

COMMITTEE MEMBERS

Trustees

Lisa Gianoli, Chair
Jennifer Cunningham, Vice Chair
Richard Jay, Member
Jenifer Rose, Member
Art Sperber, Alternate
Shaun Carey, Alternate

Staff Liaison

Randy Carlton, Chief Finance & Administration Officer

PRESIDENT/CEO

Daren Griffin, A.A.E.

CHIEF LEGAL COUNSEL

Ian Whitlock

CLERK OF THE BOARD

Lori Kolacek

AGENDA

FINANCE & BUSINESS DEVELOPMENT COMMITTEE

Date: Tuesday, June 6, 2023

Time: 9:00 a.m.

Location: Reno-Tahoe International Airport, 2001 E. Plumb Lane, Reno
Admin Offices, Main Terminal Building, Second Floor

Public Meeting Notice: Notice is given in accordance with [NRS 241.020](#)

Public Attendance Options:

1. Attend the meeting at the address indicated above; or
2. **Watch on Zoom:** <https://us02web.zoom.us/j/88150587204>; **Webinar ID:** 881 5058 7204; or
3. **Dial in to listen only:** 1-669-900-6833 and enter the Webinar ID when prompted

Members of the public who require special accommodations or assistance at the meeting are requested to notify the Clerk of the Board by email at lkolacek@renoairport.com or by phone at (775) 328-6402.

Public Comment: Any person wishing to make public comment may do so in person at the Board meeting, or by emailing comments to lkolacek@renoairport.com. Comments received **prior to 4:00 p.m. on the day before the meeting** will be given to the Board for review and included with the minutes of this meeting. To make a public comment during the Zoom meeting, please make sure your computer or device has a working microphone. Use the “Chat” feature to submit a request to speak. When the time comes to make public comments, you will be invited to speak. Public comment is **limited to three (3) minutes** per person. No action may be taken on a matter raised under general public comment.

This Agenda Has Been Posted at the Following Locations:

1. Airport Authority Admin Offices, 2001 E. Plumb Lane, Reno
2. <https://www.renoairport.com/airport-authority/public-meeting-information/agendas-minutes>
3. <https://notice.nv.gov/>

Supporting Materials: Supporting materials for this agenda are available on the Airport’s website at <https://www.renoairport.com/airport-authority/public-meeting-information/agendas-minutes>, and will be available at the meeting. For further information you may contact the Board Clerk at (775) 328-6402 or lkolacek@renoairport.com.

1. CALL TO ORDER**2. ROLL CALL****3. PUBLIC COMMENT****4. APPROVAL OF MINUTES**

4.1 May 16, 2023, Finance and Business Development Committee Meeting

5. INFORMATION, DISCUSSION AND/OR POSSIBLE ACTION ITEMS

None.

6. ITEMS RECOMMENDED FOR APPROVAL BY THE FULL BOARD

6.1 Board Memo # 06/2023-37: Adoption of Reno-Tahoe Airport Authority fiscal year 2023-24 Liability and Property Insurance Program and approval of premiums in the amount not to exceed \$1,482,099 *(for possible action)*

6.2 Board Memo # 06/2023-38: Authorization for the President/CEO to execute a three-year extension of the Professional Services Agreement with Government Portfolio Advisors, LLC *(for possible action)*

6.3 Board Memo # 06/2023-39: Authorization for the President/CEO to execute a Third Amendment to Exclusive Master Development Agreement and Third Amendment to Phase I Ground Lease to include various performance milestones, adjust the annual option payment amount, add further and clarifying breach of a substantial and material obligation language, adjust Fair Market Value adjustment date and include a 5% cap on Fair Market Value adjustment with DP RTA Stead PH 1, LLC *(for possible action)*

7. INFORMATIONAL ITEMS *(provided for reference only)*

7.1 Administrative Award of Contracts - Expenditures

7.2 Administrative Award of Contracts - Revenues

7.3 Financial Reporting Package

8. MEMBER COMMENTS, QUESTIONS AND REQUESTS FOR AGENDA ITEMS**9. PUBLIC COMMENT****10. ADJOURNMENT**

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Randy Carlton, Chief Finance & Administration Officer

PRESIDENT/CEO

Daren Griffin, A.A.E.

CHIEF LEGAL COUNSEL

Ian Whitlock

CLERK OF THE BOARD

Lori Kolacek

--DRAFT--

MINUTES

FINANCE & BUSINESS DEVELOPMENT COMMITTEE

Date: Tuesday, May 16, 2023

Time: 9:00 a.m.

Location: Reno-Tahoe International Airport, 2001 E. Plumb Lane, Reno
Admin Offices, Main Terminal Building, Second Floor

1. CALL TO ORDER

The meeting was called to order at 9:03 a.m.

2. ROLL CALL

Roll was taken by the Clerk of the Board. Trustees Cunningham, Jay and Rose were present. Trustee Gianoli was absent. Trustee Carey was present as the alternate.

3. PUBLIC COMMENT

None.

4. APPROVAL OF MINUTES

4.1 April 11, 2023, Finance and Business Development Committee Meeting

Motion: Move to approve the April 11, 2023, minutes as presented

Moved: Richard Jay **Seconded:** Jenifer Rose

Aye: Trustees Cunningham, Jay, Rose, Carey

Nay:

Absent:

Abstain:

Vote: Motion passed

5. INFORMATION, DISCUSSION AND/OR POSSIBLE ACTION ITEMS

None.

6. ITEMS RECOMMENDED FOR APPROVAL BY THE FULL BOARD

- 6.1 Board Memo # 05/2023-21:** Authorization for the President/CEO to execute a one-year contract for the Reno-Tahoe Airport Authority employee workers' compensation insurance coverage for Fiscal Year 2023-2024, with Starr Aviation, in the amount of \$177,213 (*for possible action*)

This item was presented by Julie Blevins, Manager of Labor Relations and Benefits. After discussion and comments, the Committee took the following action:

Motion: Move to recommend that this item be presented to the full Board on May 18, 2023, for consideration and approval of the proposed motion: "*Authorize the President/CEO to execute a one-year contract with Starr Aviation to provide workers' compensation insurance for RTAA employee on-the-job injuries for Fiscal Year 2023-2024, in the amount of \$177,213.*"

Moved: Jenifer Rose **Seconded:** Richard Jay

Aye: Trustees Cunningham, Jay, Rose, Carey

Nay:

Absent:

Abstain:

Vote: Motion passed

- 6.2 Board Memo # 05/2023-22:** Adoption of the Reno-Tahoe Airport Authority's Fiscal Year 2023-24 Budget (July 1, 2023 through June 30, 2024) (*for possible action*)

This item was presented by Alex Kovacs, Director of Finance. After discussion and comments, the Committee took the following action:

Motion: Move to recommend that this item be presented to the full Board on May 18, 2023, for consideration and approval of the proposed motion: "*Adopt the budget of the Reno-Tahoe Airport Authority for Fiscal Year 2023-24 as presented.*"

Moved: Richard Jay **Seconded:** Jenifer Rose

Aye: Trustees Cunningham, Jay, Rose, Carey

Nay:

Absent:

Abstain:

Vote: Motion passed

- 6.3 Board Memo # 05/2023-23:** Adoption of Resolution No. 560 Amending Resolution No. 558, Establishing the Airport Rates and Charges for Fiscal Year 2023-24 Pursuant to the Reno-Tahoe Airport Authority Budget for Fiscal Year 2023-24 (*for possible action*)

This item was presented by Alex Kovacs, Director of Finance. After discussion and comments, the Committee took the following action:

Motion: Move to recommend that this item be presented to the full Board on May 18, 2023, for consideration and approval of the proposed motion: *“Adopt Resolution No. 560 amending Resolution number 558 establishing the Airport Rates and Charges for Fiscal Year 2023-24 pursuant to the RTAA’s proposed Budget for Fiscal Year 2023-24.”*

Moved by: Jenifer Rose

Seconded: Richard Jay

Aye: Trustees Cunningham, Jay, Rose, Carey

Nay:

Absent:

Abstain:

Vote: Motion passed

7. INFORMATIONAL ITEMS (provided for reference only)

7.1 Administrative Award of Contracts - Expenditures

7.2 Administrative Award of Contracts - Revenues

7.3 Financial Reporting Package and Operating Statement

7.4 Third Quarter Investment Report

7.5 Budget Transfers

There was no discussion on these items.

8. MEMBER COMMENTS, QUESTIONS AND REQUESTS FOR AGENDA ITEMS

None.

9. PUBLIC COMMENT

None.

10. ADJOURNMENT

The meeting was adjourned at 9:37 a.m.

Board Memorandum

To: All Board Members

Memo #: 06/2023-37

From: Daren Griffin, President/CEO

Subject: Adoption of Reno-Tahoe Airport Authority Fiscal Year 2023-24 Liability and Property Insurance Program and Approval of Premiums in the Amount Not to Exceed \$1,482,099

STAFF RECOMMENDATION

Staff recommends that the Board of Trustees approves the Fiscal Year (FY) 2023-24 Liability and Property Insurance Program and authorize the President/CEO or his designee to bind the coverages and pay the FY 2023-24 premiums through Arthur J. Gallagher Risk Management Services, Inc. (AJG) as the Broker of Record, in the amount not to exceed \$1,482,099.

PURPOSE

The purpose of this action is to provide liability and property insurance coverage for the Reno-Tahoe Airport Authority (RTAA) and to authorize the President/CEO or his designee to bind the insurance and remit payment through AJG as the Broker of Record, of the insurance premiums.

This action is in support of RTAA Strategic Priority #3 – Facilities for the Future, Strategic Priority #4 - Safety and Security, and Strategic Priority #5 - Financial Diversification and Growth identified in the RTAA's FY 2019-23 Strategic Plan.

BACKGROUND

RTAA has insurance policies to mitigate the risk associated with operating and maintaining the Reno-Tahoe International Airport (RNO) and the Reno-Stead Airport (RTS). This request covers insurance protection in the following areas:

1. **Property** - RTAA purchases insurance to protect against most risks to property, such as fire, theft, seismic (earthquake) and weather events. RTAA's property insurance includes coverage related to the following: (a) damage to real property (buildings, computer equipment, runways); (b) fire and associated risks; (c) windstorm/earthquake; (d) flood; (e) commercial crime; and (f) course of construction - damage to buildings under construction. In addition, RTAA obtains national flood insurance, and property insurance for potential damage to RTAA equipment (inland marine) and business autos.

2. **Liability** - RTAA purchases insurance to protect from the risk of being sued and held legally liable for activities associated with operating and maintaining both RNO and RTS. Liability insurance is designed to offer specific protection against third party insurance claims, (i.e., payment is not typically made to the insured, but rather to someone suffering a loss who is not a party to the insurance contract). However, such liability insurance coverage also reimburses RTAA for certain emergency expenses associated with Mutual Aid Agreements both at RNO and RTS. When a claim is made, the insurance carrier has the duty (and right) to defend RTAA.

The RTAA's Liability insurance covers the following areas: (a) airport owners/operators general; (b) cyber security; (c) public officials including employment practices; (d) law enforcement; (e) emergency medical technicians. The Liability insurance excludes coverage for the air races at RTS. The Reno Air Racing Association (RARA) is required to arrange, maintain and fund separate liability coverage to include RTAA as an additional insured among other provisions.

The current policies, with the exception of flood insurance, cover the one-year period from July 1, 2022, through June 30, 2023. Policies where the annual premium is less than \$25,000, are renewed for the upcoming year unless changes have occurred in operations or other material changes in claim service performance, insurance ratings or price increase. Policies renewals where the annual premiums are greater than \$25,000, are obtained through a competitive request for proposal (RFP) process facilitated by AJG as the Broker of Record for RTAA. Services provided by AJG include the following:

- Develop underwriting and marketing strategies to competitively secure the best insurance coverage at the most reasonable costs. Prepare annual marketing strategy reports identifying anticipated market conditions and propose a marketing strategy for the RTAA's major loss exposure areas, prior to policy renewal.
- Analyze the RTAA's exposure to loss, adequacy of coverage, and develop options on coverage not currently purchased.
- Obtain bids from the insurance industry, evaluate the commitment and financial stability of the underwriters, and negotiate the best terms and coverages for the various exposure areas on behalf of RTAA.
- Provide the following insurance broker services: (1) receive and analyze the underwriter's quotations; (2) review new and renewal insurance proposals for accuracy and conformity to specifications and negotiated coverages; (3) compare proposed policy language to the prior year and advise RTAA of changes in policy form or coverage; (4) recommend policy coverage or language changes as necessary; (5) request modifications from the insurers upon RTAA concurrence, and (6) report and monitor claims activity (claims advocacy).

According to AJG, RTAA will obtain the most cost-efficient rates by developing long-term partnerships rather than only being a commodity price buyer. The underwriting landscape has changed, with only a few key underwriters offering policies of 100% coverage. As a result, most insurance carriers refuse to "bid" following multiple failures to write policies. Maintaining long-term relationships with the underwriting and claim service teams is a good business practice, it is

also beneficial to have historical knowledge of the RTAA business. Finally, the limit of \$25,000 reflects the Nevada Revised Statute (NRS) 332 requirements that RTAA obtain competitive bids above this limit.

COMPANY BACKGROUND

AJG is headquartered in Itasca, Illinois. The work associated with this project is expected to be performed by the staff based in Las Vegas, NV and Irvine, CA.

DISCUSSION

The commercial marketplace is facing numerous headwinds and buyers will face a “roller coaster” ride affecting all lines of business. The 2023 outlook cites severe weather, supply chain issues, inflationary pressures, and market capacity for the hard market trend. Property is in its hardest market since 9/11 and this posture is expected to continue in the foreseeable future. Property markets continue to focus on accurate building valuations, which require appraisals, adding to the overall cost for every public entity. This is due to increased construction costs related to materials and labor.

