CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)

STAFF REPORT

EXECUTIVE SUMMARY

Financing Overview: This ISRF Financing would provide funds for the City of Fresno (City) for the Fresno Yosemite International Airport (Airport) Parking Garage Project (Project)

Applicant:	**Project Type:**	**Project Category:**
City of Fresno (City)	Infrastructure Project	Port Facilities, Public Transit

Financing Amounts:	**Financing Terms:**	**Interest Rates:** [1]
$35,000,000 (Financing)	30 Years	3.15%

Sources of Repayment:
The Financing will be repaid from the net system revenues of the City's airport enterprise, minus any net revenues attributable to Passenger Facility Charges (PFC) or Customer Facility Charges (CFC), and all legally available amounts in the City's Airport Enterprise Fund (Fund), exclusive of any Fund money from PFCs or CFCs.

Fund Rating/Date:
S & P Rating: A, June 18, 2018

Security:
The Financing would be secured by a senior lien on Net Revenues (excepting any Net Revenues from PFCs and CFCs) and all legally available amounts in the Fund (excepting any Fund money from PFCs and CFCs).

Project Name: Fresno Yosemite International Airport Parking Garage (Project)

Project Location:
5175 E. Clinton Way, Fresno, CA 93727-1525

Project Description / Sources and Uses of Proceeds:
The Project consists of the construction of a new parking garage and includes the following components: 1) three covered parking levels with 300 stalls per level; 2) flexible design to allow for future repurposing such as flat decks, higher ceilings, external vertical circulation; 3) terminal roadway, circulation and way-finding improvements; 4) utility infrastructure improvements, and 5) required appurtenant work such as grading, constructing fences, landscaping and paving.

Use of Financing Proceeds:
The Financing will provide funds for the completion of all aspects of the Project, including, but not limited to, design, architecture, engineering, geologic testing, refinancing, construction, equipping, machinery installation, construction contingency[2], permitting, entitlement, construction management, project administration, and general project development activities. IBank's Origination Fee will be paid directly by the applicant.

Project Uses	Project Sources		
	IBank	City of Fresno	Total
Fresno- Yosemite International Airport Parking Garage (Project)	$35,000,000	$10,838,690	$45,838,690
Origination Fee		$350,000	$350,000
Total	**$35,000,000**	**$11,188,690**	**$46,188,690**

1 Interest Rate provided 12/17/2018

2 A contingency of 25% is included in the Project.

Credit Considerations:

Cash flow and debt service analysis for the Financing is as follows:

CASH FLOW - HISTORICAL WITH NEW DEBT					
For Fiscal Year Ending (FYE) June 30	**2014**	**2015**	**2016**	**2017**	**2018**
Operating Income (Loss)	($4,346,875)	($4,582,779)	($3,621,800)	($4,759,457)	($4,736,527)
Transaction Specific Adjustments					
+ Depreciation	8,365,356	10,308,490	10,223,257	10,249,952	10,431,071
+ Interest income	163,638	246,974	438,113	81,021	181,530
+ PFC - towards Debt Service 2013 Bonds	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
+ CFC - towards Debt Service 2007 Bonds	1,369,468	1,399,218	1,436,927	1,472,011	1,509,470
- Transfer Out	(239,276)	(249,795)	(238,857)	(281,097)	(208,581)
Total of all Adjustments	11,259,186	13,304,887	13,459,440	13,121,887	13,513,490
Cash Available for Debt Service	**$6,912,311**	**$8,722,108**	**$9,837,640**	**$8,362,430**	**$8,776,963**
Debt Service Calculation					
Total Existing MADS Debt Service i.e. 2007 & 2013 Bonds	4,776,619	4,776,619	4,776,619	4,776,619	4,776,619
Proposed IBank MADS for New Parking Garage Project (1)	1,914,163	1,914,163	1,914,163	1,914,163	1,914,163
Total Obligations MADS	**$6,690,782**	**$6,690,782**	**$6,690,782**	**$6,690,782**	**$6,690,782**
Debt Service Coverage Ratio (2)	**1.03**	**1.30**	**1.47**	**1.25**	**1.31**

(1) Calculated as $35,000,000 at 3.15% for 30 years

(2) Existing Parity Debt Minimum Required DSCR 1.25

Analysis of historical cash flow for the Fund with the Project Debt Service shows a debt service coverage ratio (DSCR) of 1.25 or greater in four out of the five years reviewed. PFCs and CFCs are not available to pay debt service on the Financing but are available to pay a portion of the debt service for the existing debt. Refer the Debt Service section of this staff report for details and projections.

