport liability and storage tank pollution insurance only (does not include property)
- $11,259.90 for airport liability and storage tank pollution insurance only (does not include property)
- $2,080.43 for telephone and internet services
- $329.00 for taxes and licenses
- $1,037.18 for miscellaneous expenses
- $17,667.39 for airport portion of governmental relations consultant cost

TOTAL 2011 = **$104,437.31**

2012 VISTA FIELD EXPENSES (note: this does not include staff time or indirect cost allocation):

- $4,305.29 for new exterior lights (capital)
- $15,113.75 for slurry seal project (capital)
- $1,934.13 repairs to airport hangars and equipment
- $7,520.61 to City of Kennewick, Cascade Natural Gas and BPUD for utilities of FBO building, Jackson's building and Hangars
- $6,210.40 to Anchor QEA for studying transferring airport to non-profit
- $23,095.69 for legal fees for the airport – FBO lease, ensuring longevity of the airport, PDA, legal financing options, and other matters
- $1,154.98 to Dependable and Waste Management for janitorial and garbage
- $8,282.49 to Heritage, Senski, Coyote Crew, Ray Poland and Baisch for grounds maintenance and snow removal
- $8,047.33 for airport liability and storage tank pollution insurance only (does not include property)
- $1,523.24 for telephone and internet services

2012 VISTA FIELD EXPENSES (note: this does not include staff time or indirect cost allocation):

- $1,352.73 for miscellaneous expenses
- $9,661.33 for airport portion of governmental relations consultant cost

TOTAL through July 16, 2012 = **$88,201.97**

2010 MAJOR TASKS PERFORMED

- Cooperated efforts with City of Kennewick on Vista Field.
- Applied for grant for master planning.
- Updated 2006 JUB Master Plan.
- Created airport design guidelines.
- Solicited leads for hangar space.
- Sent out RFPs for a fixed base operator and selected FBO.
- Re-zoned the airport property to public facilities designation.
- Marketed parcels at airport.
- Accounting/Administration Staff - daily, weekly, monthly, and annually accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Director of Operations-1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair, time spent is greater than 2 hours daily).

January 2011 Detailed Tasks Performed

- Port hired JUB for airport engineering for various tasks– JUB assisted the Port in PCLI engineering access to airport and hangar site.
- Larry, Teresa, Tim and Tammy worked on airport FBO agreement.
- FBO operator, Jacksons was added.
- Hired Lobbyist to seek alternative funding for various airport projects.
- Teresa, Tammy, Jen dealt with past due tenant issues and had to evict a chronically past due tenant. However, staff was able to retain the other tenants occupying hangar.
- Started improving airport access controls and general lease operation controls.
- Added Port van as airport pilot courtesy car.
- Teresa Hancock brought forth her years of experience of effective property management skills to the airport in absence of an airport manager. Teresa started changing signs, checking messages, greeting fly in pilots, helping check in and out courtesy car, dealing with daily airport tenant issues, learning airport operations, and other daily airport management tasks.
- Teresa, Tammy and Tana worked on improving the airport courtesy car program and procedures.

January 2011 Detailed Tasks Performed

- Teresa added fuel and other pilot requested information to Port website.
- Tana made changes to Port website to include a Vista Field page in November.
- Teresa worked on two new hangar leases (Keenan/Garbutt) and changed locks on A1.
- Teresa and Tammy worked on flowage report and study.
- Tim, Larry, Chris Herath A&E work on hangar design standards.
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa– 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

February 2011 Detailed Tasks Performed

- Teresa worked on deactivating nearly 85 old, outdated, unknown access cards on the three access gates that were issued out many years ago and have not been updated.
- Teresa noticed security issues where airport users were leaving the FBO door and gates open. Teresa helped inform airport users and tenants as well as posting signs to close gate/doors to help reduce potential security/safety issues.
- Mike and Gene replaced and fixed airport light beacon.
- Teresa worked with Connell Oil to update fuel tank reporting and to learn all the required reports and procedures for security, safety, health and EPA compliance.
- Vista Field Master Plan was finalized.
- Teresa, Tammy, and Augie tracked down missing airport courtesy car (according to Jackson's it was in hangar) to relocate to Port's FBO building parking lot and developed more stringent check in/out procedures.
- IT worked on computers in pilots lounge.

