



## SUMMARY REPORT

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**Agenda Date:** 3/1/2022

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**To:** Board of Supervisors

**Department or Agency Name(s):** Transportation and Public Works

**Staff Name and Phone Number:** Johannes J. Hoevertsz, 707-565-2231

**Vote Requirement:** 4/5th

**Supervisory District(s):** Countywide

**Title:**

Charles M. Schulz - Sonoma County Airport First Amendment to the Consolidated Rental Car Facility Term Sheet and Alternate Customer Facility Charge

**Recommended Action:**

- A) Accept the Independent Accountant's Report regarding Customer Facility Charges Collected pursuant to adopted CFC rate and analyzing the project costs prepared by Macias Gini & O'Connell LLP. □
- B) Hold a public hearing to consider adoption of a new Alternate Customer Facility Charge for the finance, design, and construction of the multi-user consolidated rental car facility; adopt a resolution making findings regarding same.
- C) Adopt a resolution authorizing a budgetary adjustment to the FY 2021-22 Transportation and Public Works Final Budget in the amount of \$600,000 from available Airport Enterprise - Consolidated Facility Charges Fund Balance.

If new Alternate Customer Facility Charge is approved:

- D) Authorize the Charles M. Schulz - Sonoma County Airport Manager to execute an amendment to the existing term sheet for the lease, design and construction of a multi-user consolidated rental car facility at the Charles M. Schulz - Sonoma County Airport between Sonoma County and Conrac Solutions Project Delivery, LLC.

(4/5<sup>th</sup> Vote Required)

**Executive Summary:**

The Department of Transportation and Public Works, Airport Division (Airport) is requesting that the Board of Supervisors accept the attached Independent Accountant's Report that has been prepared by the firm of Macias Gini & O'Connell LLP (Firm) regarding reasonable fees for the Consolidated Rental Car Facility. In addition, the Airport is requesting that a public hearing be held pursuant to Government Code Sections 50474.21(b) and 50474.3(b) to determine the reasonableness of related fees. It is also requested that a resolution authorizing a budgetary adjustment be adopted to move \$600,000 from the available Airport Enterprise Consolidated Facility Charges Fund Balance to reimburse the Airport for already incurred expenses and make funds available for ongoing expenses.

Finally, should the new Alternate Customer Facility Charge be approved the Airport is requesting authorization for the Airport Manager to execute an amendment to the existing term sheet for the lease, design, and construction of a multi-user consolidated rental car facility.

**Discussion:**

The Charles M. Schulz - Sonoma County Airport (Airport), a division of the Transportation and Public Works Department (TPW), initiated a project in 2017 to consolidate the car rental pick-up/return areas and accommodate the servicing, fueling, and storing of the rental car fleets into one location in response to requests from our in-terminal rental car operators. On April 6, 2021, the Sonoma County Board of Supervisors approved the first phase of a four-step process to analyze the possibility of leasing property at the Airport to a third party, who desires to construct and maintain a multi-user consolidated rental car facility at the Airport. The first phase required a Feasibility Study to determine baseline environmental, siting, program/user requirements, and basic components of the facility. The Feasibility Study is now complete and a copy is attached (Attachment A) to this Summary.

The primary objective of the Feasibility Study was to evaluate the possibility of a multi-user consolidated rental car facility at the Airport in accordance with the following requirements:

- A facility with a minimum 20-year program life;
- A focus that prioritizes customer service by maximizing walkability between ready/return areas and the terminal for the traveling public of the Airport;
- A facility with adequate components to meet the needs of all on-airport rental car operators;
- A plan for construction to have minimal impact to Airport operations;
- A project that balances scope, cost, and available revenues at an acceptable Customer Facility Charge; and
- A project that is independently financed by a private entity without financial support from, or recourse to, the County and/or Airport.

**Consolidated Rental Car Facility**

The Airport is supportive of the Consolidated Rental Car Facility concept, and County-authorized rental car user fees are being used to fund the analysis and repayment of future construction. The lessee/developer would be solely responsible for the construction and operations, including overruns for construction beyond the collected user fees. Board approval is required to institute the augmented CFC charge and authorize the next stage of analysis. The final action of the Board would be to approve a ground lease with the third party that will be constructing, owning, and operating the Conrac subject to the terms and conditions of the County.

Several potential sites were identified in the initial study. Airport staff and the rental car operators agreed that one site predominantly provided the highest level of customer service for passengers, took advantage of available land area, allowed for repositioning and improvements to public parking and improved circulation and traffic throughout the Airport's landside operation. This site would eliminate the need for a public transportation system to transport rental car customers to and from the terminal saving thousands of dollars in costs each year.

