

# Background on CPAD Financial Condition: Why Now?

CPAD (the District) residents are well aware of their annual fees paid to the District: The annual airport district fee that has remained unchanged since 1995 (\$25 per month or \$300 per year); and the separate Assessment District fee that services a 2009 loan dedicated to repairing the residential airpark streets (~\$900 per year). Few, however, are aware of the financial structure of the combined entities (**1. Assessment District** (street maintenance loan), **2. Residential Airpark**, and **3. Airport**), and their respective operating requirements, budgets, and their respective financial gaps. The CPAD Board of Directors has analyzed these conditions, plotted a course to sustained viability, and will present an enabling financial plan to the residents (the Plan). It is the Board's goal to fund this Plan through a ballot measure in the General Election November 3, 2020.

The primary trigger for the underlying financial analysis was the adverse findings by Caltrans during the 2018 airport annual inspection resulting in the suspension of the airport's night operations. The new Board has operated this District for a year and found a need for a thorough analysis of CPAD's financial standing. The conclusion is that a reckoning is overdue. This paper highlights the findings of the analysis and summarizes the CPAD Infrastructure and Finance Committee recommendations to the CPAD Board of Directors. Your questions, comments and input are requested and valued.

## 1. Assessment District

The Assessment District was established in 2008 to facilitate securing a loan to repair the residential airpark's disintegrating streets. The Assessment District receives funds through El Dorado County assessor, through property taxes each year to pay the principle and expenses of the loan obtained through the United States Department of Agriculture (USDA). CPAD never established, and the airpark residents never paid into, a street maintenance fund, the \$2.0M payment is necessary to pay \$1.2M loan for needed street repairs. Over the life of the loan, CPAD residential parcel owners will collectively pay upwards of \$720,000 in fees and interest! The hard news is that CPAD has yet to save a dime for its future street maintenance, meaning the same loan and repayment cycle from 2008 will repeat itself to maintain the residential airpark streets. The Plan includes a contribution to the residential street maintenance account that is strictly earmarked for maintaining the residential airpark streets. (FAA and other agencies require that the street and airport funding must be clearly separate. Funds for one cannot be used for the other.) As Airpark residents are 10 years behind on saving for the future repairs, the Plan suggests the most economical approach based on currently available data. This proposal has a dedicated component for street maintenance which is lower than the estimated value but will put CPAD in a better position to fix its roads at a much lower overall cost, when, again, the time comes for significant work.

## 2. Residential Airpark

The residential neighborhood and airport reside in a California *Airport* Special District. Even with its aviation purpose, the residential neighborhood includes a diversity of residents with divergent expectations, desires and needs. Even amongst the aviation enthusiasts, universal consensus is hard to come by. The Plan therefore intentionally excludes residential neighborhood improvement opportunities and projects other than streets maintenance, as described above. If Residential side improvement projects such as security cameras, entrance gates, or other residential infrastructure upgrades, are identified as necessary, the financial support to accomplish them would come in the form of individual Special Assessments, based on the votes of the residential parcel owners. To be clear, costs associated with residential-side projects are excluded from the proposed \$75 increase.

### 3. Airport (O61) Operations, Maintenance, and Safety

A valuable outcome of the financial analysis is understanding what it costs to operate the airport *today*. Income from fuel sales and rents do offset some airport operational costs but do not provide sufficient income for long range airport sustainability. It is up to the District to close the gap.

The possibility of grant funding is part of the financial model, but grants have limitations: they require a significant commitment for documentation creation and maintenance, matching funds. However projects associated with revenue generating assets such as the fuel system and hangars are generally not suitable for grant support. A significant concern is the underground fuel tanks which are over 30 years old. A leak into the ground would cost tens of thousands of dollars for cleanup. Liability insurance has been increasing and may soon be unavailable. Either scenario will stop our ability to store and sell fuel. No reserves have been collected to replace this aging system.



Obstruction mitigation and pavement upkeep, on the other hand, are appropriate for grant funds as long as the granting agency has money and we are in a position to qualify and compete. Our operational exposures extend to other areas from not having strategic maintenance and replacement plans with associated funded budgets. Moreover, there isn't a contingency fund for resolving unplanned failures. Because CPAD has side-stepped essential planning and investing for decades, there is currently a financial gap of several hundred thousand dollars that underscores CPAD's financially fragile condition.

The Plan details allocation of a non-street component of the annual CPAD assessment to airport operations, airport maintenance, starting improvement projects and an airport contingency fund ("break glass, lift red handle"). Expenses associated with each category are prioritized and scheduled out into the future to remain within the cost structure.

#### Summary: The Ask

The total fee will be \$100/month after the \$75 increase and allocated as indicated below:

- |  |   |            |
|--|---|------------|
| 1. Residential Airpark                     | = | \$25/month |
| 2. Airport Ops, Maintenance, Contingencies | = | \$75/month |

Please participate in the public meeting planned for Monday May 11, 2020 and you can also send comments to the Board at [comments@cameronparkairport.com](mailto:comments@cameronparkairport.com)