Trends in the property markets consist of reduced capacity, increased deductibles, and increased rates. Most carriers writing catastrophe (CAT) exposures (earthquake and flood) are quoting large rate increases as passed on costs from their reinsurance contracts. Data quality is a critical factor in the property sector. Obtaining incumbent and competitive proposals in a timely manner continues to be challenging. Some of these delays are due to the necessity for underwriters to model CAT exposures, and review appraisals, which are becoming mandatory. In hard markets, buyers look for better deals, which inundates underwriters with submissions. In addition, most public entities all have the same renewal date of July 1.

In March 2023, AJG began marketing the RTAA FY 2023-24 Liability and Property Insurance Program to insurance underwriters participating in each line of coverage. This effort has successfully obtained underwriting commitments and premium quotes sufficient to address RTAA’s insurance program requirements. The attached report “Summary of Insurance Premiums for Policy Term July 1, 2023 to June 30, 2024” contains the proposed program of coverages, including the recommended carrier, value limits and deductibles, and proposed premiums. In summary, the premiums anticipated to fund the FY 2023-2024 Liability and Property Insurance Program are as follows:

FY 2023-24 Liability and Property Insurance Program

| Type of Insurance | Recommended Carrier | Insurance Premium |
|---------------------------------------|---|-------------------|
| Property Insurance | | |
| Property | AIG Insurance* | \$765,000 |
| DIC Flood | Evanston Insurance Co Endurance American Westchester Surplus* | \$210,000 |
| Equipment – Inland Marine | Granite State Insurance Company | \$13,776 |
| National Flood Insurance** | NFIP Hanover | \$19,522 |
| Business Auto | New Hampshire Insurance Co | \$149,307 |
| Total Property | | \$1,157,605 |
| Liability Insurance | | |
| Airport Operations Liability | Starr Aviation | \$89,775 |
| Cyber Liability | CFC Underwriting Ltd | \$71,328 |
| Public Officials / Employee Practices | Stafford Insurance | \$84,508 |
| Law Enforcement | Indian Harbor Insurance | \$34,573 |
| Emergency Medical Technician | James River Insurance | \$23,982 |
| Crime and Dishonesty | Great American | \$16,228 |
| Fiduciary | Great American* | \$4,100 |
| Total Liability | | \$324,494 |
| GRAND TOTAL | | \$1,482,099 |

* Premium prices based on a not to exceed basis.

**Note: National Flood Insurance premium is an estimate. The exact premium cannot be determined until the policies are renewed in February 2024.

FISCAL IMPACT

Insurance renewal premiums for the FY 2023-24 Liability and Property Insurance Program total a not to exceed amount of \$1,482,099, a 28.4% increase from FY 2022-23 program. The RTAA FY 2023-24 adopted budget includes funding for this expense.

COMMITTEE COORDINATION

Finance and Business Development Committee

RECOMMENDED MOTION

Staff recommends that the Board adopt the following motion:

“It is hereby moved that the Board of Trustees approves the Fiscal Year 2023-24 Liability and Property Insurance Program and authorizes the President/CEO, or his designee, to bind the coverages and pay the FY 2023-24 premiums in the amount not to exceed \$1,482,099.”

RENO-TAHOE AIRPORT AUTHORITY
SUMMARY OF INSURANCE PREMIUMS FOR POLICY TERM: JULY 1, 2023 TO JUNE 30, 2024

| Quotes for FY 2023-24 Renewal Term | | | | | | | | | |
|---|--|---|-----------------------|----------------------|--------------------------------|-----------------------|----------------------|---|-----------------------------------|
| Coverage | Recommend Carrier | Limits & Deductibles | FY 2023-24 PREMIUM | Surplus Lines Tax | TOTAL FY 2023-24 PREMIUM | FY 2022-23 PREMIUM | FY 2023-24 Budget | FY 2023-24 Quote vs. FY 2022-23 Actual | FY 2023-24 Quote vs. Budget |
| Property Insurance | | | | | | | | | |
| Property | AIG, Evanston Insurance Co, AXIS Insurance & Westchester Surplus* | \$709,800,581 Property Values Limit of Liability: \$400,000,000 \$50 mil EQ / \$25 mil Flood B & M included Deductible: \$100,000 /Loss Except: Flood \$100,000; 5% of Property Value subject to minimum \$1,000,000 for special flood hazard areas; \$500,000 for four locations Earthquake of 10% of Property Value subject to minimum of \$250,000 | \$975,000.00 | | \$975,000.00 | \$771,520.49 | \$1,041,553.00 | 26% | -6% |
| Equipment - Inland Marine | Granite State Insurance (AIG) | \$11,579,801 Total Cash Value Deductible: \$10,000 Per Occurrence | \$13,776.00 | n/a | \$13,776.00 | \$12,443.00 | \$16,798.00 | 11% | -18% |
| National Flood Insurance* | NFIP/Hanover | \$500,000 Policy Limit per building | \$19,522.00 | n/a | \$19,522.00 | \$16,608.00 | \$26,325.00 | 18% | -26% |
| Business Auto | New Hampshire Insurance Co. | Auto Liability Limit: \$1,000,000 CSL Deductible: \$5,000 Comp/Collision | \$149,307.00 | n/a | \$149,307.00 | \$120,706.00 | \$140,000.00 | 24% | 7% |
| Liability Insurance | | | | | | | | | |
| Airport Operations Liability | Starr Insurance | \$250,000,000 Per Occurrence \$250,000,000 Annual Aggregate Deductible: \$0 | \$89,775.00 | n/a | \$89,775.00 | \$89,775.00 | \$90,000.00 | 0% | 0% |
| Cyber Liability | CFC Underwriting Ltd. | \$5,000,000 Per Claim \$5,000,000 Annual Aggregate Deductible: \$20,000 | \$67,900.00 | \$3,427.35 | \$71,327.35 | \$70,913.83 | \$71,500.00 | 1% | 0% |
| Public Official Liability / Employee Practices Liability | Fair American Indian Harbor* | \$10,000,000 E&O Annual Aggregate \$10,000,000 EPL Annual Aggregate Deductible: \$100,000 | \$82,142.00 | \$2,303.00 | \$84,445.00 | \$83,528.79 | \$85,000.00 | 1% | -1% |
| Law Enforcement Liability | Indian Harbor Insurance Co. | \$5,000,000 Each Occurrence/Annual Aggregate Deductible: \$50,000 Per Occurrence | \$33,275.00 | \$2,033.35 | \$35,308.35 | \$32,994.48 | \$35,000.00 | 7% | 1% |
| Emergency Medical Technicians (EMT) Liability | James River Insurance Co. | \$5,000,000 Annual Aggregate Deductible: \$5,000 Each Claim | \$22,806.00 | \$889.43 | \$23,695.43 | \$23,695.43 | \$25,000.00 | 0% | -5% |

| Quotes for FY 2023-24 Renewal Term | | | | | | | | | |
|------------------------------------|-------------------|---|-----------------------|----------------------|--------------------------------|-----------------------|-----------------------|---|-----------------------------------|
| Coverage | Recommend Carrier | Limits & Deductibles | FY 2023-24 PREMIUM | Surplus Lines Tax | TOTAL FY 2023-24 PREMIUM | FY 2022-23 PREMIUM | FY 2023-24 Budget | FY 2023-24 Quote vs. FY 2022-23 Actual | FY 2023-24 Quote vs. Budget |
| Crime and Dishonesty | Great American | Limit of Liability: \$5,000,000 Employee Dishonesty \$250,000 Forgery Alteration \$100,000 Inside Premises \$100,000 Outside Premises \$500,000 Computer Fraud \$50,000 Money Orders/ Counterfeit Paper \$500,000 Funds Transfer Fraud Deductible \$250,000 Social Engineering Deductible: \$10,000 | \$16,228.00 | n/a | \$16,228.00 | \$15,026.00 | \$16,500.00 | 8% | -2% |
| Fiduciary Liability | Great American | \$2,000,000 Annual Aggregate Deductible: \$1,000 Per Claim | \$4,100.00 | n/a | \$4,100.00 | \$3,900.00 | \$4,100.00 | 5% | 0% |
| TOTAL | | | \$1,473,831.00 | \$8,653.13 | \$1,482,484.13 | \$1,241,111.02 | \$1,551,776.00 | 19.4% | -4.5% |

Note: * NFIP Flood Insurance premium is estimated. Exact premiums can not be determined until policies renew in February, 2024

Board Memorandum

To: All Board Members

Memo #: 06/2023-38

From: Daren Griffin, President/CEO

Subject: Authorization for the President/CEO to execute a three-year extension of the Professional Services Agreement with Government Portfolio Advisors, LLC

STAFF RECOMMENDATION

Staff recommends that the Board authorize the President/CEO to execute a three-year extension of the Professional Services Agreement to provide investment advisory services for the Reno-Tahoe Airport Authority (RTAA) with Government Portfolio Advisors LLC (GPA).

PURPOSE

The purpose of this action is to obtain Board of Trustees' approval and authorization for the President/CEO to execute a three-year extension of the existing professional service agreement (PSA) with Government Portfolio Advisors LLC to provide investment advisory services for RTAA.

BACKGROUND

Independent investment advisors are used by public entities to enhance the earning performance of their investment portfolios. Investment advisors assist finance and treasury officers by providing resources that they often are unable to tap on their own including professional expertise and full-time portfolio management, financial market access and monitoring, portfolio management software and reporting tools, and performance measurement and benchmarking.

With RTAA's balances of cash and investments in FY 2017 and volatility of interest rates in mind, Finance staff proposed the collaboration with an investment advisor to optimize returns on investment and better management of the organization's resources. After a competitive Request for Proposals (RFP) process a five-year contract was awarded by the Board on June 8, 2017, to GPA with the option of two two-year extensions. The initial five-year agreement was for \$190,000, or \$38,000 fixed fee annually. A one-year extension was signed in August 2022 for a fixed annual fee of \$49,800 assuming an average balance of \$103.5 million.

| Fiscal Year | Average Portfolio Balance | Interest Income* | GPA Annual Fee |
|--------------------|----------------------------------|-------------------------|-----------------------|
| FY 2018 | \$77,900,000 | \$980,230 | \$38,000 |
| FY 2019 | \$88,400,000 | \$1,229,583 | \$38,000 |
| FY 2020 | \$94,100,000 | \$1,856,863 | \$38,000 |
| FY 2021 | \$92,000,000 | \$1,176,100 | \$38,000 |
| FY 2022 | \$103,500,000 | \$826,700 | \$38,000 |
| FY 2023** | \$113,600,000 | \$1,773,254 | \$41,500 |

* Interest income only. Does not include gains or losses on investments.

**Year to Date as of April 30, 2023.

DISCUSSION

The base contract (July 1, 2017, through June 30, 2022) allowed for two two-year renewal options at the sole discretion of RTAA. GPA is currently operating under a one-year extension of the agreement through June 30, 2023. The proposed extension of the professional services agreement is for the final three-year term commencing July 1, 2023, ending June 30, 2026. The three-year extension will result in moving from a fixed fee to an asset under management (AUM) fee and is determined by tiered basis point calculations:

| Assets Under Management | Fee in Basis Points |
|--------------------------------|----------------------------|
| First \$100,000,000 | 5.0 |
| Next \$100,000,000 | 4.5 |
| Next \$100,000,000 | 4.0 |
| Excess of \$300,000,000 | 3.0 |

RTAA has maintained relatively stable balances over the past four years, with a low average balance of \$91 million and a high of \$113 million. The average balance for the four-year period is \$100 million. The original five-year contract was established as a fixed fee using a five-basis point application to assets under management. GPA is moving all clients to an AUM fee that is calculated monthly on market value and accrued interest. This will allow staff to calculate and reflect the management fee relative to investment balances and return on investment each month. If the balances decline, the fee will decline; if they increase, the fee will be increased.

COMPANY BACKGROUND

Government Portfolio Advisors LLC is a registered investment advisor under the Investment Advisor Act of 1940. GPA was founded in February 2014 by a team of seasoned advisors with decades of experience assisting public entities with their investment management programs. The founders recognized the increasing need for truly independent and unbiased fixed income investment advice for public entities managing their general operating, bond proceeds and restricted funds.

GPA's core business and primary focus is providing customized fixed income investment advisory services. The company serves 63 clients as of December 31, 2022, with over \$15.2 billion in non-discretionary assets and \$1.4 billion in discretionary assets. It also provides consulting services to

five additional public entity accounts with over \$19 billion in assets. GPA is a pioneer in providing non-discretionary fixed income investment advisory services to public fund operating assets.

The GPA team consists of eight highly experienced professionals. The founders have been assisting public entities since 1983 with all aspects of the fixed income investment management process. GPA is dedicated to the public entity market and focused on a single mission of delivering investment advisory services to help improve the investment management process for each of their investors.

FISCAL IMPACT

The table below illustrates potential future data for the next three years based on the proposed AUM fee structure discussed above.

| Fiscal Year | Average Portfolio Balance * | GPA Annual Fee |
|--------------------|------------------------------------|-----------------------|
| FY 2024 | \$115,000,000 | \$56,750 |
| FY 2025 | \$125,000,000 | \$61,250 |
| FY 2026 | \$135,000,000 | \$65,750 |

* Assumed balances for illustration purposes only.

RTAA plans on issuing bonds related to the construction of the new concourses in FY 2025. Bond proceeds may be incorporated into the investments under management portfolio and subject to the tiered fee schedule.

COMMITTEE COORDINATION

Finance and Business Development Committee.

RECOMMENDED MOTION

Staff recommends that the Board adopt the following motion:

“It is hereby moved that the Board authorize the President/CEO to execute a three-year extension of the Professional Services Agreement for investment advisory services with Government Portfolio Advisors LLC.”