February 2011 Detailed Tasks Performed

- Teresa, Jen and Tammy worked on cost savings ideas for the airport in order to help the viability of the airport while working to reduce the operating loss and obtaining a profit. In 2011 Port saved $827.64 by just removing the extra 4 yard dumpster (since it was not being used – was formerly in place to serve the former FBO and TCVCB tenants); it was replaced with a 96 gallon container.
- Jen – worked on removing large dumpster removal/replacement container.
- Skip, Tim, Tana, Larry and Tammy worked on HAEFIC grant for Vista Field.
- Commission and Tim hired an airport consultant, Riedesel, to assist with grant application and other Vista Field projects.
- Teresa renewed access lease and other hangar leases.
- Tammy – worked on job description for a potential airport manager to assist in operations.
- Tim and Tammy worked on state grants for Vista Field.
- Tim, Larry, Chris Herath A&E work on hangar design standards.

February 2011 Detailed Tasks Performed

- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

March 2011 Detailed Tasks Performed

- Tammy and consultant worked on and submitted WSDOT aviation grant.
- Teresa, Jen and Tammy developed more cost savings ideas at the airport: 1) looked at phone and internet that would be less than $305.62 per month 2) looked at reducing cleaning since the FBO building is rarely used (just removed FBO office cleaning in May as there is no need) 3) staffed looked into the utilities for the month of January were $1,072.49 and Cascade Natural Gas was $742.66 (which is Jackson's building). However, there appears to be no control over this as it is Jackson's building creating a large utility cost and in the pilot lounge area the thermostat is adjusted randomly by non-Port staff.
- Teresa updated Airnav, 100ll, FAA & Flight Plan with information and prices changes (ongoing).
- Teresa conducted hangar inspections.
- Teresa deals with tenant issues at the airport.

March 2011 Detailed Tasks Performed

- Port hired CB Richard Ellis to help with developing a plan to help close the airport operating gap with the goal of breaking even to turning a profit as per Commission directive with ROI/Feasibility/Market analysis.
- Replaced Avgas fuel hose (exposed wiring hazard) and notified Airnav (fuel down temporarily).
- Tim and Teresa – worked on ARC event as per David Hanson's request.
- Tim, Larry, Chris Herath A&E work on hangar design standards.
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

April 2011 Detailed Tasks Performed

- Port repaired faucet in men's room at airport FBO $92.06 cost.
- Teresa worked on getting proper cleaning items for airport pilots lounge.
- Teresa, Tammy, Tim and Gene worked on tenant issue where tenant wanted Port to pay for a 6-yard dumpster for him to dispose of his personal items.
- Teresa, Tammy, Tim, and Gene worked on rules and regulations for airport.
- Tammy worked on researching other options for a rental car as requested by pilots in commission meeting. Enterprise rental car would provide a discount for pilots, pick-up and drop-off, as well as proper signage for visiting pilots.
- Teresa met incoming pilots on weekends for courtesy car due to Jackson flight center's absence.
- Teresa updated signs and voicemail at FBO adding Mike and emergency contact numbers and removed Jackson Flight Center due to them disconnecting their phone number and not being present at Vista Field. Teresa received several pilot calls and they were confused on who to call as Jackson's number was disconnected without Port knowledge.

April 2011 Detailed Tasks Performed

- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

May 2011 Detailed Tasks Performed

- Teresa worked with Jacksons to find out why they disconnected their number and other various issues related to their serving as FBO.
- Teresa again worked on main gate, FBO main door and side door entrance issues (all were left open). Teresa also works on cleaning up urine left in bathroom, paper towels thrown about and a mess in the lounge area, to ensure FBO area is appealing for visiting pilots. Teresa also notified Marjy L. by e-mail about the security and safety of the airport issues and clean-up issues and asked her to share this issue with her interest group.
- Teresa trained Augie on courtesy car check in/out procedures.
- Teresa, Tammy, Tim, and Gene worked on rules and regulations for airport.
- Teresa contacted various hotels in proximity to airport for pilot discounts.
- Augie and Teresa checked out courtesy car on Friday May 20th and back in on Sunday May 22.
- Tammy gets update on WSDOT aviation grant from Riedesel –WSDOT to complete their evaluation by June 30th

