



COUNTY OF SONOMA

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

SUMMARY REPORT

Agenda Date: 5/21/2019

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: Majority

Supervisory District(s): Countywide

Title:

Issuance of County Airport Notes to Fund Airport Capital Improvement Projects

Recommended Actions:

Approve resolutions authorizing the issuance of two County Airport Notes to support capital improvement projects at the Sonoma County Airport in the amount of \$1,000,000 to finance terminal apron improvements and \$1,500,000 to finance Airport property acquisition costs, until Federal Aviation Administration reimbursement is received for both projects with terms ending June 15, 2020. The Sonoma County Treasurer will purchase both notes.

Executive Summary:

The Department of Transportation and Public Works (TPW) is requesting the issuance of County Airport Notes to assist with financing of capital projects at the Charles M. Schulz - Sonoma County Airport. The first Note will replace existing County Note 2019-1, and the second Note will replace County Note 2019-2. The projects funded with these Notes will cover expenses incurred to rehabilitate and strengthen the Terminal Ramp and to purchase property located at 3725 Laughlin Road, Windsor, in order to protect runway approaches, noise control, encroachments and setbacks. These are separate and distinct from the terminal (temporary ticketing facility, hold room tensile structure, and new passenger terminal design) and parking lot improvements (490 stall long term parking lot construction) funded by the IBank loan package approved by the Board of Supervisors on May 8, 2018. In addition to addressing Airport capital improvements unconnected to the terminal and parking lot enhancements, the projects funded by the Notes contemplated in this Board Item are eligible for Federal Aviation Administration reimbursement. The Sonoma County Treasurer will purchase both notes.

Discussion:

County Note Series 2020-1 - \$1,000,000 Terminal Apron Rehab

The Department of Transportation and Public Works, Airport Division (Airport) is requesting a County issued Note in the amount of \$1,000,000 to cover expenses incurred to rehabilitate and strengthen the Terminal Ramp at the Charles M. Schulz - Sonoma County Airport. The work associated with the project was completed in July 2016 and the Apron has been placed in service.

The original \$2,000,000 Note (2016-2) used to finance the project, was paid in full on July 21, 2016, however in order to assist with liquidity for other capital projects a replacement Note was issued on August 2, 2016 (2016-2 ext. 1). A second replacement Note (2018-3) was issued on August 1, 2017, and a third replacement Note (2019-1) was issued on July 1, 2018. During fiscal year 2018-19 the Airport received a \$1,000,000 reimbursement from the Federal Aviation Administration (FAA) therefore, the Airport is requesting a fourth replacement Note be issued on July 1, 2019 in the amount of \$1,000,000. The FAA has currently programmed reimbursements of \$500,000 in calendar years 2019 and 2020. The Airport seeks the issuance at this time to assist with cash flow until these reimbursements are received.

NOTE REQUEST 2020-1:

Loan Purpose: Terminal Ramp Rehabilitation Project

Loan Amount: \$1,000,000

Loan Term: 12 months Note due June 15, 2020.

Loan Interest Rate: The most recent calendar quarter pooled interest rate plus 75 basis points rounded up to the nearest tenth estimated at 3.10%

Loan Guarantee: General Fund - although the loan is guaranteed by the General Fund, actual repayment will come from reimbursement by the Federal Aviation Administration

REPAYMENT SOURCE:

Principal: FAA 90%, Airport Enterprise fund - 10% local match

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, TPW opts to pledge its FY 2019-20 contribution from the General Fund as a guarantee of loan repayment. This pledge requires an internal arrangement between TPW and the Airport Enterprise Fund, the operating fund for the Airport, as to repayment of the General Fund contribution to TPW.

The subject Note has been reviewed and approved by County Counsel, the Treasury has agreed to purchase the Note, and the loan guarantee provisions were approved by the Board of Supervisors on July 21, 2015.

NOTE REQUEST 2020-2 - \$1,500,000 Property Acquisition 3275 Laughlin Road

As part of the Sonoma County Airport Master Plan, several privately owned parcels of land were identified for acquisition in order to ensure safe operation of aeronautical activities at the Sonoma County Airport. Once identified, owners of these properties were notified of the Airport's desire to purchase their property at fair market value should the owner decide to sell. Sale of the property is voluntary therefore, the timing of the

transactions are at the discretion of each, individual property owner.