Support for Staff Recommendations:

1. Cash flow analysis demonstrates the Fund's ability to service the existing debt and proposed Financing.
2. The City has successfully increased rates (terminal rental and parking rates) in the past to maintain the Fund's debt service ability.
3. The estimated useful life of the Project is at least 39 years, which exceeds the term of the Financing.
4. The City has existing debt with IBank that is paying as agreed and post funding conditions continue to be met.

Special Terms and Conditions:

1. Hard cost disbursement will be conditioned on the District obtaining all necessary permits and approvals to commence construction.
2. Standard Business Liability and Business Interruption Insurance (if available on commercially reasonable terms) will be required.
3. Future debt senior to the Financing will be prohibited.

Financing Limits:

1. IBank's Criteria, Priorities, and Guidelines for the Selection of Projects for Financing Under the ISRF Program (Criteria) provides that financings are typically available in amounts between $50,000 and $25 Million, but that the Board may approve financings over $25 Million. The City has a 16 year payment history with IBank on two existing loans that have an outstanding balance of $3.1M that are paying as agreed. These are unrelated to the City's Airports Fund.

Criteria Waivers:

1. IBank Criteria, Priorities and Guidelines requires the construction be completed within two years of Financing Approval. The City requests 43 months from closing the Financing Agreement to complete construction and requests a waiver of the Criteria requirement.
2. The Criteria provides that contractors should be pre-qualified using the Model Questionnaire detailed in the Criteria. The City intends to use its internally-required contractor pre-qualification questionnaire, which substantially meets the intent of the Model Questionnaire. Therefore, the City seeks a waiver of the Criteria.

IBank Staff: Lina Benedict	**Date of Staff Report:** February 7, 2019
Date of IBank Board Meeting: February 27, 2019	**Resolution Number:** 19-04

Staff Recommendation:

Staff recommends approval of Resolution No. 19-04 authorizing ISRF Program Financing not to exceed $35,000,000 to the City of Fresno for the Fresno Yosemite International Airport Parking Garage Project.

PROJECT DESCRIPTION

The City of Fresno (City), is requesting $35,000,000 (Financing) in financing to construct a new parking garage at the Fresno Yosemite International Airport (Airport).

The Project consists of the construction of a new parking garage and includes the following components: 1) three covered parking levels with 300 stalls per level; 2) flexible design to allow for future repurposing such as flat decks, higher ceilings, external vertical circulation; 3) terminal roadway, circulation and way-finding improvements; 4) utility infrastructure improvements, and 5) required appurtenant work such as grading, constructing fences, landscaping and paving.

The City will contribute $11,188,690 towards the total Project cost of $46,188,690. The City's contribution will come from the Airports Enterprise Fund's (Fund) unrestricted cash reserves.

The entitlement and design work will be in process in the summer of 2019 and construction is expected to begin before the end of 2019 and be completed in 2020.

Project Background and Project Need

Since the inception of international service in 2006 at the Fresno Yosemite International Airport (Airport), international enplaning passengers have grown from 24,103 to 107,138 in FY 2018, a 344% increase. International passengers presently account for 13% of the Airport's passengers.

The reasons for this growth in passengers is twofold:

1. Population Growth in the City / Central Valley region due to affordable housing availability
2. Growth of per Capita income in the region.

The Airport currently has surface lots that are designated long term parking, short term parking, employee lot, manager's lot, cell phone waiting lot, and ground transportation lot. Together these provide 2,162 public parking spaces, including short and long term parking.

The Airport uses its surface lots for six specific purposes; 1) designated long term parking, 2) short term parking, 3) employee's lot, 4) manager's lot, 5) cell phone waiting lot, and 6) ground transportation lot. These lots together provide 2,162 parking spaces, most for short and long term public parking. The Airport is currently expanding the existing surface lot parking supply by adding approximately 670 spaces; this will bring the total public parking supply, prior to the construction of the parking garage, to 2,832 spaces. Of these parking spaces, 19 are accessible to electric vehicle charging stations. This additional lot is schedule to be completed by the end of Fiscal Year (FY) 2019, however the city's projections show the Airport needs both the new surface lot and the new garage to serve its passengers as annual passenger traffic continues to rise. See Exhibit 2 which shows a map of the existing parking.
The subject new garage i.e. Project site currently has a surface parking lot with 300 stalls which will be replaced with the subject 900 stall new garage. (See Exhibit 3)

Recent annual parking revenue transactions equal about 50 percent of enplaning passengers - the industry average is 36 percent, according to the Parking Expansion and Forecast Report (Report) prepared by Kimley Horn and Associates in August 2018. In recent months, when the parking lot has been full, passengers have had to park outside of the Airport before boarding their flights. This is a great inconvenience to passengers and a loss of potential revenue for the airport.

