



Minutes Finance Committee Oxford Flying Club

February 15, 2014

Version 2.0

Summary

An open Finance Committee Meeting was held in the Keystone Conference Room at OXC at 9am on February 15, 2014.

The meeting was triggered by some questions that were raised during the Treasurer Report at the January Regular meeting surrounding the club Cash Balance and Engine/Prop Reserve.

No votes were held and no official decisions were made.

The meeting included much discussion among all attendees and this recorder found it impossible to collect all comments, and in chronological order. However an attempt was made to register the information presented along with primary discussion points

Respectfully submitted,
Don Heidrich

Detailed Minutes

Attendees:

Burt Stevens, Mike Fazio, Ed Chromczak, Mahesh Reddy, Don Heidrich, plus Jay Monahan by teleconference.

The following topics were discussed during the course of the meeting:

Cash Balance below the Engine/Prop Reserve by approximately \$40k

- The \$40k deficit is primarily the result of two extraordinary events:
 - o The Dobbs' calling their notes for \$15k (for the purchase of 62Y)
 - o Far higher than expected Annual Inspections on the aircraft
- Offers by members have been made to take over the called loans but were turned down due to the significant Cash Balance of \$83k
- Remaining loans outstanding total about \$40k

Accounting for Engine/Prop Reserve when reporting Profit and Loss

- At the January Regular Meeting there was some confusion over whether the profit and loss reported for each aircraft took into account the Engine/Prop Reserve as an expense.
- It was verified that the numbers reported do in fact account for Engine/prop Reserve as an expense.
- It was suggested that the Reserve be reported as a separate line item in future reports.
- The aircraft hourly rates include a charge of \$18 for Engine and \$2 for Prop for a total of \$20 per hour into the Reserve.
- At typical 2000 hours TBO, the Reserve should collect \$40k at the time a new engine is needed
- The reserve expense per-hour is identical for all four aircraft even though 62Y has a more expensive engine and a constant-speed prop.

Profit and Loss by Aircraft over the last few years

- A "selective analysis" of P/L for each aircraft was presented and discussed in DRAFT form and is included as an addendum to these minutes.
- The addendum here includes all of 2013 while that presented at the meeting reflected only the first nine months of 2013 which did not include the Annual for 62Y
- Further analysis of the data is underway.

Allocating Cash for Aircraft Improvements which bring Case Balance below Engine/Prop Reserve

- There was much discussion about how to appropriately allocate cash towards aircraft improvements.
- The example of \$20k spent on aircraft upgrades was offered as one reason the Cash Balance went below the Engine/Prop Reserve.
- Concern was voiced that reducing the Cash Balance below Engine/Prop Reserve is fundamentally violating the notion of the reserve.
- In defense of the practice, an analogy of was made to using the METAR rather than the TAF when allocating cash, i.e. looking at the current status rather than the future status.
- The club, like any business, should be able manage its position and should not be required to maintain the Engine/Prop Reserve as a liquid cash.
- Aircraft Improvements should come out of another portion of the hourly rate (and other club income sources such including dues, membership fees, lost banktime) as the Engine Reserve charge is already specifically allocated.
- Historically (over decades) the club has had issues of not maintaining proper engine reserves in an effort to keep hourly rates low.
- In recent years the club has had sufficient cash to cover engine overhaul without borrowing or unusual changes to hourly rates
- It was recognized that borrowing from members to maintain cash does not impact income or expenses other than associated interest.
- This discussion remains open, due to varying conditions and challenges facing our aging and active equipment fleet.

Allocation of Fixed and Variable Costs to Dues and Hourly Rates

- Generally speaking the club makes an attempt to collect sufficient dues to cover fixed costs such as insurance, tie-downs, etc.
- Variable costs such as Fuel, Engine Reserve, general maintenance generally come from the hourly rate.
- However the delineation is not precise, especially for the cost of annual inspections which are technically a fixed cost as they are required even if an aircraft is not flown.
- However, to include that in the monthly dues would make the Club uncompetitive and unattractive to new members.
- The cost of annual is essentially buried in the hourly rate with an assumption of the numbers of hours expected to be flown each year.
- The question of whether the club is in fact competitive was raised and there was some dispute, but recently joined members reassured that the club rates are attractive, especially when considering given the excellently maintained aircraft.