In addition to the siting, the Feasibility Study determined minimum key components of a consolidated rental car facility to include:

- 4 Fueling/Cleaning Positions (2 Fuel Dispensers);
- 12,000 Gallon above-ground Fuel Tank;
- 2 Car Wash Areas (one Automated and one Bay);
- Accommodations for 2 Future Car Wash Bays;
- 2 Light Maintenance Bays;
- 53 Staging/Storage Parking Spaces;
- 1,000 square feet Administration Areas; and
- 200 Ready/Return Parking Spaces.

It is the desire of both the Airport and rental car operators to continue to Phase 2 of the process to fully develop the project concept in such a manner that pricing, design, and environmental considerations can be presented to the Board for review. The preliminary budget for Phase 2 is \$2.165M and will be funded through current and future Customer Facility Charges collected from the customers of the rental car operators. The expected timeframe for the completion of this phase is 12 to 18 months and will be extended if necessary.

The design completion will include a fixed-price budget, delivery-date-certain schedule, and third-party cost validation for ultimate feasibility and rates to be determined. In addition, negotiated draft ground lease and related contracts will be presented to the Board of Supervisors for consideration prior to approval to proceed to a lease agreement and project construction.

### **Customer Facility Charge**

California Government Code Sections 50474.1, 50474.21 and 50474.3 allow an airport, through its rental car companies, to collect a Customer Facility Charge to finance, design and construct a consolidated rental car facility. The Board conducted a public hearing on April 30, 2019 to present the concept of a multi-user consolidated rental car facility and request a Customer Facility Charge of \$10.00 per contract to fund the facility in compliance with California Government Code 50474.3(a). The resolution to authorize the Customer Facility Charge was approved on May 14, 2019.

The Feasibility Study confirmed that the proposed multi-user consolidated rental car facility could not be funded with the \$10.00 maximum per contract Customer Facility Charge currently being collected, but would be financially feasible based on an Alternate Customer Facility Charge of \$5.80 per day (for the statutory maximum first five days of each rental contract). This proposed daily-rate Alternative Customer Facility Charge is projected to produce revenues sufficient, but not exceeding those necessary, to support financing to pay the cost of design and construction, and all costs of financing, including servicing a reasonable and appropriate financing plan.

As required by California law, an Independent Accountant's Report of the current charge and analysis of the proposed Alternative Customer Charge (Review) was requested and completed by the independent accounting firm of Macias Gini & O'Connell, LLP. A copy of the Report (Attachment C) is included with this Summary. The Report confirms the \$5.80 per day, for a maximum of five days, Alternative Customer Charge will produce sufficient revenue for the costs of the total project. Should the Board approve the proposed charge, the additional revenue generated is projected to total \$398,610 annually.

In compliance with California Government Code 50474.3(b), the following information substantiates the collection of an Alternative Customer Facility Charge in lieu of the current Customer Facility Charge:

*1. Review the costs of financing the design and construction of a consolidated rental vehicle facility.*

- A) The Feasibility Study predicts the total project cost to be approximately \$47 million. The financing consists of private funding and equity contributions by Conrac. The repayment of the private fund and equity contributions are solely dependent upon the Alternate Customer Facility Charge collected over 30 years of the term of the agreement with Conrac. The \$47 million in Alternate Customer Facility Charges (of which approximately \$350,000 was collected prior to 2022) will be disbursed over the 30-year term of the agreement as follows: \$3.0 million to construction costs, \$24.4 million for debt service payments, \$2.6 million for ongoing capital up-keep costs, and \$17.0 million for equity recapture and returns. The leverage ratio of the project is 80% debt to 20% equity. The debt-financing rate is estimated to be 5.5% (current market rates). The target equity return is 14% for the design, build, finance, operate and maintain facility at 100% risk to the investors. The blended rate of financing and equity return is 7.20%. Details of the rates of financing and equity recapture are included in the Feasibility Study and confirmed by the Report.
- B) The existing \$10 Customer Facility Charge will not generate sufficient revenue to finance the reasonable costs of designing and constructing the multi-user consolidated rental vehicle facility. The Feasibility Study projects that the existing fee would only generate approximately \$21.5 million over the next 30 years, which is 46% of the required revenue for the facility.
- C) The Feasibility Study included the following project cost-saving measures to reduce the revenue needed for the facility:
  - a. Leaving the rent-a-car customer service counters in the Airport's main terminal and avoiding the need to accommodate rental car operator customer service booths or exit plazas in the ready/return lot.
  - b. Installing only one automated car wash initially, rather than the multiple car washes, yet providing space to install a second car wash, if needed in the future.
  - c. Using a scaled-back fuel system with an aboveground storage tank rather than an underground tank.
  - d. Scrutinizing the site selection and layout to reduce costs associated with site work and

dirt disposal.