The impact of other modes of transportation to the Airport such as public transit, taxi service, ride share companies (Uber and Lyft), shuttle services etc., has been negligible on Airport parking revenues; and annual parking revenue has kept pace with enplanement growth.

The Report states strong demand has necessitated additional parking be in place by 2023. Land parcels suitable for surface parking and close to the terminal are unavailable. The construction of a structured parking garage is the best viable option.

The useful life of the new parking garage is estimated to be at least 39 years. This useful life estimate is conservative when compared to the City's experience owning and operating parking structures. The City's downtown parking structures were built in the 1960s and are still in service.

PUBLIC BENEFITS

The Economic Impact Study by Martin & Associates notes that the Airport is an engine of economic growth in the Central Valley accounting for 9,800 jobs and an annual economic impact valued at $844M. Capacity projects that accommodate growth, such as the proposed parking garage, ensure the economic impact of the Airport is maximized.

California has a major initiative for reducing greenhouse gas (GHG) emissions; this goal is aimed at decreasing the emissions to 1990 levels by 2020 - a reduction of approximately 30%, and then an 80% reduction below 1990 levels by 2050. Some part of the strategy for making these reductions (as outlined in the Scoping Plan per the California Air Resource Board), is the installation of battery charging stations in parking garages. To help meet this State goal, the Project will include an estimated 24 parking spaces with Electric Vehicle (EV) with charging stations with infrastructure in place for an additional 24 EV charging stations. The Project will benefit the public with a positive environmental impact through reduction of GHG's and energy conservation. The facility will be used on a first come first serve basis.

Adequate and convenient parking will improve the passenger's experience at the Airport. Above-ground structural parking offers a vertical solution, allowing for more parking spaces per acre of urban land than surface lots. Structured parking structures have more longevity than surface lots. Asphalt parking lots need to be repaved every 20 years, whereas the Project has a useful life of at least 39 years. Parking structures can typically last 50 years without major reconstruction.

ECONOMIC BENEFITS

According to the City's economic impact consultants, Martin and Associates, the Project would have a total income impact of $5M and would boost State and local taxes by $500,000. The project would create 62 jobs at an average wage of $20 per hour, including 26 direct jobs, 22 induced jobs, and 14 indirect jobs. Five jobs are expected to the retained at an average wage of $20.00 per hour. In addition, the Project would account for direct personal income impact of $1.8M, a re-spending /consumption impact of $2.6M and an indirect impact of $0.7M, for a total income impact of $5M.

GENERAL CITY - AIRPORT - AIRPORTS FUND INFORMATION

Under the Charter, the City operates under a Mayor form of local government. The Mayor is elected and serves a four-year term with executive power to appoint the Chief Administrative Office (CAO), prepare the annual City budget, and veto legislative and budgetary actions of City Council. All department heads including the Director of Aviation report to the CAO. A seven-member elective Council is the City's governing body and is vested with legislative powers.

The City owns and operates two airports:

1. The Fresno Yosemite International Airport (Airport), a commercial airport located approximately 7.5 miles northeast of the downtown area of the City. The Airport is the only major commercial air carrier airport in Fresno County and the central San Joaquin Valley. The Airport allows for precision instrument approaches and a 24-hour air traffic control tower that principally serves commercial, military and high performance aircraft.

2. Fresno-Chandler Executive Airport, classified by the Federal Aviation Administration (FAA) as a general aviation reliever airport is intended to complement service at the Airport by serving lower performance general aviation aircraft of less than 12,500 pounds gross weight. It is located approximately 1.5 miles southwest of the downtown area of the City and nine miles southwest of the Airport.

In this Staff Report, the Fund refers to the enterprise fund that accounts for both Airports, and the terms "Revenues" and "Operating Expenses" include revenues and expenses related to both Airports. Fiscally the Airport financial statements are stated in the Fund. The Airports are self-sustaining and don't require any contribution from the City's General Fund or its other special funds.

