



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 7/16/2024

To: Board of Supervisors

Department or Agency Name(s): Sonoma County Public Infrastructure

Staff Name and Phone Number: Johannes J. Hoevertsz, 707-565-2550

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

Issuance of County Note to fund Charles M. Schulz - Sonoma County Airport capital projects pending receipt of Federal Aviation Administration reimbursements.

Recommended Action:

Adopt a resolution authorizing the issuance of a County Note (Note) to support capital improvement projects at the Charles M. Schulz - Sonoma County Airport (Airport) in the amount of \$5,000,000 pending the receipt of Federal Aviation Administration (FAA) reimbursements. The Note will be issued on or after July 17, 2024, with the term ending June 16, 2025, and will be purchased by the County Treasurer as an investment for the Treasury Investment Pool.

Executive Summary:

The Sonoma County Department of Public Infrastructure (SPI) is requesting the issuance of a Note to assist with financing of capital projects pending reimbursement by the FAA. The Note will be issued as County Airport Note 2024-1. The project funded with the Note will be the Airline Apron Reconstruction Project (Apron), and is approved for reimbursement by the FAA in a phased approach.

Discussion:

The purpose of a Note is to provide additional operating cash for the requesting or issuing department to meet specific needs. Related to this request, the FAA funds projects in a phased, grant-cycled manner, which can disrupt continuous project activity due to funding gaps. The recommended Note offers interim financing to bridge these gaps until the FAA's next funding cycle.

SPI, Airport Division (Airport) is requesting to issue a Note in the amount of \$5,000,000 to provide working capital for reconstruction of the Airport terminal Apron. The current estimated cost of the entire project (design, permitting, and construction) is \$14 million and the FAA has issued an initial grant (AIP73) in the amount of \$2,331,108 for the first phase of this project. While FAA funding for the project will be awarded in a phased approach, the Airport estimates it will save approximately \$2 million by awarding a single construction contract and completing the project without a break in the work utilizing the continuous funding provided through the recommended Note.

Based upon the FAA's phased funding approach there will be two or three additional grants which will

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reimburse 90.66% of all eligible project costs. The project will include expanding the terminal apron area from four to six active airline parking locations as well as reconstruction of the existing terminal apron area. The Airport requests issuance of a Note at this time to assist with cash flow by covering gaps in the grant awards and timing in reimbursement of project expenses.

Staff from SPI met with the County’s Debt Advisory Committee (“DAC”) on June 7, 2024, and they are in support of this Note issuance. There are no other County Notes currently issued and outstanding on behalf of the Airport. The Note will be issued on or about July 17, 2024, and repaid on/before June 16, 2025, as specified in the Note terms. Notes can be renewed up to four times for a total of up to five years.

Loan Interest Rate: The yield on a matched maturity US Treasury plus a spread of 25 basis points (bps), rounded up to the nearest 10th of a percentage point. Actual pricing will be set based upon the prevailing US Treasury yield prior to issuance of the Note. The one-year US Treasury maturing June 25, 2025 yielding 5.167% was utilized for indicative pricing as of May 31, 2024, plus 25 bps = 5.417%, which rounds up to 5.50%. Interest is estimated at approximately \$252,083 based on the indicative pricing over eleven months.

Loan Guarantee Airport/FAA - although the loan is guaranteed by the Airport, actual repayment will come from reimbursement by the FAA.

REPAYMENT SOURCE:

Principal Federal Aviation Administration-90.66% (\$4,533,000) Airport-9.34% Local Match
(\$467,000).

Accrued Interest Airport Enterprise Fund - operational revenues.

RISK OF NON-PAYMENT

The risk that the FAA will not have the funding to reimburse the Airport 90% of the eligible costs within the term of the loan and subsequent renewals is very low. However, to address the risk, Airport opts to pledge its FY24-25 reimbursements from the currently issued FAA grants as a guarantee of loan repayment. The Airport has \$7,516,586 available for reimbursement in awarded grants for this and other projects as well as \$3,376,472 in other grant amendments that are currently pending final approval for expenses already paid for the terminal project for a total currently of \$10,893,058. In addition, there are other grants in the process of being approved for the next grant cycle.

The subject Note has been reviewed and approved by County Counsel, the County’s Debt Advisory Committee, and the Treasurer has agreed to purchase the Note.

Strategic Plan:

N/A

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

No

Prior Board Actions:

5/19/2020: No. 31 Res# 20-0185 Board Authorizes Issuance of Series 2021-1 Note

5/21/19: No. 36 Res# 19-0237 Board Authorizes Issuance of Series 2020-2 Note.

6/5/2018: No. 43 Res# 18-0240 Board Authorizes Issuance of Series 2019-2 Note.

3/13/2018: No. 13 Res# 18-0076 Board Authorizes Issuance of Series 2018-5 Note.

FISCAL SUMMARY

Expenditures	FY24-25 Adopted	FY25-26 Projected	FY26-27 Projected
Budgeted Expenses	\$252,083		
Additional Appropriation Requested			
Total Expenditures	\$252,083		
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	\$252,083		
Use of Fund Balance			
General Fund Contingencies			
Total Sources	\$252,083		

Narrative Explanation of Fiscal Impacts:

Appropriations are available in the FY 2024-25 Adopted Airport Capital (41301-34030104) Budget for interest expenses associated with this Note. The Airport will return to the Board to approve contracts and agreements associated with the Terminal Apron Rehabilitation project as needed and provide financial updates on the project and timing of reimbursements at that time.

Narrative Explanation of Staffing Impacts (If Required):

None.

Attachments:

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Resolution

Note

Related Items “On File” with the Clerk of the Board:

None.