

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT General Services Agency	(2) MEETING DATE 11/4/2014	(3) CONTACT/PHONE Kevin Bumen - 781-5205	
(4) SUBJECT Request to authorize the use of \$829,789 of General Fund Designation- Internal Financing and the use of an undisbursed loan in the amount of \$1,583,751 intended for the Rental Car Quick Turn Around (QTA) to provide the balance of funding necessary to pay off the Airport's \$2,413,540 Site N Hangar loan. All Districts.			
(5) RECOMMENDED ACTION It is recommended the Board: <ol style="list-style-type: none"> 1. Authorize the use of \$829,789 of the General Fund Designation – Internal Financing as a funding source to refinance the Airport's Site N Hangar loan and approve a corresponding budget adjustment in the General Fund loan; and 2. Authorize the use of an undisbursed loan intended for the Rental Car Quick Turn Around (QTA) Facility in the amount of \$1,583,751 to provide the balance of funding necessary to pay off the Airport's \$2,413,540 Site N Hangar loan. 			
(6) FUNDING SOURCE(S) General Fund	(7) CURRENT YEAR FINANCIAL IMPACT \$829,789	(8) ANNUAL FINANCIAL IMPACT \$0	(9) BUDGETED? No
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ___) <input type="checkbox"/> Board Business (Time Est. ___)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: 1415051 <input checked="" type="checkbox"/> 4/5 Vote Required <input type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: 5/1/2007	
(17) ADMINISTRATIVE OFFICE REVIEW Emily Jackson			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: General Services Agency / Kevin Bumen - 781-5205

DATE: 11/4/2014

SUBJECT: Request to authorize the use of \$829,789 of General Fund Designation- Internal Financing and the use of an undisbursed loan in the amount of \$1,583,751 intended for the Rental Car Quick Turn Around (QTA) to provide the balance of funding necessary to pay off the Airport's \$2,413,540 Site N Hangar loan. All Districts.

RECOMMENDATION

It is recommended the Board:

1. Authorize the use of \$829,789 of the General Fund Designation – Internal Financing as a funding source to refinance the Airport's Site N Hangar loan and approve a corresponding budget adjustment in the General Fund loan; and
2. Authorize the use of an undisbursed loan intended for the Rental Car Quick Turn Around (QTA) Facility in the amount of \$1,583,751 to provide the balance of funding necessary to pay off the Airport's \$2,413,540 Site N Hangar loan.

DISCUSSION

In 2007 construction of 65 T Hangars (T-shaped hangars for storing private aircraft), was completed at the San Luis Obispo County Regional Airport. The need for the hangars was based on future projects related to a new terminal building that would displace general aviation aircraft parking and hangar space.

The hangar project was funded through a loan obtained through the California Department of Transportation, Aeronautics Division (CalTrans). Prior to obtaining the funding and completing construction, a waiting list of well over 100 aircraft owners was developed to gauge interest and level of commitment to ensure sufficient occupancy to pay for the loan funding construction. At the time the hangars opened, many of the aircraft owners backed away from their original intent resulting in a vacancy rate averaging between 18% to 25%. Due to the higher than anticipated vacancy rate, Airports does not receive sufficient rent income to pay the annual debt service on the loan, causing the Airport Enterprise Fund operating budget to ultimately subsidize the facility.

In recent months, Airports has experienced the lowest vacancy rate, approximately 15%, since the hangars became available for rent. However, the revenue remains insufficient to pay the debt service to CalTrans resulting in a continued negative impact on the Airport Enterprise Fund operating budget. Working with the Debt Advisory Committee, Airports is requesting that the Board approve refinancing the debt with a General Fund Designation – Internal Financing Loan. The CalTrans loan would be retired through the use of the internal loan reducing the impact to the Airport Enterprise Fund through a lower interest rate and the General Fund would benefit by revenue generated through the interest on the loan.

Airports is also requesting that the Board approve the use of an existing appropriation for an internal loan to pay off the Site N Hangar loan instead of the previously authorized use which was the construction of the Rental Car Quick Turn Around (QTA) facility. The QTA project did go to bid in 2012, however, bids came back showing a higher than anticipated construction cost. While the QTA is still needed and planned to be completed, the potential terminal project is a much higher priority. Airports plans to keep the QTA project on hold pending the decision on the future of the terminal project.

FINANCIAL CONSIDERATIONS

Airports is requesting that the existing appropriation for the QTA loan in the amount of \$1,583,751 be combined with an additional appropriation of \$829,789 to create a new loan to Airports in the amount of \$2,413,540, with a repayment term of 9 years. The result is an increase in internal debt issued to the Airport by \$829,789 for the Hangar Refinance. See Table A-1 "Summary of Current Year Impact to General Fund" below.

Table A-1

Summary of Current Year Impact to General Fund:

Source	Project	Principal Balance
Existing - Airport Loan for QTA	QTA	(\$1,583,751)
Proposed –Loan Request	Site N Hangar	\$2,413,540
Current Year Impact		\$829,789

The County will earn a total of approximately \$ 247,700 interest income, while the Airport will save approximately \$258,800 of interest expense. The annual interest rate would be based on the average annual Treasury Pool Rate (plus .5%). For planning purposes this rate has been estimated at 2% resulting in the estimated annual repayment amount of \$295,696. The start date for the repayment of the loan would be one year after the date of the draw. See Table B-1 "Summary of Airport Debt Savings" below.

Table B-1

Summary of Airport Debt Savings:

Source	Project	Principal Balance	Annual Payment	Total Interest
Existing - Cal. Dept. of Transportation	Site N Hangar	\$2,413,540	\$333,725	\$506,492
Proposed – County Debt	Site N Hangar	\$2,413,540	\$295,696	\$247,723
Total Airport Savings			\$38,029	\$258,769

OTHER AGENCY INVOLVEMENT/IMPACT

In February 2006, Airports entered into a loan agreement with the State of California, borrowing \$4,734,200 for the construction of hangars.

On September 18, 2014, The Debt Advisory Committee approved the Airport's request to use of \$829,789 of the General Fund Designation – Internal Financing as a funding source and Authorized the release of an undisbursed loan intended for the Rental Car Quick Turn Around (QTA) Facility in the amount of \$1,583,751 to provide the balance of funding necessary to pay off the Airport's \$2,413,540 Site N Hangar loan.

RESULTS

The refinancing of the loan on the Site N hangars will save Airports total interest expense in the amount of \$258,769 and generate interest revenue in the amount of \$247,723 to the County General Fund contributing to the overall County goal of a well governed community.

ATTACHMENTS

1. Attachment 1: Proposed Hangar Amortization Schedule