The Airport is a joint civil-military airport. The facility opened in June 1942 as Hammer Field, a military airfield. It was used by the United States Army Air Forces as a training facility for new pilots. After World War II, Hammer Field was inactivated by the Army Air Forces and the City saw an opportunity to use the site to create a commercial airport. In 1948, the newly renamed Fresno Air Terminal (FAT) opened.

The California Air National Guard moved to the Airport in the 1950s and established the Fresno Air National Guard Base on the southeast corner of the property. The Fresno Air National Guard Base on the southeast corner of the Airport is home to the 144th Fighter Wing of the California Air National Guard. The Fresno Air Attack Base on the eastern side of the Airport supports aerial firefighting aircraft. Other government and military operators with facilities at the airport include the California Army National Guard, the California Highway Patrol, the Fresno County Sheriff's Office, and the Fresno Police Department.

The Airport offers a consolidated rental car facility at the north end of the terminal. Nine rental car companies have passenger service counters inside the terminal near the baggage claim area and up to 400 cars can be parked in a lot just north of the terminal building. The 11-acre rental car facility opened in 2009 and was built at a cost of $22 million.

Airlines and Contracts

The Airport has one terminal, 11 airline gates and two runways on property spanning 1,728 acres. Airlines sign Airline Operations Agreements (Airline Agreements) with the Airport. The Airline Agreements provide the basis for the use of the Airport and the assignment of preferential and exclusive Terminal Building space but do not include rate setting provisions that establish airline rentals and rates. Terminal Building rentals and landing fee rates are determined each year by the City and approved by the City Council.

Airlines Agreements are written for three years with a 60 day opt-out clause. Current airport management is working to have future Airline agreements to be five years with no opt out clause.

Within these Airline Agreements the Airport's obligations are centered upon the standards with respect to aircraft turnaround times, baggage handling and the treatment of the passenger. The airline for its part agrees to base a specified number of flights/aircraft at the airport.

Airline rates (terminal rents and landing fees) are set by negotiations and ordinance. Beginning in FY 2017, the City adopted an airlines-approved policy of increasing aeronautical rates by 4% annually, reflecting the City's willingness to adjust prices to achieve an adequate level of cost-recovery, comply with rate covenants, and demonstrate high coverage ratios.

The Airport is home to a large operations base for SkyWest Airlines, the nation's largest regional airline. Other domestic Airlines operating out of the Airport include American Airlines, Mesa Airlines, Allegiant Air, and Compass Airlines. Domestic flights are to Portland (OR), San Diego, Las Vegas, Dallas/Fortworth, Denver, Los Angeles, San Francisco, and Chicago O'Hare. The Airport also services Cargo flights by Ameriflight, FedEx Express, and UPS Airlines.

SkyWest carries about 55% of the passenger traffic at the Airport, with seasonal variability. The regional airline operates under contract with mainline partners as American Eagle, Alaska SkyWest, Delta Connection and United Express. SkyWest has a 17-acre maintenance and overnight parking facility on the east side of the airfield with 21 aircraft positions, and an approximately 92,000 square foot hangar.

Direct international service from the Airport began on April 1, 2006, and account for the busiest flights at the Airport. Aeroméxico and Volaris are international carriers operating out of the airport with flights to Guadalajara and Morelia. Guadalajara is Mexico's second-largest city and a major airline hub in the country. Volaris operates service to Morelia, the capital of and largest city in Mexico's Michoacán state. As of 2016, international service accounted for about 6% of all flights to the Airport, but carried more than 13% of all passengers flying to the airport, a combined total of almost 201,000 people.

American Airlines represents the largest share of enplanements, with 35.7% of the total in FY 2017, followed by Alaska/Horizon Airlines with 16.4%.

The Airport's cost per enplaned passenger (CPE) remains competitive. CPE was $8.42 for FY 2017. This includes both domestic and the more expensive international service. The competitive CPE allows the Airport good pricing power.

Parking Management

The existing parking facility is managed by SP Plus Corporation (SP), a management company under contract with the City. The Airport reimburses SP for staffing costs and pays SP a modest management fee. The Airport plan's to put out a Request for Proposal (RFP) for parking management services for the new parking garage. SP will be invited to submit a proposal.

The additional parking management cost to the Airport is estimated to be at $450,000 per year and it is included in projected operating expenses. It is expected that SP will manage the new garage in a similar manner as the existing parking.