Board Memorandum

To: All Board Members

Memo #: 06/2023-39

From: Daren Griffin, President/CEO

Subject: Authorization for the President/CEO to execute a Third Amendment to Exclusive Master Development Agreement and Third Amendment to Phase I Ground Lease to include various performance milestones, adjust the annual option payment amount, add further and clarifying breach of a substantial and material obligation language, adjust Fair Market Value adjustment date and include a 5% cap on Fair Market Value adjustment with DP RTA Stead PH 1, LLC

STAFF RECOMMENDATION

Staff recommends that the Board authorize the President/CEO to execute a Third Amendment to the Exclusive Master Development Agreement (MDA) and Phase 1 Ground Lease (P1GL) with DP RTA Stead PH 1, LLC (Dermody). The MDA amendment, which would cover all development phases, would include the addition of three performance milestones, adjust the annual option payment amount, and add further and clarifying breach of a substantial and material obligation language. The amendment to the P1GL would include the adjustment of Fair Market Value adjustment date and include a 5% cap on Fair Market Value adjustment.

PURPOSE

The purpose of this action is to request authorization for the President/CEO to execute a Third Amendment to the Dermody MDA and P1GL to provide Dermody with amendments to the items that it states are needed to obtain financing for the Phase I improvements and to memorialize the RTAA conditions for granting the requested amendments.

This action is in support of the Reno-Tahoe Airport Authority (RTAA) Strategic Priority #5: Financial Diversification and Growth, as identified and adopted in the RTAA Fiscal Year (FY) 2019-2023 Strategic Plan.

BACKGROUND

On December 8, 2016, the Board authorized the President/CEO to negotiate final terms and execute an Exclusive Master Development Agreement and a 50-year Phase 1 Ground Lease with DP RTA Stead PH 1, LLC. The effective date for the MDA is December 8, 2016, and March 1, 2017, for the P1GL.

On December 12, 2019, the Board authorized the President/CEO to negotiate final terms and execute a First Amendment to the MDA for the purpose of extending the Construction Completion Date of the Project Site Entrance.

On November 12, 2020, the Board authorized the President/CEO to negotiate final terms and execute a Second Amendment to the MDA and a First Amendment to the P1GL to extend the Ground Lease Rent Commencement Date, provide an additional five-year option, extend deadline for Phase II Ground Lease Commencement, adjust leasehold acreage included in Phase I, reduce minimum acreage of land requirement for each subsequent phase, reduce water right credits commensurate with Phase I acreage reduction, include a Federal Aviation Administration (FAA) environmental review submittal performance milestone, extend construction completion date of the project site entrance, and adjust the Phase I Ground Lease Rent as a result of acreage reduction.

On November 10, 2022, the Board authorized the President/CEO to negotiate final terms and execute a Second Amendment to the P1GL to provide a one-time eight (8) year lease extension.

DISCUSSION

Phase I Amendments and Performance Impacts

On March 10, 2023, RTAA Staff received a request from Dermody for further amendments to the P1GL for development at Reno-Stead Airport (RTS). This request was contained within a letter dated March 6, 2023, from Preferred Capital Advisors regarding debt and equity concerns for Phase I of the Dermody Air Logistics development (Exhibit A). The letter pointed to several potential difficulties for financing the project, based on communication with various potential investors and stated that the following amendments are needed to obtain financing.

1. Include a 5% cap on any Fair Market Value (FMV) adjustments.
2. Extend the FMV adjustment periods from every 10 years to every 15 years.
3. Elimination of the Participation right.

In a response letter dated March 30, 2023, the RTAA advised Dermody that it would not entertain requests for further amendments to the existing agreement (Exhibit B).

MDA Amendments and Performance Impacts

After further discussion with the Dermody team, in a letter dated April 28, 2023, the RTAA advised that it would agree to the amendment of items 1 and 2 above (Dermody indicated it no longer looked to pursue item 3), contingent upon Dermody's acceptance of certain RTAA conditions (Exhibit C). In consideration for the Third Amendment to P1GL, Dermody must agree to all of the following conditions to be captured in the Third Amendment to MDA:

1. Dermody must secure a letter from a qualified investor stating that no further amendments to the P1GL are required to fully fund the Phase I improvements (subject to final investment committee approval and execution of the final financing documentation).
2. Dermody must provide RTAA with the marketing plan contemplated under Section 2.6 of the MDA by June 1, 2023.

3. Dermody must agree to amend the MDA as follows:
 - i. Section 4.1 – Deletion of the change of circumstances clause.
 - ii. Section 4.1 – Add requirement for Dermody to provide RTAA with a master utility plan by February 1, 2024.
 - iii. Section 4.1 – Add requirement for Dermody, 120 days in advance of each subsequent phase deadline, to complete a survey of record for the next phase, initiate due diligence for the next phase, and provide RTAA with written assurance of ability to obtain financing for next phase.
 - iv. Section 4.1 – Add requirement that Dermody must complete improvements for each phase within 24 months of receipt of formal environmental process determination from FAA.
 - v. Section 4.2 – Adjust the annual option payment to \$375,000, which consolidates the payments for the originally contemplated five development stages. The first increased payment will be July 1, 2023.
4. Upon execution of the MDA and P1GL amendments, Dermody must provide the RTAA with a written assurance of its ability to perform and comply with all terms of the MDA and P1GL without further amendment.

Dermody has accepted these conditions.

COMPANY BACKGROUND

DP RTA Stead PH 1, LLC

DP RTA Stead PH 1, LLC is a Special Purpose Vehicle created by Dermody Properties LLC. Dermody Properties is a national developer of industrial and commercial properties, having been ranked among the 10 largest privately held industrial developers in the nation. Since 1960, the company has developed over 35 million square feet of industrial space including parks, speculative facilities, and build-to-suits for lease or purchase. Development is managed through each of Dermody's regional offices located in Philadelphia, Chicago, Phoenix, Portland, and the corporate headquarters in Reno. The company has over 300 international, national and regional customers, many of whom are the country's most respected companies. Dermody's customers include Amazon.com, APL Logistics, Aramark, Bed Bath and Beyond, Borders Group, CDW Corporation, Dole Food Company, Federal Express, Kimberly-Clark, Kuehne + Nagel, Michelin, Office Depot, OfficeMax, Ozburn-Hessey Logistics, Pepsi-Cola, Sherwin-Williams, United Stationers Supply Co., UPS, Volvo/Mack, Wal-Mart, Xerox and 1-800-Flowers.com.

FISCAL IMPACT

MDA Amendments Fiscal Impact

The adjustment of the annual option payment to \$375,000 from \$75,000 represents an estimated additional \$1.2M of non-aeronautical revenue over the remaining four (4) years of the original 10-year MDA term. This estimate does not include annual CPI adjustment or the extension of contemplated options to extend the MDA term.

Phase I Amendments Fiscal Impact

The fiscal impact related to the Fair Market Value future adjustment is not known at this time.

COMMITTEE COORDINATION

Finance and Business Development Committee

RECOMMENDED MOTION

Staff recommends that the Board adopt the following motion:

“It is hereby moved to authorize the President/CEO to execute a Third Amendment to the Exclusive Master Development Agreement (MDA) and Phase 1 Ground Lease (P1GL) with DP RTA Stead PH 1, LLC (Dermody) to include various performance milestones, adjust the annual option payment amount, add further and clarifying breach of a substantial and material obligation language, adjust Fair Market Value adjustment date and include a 5% cap on Fair Market Value adjustment.”

EXHIBIT A
PREFERRED CAPITAL ADVISORS

To: Michael Dermody
Chairman
Dermody Properties

From: Dan Corfee
President
Preferred Capital Advisors

Date: March 6, 2023

Ref: Dermody Reno Air Logistics – Stead Phase I - Debt and Equity

Michael,

As I indicated, we have been out to market to over 25 potential equity partners on the subject phase I for Stead since mid-November 2022 and have found the following consistent feedback from the partners. Please know that each of these investors have strong experience with Government Airport Ground Leases. With this in mind, I researched other ground leases with the RTAA and found the following issues.

1. The FMV adjustment does not have a cap.
 - a. A cap of 5% in aggregate is considered standard if there is a “not less than the prior year” as a floor.
 - i. This was Granted in the TDC Airway Lease
 - ii. Request Dermody have a cap of 5%
 - b. Adjusting every 10 years is shorter than a typical market standard. DFW is at 20 years.
 - i. JMA was granted a FMV adjustment every 15 years.
 - ii. Request Dermody FMV adjustment moved from Year 10 to Year 15.
2. The Participation right not considered a market term. It should be eliminated.
 - a. Neither TDC Airway nor JMA have this clause.
 - b. Request Removal.

These clauses have caused investors to be overly concerned about their ability to project cash flows and exit the assets if required. Investor feedback referenced above include the following groups.

| | | | | | |
|------------|-----------|------------|---------------|-----------|-----|
| USAA | Principal | Invesco | Goldman Sachs | JP Morgan | ARA |
| Blackstone | Hillwood | Prudential | PCCP | Carlyle | TPG |

Please understand that each of these investor’s view Dermody as a “best in class” industrial developer with an extremely strong track record of performance in the industry. In this regard, I believe this feedback is not related to how they view your entity as a sponsor. It is purely structural. Please let me know about next steps. I would be happy to discuss with anyone on the team additional specifics.

Sincerely,

Dan Corfee
President
Preferred Capital Advisors

PREFERRED CAPITAL ADVISORS

Ground Lease Comparative

| Tenant | TDC Airway LLC | JMA ALOFT RENO,LLC | DP Air Logistics Stead | |
|------------------------------|--|--|--|-------------------|
| | Home Gardens South Ground Lease | JMA Reno Hotel Holdings LLC | Phase 1 | |
| Date of Lease | 4/1/2021 | 3/1/2017 | 2/22/2017 | |
| Term | 50 years | 50 years | 50 years | |
| Commencement | Upon CofO or 25 months from effective date | | | |
| Standard Rent Increases | The lesser of 2.50% per annum or average CPI over T-3 yrs | The lesser of 3.00% per annum or average CPI over T-5 yrs | The lesser of 2.00% per annum or average CPI over T-2yrs | |
| Frequency | Annual | 5 years | 2 years | |
| Fair Market Value Adjustment | Yes* | Yes | Yes | |
| Frequency | 10 yrs | 15 yrs | 10 yrs | We need 15 years |
| Section | 4.3 | 4.4 | 4.4 | (DFW at 20 years) |
| Page | 19 | 17 | 19 | |
| Cap | * Max Increase capped at 5% | No Cap | No Cap | We Need a 5% Cap |
| Profit Participation | None | None | 33%>20% IRR | Eliminate |

EXHIBIT B

Reno-Tahoe International Airport | Reno-Stead Airport

775.328.6400 | PO Box 12490 | Reno NV 89510-2490



March 30, 2023

VIA EMAIL: DFLOWERS@HOLLANDHART.COM
AND U.S. MAIL

Mr. Douglas Flowers
Holland & Hart LLP
5441 Kietzke Lane, Suite 200
Reno, NV 89511

Re: Letter dated March 6, 2023, from Preferred Capital Advisors

Dear Mr. Flowers:

This letter responds to Dermody Properties' recent request for further amendments to the Phase I Ground Lease (PIGL) for development at Reno-Stead Airport. The request was contained within a letter dated March 6, 2023, from Preferred Capital Advisors addressed to Michael Dermody, Chairman of Dermody Properties (DP), regarding debt and equity concerns for Phase I of the Dermody Reno Air Logistics development (attached). This March 6 letter points to several potential difficulties for financing the project, on the basis of communications with various potential investors. For the reasons that follow, the Reno-Tahoe Airport Authority (RTAA) will not entertain requests for further amendments to an agreement that is now roughly nine years old.

By way of background, this process began with the 2014 Stead Master Developer Request for Qualifications. The RTAA Board of Trustees approved a Master Development Agreement (MDA) with DP on December 8, 2016. On November 26, 2018, the Board voted to cancel the MDA and P1GL pursuant to Article 5 of the MDA's Financing Contingency, which required that DP secure funding for the Phase I improvements within two (2) years of the commencement date (i.e. by December 7, 2018). On December 3, 2018, DP's Chief Financial Officer (CFO) met with RTAA executive staff to provide a letter formally committing Dermody Properties, LLC to self-fund the construction of the improvements. Based upon, and in reliance on, the funding commitment letter (attached), the Board approved the reinstatement of the MDA and P1GL.



In 2020, at DP's request, the Board agreed to a substantial amendment that reduced the lease coverage and DP's corresponding obligations. In 2022 DP requested a term extension, ostensibly to facilitate favorable financing. At the time the remaining term was 42 years. On August 29, 2022, DP and RTAA staff and counsel met to discuss this request. DP identified no other obstacles to financing. On November 10, 2022, the RTAA Board approved an eight (8) year term extension to the P1GL.

RTAA is now focused on the Phase I groundbreaking and commencement of construction called for in the MDA. With the March 6 letter from Preferred Capital Advisers, DP essentially asks that we renegotiate a deal reached nine years ago. While the RTAA understands DP's desire for favorable financing, this request is both untimely and unreasonable. RTAA has been more than cooperative over the nine-year history of this agreement and expects DP to honor its end of the bargain.

Any further change to previously negotiated and approved business terms would require additional Board approval and would further delay progress on this transaction. The RTAA will not grant the requested amendments. We will continue to work with DP to facilitate the development required under this lease.

Please contact me at (775) 328-6692 or IWhitlock@renoairport.com if you would like to discuss further.

Sincerely,

A handwritten signature in blue ink, reading "I. Whitlock", is positioned above the typed name.

Ian Whitlock
Chief Legal Officer
Reno-Tahoe Airport Authority

cc: Michael Dermody – Dermody Properties
Daren Griffin
Tina Iftiger
Aurora Ritter

PREFERRED CAPITAL ADVISORS

To: Michael Dermody
Chairman
Dermody Properties

From: Dan Corfee
President
Preferred Capital Advisors

Date: March 6, 2023

Ref: Dermody Reno Air Logistics – Stead Phase I - Debt and Equity

Michael,

As I indicated, we have been out to market to over 25 potential equity partners on the subject phase I for Stead since mid-November 2022 and have found the following consistent feedback from the partners. Please know that each of these investors have strong experience with Government Airport Ground Leases. With this in mind, I researched other ground leases with the RTAA and found the following issues.

