

Commissioners, the Port has received some comments regarding the operating cost at the airport revealed in the DPZ “no action scenario”. Primarily the questions were regarding the Port’s historical cost, direct staffing cost, the indirect cost allocation, and the depreciation cost. These are valid questions, therefore, I would like to go over the Ports cost allocation plan, where DPZ’s no-action alternative historical numbers came from and how the Port allocates indirect cost, direct staffing cost, and depreciation cost to the Ports various lines of business.

In case you were wondering why CliftonLarsonAllen is listed on this presentation its because I am using information they presented to the Commission on July 10, 2012 regarding the Ports Cost Allocation Plan and because they were the primary firm who reviewed and verified the Ports Cost Allocation Plan.

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).



PORT of KENNEWICK
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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.**



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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		Port of Kennewick STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS For the Year Ended December 31, 2011	
	2011		2011
OPERATING REVENUE		OPERATING REVENUE	
Airport operations	\$ 41,518	Property lease/rental operations	\$ 672,066
Marina operations	292,303	Marina operations	298,100
Property lease/rental operations	675,199	Airport operations	43,302
Total operating revenues	1,011,027	Total operating revenues	1,013,468
OPERATING EXPENSES		OPERATING EXPENSES	
General operations	808,743	General operations	770,164
Maintenance	201,868	Maintenance	204,808
General and administration	1,401,061	General and administration	1,407,077
Total operating expenses	2,411,672	Total before depreciation	2,382,049
Operating loss	(1,400,645)	Depreciation	1,138,841
		Total operating expenses	3,520,890
NON OPERATING REVENUES (EXPENSES)		Operating loss	(2,118,245)
Interest income	30,746	NON OPERATING REVENUES (EXPENSES)	
Ad valorem tax revenue	3,181,426	Ad valorem tax revenue	3,186,768
Disposal of capital asset	228,630	Interest income	30,746
Cash Received on Sales Receivable	53,484	Cash on sale of assets	161,540
Purchase of capital assets	(1,346,519)	Other revenues	10,961
Interest paid on long-term debt	(76,042)	Other (Expenses)	(799,703)
Principal paid on long-term debt	(115,000)	Total nonoperating revenues (expenses)	3,090,306
Capital contributions	567,754	Increase in net assets, before capital contributions	582,829
Other revenues	10,961	Capital contributions	567,754
Other (Expenses)	(223,663)	Increase in net assets	1,150,614
Total nonoperating revenues (expenses)	2,311,978	TOTAL NET ASSETS	
Net Increase (decrease) in cash and investments	911,528	Beginning of the year	\$0,079,574
Beginning Balance of Cash and Investments	11,221,896	Beginning of the year	(1,659)
ENDING BALANCE OF CASH AND INVESTMENTS	12,133,414	Prior period adjustments	
		Total of the year	\$ 1,178,529

The Port of Kennewick in 2010 started to desire more detailed information than what is required of Ports in Washington State. The Commission's desire for more detailed information was triggered after presentations of the Ports future financial viability showing the operating losses over the years and an increasing operating gap into the future. During this process, the Port hired CBRE to help assist the Port in finding ways to make its properties more viable which included the airport. During this process it was determined to be imperative that we capture the full picture of each line of business separately. In 2010 the Port researched various Cities, Ports, allocation standards, and other agencies' allocation methodologies and plans. Then the Port went out to bid for a firm that could help assist the Port in developing a cost methodology plan, review the cost, and verify the numbers.

These are examples of the Port's financial statements presented to the Washington State Auditor's Office for audit (SAO spends about 120 auditing hours, going through the Ports detailed supporting documents which tie into the general ledger that rolls up to this report). This format is required of Ports in the State of Washington as per GASB and SAO. As you can see one could not view the detail breakout by property or operation. Ports expenses are categorized in total by Operating, Maintenance, G&A and depreciation for all lines of business. In 2010 the Ports desire for more accurate and detail information BY BUSINESS LINE is what sparked the need for the allocation of cost to each operations and property.

These financials show what the Port looks like on a cash basis vs. accrual basis of accounting. Cash basis of accounting ties directly to your bank (cash deposited and cash spent). In cash basis, the capital cost would be expensed as incurred. So if you constructed a building and use cash basis you would expense that entire building the year you paid the contractor even though you anticipate future tenant revenue from that building. Now depreciation is a true expense of an entity. Accrual accounting takes that cash basis number and depreciates the huge capital cost over the years to provide a better matching of future tenant revenues with the expense (for example: take a building cost of \$1m straight line depreciated over 40 years -an entity using accrual accounting would show \$25k in depreciation expense each year for 40 years and a cash basis entity would show \$1m in expense in one year only and the rest of the 39 years would show \$0). Using accrual accounting would allow depreciation cost to stay steady, match future anticipated revenues with the expense, and would not fluctuate in the extreme nature as in cash basis accounting.