Airport Service Area and Air Service Demand

The Airport serves an area with a population of 1.8 million in the counties of Fresno, Kern, Kings, Madera, Mariposa, Merced, Stanislaus, and Tulare providing passenger flights to several major airline hubs in the United States and international service to Mexico. See Exhibit 1.

The FAA reports that demand for air service is forecasted to remain high as service area population is forecasted to grow at a higher-than-national rate – an important factor since population growth is strongly correlated with passenger growth. Enplaning passengers have grown 36% from 600,519 in FY 2010 to 816,582 in FY 2018.

Under the City's Master Plan, passengers are forecast to increase annually by 3.0% through FY 2021, and 2.4% thereafter. Actual passengers increased by 16% in the first six months of the current FY ending June 30, 2019 compared to the same time period in the prior FY.

Per the Economic Development Council (EDC), the per capita income in the service area is below State and national income levels - $35,817 in 2015, compared to $44,173 in California, and $44,255 in the United States. However, since 2010, income has grown 2.55%, 1.52 times higher than the nationwide rate, reflecting a diversifying service area economy anchored by a dominant cluster (Agricultural Manufacturing) that generates well-paying jobs. Population increases and higher per capita incomes in the service area are fueling passenger growth and demand for air service.

The Airport is the primary commercial airport for the San Joaquin Valley and three national parks: Yosemite, Sequoia and Kings Canyon.

Capital Improvement Plan (CIP)
Increased demand for air travel requires support infrastructure investment including airport expansions and efficiency- based improvements to air traffic control.

Phase 1 of the Development Program defined by the City's Master Plan for the Airport is mostly made up of a Parking Garage and Phase 2 is a Terminal Expansion project. The Terminal Expansion is estimated to cost $70 Million, and will be funded with airline terminal rental rate increases, debt, grants, and an equity contribution and is expected to be completed by 2023.

The Terminal project will include two new gates and boarding bridges, new Federal Inspection Services Building (FIS), conversion of existing FIS building to a reception hall, expansion of Transportation Security Administration (TSA) passenger screening checkpoint, new concession spaces, expansion of airline baggage area, and upgrade of apron from asphaltic concrete to Portland cement concrete.

The City completed the reconstruction and rehabilitation of the aviation apron on the Airport terminal's west side in FY 2018. The aviation apron is used both to stage aircraft that access the terminal and to provide a usable surface for airport support vehicles to transit the area. The project was funded with Airport Improvement Program grant funds and local match. The project was completed with a total cost of $12.1 million.

The Airport's five year CIP includes over $100M in project expenditures through FYs 2022-2023. These projects are discretionary at this time and will be designed only with funding is in place. The projects include rehabilitation of taxiways, noise mitigation projects, runway rehabilitation and widening. Some of these will be financed with Airport Improvement Program funds that are FAA administered. The balance will be funded with raising airline terminal rental rates and parking rates, grants and debt as needed. The City also receives Measure C (a portion of the sales tax) for capital improvements.

City Economics
The City is the economic hub of Fresno County and the San Joaquin Valley, predominantly tied to large-scale agricultural production. Agriculture makes up a large component of the region's employment base (13% of jobs). Fresno County grows more than 400 commercial crops with gross production over $7 billion in 2018, an increase of 13.6% from 2017. Almond production was over $1 billion. 99.5% of raisins produced in California come from Fresno County.

Food Processing, Distribution, Public sector, and healthcare employment are major contributors to the City's economy.

Fresno has established itself as an ideal location for manufacturing and distribution due to strategic location, low business costs and affordable housing.

The table below shows the top ten employers of the City. The employers are well diversified and there is no concentration.

CITY OF FRESNO - TOP TEN EMPLOYERS			
Rank	**Employer**	**Number of Employees**	**Percentage of Total Labor Force**
1	Fresno Unified School District	10,552	2.5%
2	County of Fresno	6,655	1.6%
3	Community Regional Medical Center	5,863	1.4%
4	Internal Revenue Service	4,040	1.0%
5	City of Fresno	3,650	0.9%
6	Saint Agnes Medical Center	2,800	0.7%
7	California State University, Fresno	2,542	0.6%
8	Amazon.com, Inc.	2,500	0.6%
9	Kaiser Permanente Medical Center	2,450	0.6%
10	State Center Community College District	1,780	0.4%
	Total	42,832	**10.2%**
	City of Fresno Labor Force		**420,800**
	City of Fresno Unemployment Rate		**7.5%**