May 2011 Detailed Tasks Performed

- Teresa, Tammy, Gene and Tim worked on FBO RFP.
- Tammy worked on ROI for airport and FBO RFP.
- Tammy, Teresa and Insurance Company worked on best practices for insurance.
- Teresa worked on lease hangar revisions.
- Teresa worked on airport fuel station DOE compliance report (ongoing).
- Teresa – airport fuel station service/maintenance and reporting updates to pilots.
- Teresa – ongoing FBO courtesy car check in/out.
- Teresa – lease plans.
- Teresa – assembling FBO manual for quick reference.
- Tana – HAEFIC Grant application.
- Tammy – onsite monitoring of FBO due to beer cans being left around, trash thrown around and unauthorized access into FBO administration office.

May 2011 Detailed Tasks Performed

- Teresa finds out that Jackson sold their Prosser business and will be focusing on Moses Lake operation only. Jackson told Teresa they spent $4,500 in advertisement and marketing of Vista Field with no resulting business so they had to lay off staff.
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

June 2011 Detailed Tasks Performed

- Teresa worked on lease hangar revisions.
- Teresa worked on airport fuel station DOE compliance report (ongoing).
- Teresa – airport fuel station service/maintenance and reporting updates to pilots.
- Teresa – ongoing FBO courtesy car check in/out.
- Teresa – lease plans.
- Teresa – assembling FBO manual for quick reference.
- Tana – HAEFIC Grant application.
- Teresa, Tammy, Tim, and Gene worked on rules and regulations for airport,
- Tammy – onsite monitoring of FBO due to beer cans being left around, urine on the walls, trash dumped and strewn about, and unauthorized access in FBO administration office.
- Jen and Tammy – worked on WSDOT reimbursement request for Master Plan grant.
- Teresa fielded three hangar inquiries.

June 2011 Detailed Tasks Performed

- Larry, Tammy and A&E – worked on grant documents with WSDOT.
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

July 2011 Detailed Tasks Performed

- Teresa- conducted annual leak detection test with PETCO, Dept. of Ecology for UST. -- Port passed compliance tests.
- Teresa – met with aviation related business but no aircraft for 6600c. but business declined to lease since they were only interested in paying for a "portion of a hangar".
- Teresa- contacted Daryl Jackson for access cards, keys to hangars, courtesy car keys. Jackson delivers them with pin number to hangar door.
- Teresa- issues courtesy car to Mr. Sharp.
- Teresa – worked with Jackson to gather hangar information and radio location.
- Teresa – fielded calls for hangars and space at FBO.
- Teresa – received FBO proposal from John Williams and he was directed to review Port's website and master plan.
- Larry, Tammy and A&E– work on grant application with WSDOT.

July 2011 Detailed Tasks Performed

- Tammy – worked on question posed by public on the airport courtesy car being a gift of public funds – SAO determined it was a gift if no fees were charged. Staff updated commissioners and were directed to remove courtesy car.
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

August 2011 Detailed Tasks Performed

- Teresa – coordinated several times with Baisch to spray runway, taxiways and center area for sagebrush, tumbleweeds, impediments/obstructions around lights.
- Teresa – met with Krystal Rodriquez with Department of Ecology on fuel station compliance.
- Teresa – two hour meeting with FBO proposer John Williams.
- Tim, Teresa, Marjy, Carl and Don met at airport to discuss their ideas and intents for FBO.
- Teresa – two hour meeting with Jason Hart of Bellingham for FBO proposal.
- Deadline for FBO RFP (5 inquiries).
- Jen and Tammy – work on transferring phones for cost savings at Vista Field.
- Larry, Tammy and A&E– work on grant documents.
- Jen, Augie, Mary, Teresa and administration staff -Daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.