Why is this all important to know? I'll show you the airport example in the next few slides of how cash basis of accounting impacts the financials when using actual capital cost spent in the year incurred instead of depreciating that cost over the years. This is why the CPA firms, DPZ & consultants, the Port and others felt it is important to include depreciation cost in the final airport numbers. They also felt it was important to add staffing and indirect cost to get a more accurate picture of the operations of the airport as a stand alone entity. So regardless of what method you use (cash or accrual) you HAVE to account for the capital cost somewhere and somehow. Depreciation is a generally accepted accounting principal under FASB and GASB and depreciation cost is required to receive a clean financial statement audit opinion in accrual accounting.

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	\$30,039	\$73,112	\$(35,073)	BUDGETED
Unaudited 2011	\$43,303	\$66,343	\$(23,041)	TO BE AUDITED BY SAO- Cash Basis
Unaudited 2010	\$42,191	\$72,185	\$(28,991)	TO BE AUDITED BY SAO- Cash Basis
2009	\$34,011	\$30,255	\$(15,344)	SAO AUDITED NUMBERS - Accrual Basis
2008	\$55,037	\$144,679	\$(89,642)	SAO AUDITED NUMBERS (87% FBO payout & master plan) - Accrual Basis
2007	\$65,391	\$83,599	\$1,791	SAO AUDITED NUMBERS - Accrual Basis
2006	\$67,407	\$38,705	\$4,172	SAO AUDITED NUMBERS - Accrual Basis
2005	\$9,824	\$75,014	\$(17,190)	SAO AUDITED NUMBERS - Accrual Basis
2004	\$30,125	\$70,071	\$(39,646)	SAO AUDITED NUMBERS - Accrual Basis
2003	\$31,716	\$67,256	\$(35,540)	SAO AUDITED NUMBERS - Accrual Basis
2002	\$27,036	\$40,096	\$(13,060)	SAO AUDITED NUMBERS - Accrual Basis
2001	\$27,178	\$116,186	\$(89,008)	SAO AUDITED NUMBERS - Includes \$81k for master plan - Accrual Basis
2000	\$33,501	\$40,344	\$(6,843)	SAO AUDITED NUMBERS - Accrual Basis
1999	\$23,126	\$12,451	\$(10,325)	SAO AUDITED NUMBERS - Accrual Basis
1998	\$27,140	\$41,642	\$(14,502)	SAO AUDITED NUMBERS - Accrual Basis
1997	\$26,502	\$31,590	\$(5,088)	SAO AUDITED NUMBERS - Accrual Basis
1996	\$27,391	\$29,910	\$(2,519)	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 = \$5,561,879 (does not including all of 2012 cost-to-date)				

The DPZ study is the only Port study to evaluate the full and true financial information which included compiling operating costs, staffing costs, indirect costs, and depreciation cost.

This slide shows the direct revenues and direct expenses associated with the airport since 1995. This P&L DOES NOT include direct staffing cost, depreciation, and indirect cost. However, it does give you a look at the audited or to be audited numbers that were directly associated with the airport.

So what is direct staffing cost? It is the cost associated with man hours spent at the airport to keep the airport operating. Vista Field is not an unmanned airport. Nearly all staff at the Port play some roll in all lines of business at the Port which include the airport operation. Even if the Port had an FBO like Tuttle Aviation (who had more than one FTE at the airport), the Port still performed the maintenance, performed the accounting functions (taking payments, sending out bills, bid law paperwork, grant compliance paperwork, aviation fuel compliance & ongoing reporting, L&I reporting, insurance bidding, lease/tenant issues such as insurance/deposit/contract support, DOR reporting, financial reports, and all the paperwork that deals with human resources), oversight staff of policies & procedures and laws & regulations regarding the airport [basically whatever work governments hire out (regardless if it is \$100 dollars or \$1m)---is subject to various bid laws and regulations], staff is needed to plan & assist in any future infrastructure development, oversee construction/consultants/contractors, operating staff such as leasing department, grant writing, and even the Commission is involved at the airport (However, Commission cost was not allocated to the airport).