1. The FMV adjustment does not have a cap.
 - a. A cap of 5% in aggregate is considered standard if there is a “not less than the prior year” as a floor.
 - i. This was Granted in the TDC Airway Lease
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These clauses have caused investors to be overly concerned about their ability to project cash flows and exit the assets if required. Investor feedback referenced above include the following groups.

| | | | | | |
|------------|-----------|------------|---------------|-----------|-----|
| USAA | Principal | Invesco | Goldman Sachs | JP Morgan | ARA |
| Blackstone | Hillwood | Prudential | PCCP | Carlyle | TPG |

Please understand that each of these investor’s view Dermody as a “best in class” industrial developer with an extremely strong track record of performance in the industry. In this regard, I believe this feedback is not related to how they view your entity as a sponsor. It is purely structural. Please let me know about next steps. I would be happy to discuss with anyone on the team additional specifics.

Sincerely,

Dan Corfee
President
Preferred Capital Advisors

PREFERRED CAPITAL ADVISORS

Ground Lease Comparative

| Tenant | TDC Airway LLC | JMA ALOFT RENO,LLC | DP Air Logistics Stead | |
|------------------------------|--|--|--|-------------------|
| | Home Gardens South Ground Lease | JMA Reno Hotel Holdings LLC | Phase 1 | |
| Date of Lease | 4/1/2021 | 3/1/2017 | 2/22/2017 | |
| Term | 50 years | 50 years | 50 years | |
| Commencement | Upon CofO or 25 months from effective date | | | |
| Standard Rent Increases | The lesser of 2.50% per annum or average CPI over T-3 yrs | The lesser of 3.00% per annum or average CPI over T-5 yrs | The lesser of 2.00% per annum or average CPI over T-2yrs | |
| Frequency | Annual | 5 years | 2 years | |
| Fair Market Value Adjustment | Yes* | Yes | Yes | |
| Frequency | 10 yrs | 15 yrs | 10 yrs | We need 15 years |
| Section | 4.3 | 4.4 | 4.4 | (DFW at 20 years) |
| Page | 19 | 17 | 19 | |
| Cap | * Max Increase capped at 5% | No Cap | No Cap | We Need a 5% Cap |
| Profit Participation | None | None | 33%>20% IRR | Eliminate |



**DERMODY
PROPERTIES**

Dermody.com

December 3, 2018

VIA EMAIL: RCARLTON@RENOAIRPORT.COM

AND HAND DELIVERED

Randall Carlton
Chief Financial Officer
Reno Tahoe Airport Authority
Post Office Box 12490
Reno, Nevada 89502

Re: Article 5 Self Fund Election

Dear Mr. Carlton:

Notice was previously provided by John Griffin on Dermody's behalf regarding Dermody's election to self-fund those certain "Infrastructure Improvements" as this term is defined in the Master Development Agreement (MDA) by and between Reno-Tahoe Airport Authority and DP RTA Stead, LLC, a wholly owned affiliate of Dermody Properties LLC (Dermody).

In support of this prior notice, please treat this letter as Dermody's commitment to fund such costs from Dermody internal sources once these off- and on-site improvements are permitted and ready for construction to commence. This self-funding is similar to the over \$1 million in pre-development and design costs Dermody has already funded to date. While not a requirement of the MDA, Dermody will allow your confidential review of other corporate financial information at our meeting today to satisfy any concerns RTAA may have regarding the sufficiency of financial resources to meet said obligations.

Sincerely,

Doug Lanning
Chief Financial Officer

cc: Marily Mora, Reno Tahoe Airport Authority
Ann Morgan
Michael Dermody
Doug Kiersey
John Griffin

EXHIBIT C

Reno-Tahoe International Airport | Reno-Stead Airport

775.328.6400 | PO Box 12490 | Reno NV 89510-2490



April 28, 2023

VIA EMAIL: DFLOWERS@HOLLANDHART.COM
AND U.S. MAIL

Mr. Douglas Flowers
Holland & Hart LLP
5441 Kietzke Lane, Suite 200
Reno, NV 89511

Re: Request for Phase 1 Ground Lease Amendment

Dear Mr. Flowers:

This letter follows up on recent discussions between Dermody Properties' (DP) and the Reno-Tahoe Airport Authority (RTAA) resulting from DP's request for further amendments to the Phase I Ground Lease (PIGL) for development at Reno- Stead Airport. As previously stated by the RTAA in the letter dated March 30, 2023, the RTAA is disinclined to accept any further amendments to the PIGL or the Master Developer Agreement (MDA).

As you are aware, the RTAA has already agreed to four amendments, two to the MDA and two to the PIGL, to help DP obtain financing, complete construction of Phase I improvements, and generally keep the development contemplated under the MDA moving forward. To recap:

1. Effective April 29, 2020, at DP's request, the RTAA agreed to amend the MDA to allow Dermody an extra year to complete the Project Site entrance.
2. Effective December 1, 2020, at DP's request, the RTAA agreed to a second MDA amendment to substantially revise previously agreed upon terms, including: extending the Rent Commencement Date for ground leases for future phases; increasing the number of extension option periods from seven to eight; substantially reducing the minimum acreage for each development phase and allowing DP to forego its previous commitment to undertake aeronautical development in Phase I; again extending the deadline to complete the Project Site entrance; and extending the deadline for Phase II lease execution by two years. This last item results in a 30-month



- delay in the originally planned Phase II rent commencement and results in the RTAA foregoing about \$1.4 million in revenue.
3. Also effective December 1, 2020, at DP's request and in conjunction with the second MDA amendment, the RTAA agreed to amend the PIGL to reduce DP's leasehold by approximately 37% (from 90 acres to 56.4 acres), which will result in the RTAA foregoing approximately \$9.5 million in revenue during the term of the PIGL.
 4. Effective February 8, 2023, at DP's request, the RTAA agreed to a second amendment to the PIGL to extend the term of the PIGL by eight years. At the time of this request, DP represented that it could not obtain financing for the Phase 1 improvements without this extension.

Despite all these concessions, DP once again seeks further amendments, regarding the PIGL rent adjustment provisions, on DP's representations that it cannot obtain financing without such amendments. Furthermore, it is the RTAA's understanding that even if these amendments are granted DP's capital investor does not guarantee funding the project and funding is contingent upon the successful resolution of outstanding issues related to the United Pacific railroad crossing.

The RTAA will agree, contingent on DP's acceptance of the conditions below, to a 5% cap on the Fair Market Value adjustment set forth in Article 4.4 of the PIGL as well as extending the adjustment date in that section to successive fifteen-year periods, instead of the current ten-year periods. In consideration for this last amendment, DP must agree to all of the following conditions:

1. DP must secure a letter from USAA stating that no further amendments to the PIGL are required to fully fund the Phase 1 improvements (other than an amendment to incorporate the FMV caps described above).
2. DP must provide the RTAA with the marketing plan contemplated under Section 2.6 of the MDA by June 1, 2023.
3. DP must agree to amend the MDA as follows:
 - i. Section 4.1 – Deletion of the change of circumstance clause.
 - ii. Section 4.1 – Add requirement for DP to provide RTAA with master utility plan by February 1, 2024.
 - iii. Section 4.1 – Add requirement for DP, 120 days in advance of each subsequent phase deadline, to complete survey of record for the next phase, initiate due diligence for the next



- phase, and provide RTAA with written assurance of ability to obtain financing for the next phase.
- iv. Section 4.1 – Add requirement that DP must complete improvements for each phase within 24 months of receipt of formal environmental process determination from FAA.
 - v. Section 4.2 – Adjust the annual Option Payment to \$375,000.00, which consolidates the payments for the originally contemplated five development stages. The first increased payment will be due July 1, 2023.
 - vi. Section 10.1(b) – Add provision to clarify that failure to comply with any of the new additions to Section 4.1 outlined above is deemed a breach of a substantial and material obligation.
4. Upon execution of MDA and PIGL amendments, DP must provide the RTAA with a written assurance of its ability to perform and comply with all terms of the MDA and PIGL without further amendment.

Please understand, the RTAA's conditions have been carefully considered and the RTAA believes these conditions are fair and reasonable considering the course of dealing between the parties. Accordingly, the RTAA's conditions are not open for further negotiation. We look forward to hearing that you agree to these terms or are committed to moving forward with the terms of the MDA and PIGL as currently drafted.

Sincerely,

A handwritten signature in blue ink, which appears to read "Ian Whitlock", is positioned below the "Sincerely," text.

Ian Whitlock
Chief Legal Officer
Reno-Tahoe Airport Authority

Cc: Michael Dermody – Dermody Properties
Daren Griffin
Tina Iftiger
Aurora Ritter

Administrative Report

Date: June 6, 2023
To: All Board Members
From: Daren Griffin, President/CEO
Subject: Administrative Award of Contracts (Expenditures) Pursuant to Resolution No. 557 for the Month of May 2023

BACKGROUND

At the July 14, 2022, Board of Trustees' Meeting of the Reno-Tahoe Airport Authority, the Board approved Resolution No. 557 authorizing the President/CEO to administratively award contracts for:

- budgeted professional services when the scope of work is \$200,000 or less, and to approve amendments where the sum of the total net of amendments per agreement does not to exceed \$50,000; and
- budgeted goods, materials, supplies, equipment, technical services, and maintenance contracts when the estimated amount to perform the contract, including all change orders, is \$250,000 or less; and
- budgeted construction contracts when the estimated amount to perform the work is \$500,000 or less, and approve change orders to construction contracts where the sum of the total net of change orders per contract does not exceed \$250,000; and
- budgeted Construction Management and Administration professional service agreements and amendments ("Work Order") where a single Work Order does not exceed \$250,000.

All construction contracts exceeding \$500,000 must be approved by the Board of Trustees, along with a request to establish an Owner's Contingency. Additionally, if the Board of Trustees originally approved the construction contract, any construction change order exceeding the sum of the total of the contract and Owner's Contingency must also be approved by the Board.

DISCUSSION

Resolution No. 557 requires that the President/CEO provide the Board of Trustees with a monthly administrative report listing of all agreements and purchase orders in excess of \$25,000 and approved administratively as a result of this Resolution. Further, all change orders and amendments approved administratively as a result of this Resolution shall be included in a separate administrative report regardless of value.

May 2023 – Agreements and POs in Excess of \$25,000

| Date | Name of Company | Dollar Amount | Description | Funding Source | Department / Division |
|----------|-----------------------|---------------|--|----------------|----------------------------------|
| 04/15/23 | Barich, Inc. | \$97,520.00 | A PSA was issued for implementation of a resource management system, Airport Management System (AMS). | FY23 CIP | Technology & Information Systems |
| 04/21/23 | Landrum & Brown, Inc. | \$200,000.00 | A PSA was issued for a multi-year (FY23 – FY28) airport financial consulting services for on-call / T&M support associated with AULA reviews, annual airline rates and charged, ongoing financial modeling support and analysis, and other ad hoc items. | FY23 O&M | Finance |
| 05/02/23 | EASE Airport Ops, LLC | \$130,000.00 | A Technical Services Agreement was issued for implementation and second year of annual license and support for a dashboard software called Enterprise Awareness & Situational Exceptions (EASE). | FY23 O&M | Technology & Information Systems |

May 2023 – Change Orders, Amendments, and Work Orders

| Date | Name of Company | Dollar Amount | Description | Funding Source | Department / Division |
|----------|------------------------------|---------------|---|------------------------|----------------------------|
| 05/10/23 | Henriksen Butler, Nevada LLC | \$29,725.35 | A PO was issued for office furniture associated with the Airfield Maintenance Office Remodel Project. This was a consortium purchase made in conjunction with the State of Nevada Contract #MA3967. | FY23 CIP | Engineering & Construction |
| 05/11/23 | Featherlite of Reno, Inc. | \$32,177.25 | A PO was issued for a V-Nose Trailer for gear. | FY23 O&M (Fixed Asset) | Police |
| 05/12/23 | Henriksen Butler, Nevada LLC | \$78,713.55 | A PO was issued for office furniture associated with the Airport Duty Managers' Office Remodel Project. This was a consortium purchase made in conjunction with the State of Nevada Contract #MA3967. | FY23 CIP | Engineering & Construction |

Key to abbreviations:

AIP = Airport Improvement Project
 CIP = Capital Improvement Program
 CFC = Customer Facility Charge

CO = Change Order
 NTE = Not to Exceed
 PFC = Passenger Facility Charge

WO = Construction Mgmt Work Order
 PO = Purchase Order
 PSA = Professional Service Agreement

Administrative Report

Date: June 6, 2023
To: All Board Members
From: Daren Griffin, President/CEO
Subject: Administrative Award of Contracts (Revenues) Pursuant To Resolution No. 557 for the Month of May 2023

BACKGROUND

At the July 14, 2022 meeting of the Board of Trustees of the Reno-Tahoe Airport Authority, the Board approved Resolution No. 557, recognizing the inherent authority of the President/CEO, or authorized representative to award revenue contracts except those that are, in combination, more than 5 years in Term, including options, and generate aggregate revenues of \$250,000 or more.

DISCUSSION

Resolution No. 557 requires that the President/CEO provide the Board of Trustees with an administrative report setting forth a list of revenue contracts and associated options to extend approved administratively as a result of the resolution to be given to the Board on a monthly basis.