August 2011 Detailed Tasks Performed

- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

September 2011 Detailed Tasks Performed

- Teresa, Larry, Tim, and staff reviewed FBO RFP's.
- Teresa – met with new hangar tenants (US Fish and Wildlife).
- Teresa and Larry – reviewed runway for cracks in pre-winter inspection.
- Tammy and Teresa – worked on liability insurance renewal.
- Tammy and Teresa – worked on updating lease contracts.
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

October 2011 Detailed Tasks Performed

- Teresa- updates website posting daily (Monday – Friday) with daily fuel, clean-up and reporting monitoring.
- Teresa – formulated signage bid and met with fast signs (awarding vendor).
- Teresa – corrected two taxiway B signs that were incorrectly installed in 2005.
- Teresa – met with Ted Erb (potential tenant). Noted he offered no credentials, financing, or business licenses, however, he stated he will work on them.
- Teresa – fuel tip was broken on Saturday so Teresa worked on a tip to track down the pilot who broke it and then fled the scene. Teresa replaced it at a cost of more than $60.
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

November 2011 Detailed Tasks Performed

- Teresa – met with Ted Erb on several occasions at the airport and corporate hangars.
- Teresa – sent email to Dr. Shannon for his approval for deal points for the Corporate Hangar for BK Attorney Service lease in corporate hangar since the Port was in the process of developing an FBO lease agreement with Dr. Shannon. Mike stated it was okay to proceed with BK's lease.
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

December 2011 Detailed Tasks Performed

- Teresa- worked on security gate malfunction and coordinated repair.
- Teresa- finalizing new lease with Jay Jump.
- Teresa – meeting with Marjy at FBO.
- Teresa – worked with hangar lease termination (Clark Denise) and deactivated cards at three gates.
- Teresa – worked on new hangar lease with Jay Cadwell.
- Teresa – started working on organizing guidebooks for FBO (ongoing process).
- Teresa – worked on new rental agreements and access cards.
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tassk.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

January 2012 Detailed Tasks Performed

- Teresa- replaced ANOTHER broken fuel tip (the second time in three months—vandalism is suspected).
- Staff spent several days working on transition process and compiling procedure documents for Dr. Shannon.
- Larry, Tammy and engineer worked on Vista Field slurry seal project.
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

February 2012 Detailed Tasks Performed

- Teresa- hangar showing with Bob Green from Seattle.
- Teresa – activated access cards at three gates for Cadwell and his wife.
- Teresa – replaced the flag at the FBO.
- Teresa – received a request for the Port to provide more financials to Dr. Shannon; which Port provided.
- Tana – began working on 2012 grant application for WA State Aviation requesting funding to make security & runway improvements to Vista Field.
- Teresa – visited with Dr. Shannon and he was unhappy the Port hadn't transferred the procedure "binders" for the property and is unhappy with staff that they can't meet on weekends or after 5 p.m.
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

March 2012 Detailed Tasks Performed

- Teresa- met Marjy regarding the air race classic event.
- Tammy and Larry – slurry seal grant project.
- Tammy and staff – developed cost savings ideas.
- Tim, Skip, Tana, Tammy, Larry and Steve Di Julio with Foster Pepper – worked on PDA as an option and received draft PDA documents to review.
- Tana submitted 2012 WA State Aviation grant for security and runway improvements (cameras and to crack seal, seal coat, and strip the runway and taxi-ways)
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

April 2012 Detailed Tasks Performed

- Teresa – worked on the pilot's complaint to increased fuel flowage from 8 seconds to 4 seconds at the request of Commission Hanson. Pilots were stating it took 30 seconds to start, however Port confirmed it is only 8 seconds.
- Tim, Skip, Larry, Tammy, Tana – 2 hour meeting to go over Vista Field proposal and 1.5 hour meeting with Steve DiJulio with Foster Pepper on a potential Public Development Authority for Vista Field in the event Dr. Shannon and the Port can't come to an agreement on a lease.
- Tammy – worked on airport financials.
- Tana prepared/submitted additional grant support information as requested by WSDOT Aviation.
- Tim, Lucinda , Skip, Tammy and Ben Floyd with Anchor QEA – worked on PDA option for protecting and keeping the airport as a viable option.
- Tammy, Lucinda, Tim, Teresa – ARC audit and financial concerns reviewed.
- Tammy and Teresa – worked with rental car and taxi agencies for discounted options for pilots instead of Port courtesy car (considered a gift of public funds by SAO).
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.