In this P&L there is no indirect cost allocated to the airport that is associated with the man hours contributed to the airport. What this means is much of the shared cost with other lines of business such as: office supplies used for the airport, information technology, records management, computer cost, printer cost, postage cost, advertisement cost, billing cost for tenants, and other cost indirectly associated with daily operations of the airport are not included in this P&L. Just as an example: the Port buys bulk office supplies for all Port lines of business, this cost is coded to the General & Administration line item that supports all Port operations. If the Airport was its own entity and purchased its own supplies, those costs would then be considered a direct expense of the airport (not shared with any other line of business).

As stated previously, depreciation is a real Port out-of-pocket cost and this cost is not included in this P&L. And since 1995 that capital cost has amounted up to \$4.5m. If you go back to when the Port acquired the airport in late 1991 the capital cost spent is \$5.6m. This cost does not include all of the 2012 capital expenses. These cost are still being compiled and will be final by May 31 2013 which is the deadline to send our financials to the State Auditor's Office for auditing.

If you include the capitalized cost spent, direct staffing cost, and indirect cost in the P&L you will see a more true picture of the cash outflow of the airport each year. Two exceptions would be that some of the depreciation items may have been disposed of and removed from the listing, and the Port received some capital grants (\$309k) to help offset some of the cost. Capital grants are coded to contributed capital as a non-operating line item and in accordance with GASB. Capital grants are not coded against the cost of the asset.

A few more things I would like to point out on this slide is there are some expense and revenue increases when you compare to other years. In 2008 we had the FBO lease payout and a some master planning cost. In accordance to the GASB you can not capitalize these costs. In 2001 there was master planning cost also expended. In 2004 the Port purchased the T-Hangers. In 2009 the Port lost their non-aviation related tenant TCVCB who paid \$17,500 in 2008 for leasing a portion of the FBO building. *If you were to take out the revenues paid by the TCVCB, losses prior to 2009 would be even greater than shown.*

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

		Date In		Prior	Current		Net		
Asset	Property Description	Service	Cost	Depreciation	Depreciation	End Depr	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	226,398.70	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	1,283.74	68.68	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

This is the Port's audited or to be audited capitalized cost and depreciation since the Port acquired the airport in 1991. This depreciation schedule only shows the capital invested by the Port of Kennewick. It does not include other agencies such as the City of Kennewick. Therefore, the original cost of the runway, the FBO building, the cost of the original land, any improvements that may have been made by other agencies is not captured in the Ports depreciation expenses. Furthermore, the Port acquired the airport for \$100k from the City of Kennewick and this cost is not captured in this schedule.

This depreciation schedule is audited in detail by the independent Washington State Auditor's Office. SAO performs this review as part of their financial statement auditing steps and it is an auditing practice to verify the depreciation expense, the method used, the term used, the cost, when the asset was placed into service as well as the total accumulated depreciation over the years.

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

		Date In		Prior	Current		Net		
Asset	Property Description	Service	Cost	Depreciation	Depreciation	End Depr	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	27,674.81	14,825.28	1,104.99	15,930.77	11,694.54	S/I	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	1,473.76	68.64	S/L	15.0
436	5 Poles	8/31/98	801.90	712.80	53.46	766.26	35.64	S/I	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/I	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)

		Date In		Prior	Current		Net		
Asset	Property Description	Service	Cost	Depreciation	Depreciation	End Depr	Book Value	Method	Period
Group: Group: VISTA FIELD AIRPORT									
688	2001 North Quay/Descutes-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. I. 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	44,820.04	22,165.00	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)

		Date In	Prior		Current	Net			
Asset	Property Description	Service	Cost	Depreciation	Depreciation	End Depr	Book Value	Method	Period
Group: VISTA FIELD AIRPORT									
932	Land Improvements - A&E/Survey/Regrading	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	113.20	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