Source: Employment Development Department- Labor Market Information, State of California

Parking rates
The following chart shows the parking rate increases that have been approved effective July 2017 through July 2021:

HISTORICAL AND PROJECTED RATE INCREASES		
Date Adopted	**Date Effective**	**Percent Increase**
April, 2016	7/1/2017	4.00%
November, 2017	7/1/2018	4.00%
November, 2018	7/1/2019	4.00%
November, 2019	7/1/2020	4.00%
November, 2020	7/1/2021	4.00%

A survey of parking rates at comparable airports was conducted as part of completion of the Parking Report mentioned earlier. The City plans to increase overnight parking rates effective July 1, 2019 - Council action is anticipated on February 28, 2019. Existing overnight parking rates of $8.00 are among the lowest in the airport industry. The rate of the maximum daily long-term rate would increase from $8 per day to $13 per day.

The Report also recommends that parking rates be increased by 10% every five years following the opening of the new garage, Increasing parking rates cover debt service associated with the construction of the new parking garage. To meet forecasted parking demand additional parking supply is also needed by 2024.

CREDIT ANALYSIS

Source of Repayment and Security

The Financing will be repaid with, and secured by, net airport system revenues and all legally available amounts in the Fund.

Source of Revenue to Repay Proposed ISRF Financing:	The Financing will be repaid from the net system revenues of the City's airport enterprise, minus any net revenues attributable to Passenger Facility Charges (PFC) or Customer Facility Charges (CFC), and all legally available amounts in the City's Airport Enterprise Fund (Fund), exclusive of any Fund money from PFCs or CFCs.
Outstanding Obligations:	1. Airport Revenue Refunding Bonds 2013A and 2013B 2. City of Fresno Airport Revenue Bonds Taxable Series 2007
Type of Audited Financial Documents Reviewed:	[ ] Comprehensive Annual Financial Reports (CAFR) [ ] Basic Financial Statements (F/S) [X] Other: Financial Report (Independent Auditor's Report)
Fiscal Year Ends:	June 30
Audit Fiscal Years Reviewed:	2014-2018
The auditor's reports for all years indicate that the financial statements present fairly, in all material respects, the financial position of the City, and that the results of its operations and the cash flows are in conformity with generally accepted accounting principles.	[X] Yes [ ] No [If no, explain]
Adopted Budget(s) Reviewed:	[X] Yes [ ] No [If no, explain]
Budget Year(s) Reviewed:	2017-2018

Rating
Standard & Poor's Global Ratings in August 2018 raised its long- term and underlying ratings two notches to 'A" from 'BBB+' on the City's outstanding airport revenue bonds.

Rating agencies evaluate the Airport's credit worthiness annually as a separate process from the City's and apply Airport-specific metrics. S&P Global upgraded the rating and recognized the Airport's ongoing passenger growth (40% since FY 2010) strong management team (decisions are based on impacts to key metrics), outstanding liquidity ($34.6 Million of unrestricted cash, or over 600 days) and high coverage ratios that are well above 1.25.

Comparative Statement of Net Position

The Fund's Comparative Statement of Net Position for the FYs 2014 through 2018 is as follows:

CITY OF FRESNO - AIRPORTS FUND STATEMENT OF NET POSITION PROPRIETARY FUNDS										
For Fiscal Year Ending (FYE) June 30	2014		2015		2016		2017		2018	
Source:	CAFR	%	CAFR	%	CAFR	%	CAFR	%	CAFR	%
ASSETS AND DEFERRED OUTFLOW OF RESOURCES										
Current Assets										
Cash and Investments	$4,217,207	1.9%	$11,467,621	5.1%	$16,802,458	7.3%	$19,945,993	8.6%	$29,729,563	12.6%
Interest Receivable	41,467	0.0%	84,249	0.0%	132,351	0.1%	167,231	0.1%	289,565	0.1%
Accounts Receivables, Net	1,392,703	0.6%	1,480,123	0.7%	1,259,342	0.5%	1,488,304	0.6%	2,076,878	0.9%
Grants Receivable	1,341,336	0.6%	319,840	0.1%	2,036,261	0.9%	264,935	0.1%	1,600,742	0.7%
Inventories	20,000	0.0%	20,000	0.0%	20,000	0.0%	20,000	0.0%	319,858	0.1%
Prepaids	402,651	0.2%	389,672	0.2%	406,878	0.2%	432,905	0.2%	324,046	0.1%
Intergovernmental Receivables	214,810	0.1%	218,558	0.1%	111,104	0.0%	139,870	0.1%	133,806	0.1%
Due from Other Funds	828,233	0.4%	804,900	0.4%	781,798	0.3%				
Restricted Cash	2,920,188	1.3%	2,822,181	1.3%	2,892,436	1.3%	2,955,297	1.3%	3,026,209	1.3%
Total Current Assets	**$11,378,595**	5.1%	**$17,607,144**	7.8%	**$24,442,628**	10.6%	**$25,414,535**	11.0%	**$37,500,667**	15.8%
Noncurrent Assets										
Restricted Assets:										
Cash and Investments	16,158,082	7.3%	17,848,136	7.9%	19,376,746	8.4%	20,290,559	8.7%	15,876,506	6.7%
Total Restricted Assets	**16,158,082**	7.3%	**17,848,136**	7.9%	**19,376,746**	8.4%	**20,290,559**	8.7%	**15,876,506**	6.7%
Other Assets:										
Other Assets	355,547	0.2%	337,553	0.2%	319,559	0.1%	301,565	0.1%	283,571	0.1%
Net Pension Asset			4,575,681	2.0%	3,865,316	1.7%	1,439,615	0.6%	4,960,373	2.1%
Advances to Other Funds, Net	1,473,511	0.7%	736,811	0.3%						
Total Other Assets	**1,829,058**	0.8%	**5,650,045**	2.5%	**4,184,875**	1.8%	**1,741,180**	0.8%	**5,243,944**	2.2%
Capital Assets:										
Land and Intangibles	8,539,508	3.9%	9,963,727	4.4%	10,074,567	4.4%	10,074,567	4.3%	10,074,567	4.3%
Buildings, Systems and Improvements	192,677,869	87.1%	193,065,564	85.9%	193,148,192	84.2%	196,862,253	84.9%	210,151,587	88.8%
Machinery and Equipment	5,500,587	2.5%	5,159,965	2.3%	5,943,342	2.6%	5,943,342	2.6%	6,456,370	2.7%
Infrastructure	66,822,203	30.2%	66,799,644	29.7%	66,799,644	29.1%	66,799,644	28.8%	66,799,644	28.2%
Construction in Progress	1,220,464	0.6%	868,506	0.4%	8,022,561	3.5%	14,609,605	6.3%	7,252,945	3.1%
Less Accumulated Depreciation	(83,026,343)	-37.5%	(92,761,805)	-41.3%	(102,985,062)	-44.9%	(113,235,015)	-48.8%	(123,666,085)	-52.2%
Total Capital Assets, Net	**191,734,288**	86.7%	**183,095,601**	81.5%	**181,003,244**	78.9%	**181,054,396**	78.0%	**177,069,028**	74.8%
Total Non-Current Assets	**209,721,428**	94.8%	**206,593,782**	92.0%	**204,564,865**	89.1%	**203,086,135**	87.5%	**198,189,478**	83.7%
Total Assets	**221,100,023**	100.0%	**224,200,926**	99.8%	**229,007,493**	99.8%	**228,500,670**	98.5%	**235,690,145**	99.6%
DEFERRED OUTFLOWS OF RESOURCES										
Charge on Refunding	28,946	0.0%	26,244	0.0%	23,626	0.0%	21,104	0.0%	18,682	0.0%
Pension Contributions			401,331	0.2%	485,985	0.2%	629,502	0.3%	619,765	0.3%
Deferred Outflows - Pension							2,830,817	1.2%	361,047	0.2%
Deferred Outflows - OPEB									58,693	0.0%
Total Deferred Outflow of Resources	**$28,946**	0.0%	**$427,575**	0.2%	**$509,611**	0.2%	**$3,481,423**	1.5%	**$1,058,187**	0.4%
Total Assets and Deferred Outflow of Resources	**$221,128,969**	100.0%	**$224,628,501**	100.0%	**$229,517,104**	100.0%	**$231,982,093**	100.0%	**$236,748,332**	100.0%
LIABILITIES										
Current Liabilities:										
Accrued Liabilities	2,557,464	1.2%	2,777,695	1.2%	5,888,353	2.6%	2,872,489	1.2%	5,614,636	2.4%