April 2012 Detailed Tasks Performed

- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

May 2012 Detailed Tasks Performed

- Teresa, Tammy, Tim and Skip- Fuel sales and revenue FMV analysis.
- Tammy and Tana – worked on ARC memo.
- Tammy, Larry, & Tim – FBO proposal cost reviewed with consultant and CPA firm on several occasions.
- Tammy and Teresa – worked on renewal of Connell Oil lease.
- Teresa – checked in planes (from Spokane).
- Teresa, Skip, Tim, Tammy – Vista Field lease matters, FMV rate analysis, profit and loss review.
- Tammy and Bill Tonkin with Foster Pepper – legal options for raising funds for Vista Field FBO proposal.
- Ben Floyd with Anchor QEA – updated Vista Field user group Gary Long; Carl Cadwell; David Hanson; Marjy Leggett; Don Clayhold on Vista Field financials, the PDA meeting discussion, and information on PDAs.
- Bridgette – emailed Mike Shannon to set up meetings.
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.

May 2012 Detailed Tasks Performed

- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

June 2012 Detailed Tasks Performed

- Teresa- cleaned asphalt due to significant oil drippings on the tie down area (helicopter).
- Tim, Tammy and Lucinda – spent several hours and several meetings going over the FBO proposal.
- Teresa – cleaned up a fuel spill.
- Teresa, Tammy, Tana, Tim, Skip – spent several hours on the Air Race Classic event. Reviewing for gifting of public funds, best practices, insurance needs, communicated with the ARC president and staff, and communicated with the 2012 Airport who's hosting the start, and communicated with Marjy of the local 99's. Presented ARC information to Commissioners.
- Tammy and Teresa – worked on storage tank pollution liability.
- Tammy and Tim – cost analysis on FBO proposal.
- Tammy – Tri-City Herald requested information regarding the ARC and was provided.
- Larry – Tri-City Herald requested information on Vista Field Economic Impact Study and aviation statistics which was provided.
- Tim, Tammy, and Don – two hour meeting regarding vista field.
- Tammy, Tim and Skip – two hour meeting regarding vista field.

June 2012 Detailed Tasks Performed

- Tammy and Gene – two hour meeting regarding vista field.
- Tammy, Tim, and Bill Tonkin with Foster Pepper- worked on legal funding alternatives for vista field.
- Tim, Tammy, Larry and Foster Pepper – worked on scope of work for RFQ.
- Tammy, Tim, Lucinda, Skip, Teresa, Larry, Tana – reviewed Dr. Shannon's communication and worked on the proposal.
- Tammy, Tana and Consultants – worked on FBO proposal cost.
- Tammy, Teresa, and Staff – worked on VF work completed memo and work in progress.
- June 21 – Tim, Skip and Lucinda – had a long meeting with Dr. Shannon regarding his proposal.
- Tim, Tammy, Teresa, Larry and Skip – Vista Hangar rent adjustment.
- Tammy – visited with other ports regarding airport funding and revenues.
- Teresa –deals with tenant Monte Bauder regarding hangar issues and not providing insurance.
- Bridgette – VF FBO, researched RFP instructions, updated website, made copies of RFP documents and FBO proposal process, made copies of 9/27/11 and 5/22/12 meeting minutes for FBO proposal.
- Bridgette – met with various staff and Skip regarding the FBO proposal.

June 2012 Detailed Tasks Performed

- Bridgette – worked with transcriber on the 9/27/11 minutes and further reviewed and worked on the verbatim minutes, and created CD's with the transcriber Jo Greenwood.
- Bridgette – worked on Vista Field miscellaneous items, posted VF documents on the Port website, responded to a public records request by Kirk Williamson for Air Race Classic documents, and reviewed ARC file.
- Teresa and Larry met with WSDOT Aviation personnel so they could inspect Vista Field and to learn about the state's aviation grant funding their new planning/prioritization process.
- Jen, Augie, Mary, Teresa and administration staff - daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