This depreciation schedule goes through January 2012

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	\$ 43,307	\$ 66,343	\$ 206,444	\$ (79,480)
Unaudited 2010	\$ 47,194	\$ 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	\$ 83,599	\$ 1,313,556	\$ (1,311,765)
2006	\$ 62,407	\$ 50,205	\$ 194,623	\$ (190,501)
2005	\$ 57,874	\$ 75,014	\$ 47,791	\$ (64,931)
2004	\$ 30,425	\$ 70,071	\$ 285,882	\$ (335,528)
2003	\$ 31,716	\$ 67,796	\$ 8,451	\$ (44,071)
2002	\$ 27,636	\$ 48,889	\$ 611,903	\$ (633,217)
2001	\$ 27,178	\$ 116,198	\$ 689,515	\$ (758,523)
2000	\$ 33,501	\$ 40,344	\$ 42,548	\$ (49,389)
1999	\$ 23,128	\$ 42,451	\$ 101,247	\$ (120,573)
1998	\$ 27,140	\$ 41,642	\$ 163,685	\$ (178,187)
1997	\$ 28,502	\$ 34,586	\$ 281,084	\$ (286,168)
1996	\$ 27,381	\$ 29,615	\$ 337,912	\$ (340,147)
1995	\$ 28,120	\$ 32,420	\$ 206,743	\$ (300,043)
TOTAL	\$ 681,838	\$ 1,176,973	\$ 4,681,341	\$ (6,006,476)
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)				

If one was to just allocate the actual & the audited or to be audited capitalized cost shown in the previous slide by the year placed into service (more like a cash basis entity would), the average loss each year significantly increases from an average of \$24k to \$278k. This is why accountants capitalize the cost and depreciate the capitalized cost over the years and hence why depreciation expense is an important figure to include in the profit and loss analysis rather than actual capital outlay. Depreciation expense also gives good indication of the future cost that a business should be setting aside for replacement of that asset as its useful life deteriorates and will eventually need either repairs or replacement. However, it should be noted that depreciation is at historical cost— which means that an expense in 1991 would not factor in inflation, so an asset today would cost more to replace in today's dollars than it cost in 1991.

Now these are solid, factual numbers that have been audited by the SAO, or are soon to be audited, that come directly from the Port's general ledger and each expense is supported by a voucher/invoice/supporting documents to prove these expenses exist and are valid airport expenditures. Keep in mind this sample P&L does not reflect any staffing or indirect cost at the airport. Which means that even though the Port puts significant amount of staff time to the airport there is no staff or indirect cost allocated in this analysis. SO THE COSTS SHOWN HERE ARE ACTUALLY UNDER-REPORTED AND TRUE AIRPORT COSTS WOULD BE HIGHER IF EXPENSES RELATED TO STAFFING WERE INCLUDED. So, in order to get a more accurate picture of all the cost associated with each business line, the Port needed to establish a cost allocation methodology for allocating cost to include in the profit and loss figures for each line of business.

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.)

CLIFTON LARSON ALLEN Presented to the Commission on July 10, 2012 the Ports proposed Cost Allocation Methodology plan and described the goals and objectives which are listed here (read bullets).

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.

On July 10, 2012 CLIFTON LARSON ALLEN described their efforts to confirm the accuracy of the Ports cost methodology, the numbers behind the cost methodology plan, and the calculations used. Their independent analysis performed and present to the Commission included:

1. Review the current cost methodology plan; which they deemed consistent with guidance provided in (Federal Office of Management & Budget) Circulars A-87 and A-122.
2. Review the actual allocation made to various operations and recalculate the allocated costs; and found no exceptions.
3. Obtained and reviewed “allocation of expenses” spreadsheet within the “Return on Investment Analysis by Property” (ROI), which outlines cost objects, the total costs, and the operations/properties to which those costs are allocated and traced costs back to supporting schedules and recalculated costs; and found no inconsistencies.
5. They clearly identified how each cost object was allocated and recalculated those allocations: and found no inconsistencies.
6. They obtained and reviewed “Return on Investment Analysis by Property” (ROI); and they found all allocations were applied consistently to each property/operation.
7. Matched total expenses on the “Return on Investment Analysis” to the actual General Ledger & the Budget to Actual report; and found no differences.
8. Evaluated each operation individually to ensure reasonableness of costs allocated and consistency of methodology applied; and concluded the cost allocation methodology is acceptable and implementation is accurately applied. They further concluded the cost allocations are being consistently applied across all operations/properties and in line with established cost allocation policies and methodologies

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

One further step was performed to verify the material accuracy of the Port's cost allocation for the Airport: data from FAA, SAO and Washington State Ports was compiled. This included asset size, revenues, expenses, direct staffing cost (if any), indirect staffing cost (if any) and depreciation cost. CliftonLarsonAllen reviewed the Port of Kennewick's airport cost against the compilation of 30 airports across the State of Washington. Port of Kennewick's cost allocation to the Vista Field airport was deemed accurate and complete. CliftonLarsonAllen was not the only independent outside agency reviewing the Port's historical numbers and cost allocations for accuracy; Baker & Giles CPA firm, CB Richard Ellis, Anchor QEA, DPZ and their expert consultant teams who specialize in airports and financial analysis were also involved.