May 2023

| Date | Lessee | Property Address | Agreement Term | Contract Value | Portfolio |
|--------|---|-------------------------------|----------------|----------------------|---------------------------|
| 5/1/23 | Celtic Pest Inspections and Control Services | 2900 Vassar St. Suite CC-26 | 12 Months | \$5,716.20 | Outside Properties |
| 5/1/23 | Vaughn & Sons Construction Inc. | 2890 Vassar St. Suite AA-11 | 12 Months | \$7,481.76 | Outside Properties |
| 5/1/23 | 1 New Tenant | Mini Warehouse Storage | Month to Month | \$115.00 | Outside Properties |
| 5/1/23 | 3 New Tenants | Mini Warehouse Park to Travel | Month to Month | \$315.00 | Outside Properties |
| 5/1/23 | National Aviation Services, LLC Commercial Aviation Ground Handling and Support Services Operating Agreement | N/A | Year to Year | \$26,000.00 annually | Aviation Support Services |
| 5/1/23 | Airline Tech Reps LLC dba STS Line Maintenance Commercial Aviation Ground Handling and Support Services Operating Agreement | N/A | Year to Year | \$56,000.00 annually | Aviation Support Services |

Administrative Report

Date: June 6, 2023
To: All Board Members
From: Daren Griffin, President/CEO
Subject: Financial Reporting Package – April 2023

EXECUTIVE SUMMARY

Attached is the Financial Reporting Package for the ten-month period ending April 30, 2023, of Fiscal Year (FY) 2022-23. The package includes a high-level summary of total revenues and expenses followed by a more detailed discussion of key metrics. A summary of financial operating results in comparison to the budget forecast is as follows:

| | YEAR TO DATE as of April 30, 2023 (In Thousands) | | | | | | |
|--|--|---------------|--------------|-------------|----------------------|----------------|--------------|
| | Actual Results | | | | 83.3% Of Fiscal Year | | |
| | CURRENT YEAR | PRIOR YEAR | VARIANCE | | Y-T-D BUDGET | VARIANCE | |
| | | | \$ | % | | \$ | % |
| Operating Revenue | | | | | | | |
| Airline | \$ 16,258 | \$ 15,547 | \$ 712 | 4.6% | \$ 17,397 | \$ (1,138) | -6.5% |
| Non-Airline | 38,580 | 34,750 | 3,830 | 11.0% | 39,035 | (454) | -1.2% |
| Total Operating Revenue | 54,839 | 50,297 | 4,542 | 9.0% | 56,431 | (1,593) | -2.8% |
| Operating Expenses | (45,377) | (38,775) | (6,602) | 17.0% | (48,700) | 3,323 | -6.8% |
| Net Operating Income | 9,462 | 11,522 | (2,060) | -17.9% | 7,732 | 1,730 | -22.4% |
| Non-Operating Income (Expense)* | 29,706 | 24,810 | 4,897 | 19.7% | 28,110 | 1,596 | 5.7% |
| Net Income Before Depreciation | 39,168 | 36,331 | 2,837 | 7.8% | 35,842 | 3,326 | 9.3% |

* Includes federal stimulus funds

The month of April continued the volatile trend regarding United States equities. The latest Consumer Price Index (CPI) measured in April 2023 increased by 4.9% compared to April 2022, and 0.4% increase from March 2023. The Federal Reserve increased interest rates by 25 basis points to 5.25% and signaled a potential end to rate hikes. Market-based odds of a Federal Reserve rate hike at the mid-June policy meeting rose to about 40 percent. Negotiations continue in an effort to reach a compromise, increase the debt ceiling and avoid default on US debt. Consumer spending increased by a lower than expected 0.4% in April as consumers are becoming more selective with their purchases.

With strong signs of rebound from the crippling effects of the COVID pandemic on the travel industry, RNO had forecasted to reach 2.367 million enplaned passengers in FY 2022-23, above pre-pandemic results. While travel demand remains strong the market continues to be relatively uncertain; passenger airlines are adjusting schedules often. In general, airlines have reduced schedules at RNO, primarily due to staff shortages and other operational challenges. Based on the announced airline traffic changes for the

second part of the year RTAA staff has developed a revised traffic forecast. The updated traffic forecast decreased 2.3% from 2.367 million enplaned passengers to 2.312 million in FY 2022-23. This reduction of flights can have a negative impact on airline and non-airline revenues at RNO.

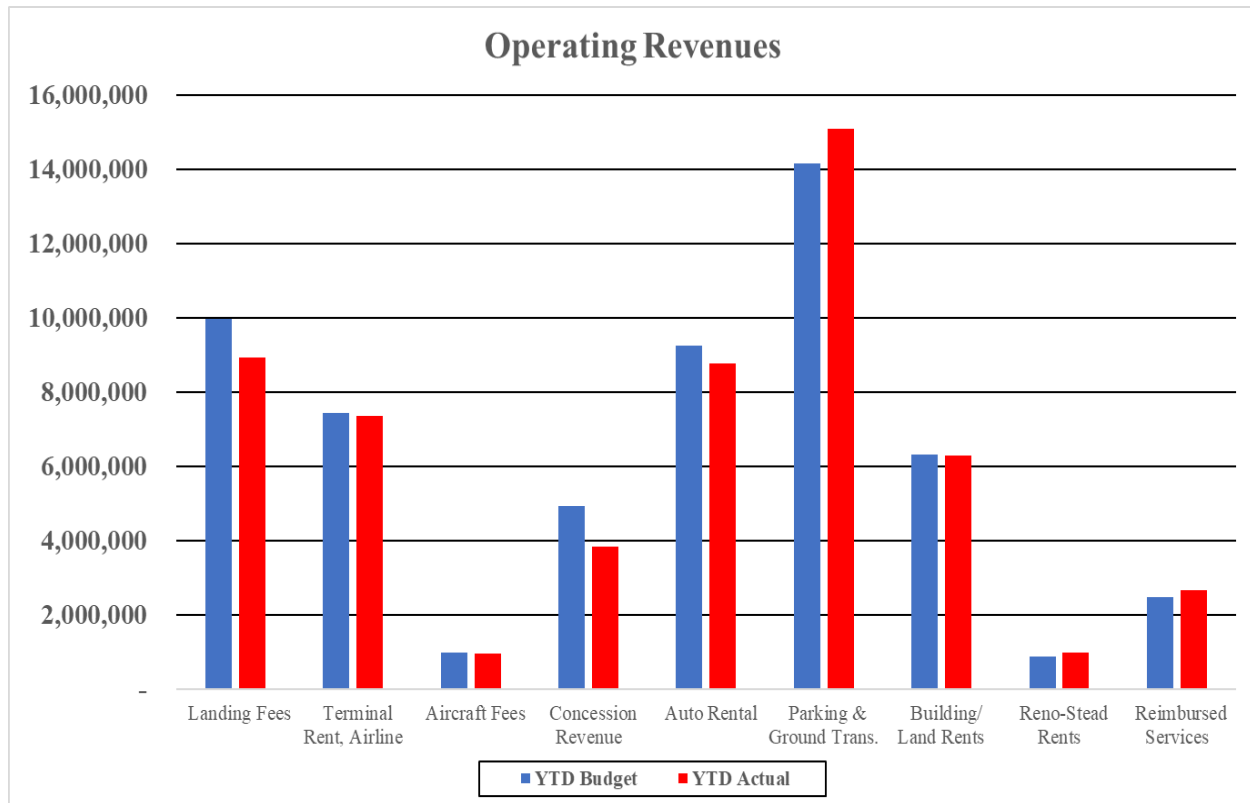
Based on actual results through April 30, 2023, net income before depreciation was approximately \$39.168 million, a \$3.326 million or 9.3% increase from the budget forecast. This is primarily due to operating expenses being \$3.323 million below budget. Non-operating revenues include \$12.587 million of federal stimulus funds (CARES, ARPA) as of April 2023. These funds are disbursed by the Federal Aviation Administration (FAA) based on qualifying reimbursement requests. RTAA requested reimbursement of \$2.296 million for capital projects, \$950,000 of personnel related expenses in the Airfield cost center, \$7.627 million for debt service used to fund capital projects, \$84,500 for interest and access fees, and \$1.563 million ARPA funds for concessionaires.

The majority of ARPA funds requested through April were designated to aid concessionaires for the financial impacts of the COVID-19 Pandemic and were not included in the FY 2022-23 Budget. The concession related ARPA funds, per FAA guidance, are applied to concessionaires as an offset of their Minimum Annual Guarantee (MAG), space rents, and concession fees owed to RTAA. The funds are rolled out as rent credits and result in a reduction to concession revenues as they are recorded as non-operating revenues.

TOTAL OPERATING REVENUES

RTAA's total Operating Revenues of \$54.839 million are approximately \$1.593 million or 2.8% below budget through April, due to lower airline and non-airline revenues. Compared to the prior fiscal year, actual results are \$4.542 million or 9.0% above the same period. Airline revenues were \$1.138 million below budget through April 2023 primarily due to the 11.1% deficit of landed weight compared to budget. Non-airline revenues were reduced by \$1.562 million due to the application of ARPA funds against concession revenues through April 30, 2023.

ARPA funds are recognized as non-operating income per FAA guidelines, therefore, reducing non-airline operating revenues. There is no impact on the overall cash received by RTAA. Non-airline revenues include parking and ground transportation, auto rental, retail, food and beverage concessions, gaming revenues, advertising, terminal rents, and other building rents. The chart below reflects actual operating revenues for the fiscal year as compared to the budget amount.



AIRLINE REVENUES

Airline revenues are collected in accordance with rates and charges as specified by the formula in RTAA's Airline-Airport Use and Lease Agreement (AAULA) with the signatory airlines effective July 1, 2015, through June 30, 2023. RNO has seen a reduction in the current year airline activity due to schedule changes impacted by labor shortages and increased operating costs. Aha! Airlines filed for bankruptcy in August 2022 and ceased operations at RNO. In Addition, Frontier Airlines terminated operations on February 14, 2023, contributing to the airline revenue impact. These impacts are partially offset by new scheduled service provided by Spirit and Sun Country airlines.

Landing Fees

The formula for calculating landing fees consists mostly of cost recovery of Airfield related operating and capital improvement expenses offset by other Airfield derived revenues. Landing fees were budgeted and collected at \$3.50 per 1,000 lbs. of landed weight. Based on the actual results in the first ten months of FY 2022-23 the calculated landing fee per 1,000 lbs. was \$3.70. The calculation includes \$950,000 of federal stimulus funds applied as a credit to reduce landing fees. In the current fiscal year landing fee revenues registered \$8.913 million, approximately \$1.061 million or 10.6% below the adopted budget. The decrease is due to lower landed weight reported by Aha!, Alaska, Allegiant, American, Delta, Frontier, JetBlue, Southwest, Spirit, United, and UPS, partially offset by higher landed weight reported by Volaris and FedEx.

Overall, landed weight reported in the first ten months by all airlines is 0.2% above the same period in FY 2021-22, and 11.1% below the seasonally adjusted budget forecast. Monthly landed weights recorded at RNO in the current year have consistently exceeded the FY 2021-22 results starting November 2022. The costs allocated to the Airfield cost center are 5.6% below budget based on actual results through April 30,

2023. Airlines are being selective with their flight schedules to maximize profits, leading to a reduction in total landed weight. The reduction in scheduled flights has resulted in an adjusted landed weight forecast of 3.187 million thousand pounds, a 9.3% reduction from the adopted budget.

Airline Terminal Rents

Airline terminal rents reflect cost recovery of Terminal costs allocated to airline occupied facilities with total facility costs divided by rentable terminal square footage. The budgeted average signatory rental rate is \$54.40 per sq. ft. per annum. Based on actual results for the ten-month period ending April 30, 2023, airline terminal rental revenues were \$7.346 million, approximately \$77,000 or 1.0% below budget. The actual costs allocated to the Terminal cost center are 3.7% below the adopted budget. The signatory airlines' portion of net revenues is \$5.202 million, approximately \$831,100, or 19.0% above the adopted budget, applied as a credit or rent reduction to terminal rents.

NON-AIRLINE REVENUES

With airline revenues derived from cost recovery formulas directly from their operations, non-airline revenues are critical for RTAA to meet other operating costs and to generate internal funds for equipment and capital projects that do not directly benefit the airlines. Non-airline operating revenues are primarily comprised of terminal and rental car concession revenues, public parking revenue, building/land rents, and reimbursement of RTAA provided services. Based on actual results for the ten-month period ending April 30, 2023, non-airline operating revenues as adjusted by the ARPA allocation of \$1.562 million, totaled \$38.580 million, a decrease of approximately \$454,400,200 or 1.2% below budget. The ARPA credits are applied against concession, terminal rents, and auto rental revenues and recognized as non-operating income, therefore reducing non-airline operating revenues. Non-airline operating revenues excluding ARPA credits are \$40.152 million, an increase of approximately \$1.118 million or 2.9% above budget through April 2023.

All Minimum Annual Guarantees (MAGs) for concessionaires have been re-instated in FY 2022-23. In addition, ground transportation and auto parking fees have increased which are expected to result in higher non-airline revenues. The FY 2022-23 Auto Parking and Ground Transportation actual revenues of \$15.098 million are 31.5% higher than FY 2021-22 actual revenues for the first ten months of the year. RTAA staff updated the non-airline revenue forecast during the mid-year review process, resulting in a 1.7% increase to \$48.965 million.

NON-OPERATING REVENUES

Non-Operating revenues of \$29.706 million are approximately \$1.596 million or 5.7% above budget based on actuals through April 30, 2023. This revenue category is primarily comprised of Customer Facility Charges (CFCs) associated with the rental car activity, Passenger Facility Charges (PFCs), federal stimulus funds (CARES, ARPA), interest income, and aviation fuel tax. Federal stimulus funds are recorded as non-operating revenues when funds are requested from the FAA. Non-operating revenues include \$2.296 million for capital projects, \$950,000 of personnel related expenses in the Airfield cost center, \$7.627 million for debt service used to fund capital projects, \$84,500 for interest and access fees, and \$1.563 million ARPA funds for concessionaires.