July 2012 Detailed Tasks Performed

- Teresa- deactivated several old access cards.
- Teresa – worked on tie-down agreement with a pilot who has been using Port property and not paying for a lease. Asked pilot to pay a tie-down fee and to provide insurance.
- Teresa – deactivated access cards for Bill Miller who was using the tie-down area for over two weeks and was uninterested in paying $20 per month for a tie-down fee and unwilling to provide insurance.
- Teresa – finalized new fuel lease with Connell Oil.
- Tammy, Jen, Augie and Mary – updated accounting database, audited contract, and updated MAS90 to reflect amended leases and new leases.
- Bridgette and Tammy – worked on public records request (later canceled July 5th).
- Tim, Lucinda, Larry, other staff and independent consultants– worked on RFQ for new study that will take a look at various alternatives for Vista Field.
- Tammy – worked on funding scenarios for the consulting study of $225k and bid process.
- Tammy – RFQ scope of work and bid process.
- July 3 & 5– Bridgette/Tammy – Public records request.
- Tammy/Teresa – Vista Field Lease

July 2012 Detailed Tasks Performed

- Tana followed up with WSDOT regarding 2012 grant application; projects now prioritized by state and Vista Field runway improvements were not funded.
- July 12 – Skip, Lucinda, and Tammy – met with Tri-City Herald editorial board regarding Dr. Shannon's proposal and Port's draft lease agreement.
- July 12 to July 17- Tammy worked on copying documents requested by Tri-City Herald editorial board. Tammy worked on letters and emails that would be helpful for the Herald to view that deal with the Port's intentions and efforts to ensure viability of the airport and our efforts to work with Dr. Shannon on an FBO lease.
- Bridgette – worked on VF Citizen & Elected Official Committee, and posted VF documents on website.
- Bridgette – sent contact information for RFQ for future of VF study to Jim Hagar.
- Jen, Augie, Mary, Teresa and administration staff – daily, weekly, and monthly accounting tasks such as accounts receivables, cash receipting, deposits, letters for non-compliance/delinquencies/insurances, new/terminated/updated lease contracts and database, and other accounting tasks.
- Teresa – 1 to 2 hours of daily tasks such as record fueling, log aircraft, meet/greet pilots (if any), check restrooms and lounge area for cleanup, pick up trash and empty outside cans if full, drive through property for potential issues, repair necessary items such as gates, landscaping, lights, etc… if malfunctioning (if repair then time spent is greater than 2 hours daily).

Work-In-Progress

- Airport Fuel Station DOE Compliance Reports (ongoing).
- Airport Fuel Station Service/Maintenance (ongoing).
- Airport Updates – Fuel and Aviation Websites (ongoing).
- Airport Hangar Inspections (ongoing).
- VF Alternative Study –RFQ.
- ROI/Market/Feasibility Analysis (CBRE).
- Other ongoing tasks such as accounting, administration and onsite management.

Port's Cost Allocation Model – Direct Staffing Cost Calculation

% Worked	25%	1%	2%	9%	12.5%	39.3%	22.2%	4.4%	3.95%	2.5%	7%	Airport Weekly Hour Avg		
Weekly Hours Worked	10.0	0.4	0.8	3.6	5.0	15.7	8.9	1.8	1.6	1.0	2.8	51.5	440	12%

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Port's Cost Allocation Model – Direct Staffing Cost Calculation

- Weaknesses - Direct Staff Calculation
  - Commissioners spend a significant amount of time regarding the airport and their staffing cost was not included in the direct staffing calculation.
  - Properties such as the airport do not include the various hours spent on one-time projects/tasks that take up tremendous amount of staffing hours. Port did not account for unusual tasks such as the airport studies over the years (2006/2010/2012) and other time consuming projects/tasks that rarely occur. Therefore, the Port use a conservative method. If all the time worked in the airport was allocated, the cost would be more than reported.

