

GUIDE TO CAP's AIRCRAFT MAINTENANCE FUNDS

(Where the money comes from and where the money goes)

- I. THE BIG PICTURE: SOURCES OF INCOME**
- II. COLLECTING INCOME FROM CORPORATE AIRCRAFT**
 - A. Appropriated Funds**
 - B. State OES Reimbursements**
 - C. Funded Mission Flight Revenues**
 - D. Unfunded Mission Flight Revenues**
 - E. Other Sources**
- III. PAYING EXPENSES FOR CORPORATE AIRCRAFT**
 - A. NHQ CAP Major Maintenance Fund**
 - B. Wing-level General Maintenance Fund**
 - C. Squadron-level Aircraft Account**
 - D. "Reimbursable" vs "Nonreimbursable" Costs**
- IV. THE SQUADRON AIRCRAFT ACCOUNT**
-- How's It Doing? How Can You Tell?
 - A. Accumulated Wealth**
 - B. The Squadron "Flight Charge"**
 - C. Transferring Revenues to Wing**
- V. THE GOAL: FINANCIAL SELF-SUFFICIENCY**

Attachment: The CAWG Form 52

BURLEIGH PUTNAM, Lt Col, CAP
Wing Aircraft Manager

GUIDE TO CAP's AIRCRAFT MAINTENANCE FUNDS

I. THE BIG PICTURE: SOURCES OF INCOME

A. CAP obtains money for upkeep of its corporate aircraft from several sources.

1. **Appropriated Funds** -- authorized annually by federal legislative action; held by the USAF for issuance to HQ CAP; earmarked for specific items such as...
 - a. Major acquisitions: new aircraft, new mission equipment, aircraft modifications.
 - b. Major maintenance: replacement engines, propellers, avionics, structural components, or significant repairs.
2. **Insurance payouts** to HQ CAP through its Hull Self-Insurance Program.
3. State Office of Emergency Services **reimbursements** for minor maintenance costs already paid out.
4. Revenues from **Funded Mission** flight hours -- paid by organizations making use of CAP aircraft (and aircrews) under Memoranda of Understanding or Letters of Agreement with CAP.
5. Revenues from **Unfunded Mission** flight hours -- paid by individual CAP members who are using CAP aircraft for other than USAF-approved funded missions.
6. **Donations/Contributions** made to a unit -- can come from a variety of agencies, organizations, or individuals.
7. Revenue collected through **fund-raising** activities by the unit.
8. **Interest** or **Investment Income** generated by unit-level funds held in their aircraft account.

B. Who's in charge of these monies?

1. HQ CAP/LGM (the national Aircraft Manager) manages the monies obtained under items 1 and 2.
2. HQ CAWG/FM (the wing Director of Finance) controls the monies recovered by item 3, payments generated by item 4, and funds returned to Wing from item 5.
3. The "owning" squadron manages monies generated by items 5 to 8.

GUIDE TO CAP's AIRCRAFT MAINTENANCE FUNDS

II. COLLECTING INCOME FROM CORPORATE AIRCRAFT

- A. **Appropriated Funds** only pass between the USAF and HQ CAP. The USAF releases such funds to cover maintenance-related costs to CAP for a select list of...
1. Purchases: new aircraft, replacement aircraft, new mission equipment, replacement mission equipment, replacement engines or propellers, new avionics (upgrades)
 2. Expenses: exterior repaint, interior refurbishment, major component repair/replacement (like windscreens), other major structural repairs, or alterations.
- B. Agencies with approved Letters of Agreement (LOA) or Memoranda of Understanding (MOU) with CAP pay for the use of CAP aircraft to conduct **Funded Mission** flying. See CAPR 60-1, Atch 10 for specific "A" symbol missions and "L" missions.
1. These "customers" pay CAP a flat rate per flying hour, with the rates established by HQ CAP. Rates are specified in CAPR 173-3, Atch 1.
 2. In turn, HQ CAP issues payments to each wing's "general maintenance fund" account based on the number of flight hours generated by the wing's aircraft on a particular mission.
 3. In CAWG these payments are deposited and credited to each tail number based on the hours which that particular aircraft flew. These are paperwork-only transactions within CAWG/FM. No \$\$\$ changes hands.
 4. These funds don't trickle down past the wing level. (Which means the only way a squadron can make use of these funds is to spend money on "reimbursable" maintenance, then seek reimbursement from this pot of money.)
- C. State OES reimbursements come from the California State Office of Emergency Services based on a Memorandum of Understanding. The wing's Finance Committee can reallocate these funds among major programs such as aircraft maintenance, communications operations and maintenance (O & M), vehicle maintenance, or other wing functions so long as they have some tie-in to "Emergency Services".