In January 2017, the owners of 3725 Laughlin Road approached Airport management and indicated their desire to voluntarily sell their property. On March 13, 2018, the Board of Supervisors approved the acquisition of the 2.88 acre parcel and accompanying 2,532 square foot residence for \$1,500,000. This property acquisition is eligible for reimbursement through a FAA Airport Improvement Program (AIP) grant, however the Airport did not have adequate cash reserves to fund the transaction. The Airport requests issuance of a Treasury Note at this time to assist with cash flow until grant funds can be secured. In the event the FAA does not program grant funds by the end of FY 2019-20, the Airport will work with the County's Debt Advisory Committee to identify and secure a long-term debt instrument to replace the County Note.

NOTE REQUEST 2019-2:

Loan purpose: Real property acquisition at the Airport

Loan amount: \$1,500,000

Loan term: Note is payable June 15, 2020.

Loan interest rate: The most recent calendar quarter pooled interest rate plus 75 basis points rounded up to the nearest tenth estimated at 3.10%

Loan guarantee: General fund - though the loan is guaranteed by the General fund, actual repayment will come from reimbursement by the FAA

REPAYMENT SOURCE:

Principal: FAA - Anticipated to be 90% funded through grants; Airport Enterprise fund - 10% local match

Accrued interest: Airport Enterprise fund - operational revenue

RISK OF NON-PAYMENT:

The risk that the FAA will not have the funding to reimburse the Airport 90% of eligible real property acquisition costs within the term of the loan and renewals is quite low. However, to cover the unlikely downside potential, TPW opts to pledge its FY 2019-20 contribution from the General Fund as a guarantee of loan repayment. This pledge requires an internal arrangement between TPW and the Airport Enterprise Fund as to the repayment of the General Fund contribution to TPW.

The subject Note has been reviewed and approved by County Counsel, the County's Debt Advisory Committee, and the Treasury has agreed to purchase the Note. In addition, loan guarantee provisions were approved by the Board of Supervisors on March 13, 2018.

Prior Board Actions:

County Note Series 2020-1 - \$1,000,000 Terminal Apron Rehab

6/5/2018: No. 43 Res #18-0239 Board authorized issuance of Series 2019-1 Note.

8/1/2017: No. 28 Res #17-0293 Board authorized issuance of Series 2018-3 Note.

8/2/2016: No. 17 Res #16-0286 Board authorized re-issue of County Note 2016-2.

8/11/2015: No. 24 Board Awarded the Contract for the Terminal Apron Rehabilitation Project, APC008.

7/21/2015: No. 59 Res. #15-0289 Board authorized the issuance and sale of a note for the Terminal Apron Rehabilitation project.

County Note Series 2020-2 - \$1,500,000 Property Acquisition

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

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

2/6/2018: Declaration of Notice of Intent Airport Real Property Acquisition - 3725 Laughlin Road, Windsor, CA

FISCAL SUMMARY

Expenditures	FY 18-19 Adopted	FY 19-20 Projected	FY 20-21 Projected
Budgeted Expenses		\$45,850	
Additional Appropriation Requested			
Total Expenditures		\$45,850	
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other		\$45,850	
Use of Fund Balance			
Contingencies			
Total Sources		\$45,850	

Narrative Explanation of Fiscal Impacts:

The projected financial impact associated with extension of these Notes is limited to accrued interest estimated at \$45,850 that has been included in the FY 2019-20 recommended Airport budget. The Airport currently anticipates receiving a \$500,000 in FAA grant reimbursement during FY 2019-20 that will reduce the outstanding total principal balance to \$2,000,000 by June 15, 2019. The reimbursement will be applied when it is received and the Airport anticipates reducing Note 2020-1 by \$500,000 prior to June 15, 2020. The Airport does not anticipate FAA funding will be available for Note 2020-2 during the fiscal period and we will carry the full \$1,500,000 debt obligation forward into FY 2020-21.

Agenda Date: 5/21/2019

Staffing Impacts:

Position Title (Payroll)	Monthly Salary Range (A - I Step)	Additions (number)	Deletions (number)

Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

Notes and Resolutions

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