Port's Cost Allocation Model – Indirect Cost Allocation

Identified all Indirect Cost

General Administration (Non-Direct Cost) -Repairs Port Office; General Tools & Equipment; Maintenance Port Office Grounds; Repairs to Port Office Equipment; Outside Services (IT Support, Printer/Copy Service, Records Storage/Management, Shredding Services, Security); Accounting; Office Supplies; Port Office Janitorial; Port Rentals (Water/Postage Machine); & Port Office Utilities.	$ 159,717

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Port's Cost Allocation Model – Indirect Cost Allocation Rate

Calculate Indirect Cost Rate Based On Direct Costing Approach

Direct Costing Approach

Airport Total Direct Expense	$ 219,915
Total Port Direct Expense	$ 1,002,679
Airport Direct Percentage to Total Port Direct Expense	21.8%
Indirect Cost Allocation Rate	21.8%

Port's Cost Allocation Model – Indirect Cost Allocation

Apply Direct Cost Rate To Indirect Expenses (G&A)

Indirect Cost Allocation Calculation:

Indirect Cost Allocation Rate	21.8%
Total Identified Indirect Port Expense	$ 159,717
Airport Indirect Cost Allocated	$ 34,870

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Port's Cost Allocation Model – Indirect Cost Allocation

Identify Other Indirect Expenses that Do Not Meet the Direct Cost Allocation Methodology and Allocate Accordingly

Indirect Cost Allocation Calculation Exceptions:

Government Relations Consultant – Airport; Clover Island; Columbia Drive/Willows	$	53,002
Allocated 1/3 to Airport	$	17,490

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Port's Cost Allocation Model – Indirect Cost Allocation for Insurance

Identify Other Indirect Expenses that Do Not Meet the Direct Cost Allocation Methodology and Allocate Accordingly

INSURANCE COST ANALYSIS AT COST- (BOOK VALUE)

	Property Value	Percent of Total PORT Property	Annual Premium
Total Value of PORT Property Insured	$50.7		
Property Insurance Premium	$76k		
Insurance Cost per Property Value	***$0.001501***		
Airport Property Value	$5.6m	10.96%	$8,339

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Port's Cost Allocation Model – Indirect Cost Calculation

- Weaknesses – Indirect Cost Calculation
  - It does not include all indirect costs (A Full Costing Approach Was not Used, Therefore, the Port used a conservative approach).

COSTS THAT WERE **NOT INCLUDED** IN THE AIRPORT COST ALLOCATION :

General and Administration expenses such the indirect Employee cost, Commissioners cost, TRIDEC & other membership dues, Legal expenses for the Port, auto expenses, promotional hosting, education, meeting expense, advertising, Tri-Ports, publications, newsletter, telephone, Benton County weed/irrigation assessments, misc expenses; and Non-Operating expenses Comp Scheme, Line of Credit Interest, tribal partnership, public records cost, investment fees, other non-operating fees.

	6 month ending 6/30/2012	Year Ended 12/31/2011	Year Ended 12/31/2010	Year Ended 12/31/2006
Airport				
Operating Revenues	$ 17,293	$ 43,302	$ 42,194	$ 62,407
Total Revenues	$ 17,293	$ 43,302	$ 42,194	$ 62,407
Expenses				
Repairs to Equipment/Building	$ 1,935	$ 6,600	$ 7,027	$ 9,040
Utilities	$ 6,558	$ 15,374	$ 12,456	$ 14,676
Outside Services	$ 3,419	$ 2,500	$ 10,118	$ 4,807
Legal Expenses	$ 13,873	$ 7,707	$ 607	
Janitorial Expenses	$ 1,113	$ 2,790	$ 4,675	$ 4,331
Maintenance	$ 7,631	$ 16,645	$ 17,300	$ 16,591
Insurance (liability only)	$ 8,047	$ 11,260	$ 11,481	$ 8,278
Telephone and Internet	$ 1,523	$ 2,080	$ 1,415	
Misc	$ 1,290	$ 1,387	$ 7,106	$ 562
Operating Expenses (excluding Direct Salaries/Benefits; Allocated G&A, and Depreciation)	**$ 45,389**	**$ 66,343**	**$ 72,184**	**$ 58,285**
Profit and Loss Before allocated Direct Salaries/Benefits, Allocated G&A, and Depreciation	$ (28,096)	$ (23,041)	$ (29,990)	$ 4,122
Non-Operating Revenues	$ 64	$ 480	$ 719	$ 2,697
Direct Salaries and Benefits	$ (91,830)	$ (153,573)	$ (148,778)	$ (125,242)
Allocated general and administrative expenses (G&A)	$ (32,133)	$ (61,183)	$ (40,004)	$ (42,329)
Profit and Loss Before Depreciation	$ (151,994)	$ (237,316)	$ (218,053)	$ (160,752)
Depreciation	$ (92,012)	$ (183,568)	$ (148,468)	$ (116,779)
Profit and Loss after allocated Direct Salaries/Benefits, Allocated G&A, and Depreciation	**$ (244,006)**	**$ (420,885)**	**$ (366,521)**	**$ (277,531)**