GUIDE TO CAP's AIRCRAFT MAINTENANCE FUNDS

- D. Individual CAP members who use corporate aircraft on **Unfunded Mission** flying effectively rent the squadron's aircraft and pay the squadron for the elapsed Hobbs time. These kinds of flights are listed in CAPR 60-1, Atch 10 with "B" or "C" mission symbols. There are two exceptions to pilots paying for flying time...
- "B-8" flying when associated with required maintenance. The owning squadron absorbs these flight hours.
 - "B-15" cadet orientation flying. These flights are now reimbursed from HQ CAP to wings just like funded missions at the same hourly rates. The individual pilot is relieved of paying for use of the aircraft.
1. Individuals pay a flat rate per hour, with the rate established by the squadron through its Finance Committee. CAWG Sup 1 to CAPR 66-1 now establishes minimum dry rates for each make/model in the Wing fleet that each squadron must collect. Squadrons can charge more, but not less.
 2. The squadron determines if their rate will be "wet" (unit provides plane and fuel) or "dry" (unit provides plane; pilot pays for fuel used).
 3. The squadron collects and deposits this revenue in a bank account separate from the squadron's general operating account. This is CAWG/CC policy, to insure aircraft-generated revenues don't mix with other squadron funds.
 4. The squadron decides what to spend these monies for... so long as expenses are directly related to their corporate plane. Reason: although these funds are controlled by the squadron they don't belong to the squadron.
 5. All corporate aircraft are registered to Civil Air Patrol, Inc. as "owner" -- so all revenues generated by CAP corporate aircraft become CAP assets... not unit assets.
 6. If/when a corporate aircraft transfers out of a unit, all its "aircraft account" monies go with the aircraft.
 7. "In-kind" contributions/donations (such as tools or equipment) that were identified to support the aircraft also become CAP assets and will normally go with the aircraft if/when it's transferred. (Like aircraft covers, headsets, or survival kits.)

GUIDE TO CAP's AIRCRAFT MAINTENANCE FUNDS

8. This also means a squadron Finance Committee can approve the transfer of monies from their general operating account into their aircraft account... but not from their aircraft account into their general operating account. All monies generated by the plane must stay with the plane.
- E. **Other Sources.** Other monies from contributions, donations, or fundraisers are normally deposited to the squadron's general operating account -- unless specifically designated for aircraft support. The exception is investment/interest income from aircraft account monies, which must be retained in the aircraft account.

III. PAYING EXPENSES FOR CORPORATE AIRCRAFT

- A. The **Major Maintenance Fund** is managed by HQ CAP/LGM. This is where appropriated funds and H S I claim monies wind up. These funds can only be used to pay costs directly associated with maintaining airworthy corporate aircraft and serviceable mission equipment.
 1. Squadrons -- through their wing commander or "designated representative" -- may request "major maintenance" funds to pay for selected major components which require repair or replacement or upgrade. In CAWG the Aircraft Manager (DOAM) is delegated authority to release such requests.
 2. If approved by CAP/LGM, the work can then be started and the vendor/supplier is paid directly from HQ CAP. (If the squadron starts on such maintenance actions prior to requesting major maintenance funds, you can expect your request to be disapproved. "After-the-fact" reimbursement is rare and must be fully justified.)
- B. The **General Maintenance Fund** is the label HQ CAP gives to the pot of monies held at wing level. This pot of money is controlled by FM and managed by DOAM and may only be used to pay (1) corporate hull/liability insurance premiums, (2) costs which keep corporate aircraft serviceable, and (3) costs which keep CAP mission equipment operable.
 1. Squadron expenditures which are for these above reasons will be reimbursed out of this pot of money. These are called **reimbursable costs**.