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

COMPARATIVE WASHINGTON STATE AIRPORT PROFIT & LOSS													
CONFIRMED AIRPORT FINANCIALS	AIRPORT					2011							
	FAA	Balance Sheet	2011 Capital			610	710	Airport	Staff	% of Staff	Indirect	% Indirect	Profit/
	Fund	(Book Value)	Expenses	Debt	Revenue	Expenditures	Depreciation	Cost	vs. Exp (less Dep.)	Cost	(less Dep.)	(Loss)	
	PORT												
Seattle-Seatac	Yes	3.8B	168.8M	2.6B	340.7M	308.6M	118.7M	110.6M	58%	40.8M	28%	41M	
Camas-Washougal	NO	3.4M	\$0	\$0	333.702	486.370	101.217	43.871	11%	167.368	42%	(167.616)	
Anacortes	Yes	6.8M			271.065	575.355	388.265		0%	48.410	28%	(304.290)	
Port Townsend	Yes	2M	229K	0	119.241	427.125	276.158	49.259	33%	20.546	14%	(307.884)	
Skagit County	Yes	28.6M	2.8M	273.336	648.260	1,078.748	696.650	202.663	53%	447.008	54%	(430.486)	
Chelan-Centralia	Yes		147K	2,525,140	559.361	1,000.781		250.813	25%	0	0%	0	
Friday Harbor	Yes	18.5M	1.2M	0	446.410	894.620	416.732	310.862	69%	75.638	16%	(448.210)	
Walla Walla	Yes		1.6M	3.1M	2,854.854	3,925.420	1,620.818	898.121	52%		0%	(472.949)	
Bellingham	Yes	91M	15.6M	30.7M	7,069.386	7,648.629	3,073.978	3,231.790	71%	947.517	21%	(678.233)	
Port Angeles - William R Fairchild	Yes	23M	271K	0	317,411	1,101.805	519.884	89.894	15%	344.292	50%	(84,195)	
Yakima Air Terminal	Yes		229K	260K	1,224.309	2,089.664	963.650	962.870	86%	0	0%	(866.350)	
Olympia	Yes	28.9M	631K	0	731.732	1,803.008	854.600	348.268	34%	423.081	41%	(1,161.364)	
Bremerton	Yes	31M	584K	655K	405.155	1,580.705	772.613	367.725	48%	131.770	16%	(1,175.550)	
Chelan County - Pangborn Memorial	Yes	27M	866K	653K	998.718	\$2,340,245	872.914	785.821	53%	-	0%	(1,350.528)	
Port of Benton	Yes	19.5M	2.5M	0	341.806	1,912.406	609.584	-	0%	-	0%	(1,570.600)	
Pasco (3)	Yes		3.9M	1.8M	5,141,002	9,322,891	5,022,592	2,514,885	88%	-	0%	(1,861.839)	
Boeing Field	Yes		17.7M	5M	10.8M	25M	4.1M	13.4M	64%	-	0%	(6,024,000)	

This shows some of the airports' financials obtained for comparison. These are not mine or the Port of Kennewick's numbers. As previously stated these numbers came from the FAA, Washington State Auditors Office, and Washington State Ports. The ones highlighted in purple were further verified by the airports themselves that these numbers are true, accurate, and complete.

As you can see nearly all the airports in the state operate at a loss and many are significant losses. In fact this comparison revealed that the more you spend at an airport the higher the loss, except at Seatac which reports a profit.

Commissioners, what this slide shows is that airports losses are real and can be significant. Like the law of gravity – it exists regardless of whether we want to believe it or not.

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

PORT OF KENNEWICK RATIO ANALYSIS TO TOTAL EXPENSE	WASHINGTON STATE AIRPORT AVERAGE RATIO ANALYSIS TO TOTAL EXPENSE
Direct Staffing Cost Ratio 37%	Direct Staffing Cost Ratio 37%
Indirect Cost Ratio 11%	Indirect Cost Ratio 16%

Here is some ratio analysis performed from the financial data of the airports listed in the previous slide. We took the total airports who reported direct staffing and divided the direct staffing cost reported into the total airport expenses reported by those airports to come up with a direct staffing ratio cost. What this means is that the Ports report 37% of their total airport expenses as direct staffing cost. The Port of Kennewick's is in line with the Washington State Port average. We then took the data from the airports in the previous slide who reported indirect cost and divided that indirect cost into the total airport expenses for those Ports. The Ports reported 16% of their total airport cost as indirect cost. As you can see the Port of Kennewick is well below this average and the Port did NOT over-allocate direct staffing cost or indirect cost to the airport.