Maintenance Flight impact to Engine Reserve and other accounts

- Concern was raised over both Maintenance Flights and Marketing Flights, especially their impact to covering costs as they are non-revenue and yet incur fuel, engine/prop, and other expenses.
- Financial records for 2013 were inspected and revealed the following data:
 - o Marketing Time: 2 hours (819 only)
 - o 819 Maint Time: 14 hours
 - o 84F Maint Time: 10 hours
 - o 61H Maint Time: 32 hours
 - o 62Y Maint Time: 8 hours
 - o Total: 66 hours non-revenue
- Some discussion ensued around how to reduce the amount of non-revenue time
- It was recognized that some of the time involves two aircraft when ferrying one for work.
- 61H had a lot of instrument work this year
- Non-revenue time should be considered when setting rates

Unexpectedly high costs for Annual Inspections

- One reason cited for the low cash balance were the higher-than-expected costs for annual inspections.
- A question was raised, whether the costs are too high, or if we do not have proper expectations.
- High quality work is expensive but perhaps cheaper in terms of reliability and availability in the long run.
- It was suggested that since we have a fleet of four aircraft, we might be able to offer exclusivity to a shop in exchange for better rates.

Access to Club Books for individual analysis

- The club has a DropBox account (free) and the QuickBooks file will be made available to members interested in detailed inspection or analysis.
- The Treasurer will keep the Master Copy.
- The version on DropBox will be updated regularly by the Treasurer.

No official action was voted upon or authorized.

After the meeting adjourned at 11:00am the attendees met others on the South Ramp to clear snow.

ADDENDUM FOLLOWS

(9 Months only) 2013	Flight Time of OFC A/Cs			
	84F	61H	819	62Y
	\$	\$	\$	\$
Rev	18,937.00	26,182.00	17,666.00	31,619.00
	\$	\$	\$	\$
Expenses	15,600.00	21,948.00	14,701.00	12,061.00
	\$	\$	\$	\$
Profit (Loss)	3,337.00	4,234.00	2,965.00	19,558.00
	\$	\$	\$	\$
Rate/THr	115.00	125.00	95.00	160.00
Hours 9 months (Actual)	164.67	209.46	185.96	197.62
Hours 12 mts (Est.)	219.56	279.27	247.94	263.49

2012	Flight Time of OFC A/Cs			
	84F	61H	819	62Y
	\$	\$	\$	\$
Rev	34,231.00	42,620.00	18,607.00	17,418.00
	\$	\$	\$	\$
Expenses	26,696.00	21,991.00	27,557.00	87,331.00
	\$	\$	\$	\$
Profit (Loss)	7,535.00	20,629.00	(8,950.00)	(69,913.00)
	\$	\$	\$	\$
Rate/THr	105.00	115.00	85.00	160.00
Hours 12 mts	326.01	370.61	218.91	108.86

2011	Flight Time of OFC A/Cs		
	84F	61H	819
	\$	\$	\$
Rev	27,866.00	36,622.00	23,875.00
	\$	\$	\$
Expenses	11,937.00	19,682.00	14,872.00
	\$	\$	\$
Profit (Loss)	15,929.00	16,940.00	9,003.00
	\$	\$	\$
Rate/THr	110.00	120.00	90.00
Hours 12 mts	253.33	305.18	265.28

2010	Flight Time of OFC A/Cs		
	84F	61H	819
	\$	\$	\$
Rev	24,278.00	28,765.00	16,768.00
	\$	\$	\$
Expenses	19,899.00	26,682.00	16,703.00
	\$	\$	\$
Profit (Loss)	4,379.00	2,083.00	65.00
	\$	\$	\$
Rate/THr	110.00	120.00	90.00
Hours 12 mts	220.71	239.71	186.31