- D) Other potential revenue alternatives were considered in the Feasibility Study but all of the Airport's revenue sources are fully committed to support the Airport's operating budget and facility costs. No other alternatives would be reasonably appropriate to fund facilities solely utilized for rental car operations.
  - E) The Feasibility Study analyzed the costs of the facility that will be paid by the rental car operators or other facility users not covered by the Customer Facility Charge. The customers of the rental car operators already pay the current Customer Facility Charge and will pay the Alternate Facility Charge therefore, no additional fee will be assessed to them. The rental car operators will pay the costs of the facility for ongoing operations and maintenance that cannot be funded through the Customer Facility Charge or Alternate Facility Charge.
- 2. The Airport will only collect the Alternative Customer Facility Fee when approved. The former Customer Facility Fee will be discontinued upon collection of the Alternative Customer Facility Fee.
  - 3. Currently, California law allows an Airport to charge a maximum of \$9.00 a day for an Alternative Customer Facility Charge. The Feasibility Study has recommended that the daily rate of \$5.80 (five days maximum) will fulfill the project cost forecast of \$47 million and any fee above the recommended rate is unwarranted.
  - 4. Upon approval of the Alternative Customer Facility Charge, the Airport will:
    - a. Send the report to the appropriate legislative committees and post it on the Airport's website as required law.
    - b. Post an annual update, on its website, as to the total amount of the Alternative Customer Facility Charge collected and how the funds are being spent.
    - c. Outline the amount of and reason for any changes in the Airport's budget or financial needs for the facility.
    - d. Keep all audit reports and updates on the Airport website for a period of six years.
  - 5. The Customer Facility and Alternate Customer Facility fees collected, pursuant to law, whereby a local agency operating an airport requires a rental car company to collect a facility financing fee from its customers are not subject to sales, use, or transaction taxes.

The effective commencement date for collection of the Alternate Customer Facility Fee would be April 1, 2022.

## **Financing**

The project will be financed through private funding which will be repaid over time with CFC revenues. No other Airport Enterprise Funds or County General Funds are required. The requested resolution for a budgetary adjustment will provide \$600,000 in available funding from the Airport's Consolidated Facility Charge Fund. These funds will be used to reimburse the Airport for prior expenses which are currently at

approximately \$600,343 and provide for ongoing expenses for the remainder of this Fiscal Year expenses.

**CEQA:** The actions requested to be taken by the Board are exempt from the California Environmental Quality Act (CEQA) because the proposed actions involve only feasibility and planning studies, to allow the Board to properly analyze potential future actions, and do not bind the Board to any future approval or action. See 14 C.C.R. 15262.

**Strategic Plan:**

N/A

**Prior Board Actions:**

04/06/21 Charles M. Schulz - Sonoma County Airport Consolidated Rental Car Facility Term Sheet

05/14/19: Proposed FY 19-20 Fee Schedule for Airport Land and Facility Use and New Consolidated Facility Charge to construct a Rental Car Facility.

04/30/19: Charles M. Schulz - Sonoma County Airport Terminal Expansion and Car Rental Consolidated Facility

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 21-22 Adopted</b>	<b>FY22-23 Projected</b>	<b>FY 23-24 Projected</b>
Budgeted Expenses		\$785,610	\$785,610
Additional Appropriation Requested	\$600,000		
<b>Total Expenditures</b>	<b>\$600,000</b>	<b>\$785,610</b>	<b>\$785,610</b>
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal			
Fees/Other		\$785,610	\$785,610
Use of Fund Balance	\$600,000		
Contingencies			
<b>Total Sources</b>	<b>\$600,000</b>	<b>\$785,610</b>	<b>\$785,610</b>

**Narrative Explanation of Fiscal Impacts:**

The Airport is requesting additional appropriations in the Fiscal Year 2021-22 budget of \$600,000 for project costs, and there are sufficient funds available in the Airport Consolidated Facility Charge Fund (41304). The Airport will include the listed \$785,610 in its Fiscal Year 2022-23 recommended budget and \$785,610 in its Fiscal Year 2023-24 recommended budget. This project is designated to be solely funded by the Consolidated Facility Charges Fund. There are no other Airport Enterprise Funds or County General Fund dollars necessary to facilitate this project. All revenues received as Consolidated Facility Charges are maintained in this separate account and are used first to reimburse any up front Airport expenditures which are currently approximately \$600,343 with the remainder being used for this project's current expenses. If CFC collection under performs

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estimates the Airport and County are not responsible for payments until CFC revenue is available.

**Narrative Explanation of Staffing Impacts (If Required):**

No additional staffing will added as a part of this action.

**Attachments:**

A - Conrac Executive Summary of the Feasibility Study dated January 5, 2022

B - Amended Term Sheet

C - Consolidated Facility Charge Audit dated January 5, 2022

D - Resolution Authorizing a Budgetary Adjustment from the Consolidated Facilities Funds

E - FY22-23 CFC Fee Table

F - ConRAC Adoption Resolution

G - PowerPoint Presentation of Feasibility Study Findings and Consolidated Facility Charge Increase

**Related Items "On File" with the Clerk of the Board:**

Conrac Feasibility Study dated January 5, 2022