Now this ratio analysis did include SeaTac.; however, if we pull SeaTac out of the ratio – the average airport reported ratio for Direct Staffing Cost would climb to 41% (The Port of Kennewick is well below this at 37%). If we do the same for the indirect cost ratio analysis our comparable airports would climb to 38% (The Port of Kennewick is well below this at 11%). Again, this shows that the Port's direct staffing and indirect cost allocated to Vista Field airport is well below the average of the comparable Ports in Washington State and is even conservative.

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 of KENNEWICK
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So now we get into how the Port allocated cost to the Airport.

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
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These next few slide shows you how the Port came up with the Direct staffing expense.

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.



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.



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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**



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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



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**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).



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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.



PORT of KENNEWICK
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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.
- 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).



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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.



PORT of KENNEWICK
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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.



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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, 100II, FAA & Flight Plan with information and prices changes (ongoing).
- Teresa conducted hangar inspections.
- Teresa deals with tenant issues at the airport.



PORT of KENNEWICK
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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).



PORT of KENNEWICK
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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.



PORT of KENNEWICK
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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).



PORT of KENNEWICK
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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



PORT of KENNEWICK
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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.



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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).



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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.



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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).



PORT of KENNEWICK
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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).



PORT of KENNEWICK
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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 Rodriguez 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.



PORT of KENNEWICK
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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).



PORT of KENNEWICK
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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).



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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).



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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. Dr. Shannon 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 task.
- 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).



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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).



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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).



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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 DiJulio 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 stripe 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).



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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.



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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).



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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.



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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).



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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 which 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.



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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.



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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 and 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).



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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



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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).

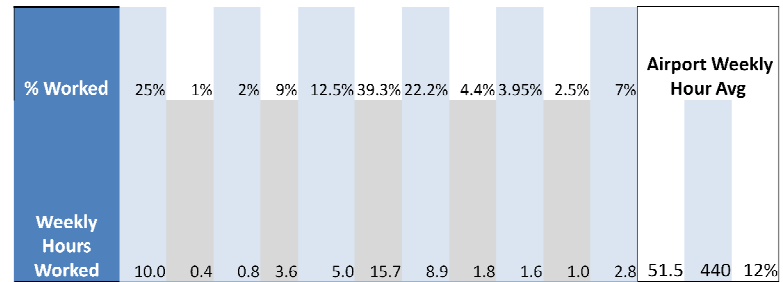


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Work-In-Progress

- 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



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%



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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

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
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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 12/31/2009
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	\$ 15,171	\$ 12,456	\$ 14,676
Outside Services	\$ 3,419	\$ 7,500	\$ 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)	\$ 50,458	\$ 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	\$ 13,021	\$ 13,021
Outside Services	\$ 4,397	\$ 2,500
Legal Expenses (2)	\$ 3,351	\$ 1,500
Janitorial Expenses	\$ 3,910	\$ 3,910
Maintenance	\$ 16,712	\$ 16,712
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	\$ 74,521	\$ 59,701
Profit & Loss Before Allocations	\$ (21,893)	\$ 18,609
Direct Salary Expense (5)	\$ 141,019	\$ 173,573
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	\$ (151,707)	\$ (183,568)
PROFIT/LOSS	\$ (360,967)	\$ (390,144)

Again, these numbers were reviewed and verified by professional licensed firms such as Clifton Larson Allen CPA firm, reviewed by Baker & Giles CPA firm, reviewed by Anchor QEA, reviewed by Port staff, and reviewed by DPZ and their consultants. The average based on historical cost is factual, audited or to be audited, reviewed and verified numbers which come from the Ports general ledger and is comparable with other airports in Washington State. The Port of Kennewick was not responsible for the 2035 Airport P&L; DPZ reviewed Port numbers and was responsible for performing their own independent analysis. However, the Port did ensure that the one-time study cost and Tuttle's \$75k cost were not considered in outside services and miscellaneous line items for the 2035 P&L; as these would not be anticipated to occur in the future on a regular basis. And to be even more conservative the legal fees were reduced. However, it would not be reasonable to assume staffing or indirect cost would go down based on inflation; as an employee in 2006 would not make the same in 2012.

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.

The assumptions for 2035 DPZ no action scenario P&L included the following (refer to slide)

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).

In conclusion (refer to slide)