GUIDE TO CAP's AIRCRAFT MAINTENANCE FUNDS

2. The unit recoups its costs by submitting a CAWG Form 64, *Reimbursement Request for Civil Air Patrol Owned Corporate Aircraft*, with receipts to CAWG/DOAM.

C. On the other hand, the squadron-level **Aircraft Account** may be used to purchase anything which supports the operation, appearance, security, or maintenance of its assigned corporate aircraft. If such a cost does not qualify as reimbursable it is -- by default -- **non-reimbursable** from the wing's general maintenance fund.

D. Reimbursable vs Nonreimbursable costs.

1. The squadron should not expect reimbursement from CAWG or HQ CAP for the following kinds of expenses:
 - Hangar or tiedown fees, washrack fees
 - Aircraft covers, chocks, tiedown ropes
 - Avgas or lubricants, oxygen servicing
 - Cleaning supplies, pilot supplies, office supplies
 - Postal, telephone, datafax, reproduction expenses
 - Tools or equipment for the aircraft
 - GPS subscriptions*, technical subscriptions, aeronautical charts
2. DOAM acknowledges the utility of reimbursing certain ancillary costs (such as freighting/shipping expenses) which are an "integral part of" a reimbursable maintenance action, but which cannot be included in the vendor's invoice. (Example: Shipping costs to return a reparable "core" component back to the dealer to avoid additional charges.)
3. DOAM also recognizes the utility of periodic update to the aircraft GPS database as a safety-of-flight consideration for the VFR-only GX-55.
*CAWG Sup 1 to CAPR 66-1 now allows reimbursement to squadrons for one GPS datacard update each year. On the other hand, the wing cannot afford to reimburse the continuous database updates required to fully utilize newer IFR-certified GX-60 GPS's as they are introduced into our fleet.

GUIDE TO CAP's AIRCRAFT MAINTENANCE FUNDS

IV. THE SQUADRON AIRCRAFT ACCOUNT

-- How's It Doing? How Can You Tell?

A. **Accumulated Wealth.** The adequacy of your monies (to cover expenses) within the aircraft account can be viewed two ways.

1. **Cash-on-hand.** This is nothing more than a "snapshot" of your aircraft's checking account balance on a given date.
2. **Net Worth.** This represents the "cash-on-hand" plus "receivables" (such as uncollected flight charges and Form 64 reimbursements not yet paid by CAWG) less "payables" (such as avgas purchases owed to a member or invoices not yet paid).
3. "Net worth" gives a much truer picture of the health of your aircraft account.

B. The squadron's **flight charge**.

1. Present CAWG policy requires squadron aircraft accounts to break even rather than pursue the accumulation of wealth.
2. A squadron's ability to maintain its aircraft account balance seems to depend on three variables: (a) your **nonreimbursable costs**, (b) the percent of total flying hours which come from **unfunded** (revenue-producing) flying hours, and (c) the hourly **flight charge** the squadron establishes.
 - a. The squadron's **nonreimbursable costs** vary. Some you can't control (the price of avgas, for example). The lower you keep these costs, the less revenue is needed to break even.
 - b. Of your total flying hours, the percent which comes from **unfunded flying** (specifically, the revenue-producing hours) seems to be the biggest influence on your "profitability"... that is, ability to generate needed revenue.
 - c. An increase to the squadron hourly **flight charge** will also generate more revenue at no increase to maintenance costs... but this should be viewed as a "last resort" to keep an adequate account balance.