Port's Cost Allocation Model – DPZ "No Action Scenario"

NO ACTION SCENARIO

AIRPORT PROFIT & LOSS 2035 PROJECTION

(At 2013 Dollar Value - Not Adjusted For Inflation)

	Average 2006-2012	Airport P&L 12/31/2035
Airport		
Operating Revenues (1)	$ 50,459	$ 75,298
Indirect Revenue Allocation (4% of operating revenues)	$ 2,219	$ 3,012
Total Revenues	$ 52,678	$ 78,310
Expenses		
Repairs to Equipment/Building	$ 5,143	$ 5,143
Utilities	$ 13,921	$ 13,921
Outside Services	$ 4,397	$ 2,500
Legal Expenses (2)	$ 3,351	$ 1,500
Janitorial Expenses	$ 3,910	$ 3,910
Maintenance	$ 16,737	$ 16,737
Insurance (Liability only) (3)	$ 12,877	$ 12,877
Telephone and Internet	$ 1,613	$ 1,613
Miscellaneous (4)	$ 12,622	$ 1,500
Total Direct M&O Expenses before allocations	$ 74,571	$ 59,701
Profit & Loss Before Allocations	*$ (21, 893)*	*$ 18,609*
Direct Salary Expense (5)	$ 141,019	$ 173,523
Total Direct M & O and Direct Salaries	$ 215,591	$ 233,224
Adjusted Indirect Expenses (6)	$ 46,347	$ 51,662
Total Expenses (Before Depreciation)	$ 261,938	$ 284,886
PROFIT/LOSS (Before Depreciation)	**$ (209,260)**	**$ (206,576)**
Depreciation Expense	$ (151,702)	$ (183,568)
PROFIT/LOSS	**$ (360,962)**	**$ (390,144)**

Port's Cost Allocation Model – Need For Direct Staffing & Indirect Cost Allocation

Assumptions for 2035 Profit & Loss Revenues and Expenses

(1) 2035 revenues are based off 100% occupancy of already existing buildings with 43 based aircraft. The 2006-2012 average does not reflect full occupancy of hangars, FBO building, or tie-downs. X-reference Operating Revenue calculation.

(2) 2035 legal expense was adjusted down to reflect a reasonable and more realistic legal fee estimate. The average 2006-2012 expenses included past legal fees for FBO operator and hangar purchases that may not be incurred in future years under a no action alternative.

(3) 2035 liability insurance should be more than the 2006-2012 average and it is anticipated to be more in line with the 2012 estimated value due to the insurance rate (hard) market conditions. However, to be conservative the 2006-2012 average was used.

(4) 2035 miscellaneous expense was adjusted down to reflect a reasonable and more realistic estimate since the 2006-2012 average included a $75k FBO payout and some master plan costs. Miscellaneous expenses include but not limited to business license, dues, special assessments, and educational items.

(5) 2035 direct salary expense was adjusted to the 2012 estimated level. Direct salary expenses tend to increase over time. Using the historical average would substantially undervalue this line item. Furthermore, the 2035 direct salary expense is at the industry standards.

(6) 2035 indirect expense was adjusted to the 2012 estimated level. Indirect expenses tend to increase over time not decrease. Using an average would substantially undervalue this line item; furthermore, the 2035 indirect expense is below industry standard.

CONCLUSION – Cost Allocation Plan

- Provides better and improved information on the true cost of operating an asset, property, or project.
- CliftonLarsonAllen (one of top ten accounting firms nationwide) deemed it fair, reasonable, complete and an accurate method of accounting.
- Numbers were based on audited or to be audited general ledgers and depreciation schedule.
- Methodology, numbers, and ratios were reviewed and verified by CliftonLarsonAllen & the airport P&L was reviewed by several other independent agencies (Baker & Giles, Anchor QEA, CBRE, and the DPZ expert team).