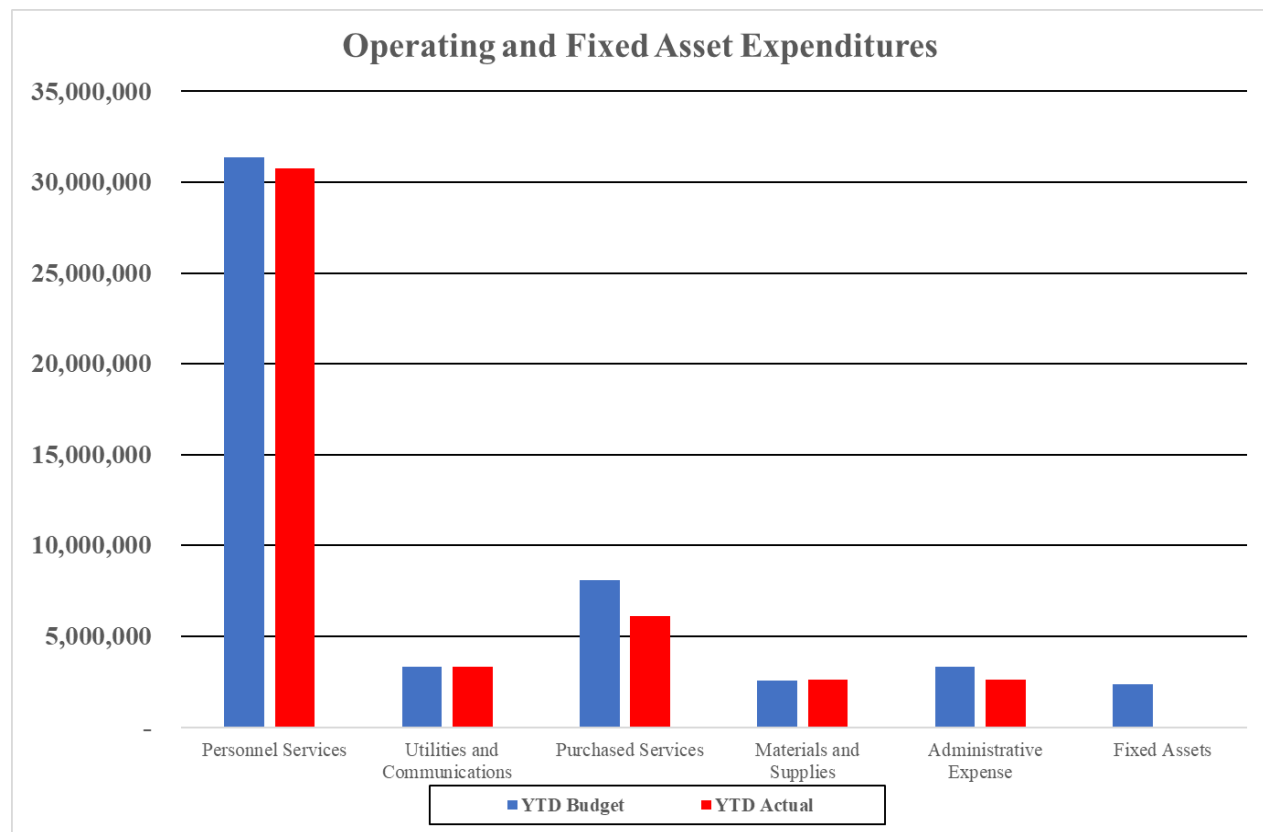
CFCs were increased from \$5.50 to \$6.50 per transaction day effective July 1, 2022. Due to the operating procedures of the car rental companies, rental car agreements booked prior to the announced new CFC rates are quoted and collected at the previous rates. This timing issue was not reflected in the adopted budget forecast. In addition, passenger traffic is 5.6% below budget through April 2023, therefore, rental

car transactions are lower when compared to budget. CFC revenues are \$2.380 million or 27.3% below budget through April 30, 2023.

PFC revenues are collected at \$4.50 (\$4.39 net to RTAA) per enplaned passenger. PFC revenues, including PFC collections and interest income on PFC cash balances were \$489,200 or 6.6% below budget through April 2023. The decrease in PFC revenues is primarily due to the accounting treatment of PFC revenues reflected as revenue only when the cash is received. This results in some months appearing to be over collecting and others under collecting due to timing. For the month of April, PFC revenues were over collected, primarily due to the timing of cash received. The decrease in passenger traffic of 5.6% through April has also impacted the decline of PFC revenues in FY 2022-23.

OPERATING EXPENSES

Based on actual results for the ten-month period ending April 30, 2023, operating expenses were \$45.377 million, \$3.323 million or 6.8% below budget, and \$6.602 million or 17.0% higher than the prior year actual results. The savings as compared to budget include approximately \$616,100 in lower Personnel Services, \$5,600 in Utilities and Communications, \$2.022 million in Purchased Services, and \$715,700 in lower Administrative Expenses, partially offset by \$36,700 in Materials and Supplies. Expenses are lower in Personnel Services due to vacancies. The timing of consulting services, lower costs associated with contracted services, and lower repair and maintenance cost contributed to the significant savings in Purchased Services. The lower Administrative Expenses are due to less training and travel as of April 2023. Materials and Supplies have increased due to the higher consumption rates of supplies, seasonality of some purchases, and the increase of prices overall due to inflation. In addition, a mid-year analysis was completed in December and some funds were reallocated within the major expense categories.



DEBT SERVICE

On July 14, 2022, the Board approved a non-revolving credit agreement with Wells Fargo Bank to provide a short-term financing facility for its capital program. Funds can be drawn in any amount as needed, up to a maximum of \$50 million. RTAA drew down \$15.104 million and incurred \$134,200 in interest and fees as of April 30, 2023. The drawdown consisted of \$140,000 to cover the cost of issuance and \$14.963 million to fund capital projects. RTAA requested \$7.711 million for federal reimbursement from stimulus funds to repay the debt service of \$7.627 million and a portion of the interest and access fees of \$84,500 through April 2023.

KEY BENCHMARKS

The following are key benchmarks and ratios used to measure financial activities and monitor the financial health and condition of RTAA:

| Key Statistics / Benchmarks | YEAR TO DATE (April 30, 2023) | | | | | | |
|-------------------------------------|-------------------------------|---------------|--------------|--------|----------------------|-----------|-------|
| | | | | | 83.3% Of Fiscal Year | | |
| | CURRENT YEAR | PRIOR YEAR | VARIANCE | % | Y-T-D BUDGET | VARIANCE | % |
| Enplaned Passengers | 1,842,690 | 1,714,086 | 128,604 | 7.5% | 1,951,294 | (108,604) | -5.6% |
| Airline Cost Per Enplaned Passenger | \$ 6.76 | \$ 5.26 | \$ 1.50 | 28.5% | \$ 7.51 | (0.75) | -9.9% |
| Non-Airline Revenues per EPAX (a) | \$ 19.49 | \$ 18.87 | \$ 0.62 | 3.3% | \$ 18.74 | 0.75 | 4.0% |
| Operating Ratio | 82.7% | 77.1% | 5.7% | 7.3% | 86.3% | -3.6% | -4.1% |
| Days Cash On Hand | 452 | 529 | (76.5) | -14.5% | 450.64 | 1.7 | 0.4% |
| CARES Act | \$ 12,586,815 | \$ 12,957,955 | \$ (371,139) | -2.9% | \$11,375,250 | 1,211,565 | 10.7% |

(a) Excludes cost reimbursement for the Baggage Handling System (BHS) paid by the airlines.

Enplaned Passengers

Passenger activity is a significant factor driving non-airline revenues such as public parking, terminal, and rental car concessions. Based on actual results in the first ten months of FY 2022-23, enplaned passengers were 1.843 million, a 5.6% decrease compared to budget. Enplanements through April 2023 are up 7.5% when compared to the same period in FY 2021-22. The passenger traffic recorded at RNO in January 2023 was the highest in the last 15 years.

Passenger airlines continue to operate at a reduced capacity due to staffing shortages and other operational challenges. This trend is anticipated to continue through the remainder of the fiscal year at RNO. A table and chart enclosed in this package provides a comparison of enplaned passenger traffic and market share by airline for FY 2022-23 as compared to the previous year.

Airline Cost per Enplaned Passenger (CPE)

This ratio represents airline payments for use of airport facilities (landing fees and terminal rents) in accordance with the adopted rates and charges methodology as outlined in the airline lease agreement. RTAA targets to maintain a reasonable cost structure for airlines operating at RNO to attract and maintain air service to our community. Due to operating expenses being 6.8% below budget and higher than anticipated revenue sharing credit, the signatory airline cost per enplaned passenger is estimated to be \$6.76 as compared to the FY 2022-23 budget of \$7.51.

Non-Airline Revenue per Enplaned Passenger

This ratio represents operating revenues derived from sources other than the airlines, divided by enplaned passengers for the fiscal year. This financial ratio measures operating revenue capacity from terminal rents, rental car concession fees, public parking, and land and building rents from non-airline facilities at both airports. Based on actual results for the first ten months of the fiscal year, non-airline revenue per enplaned passenger is \$19.49 as compared to the adopted budget of \$18.74, and \$18.87 recorded in the prior year. Enplaned passenger traffic has decreased by 5.6% compared to the adopted budget and non-airline revenues decreased by 1.2% (including the application of ARPA credits for concessionaires), resulting in a higher ratio compared to the adopted budget.

Parking revenue per enplaned passenger has increased significantly from \$6.27 in FY 2021-22 to \$7.65 in FY 2022-23, which is in large part due to the increase in parking rates beginning July 1, 2022, and the continued preference for use of public parking over ride-sharing services.

Operating Ratio

The Operating Ratio is calculated by dividing operating and maintenance expenses by total operating revenues. This ratio indicates whether the level of operating expenses as a proportion of operating revenues are consistent and tracking with the approved expenditures and revenues adopted in the budget. Generally, a lower ratio of expenses to revenues is positive since it reflects an improvement in the net operating revenues available to pay debt service and generate additional cash flow.

Based on the first ten months of FY 2022-23, the operating ratio registered 82.7% as compared to the lower ratio in the prior year of 77.1%, and higher ratio in the adopted budget of 86.3%. This result, as compared to budget reflects the lower actual operating expenses for the first ten months of the fiscal year.

Days Cash on Hand (DCOH)

Days Cash on Hand is calculated by identifying unrestricted cash and investments divided by the daily operating and maintenance expenditure budget (annual operating and maintenance budget divided by 365 days). As of March 31, 2023, RTAA's DCOH was approximately 452 days, positively impacted by federal stimulus funds received through April 2023.

RTAA's policy is a desired target of 365 days. The 2021 median average, as compiled by Moody's Investor Services, is 794 for medium hub airports. The current RTAA DCOH is below the industry average for all airports and similarly sized airports. In general, rating agencies view this indicator negatively when it is less than 300 days and may result in a rating downgrade for the reporting airport.

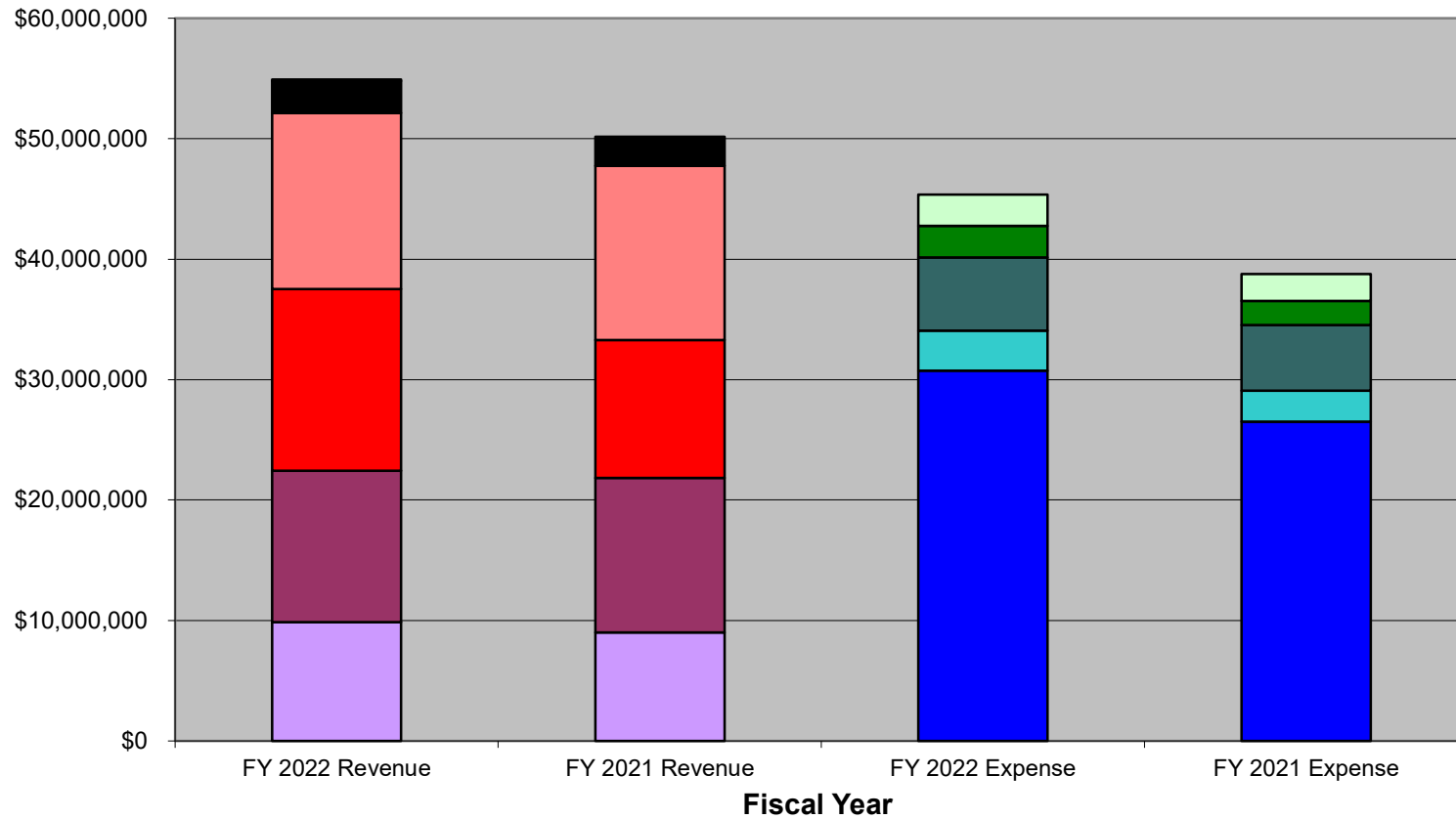
OPERATING STATEMENT
RENO-TAHOE AIRPORT AUTHORITY
For the Ten Months Ending April 30, 2023