GUIDE TO CAP's AIRCRAFT MAINTENANCE FUNDS

3. Squadrons (your Finance Officer or Maintenance Officer in particular) must devise some kind of payment journal or spreadsheet to account for all "unfunded" flying; and insure payments are collected. Short-Notice inspections by the CAWG/IG found this "record-keeping" to be deficient. If the unit doesn't know how much \$\$\$ has been generated it will be impossible to collect all revenue earned by this plane.
4. Each squadron is required by the CAWG Supplement to CAPR 66-1 to notify DOAM any time they change their hourly **flight charge**. This is done by filling out a CAWG Form 52, *Corporate Aircraft Flight Charges Report*. (See Attachment to this Guide)

C. Transferring revenues to Wing.

CAWG policy is to reimburse 100 percent of eligible (reimbursable) costs to squadrons who operate -- and maintain -- corporate aircraft.

1. But the Wing historically only received revenue generated by **funded mission** flight hours. This was draining the General Maintenance Fund, since the fund was paying out for all maintenance incurred from both funded and unfunded mission flying.
2. To correct the imbalance between "income" and "outgo" CAWG Sup 1 to CAPR 66-1 now tasks squadrons to return to Wing a portion of their unfunded mission flight revenues every six months.
3. The amount due to Wing is determined by the number of unfunded (revenue-producing) flight hours times the minimum hourly flight charge established by CAWG for that make/model aircraft. The rates are specified in the Supplement.

V. THE GOAL: FINANCIAL SELF-SUFFICIENCY

A. The secret to successful management of a squadron's aircraft account is to recover all possible **reimbursable costs**; and collect enough from unfunded mission flight charges to meet your **nonreimbursable costs**.
What to consider:

1. The higher the squadron's nonreimbursable costs, the more revenue is needed to cover these costs.
2. The greater the percentage of revenue-producing hours, the more revenue is left over after nonreimbursable costs are deducted.

GUIDE TO CAP's AIRCRAFT MAINTENANCE FUNDS

3. The higher the squadron-set flight charge, the less inducement for aircrews to fly unfunded sorties.
- B. Your success will come from controlling your nonreimbursable costs, generating enough unfunded flight hours, and keeping your squadron's flight charge at an appealing rate. **GOOD LUCK!**

CORPORATE AIRCRAFT FLIGHT CHARGES REPORT

SECTION 1: UNIT FLIGHT CHARGES		Date of Report:	
Aircraft Number N	Charter Number CA	Unit Name and Address	
Aircraft Make and Model		Hourly rates are: Wet <input type="checkbox"/> \$ Dry <input type="checkbox"/> \$	Date Rates Approved (Unit Finance Committee)
Unfunded Mission Rate \$	Other Flight Charges (Describe) \$ /Hour or \$		
Does Unit allow BLOCK TIME payments? <input type="checkbox"/> No <input type="checkbox"/> Yes, Rate = \$ /		Describe terms of payments and penalties for delinquent payments	
Does Unit charge FLIGHT DUES per <input type="checkbox"/> Month <input type="checkbox"/> Year <input type="checkbox"/> No \$ \$		What are the terms of payment and penalty charges?	

SECTION 2: UNIT MAINTENANCE COSTS	
A. Does Unit perform <input type="checkbox"/> Annual Inspections or <input type="checkbox"/> Progressive Inspections of this aircraft?	
B. To what extent do Unit members assist with maintenance actions for this aircraft? 1. None <input type="checkbox"/> 2. Some <input type="checkbox"/> 3. Most <input type="checkbox"/> 4. All <input type="checkbox"/>	
C. To what extent do Unit members perform "Preventative Maintenance" for this aircraft? 1. None <input type="checkbox"/> 2. Some <input type="checkbox"/> 3. Most <input type="checkbox"/> 4. All <input type="checkbox"/>	
D. Please provide the following for the AMT or Vendor which normally performs scheduled inspections and general maintenance on this aircraft:	
	Name
	Address
	Phone
E. Current labor rate charged by this vendor for your corporate aircraft: \$	

SECTION 3: VALIDATION	
Finance Officer (Name)	Maintenance Officer (Name)
Unit Commander (Name)	Signature

(Submit annually not later than 5 October in accordance with the CAWG Supplement to CAPR 66-1, paragraph 14.b.3, or whenever the Unit finance committee changes flight charge rates or other payment conditions.)