| | <i>CURRENT MONTH</i> | | | | <i>For the Ten Months Ending April 30, 2023</i> | | | | | | |
|--|----------------------|-----------------------|-------------------|---------------|---|-----------------------|-----------------------|---------------|------------------------|-----------------------|--------------|
| | CURRENT YEAR | PRIOR YEAR | VARIANCE | % | CURRENT YEAR | PRIOR YEAR | VARIANCE | % | 83.33% | OF FISCAL YEAR | |
| | | | | | | | | | Y-T-D BUDGET | VARIANCE | % |
| REVENUES | | | | | | | | | | | |
| Landing Fees | \$ 849,805 | \$ 673,372 | \$ 176,432 | 26.2% | \$ 8,912,735 | \$ 7,959,302 | \$ 953,433 | 12.0% | \$ 9,974,170 | \$ (1,061,435) | -10.6% |
| Terminal Rent, Airline | 710,060 | 731,355 | (21,295) | -2.9% | 7,345,741 | 7,587,277 | (241,536) | -3.2% | 7,422,750 | (77,009) | -1.0% |
| Aircraft Fees | 87,986 | 89,224 | (1,238) | -1.4% | 945,017 | 1,047,835 | (102,817) | -9.8% | 983,249 | (38,232) | -3.9% |
| Concession Revenue | 567,718 | 423,868 | 143,850 | 33.9% | 3,820,916 | 4,318,536 | (497,620) | -11.5% | 4,920,849 | (1,099,933) | -22.4% |
| Auto Rental | 735,087 | 722,254 | 12,833 | 1.8% | 8,756,442 | 8,491,303 | 265,139 | 3.1% | 9,239,459 | (483,017) | -5.2% |
| Parking & Ground Transportation | 1,545,093 | 1,252,602 | 292,492 | 23.4% | 15,098,390 | 11,483,022 | 3,615,367 | 31.5% | 14,146,840 | 951,550 | 6.7% |
| Reno-Tahoe Building/ Land Rents | 632,411 | 617,967 | 14,443 | 2.3% | 6,283,088 | 6,051,610 | 231,478 | 3.8% | 6,310,439 | (27,351) | -0.4% |
| Reno-Stead Rents | 100,438 | 108,121 | (7,683) | -7.1% | 963,429 | 815,086 | 148,342 | 18.2% | 866,167 | 97,262 | 11.2% |
| Reimbursed Services | 280,378 | 253,286 | 27,092 | 10.7% | 2,665,971 | 2,412,549 | 253,423 | 10.5% | 2,476,920 | 189,052 | 7.6% |
| Miscellaneous | 5,059 | 7,258 | (2,200) | -30% | 46,820 | 130,295 | (83,475) | -64.1% | 90,583 | (43,764) | -48.3% |
| OPERATING REVENUE | \$ 5,514,034 | \$ 4,879,307 | \$ 634,727 | 13.0% | \$ 54,838,549 | \$ 50,296,815 | \$ 4,541,733 | 9.0% | \$ 56,431,425 | \$ (1,592,877) | -2.8% |
| EXPENSES | | | | | | | | | | | |
| Personnel Services | \$ 3,040,904 | \$ 2,648,989 | \$ 391,915 | 14.8% | \$ 30,747,510 | \$ 26,503,627 | \$ 4,243,884 | 16.0% | \$ 31,363,656 | \$ (616,145) | -2.0% |
| Utilities and Communications | 338,878 | 267,050 | 71,827 | 26.9% | 3,311,015 | 2,595,297 | 715,718 | 27.6% | 3,316,614 | (5,599) | -0.2% |
| Purchased Services | 657,917 | 526,135 | 131,782 | 25.0% | 6,091,013 | 5,444,375 | 646,638 | 11.9% | 8,112,919 | (2,021,906) | -24.9% |
| Materials and Supplies | 202,633 | 275,131 | (72,498) | -26.4% | 2,613,145 | 1,975,652 | 637,493 | 32.3% | 2,576,437 | 36,708 | 1.4% |
| Administrative Expense | 319,372 | 225,063 | 94,309 | 41.9% | 2,614,246 | 2,256,180 | 358,066 | 15.9% | 3,329,933 | (715,687) | -21.5% |
| OPERATING EXPENSES | \$ 4,559,703 | \$ 3,942,368 | \$ 617,335 | 15.7% | \$ 45,376,930 | \$ 38,775,132 | \$ 6,601,799 | 17.0% | \$ 48,699,559 | \$ (3,322,628) | -6.8% |
| NET OPERATING INC. BEFORE DEPR. | \$ 954,331 | \$ 936,939 | \$ 17,392 | 1.9% | \$ 9,461,618 | \$ 11,521,684 | \$ (2,060,065) | -17.9% | \$ 7,731,867 | \$ 1,729,752 | 22.4% |
| Depreciation and Amortization | 1,945,945 | 2,077,630 | (131,684) | -6.3% | 22,445,185 | 20,884,016 | 1,561,168 | 7.5% | 24,999,000 | (2,553,815) | -10.2% |
| OPERATING INCOME | \$ (991,615) | \$ (1,140,691) | \$ 149,076 | 13.1% | \$ (12,983,566) | \$ (9,362,333) | \$ (3,621,234) | -38.7% | \$ (17,267,133) | \$ 4,283,567 | 24.8% |
| NON-OPERATING INCOME (EXPENSE) | | | | | | | | | | | |
| Interest Income | \$ 168,641 | \$ 56,616 | \$ 112,025 | 197.9% | \$ 3,646,595 | \$ 110,126 | \$ 3,536,469 | 3211.3% | \$ 732,167 | 2,914,428 | 398.1% |
| Passenger Facility Charge | 751,523 | 733,074 | 18,449 | 2.5% | 6,910,377 | 6,691,065 | 219,312 | 3.3% | 7,399,583 | (489,206) | -6.6% |
| Customer Facility Charge | 640,732 | 472,390 | 168,341 | 35.6% | 6,347,692 | 5,200,838 | 1,146,854 | 22.1% | 8,728,139 | (2,380,447) | -27.3% |
| Jet Fuel Tax Revenue | 23,000 | 18,211 | 4,789 | 26.3% | 275,369 | 234,335 | 41,034 | 17.5% | 213,917 | 61,452 | 28.7% |
| Federal Stimulus | 394,483 | 0 | 394,483 | n.a. | 12,586,815 | 12,957,955 | (371,139) | -2.9% | 11,375,250 | 1,211,565 | 10.7% |
| G/L on Sale of Capital Assets | 8,714 | 2,561 | 6,153 | 240.2% | 10,871 | 15,080 | (4,209) | -27.9% | 0 | 10,871 | n.a. |
| Other Non-Operating Revenue (Expense) | 0 | 0 | 0 | n.a. | 36,575 | 0 | 36,575 | n.a. | 0 | 36,575 | n.a. |
| Interest Expense | (7,648) | 0 | (7,648) | n.a. | (108,177) | (399,857) | 291,679 | -72.9% | (338,986) | 230,809 | -68.1% |
| Total | \$ 1,979,446 | \$ 1,282,853 | \$ 696,593 | 54.3% | \$ 29,706,116 | \$ 24,809,542 | \$ 4,896,574 | 19.7% | \$ 28,110,069 | \$ 1,596,047 | 5.7% |
| Net Income Before Capital Contributions | \$ 987,831 | \$ 142,162 | \$ 845,669 | 594.9% | \$ 16,722,550 | \$ 15,447,209 | \$ 1,275,340 | 8.3% | \$ 10,842,936 | \$ 5,879,614 | 54.2% |

OPERATING STATEMENT
RENO-TAHOE AIRPORT AUTHORITY
For the Ten Months Ending April 30, 2023

| | CURRENT MONTH | | | | YEAR TO DATE | | | | ANNUAL BUDGET | |
|--|---------------------|-----------------------|---------------------|---------------|------------------------|------------------------|-----------------------|--------------|------------------------|-------------------------|
| | ACTUAL | BUDGET | VARIANCE | | ACTUAL | BUDGET | VARIANCE | | TOTAL | ANNUAL BUDGET % TO DATE |
| | | | \$ | % | | | \$ | % | | |
| REVENUES | | | | | | | | | | |
| Landing Fees | \$ 849,805 | \$ 1,017,579 | \$ (167,775) | -16.5% | \$ 8,912,735 | \$ 9,974,170 | \$ (1,061,435) | -10.6% | \$ 12,102,307 | 74% |
| Terminal Rent, Airline | 710,060 | 742,275 | (32,215) | -4.3% | 7,345,741 | 7,422,750 | (77,009) | -1.0% | 8,907,300 | 82% |
| Aircraft Fees | 87,986 | 96,101 | (8,115) | -8.4% | 945,017 | 983,249 | (38,232) | -3.9% | 1,181,011 | 80% |
| Concession Revenue | 567,718 | 499,342 | 68,376 | 13.7% | 3,820,916 | 4,920,849 | (1,099,933) | -22.4% | 5,953,000 | 64% |
| Auto Rental | 735,087 | 942,316 | (207,229) | -22.0% | 8,756,442 | 9,239,459 | (483,017) | -5.2% | 11,208,806 | 78% |
| Parking & Ground Transportation | 1,545,093 | 1,441,046 | 104,048 | 7.2% | 15,098,390 | 14,146,840 | 951,550 | 6.7% | 17,150,500 | 88% |
| Reno-Tahoe Building/ Land Rents | 632,411 | 631,044 | 1,367 | 0.2% | 6,283,088 | 6,310,439 | (27,351) | -0.4% | 7,572,527 | 83% |
| Reno-Stead Rents | 100,438 | 86,617 | 13,821 | 16.0% | 963,429 | 866,167 | 97,262 | 11.2% | 1,039,400 | 93% |
| Reimbursed Services | 280,378 | 272,582 | 7,795 | 2.9% | 2,665,971 | 2,476,920 | 189,052 | 7.6% | 2,972,759 | 90% |
| Miscellaneous | 5,059 | 9,058 | (3,999) | -44.2% | 46,820 | 90,583 | (43,764) | -48.3% | 108,700 | 0% |
| OPERATING REVENUE | \$ 5,514,034 | \$ 5,737,960 | \$ (223,927) | -3.9% | \$ 54,838,549 | \$ 56,431,425 | \$ (1,592,877) | -2.8% | \$ 68,196,310 | 80% |
| EXPENSES | | | | | | | | | | |
| Personnel Services | \$ 3,040,904 | \$ 3,101,366 | \$ (60,462) | -1.9% | \$ 30,747,510 | \$ 31,363,656 | \$ (616,145) | -2.0% | \$ 37,567,907 | 82% |
| Utilities and Communications | 338,878 | 397,621 | (58,743) | -14.8% | 3,311,015 | 3,316,614 | (5,599) | -0.2% | 4,051,370 | 82% |
| Purchased Services | 657,917 | 825,023 | (167,106) | -20.3% | 6,091,013 | 8,112,919 | (2,021,906) | -24.9% | 9,785,852 | 62% |
| Materials and Supplies | 202,633 | 269,385 | (66,752) | -24.8% | 2,613,145 | 2,576,437 | 36,708 | 1.4% | 3,115,322 | 84% |
| Administrative Expense | 319,372 | 319,965 | (593) | -0.2% | 2,614,246 | 3,329,933 | (715,687) | -21.5% | 3,985,021 | 66% |
| OPERATING EXPENSES | \$ 4,559,703 | \$ 4,913,359 | \$ (353,656) | -7.2% | \$ 45,376,930 | \$ 48,699,559 | \$ (3,322,628) | -6.8% | \$ 58,505,471 | 78% |
| NET OPERATING INC. BEFORE DEPR. | \$ 954,331 | \$ 824,602 | \$ 129,729 | 15.7% | \$ 9,461,618 | \$ 7,731,867 | \$ 1,729,752 | 22.4% | \$ 9,690,839 | 98% |
| Depreciation and Amortization | 1,945,945 | 2,500,000 | (554,055) | -22.2% | 22,445,185 | 25,000,000 | (2,554,815) | -10.2% | 30,000,000 | 75% |
| OPERATING INCOME | \$ (991,615) | \$ (1,675,398) | \$ 683,784 | 40.8% | \$ (12,983,566) | \$ (17,268,133) | \$ 4,284,567 | 24.8% | \$ (20,309,161) | 64% |
| NON-OPERATING INCOME (EXPENSE) | | | | | | | | | | |
| Interest Income | \$ 168,641 | \$ 73,217 | \$ 95,424 | 130.3% | \$ 3,646,595 | \$ 732,167 | \$ 2,914,428 | 398.1% | 878,600 | 415% |
| Passenger Facility Charge | 751,523 | 739,958 | 11,565 | 1.6% | 6,910,377 | 7,399,583 | (489,206) | -6.6% | 8,879,500 | 78% |
| Customer Facility Charge | 640,732 | 890,167 | (249,436) | -28.0% | 6,347,692 | 8,728,139 | (2,380,447) | -27.3% | 10,588,500 | 60% |
| Jet Fuel Tax Revenue | 23,000 | 21,392 | 1,608 | 7.5% | 275,369 | 213,917 | 61,452 | 28.7% | 256,700 | 107% |
| Federal Stimulus | 394,483 | 1,137,525 | (743,042) | -65.3% | 12,586,815 | 11,375,250 | 1,211,565 | 10.7% | 13,650,300 | 92% |
| G/L on Sale of Capital Assets | 8,714 | 0 | 8,714 | n.a. | 10,870.85 | 0 | 10,871 | n.a. | 0 | n.a. |
| Other Non-Operating Revenue (Expense) | 0 | 0 | 0 | n.a. | 36,575 | 0 | 36,575 | n.a. | 0 | n.a. |
| Interest Expense | (7,648) | (33,900) | 26,252 | -77.4% | (108,177) | (338,986) | 230,809 | -68.1% | (406,800) | 27% |
| Total | \$ 1,979,446 | \$ 2,828,359 | \$ (848,913) | -30.0% | \$ 29,706,116 | \$ 28,110,069 | \$ 1,596,047 | 5.7% | \$ 33,846,800 | 88% |
| Net Income Before Capital Contributions | \$ 987,831 | \$ 1,152,961 | \$ (165,130) | -14.3% | \$ 16,722,550 | \$ 10,841,936 | \$ 5,880,614 | 54.2% | \$ 13,537,639 | 124% |

Operating Revenue and Expense YTD through April 30, 2023



SUMMARY OF NON-AIRLINE REVENUES

Reno-Tahoe Airport Authority

| | 4/30/2023 YTD Actual | 4/30/2022 YTD Actual | Over (Under) Prior Year | % Variance | 4/30/2023 Year to Date Budget | Over (Under) Budget | % Variance | 2022-23 Annual Budget | % of Annual Budget |
|-------------------------------------|-------------------------|-------------------------|-------------------------------|---------------|-------------------------------------|---------------------------|---------------|--------------------------|--------------------------|
| Aircraft Fees - Reno | \$ 927,801 | \$ 976,891 | \$ (49,091) | -5.0% | 935,593 | \$ (7,792) | -0.8% | 1,122,711 | 82.6% |
| Aircraft Fees - Stead | 17,217 | 70,943 | (53,727) | -75.7% | 47,657 | (30,440) | -63.9% | 58,300 | 29.5% |
| Gaming Concession | 785,892 | 1,047,135 | (261,244) | -24.9% | 988,752 | (202,861) | -20.5% | 1,199,500 | 65.5% |
| Food & Beverage | 1,143,389 | 1,262,724 | (119,336) | -9.5% | 1,738,374 | (594,985) | -34.2% | 2,108,900 | 54.2% |
| Retail/Merchandise | 496,389 | 693,604 | (197,215) | -28.4% | 922,973 | (426,584) | -46.2% | 1,119,700 | 44.3% |
| Advertising | 645,025 | 627,584 | 17,441 | 2.8% | 706,167 | (61,142) | -8.7% | 847,400 | 76.1% |
| Other Concessions | 84,866 | 167,020 | (82,154) | -49.2% | 120,167 | (35,300) | -29.4% | 144,200 | 58.9% |
| FBO and Ground Handlers | 629,899 | 501,956 | 127,943 | 25.5% | 427,500 | 202,399 | 47.3% | 513,000 | 122.8% |
| Stead Concessions | 35,456 | 18,512 | 16,945 | 91.5% | 16,917 | 18,540 | 109.6% | 20,300 | 174.7% |
| Auto Rental | 8,756,442 | 8,491,303 | 265,139 | 3.1% | 9,239,459 | (483,017) | -5.2% | 11,208,806 | 78.1% |
| Ground Transportation | 561,648 | 258,967 | 302,681 | 116.9% | 575,500 | (13,853) | -2.4% | 690,600 | 81.3% |
| Auto Parking | 14,536,742 | 11,224,056 | 3,312,686 | 29.5% | 13,571,339 | 965,403 | 7.1% | 16,459,900 | 88.3% |
| Other Terminal Rents | 704,832 | 692,086 | 12,746 | 1.8% | 659,500 | 45,332 | 6.9% | 791,400 | 89.1% |
| Reno-Tahoe Building Rents | 2,795,516 | 2,594,533 | 200,983 | 7.7% | 2,660,675 | 134,841 | 5.1% | 3,192,810 | 87.6% |
| Reno-Tahoe Land Rents | 2,782,740 | 2,764,991 | 17,749 | 0.6% | 2,990,264 | (207,525) | -6.9% | 3,588,318 | 77.5% |
| Reno-Stead Rents | 963,429 | 815,086 | 148,342 | 18.2% | 866,167 | 97,262 | 11.2% | 1,039,400 | 92.7% |
| Reimbursed Services | 2,665,971 | 2,412,549 | 253,422 | 10.5% | 2,476,920 | 189,052 | 7.6% | 2,972,759 | 89.7% |
| Miscellaneous | 46,820 | 130,295 | (83,475) | -64.1% | 90,583 | (43,764) | -48.3% | 108,700 | 43.1% |
| Total Non-Airline Operating Revenue | 38,580,072 | 34,750,236 | 3,829,837 | 11.0% | 39,034,506 | (454,433) | -1.2% | 47,186,704 | 81.8% |
| Non Operating Revenue (a) | 1,587,386 | 636,269 | 951,117 | 149.5% | 946,083 | 641,303 | 67.8% | 1,135,300 | 139.8% |
| TOTAL NON-AIRLINE REVENUE | \$ 40,167,459 | \$ 35,386,505 | \$ 4,780,953 | 13.5% | \$ 39,980,589 | \$ 186,870 | 0.5% | \$ 48,322,004 | 83.1% |
| | | | | | | (454,433) | | | |
| Year to Date Enplaned Passengers | 1,842,690 | 1,714,086 | | | 1,951,294 | | | 2,367,203 | |
| Non-Airline Revenue Per EPAX (b) | \$ 19.49 | \$ 18.87 | | | \$ 18.74 | | | \$ 18.68 | |
| Non-Airline Revenue Per EPAX (c) | \$ 10.76 | \$ 11.48 | | | \$ 10.93 | | | \$ 10.89 | |

(a) Excludes PFC and CFC revenues

(b) Total Non-Airline Revenue less Reimbursed Services divided by enplaned passengers

(c) Non-Airline Revenue (Concessions, Rental Car, Other Rents) Per Enplaned Passenger (Strategic Plan Measure)

NET REVENUE SHARING - YEAR TO DATE

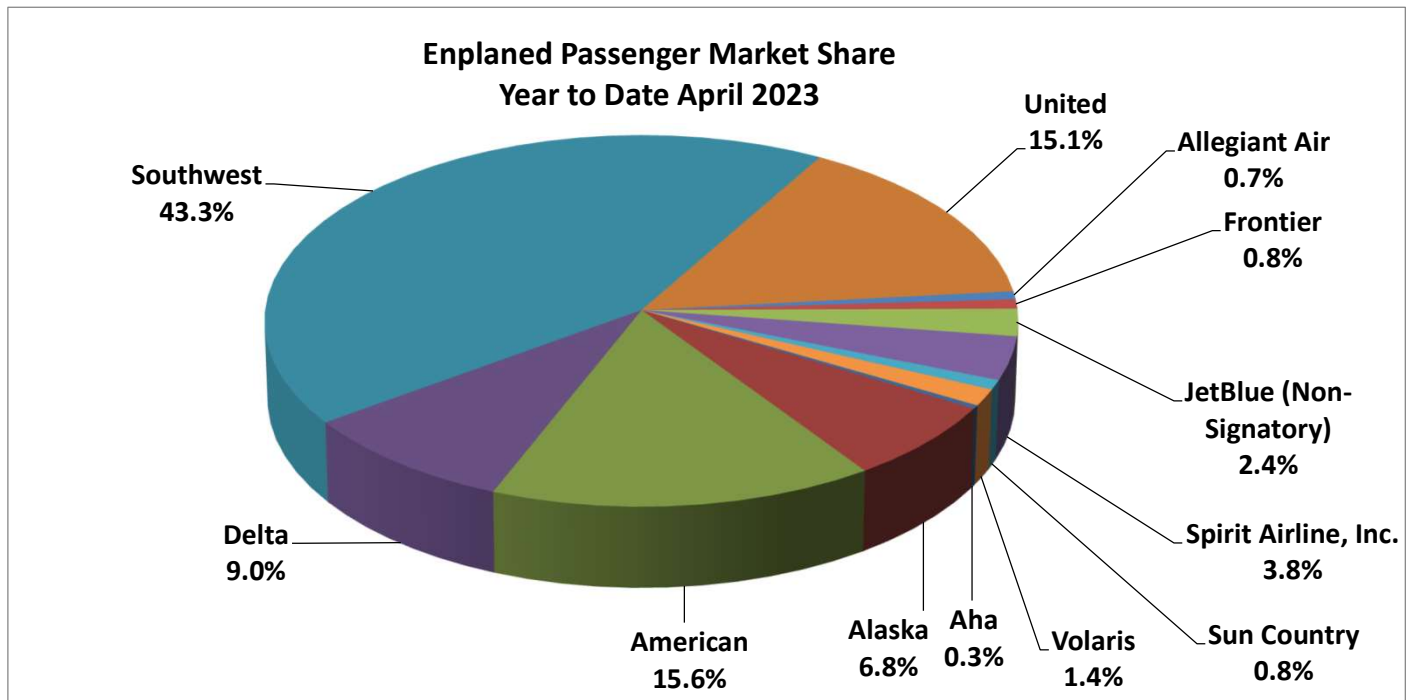
Reno-Tahoe Airport Authority
For the Ten Months Ending April 30, 2023

| | <u>Airfield</u> | <u>Terminal</u> | <u>Baggage System</u> | <u>Landside</u> | <u>Other</u> | <u>Reno Stead</u> | <u>Total</u> |
|------------------------------|--------------------|--------------------|---------------------------|-------------------|------------------|-----------------------|-------------------|
| Revenue Sharing | | | | | | | |
| Airline Revenue | 9,560,392 | 11,465,215 | - | - | - | - | 21,025,607 |
| Non Airline Revenue | 951,490 | 4,956,635 | 1,569,728 | 23,854,832 | 7,688,196 | 1,016,101 | 40,036,983 |
| Total Revenue | 10,511,882 | 16,421,851 | 1,569,728 | 23,854,832 | 7,688,196 | 1,016,101 | 61,062,591 |
| Budgeted Revenue | 11,187,515 | 17,813,417 | 1,546,632 | 23,784,672 | 6,742,190 | 931,667 | 62,006,093 |
| O&M Expense | \$ 10,634,675 | \$ 18,911,773 | \$ 1,658,853 | \$ 8,072,849 | \$ 3,766,073 | \$ 1,918,210 | \$ 44,962,433 |
| Debt Service | - | - | - | - | 7,735,088 | - | 7,735,088 |
| Pre Bond Loan | - | - | - | - | - | - | - |
| O&M Reserve | 228,109 | 396,790 | 30,555 | 189,068 | 85,777 | 42,665 | 972,964 |
| Fixed Asset | 455,926 | 336,307 | - | 201,254 | 123,455 | 44,237 | 1,161,179 |
| Capital Project | 119,483 | 491,832 | - | 22,385 | 316,850 | 58,274 | 1,008,824 |
| Amort. Capital Items | 1,005,377 | 322,176 | - | 885,929 | 563,005 | 353,122 | 3,129,609 |
| Special Fund | - | 349,854 | - | - | - | - | 349,854 |
| Federal Stimulus | (950,000) | - | - | - | (7,711,412) | - | (8,661,412) |
| Total Requirement | 11,493,570 | 20,808,732 | 1,689,408 | 9,371,485 | 4,878,836 | 2,416,508 | 50,658,539 |
| Budgeted Requirement | 12,193,887 | 21,923,953 | 1,546,632 | 10,085,122 | 4,899,339 | 2,615,264 | 53,264,197 |
| Net Revenues | (981,688) | (4,386,881) | (119,680) | 14,483,347 | 2,809,361 | (1,400,407) | 10,404,052 |
| Budgeted Net Revenues | (1,006,372) | (4,110,536) | - | 13,699,550 | 1,842,851 | (1,683,597) | 8,741,896 |
| Months | 10 | | | | | Airport Share | \$ 5,202,026 |
| | | | | | | Airline Share | \$ 5,202,026 |

SUMMARY OF ENPLANED PASSENGERS BY AIRLINE

Reno-Tahoe International Airport

| Enplaned passengers by Airline | Month | | | Year-to-date | | |
|--|----------------|----------------|----------------|------------------|------------------|----------------|
| | Apr-23 | Apr-22 | Percent change | YTD 2022-23 | YTD 2021-22 | Percent change |
| Major/national carriers (Signatory) | | | | | | |
| Aha! | 0 | 1,499 | -100.0% | 5,407 | 12,488 | -56.7% |
| Alaska | 12,460 | 15,225 | -18.2% | 125,893 | 163,073 | -22.8% |
| American | 29,096 | 26,519 | 9.7% | 287,744 | 308,820 | -6.8% |
| Delta | 18,040 | 16,908 | 6.7% | 165,167 | 182,044 | -9.3% |
| Southwest | 79,857 | 69,744 | 14.5% | 797,205 | 679,694 | 17.3% |
| United | 22,704 | 21,799 | 4.2% | 277,805 | 233,696 | 18.9% |
| Total | 162,157 | 151,694 | 6.9% | 1,659,221 | 1,579,815 | 5.0% |
| Non-Signatory and Charter | | | | | | |
| Allegiant Air | 1,240 | 2,362 | -47.5% | 12,798 | 28,059 | -54.4% |
| Frontier | 0 | 1,969 | -100.0% | 14,980 | 29,292 | -48.9% |
| JetBlue | 2,545 | 5,296 | -51.9% | 43,515 | 46,009 | -5.4% |
| Spirit Airlines | 7,948 | 0 | n.a. | 69,907 | 0 | n.a. |
| Sun Country Airlines | 1,634 | 986 | 65.7% | 15,564 | 1,367 | 1038.6% |
| Volaris | 2,141 | 1,666 | 28.5% | 26,705 | 22,230 | 20.1% |
| Other Charters | 0 | 0 | n.a. | 0 | 7,314 | -100.0% |
| Total | 15,508 | 12,279 | 26.3% | 183,469 | 134,271 | 36.6% |
| Total enplaned passengers | 177,665 | 163,973 | 8.4% | 1,842,690 | 1,714,086 | 7.5% |



RTAA Liquidity Position