Accrued Compensated Absences and HRA	226,309	0.1%	199,121	0.1%	201,364	0.1%	201,306	0.1%	175,881	0.1%
Due to Other Funds	41,353	0.0%	31,333	0.0%	57,142	0.0%	23,218	0.0%	27,717	0.0%
Bonds Payable	1,495,000	0.7%	1,440,000	0.6%	1,540,000	0.7%	1,635,000	0.7%	1,740,000	0.7%
Total Current Liabilities	**$4,320,126**	2.0%	**$4,448,149**	2.0%	**$7,686,859**	3.3%	**$4,732,013**	2.0%	**$7,558,234**	3.2%
Noncurrent Liabilities:										
Accrued Compensated Absences and HRA	1,244,111	0.6%	1,086,266	0.5%	1,168,794	0.5%	1,156,535	0.5%	1,317,179	0.6%
Bonds Payable	54,643,016	24.7%	53,149,524	23.7%	51,557,702	22.5%	49,872,774	21.5%	48,084,821	20.3%
Accreted Interest Payable on Capital:										
Pollution Remediation Obligation	809,411	0.4%	763,476	0.3%	704,801	0.3%	630,056	0.3%	576,068	0.2%
Net OPEB Obligation	1,216,565	0.6%	1,400,947	0.6%	1,615,844	0.7%	1,773,441	0.8%	2,263,873	1.0%
Deposits Held for Others	314,698	0.1%	388,971	0.2%	357,380	0.2%	396,885	0.2%	399,118	0.2%
Total Non-Current Liabilities	**58,227,801**	26.3%	**56,789,184**	25.3%	**55,404,521**	24.1%	**53,829,691**	23.2%	**52,641,059**	22.2%
Total Liabilities	**62,547,927**	28.3%	**61,237,333**	27.3%	**63,091,380**	27.5%	**58,561,704**	25.2%	**60,199,293**	25.4%
Deferred Inflows of Resources										
Unamortized Pension Expense			3,722,760	1.7%	1,656,529	0.7%	1,227,558	0.5%	1,123,311	0.5%
Unamortized OPEB Expense									491,468	0.2%
Total Deferred Inflows of Resources	**$0**	0.0%	**$3,722,760**	1.7%	**$1,656,529**	0.7%	**$1,227,558**	0.5%	**$1,614,779**	0.7%
Net Position:										
Net Investment in Capital Assets	142,953,387	64.6%	135,782,385	60.4%	135,257,193	58.9%	129,567,726	55.9%	127,262,889	53.8%
Unrestricted	15,627,655	7.1%	23,886,023	10.6%	29,512,002	12.9%	42,625,105	18.4%	47,671,371	20.1%
Net Position	**$158,581,042**	71.7%	**$159,668,408**	71.1%	**$164,769,195**	71.8%	**$172,192,831**	74.2%	**$174,934,260**	73.9%
Total Liabilities and Fund Balance	**$221,128,969**	100.0%	**$224,628,501**	100.0%	**$229,517,104**	100.0%	**$231,982,093**	100.0%	**$236,748,332**	100.0%

Assets
The increase in passenger traffic at the Airport had a positive impact on the Fund's assets as seen by the improvement of Current Assets which grew by over $26M in the five year period reviewed. A large portion of this is Cash and Investments which grew dramatically by over 600% from $4.2M to $29.8M.

Intergovernmental Receivables are Measure C Program funds that are approved till 2020, the City expects that with a vote, this measure will be extended for another 20 years. These funds, used for capital improvement projects, will continue to subsidize the local 10% match of annual federal grants.

Grants are received from the FAA and are the Airport Improvement Program (AIP) and the FAA Airport Noise Program grants that can only be used to fund capital projects and are calculated based on the number of passengers.

Restricted Cash and Investments have been over $15M in each of the years reviewed and were $15.8M in FY 2018. This includes CFC balance of $3.5M, PFC balance of $4M, 20% of operating expenses required to be kept in reserve by the Indenture, renewal and replacement fund of $0.5M, the Debt Service Reserve Fund for the existing debt of $2.8M, Airways Golf Course Capital Fund of $0.7M and other monies of $0.5M.

The City is the only one of the top 25 cities in California (by population) that has a Net Pension Asset ($1.9M as of FY 2018). Its pension obligations are 114% funded. This attests to strong management and conservative fiscal plan and practice.

Total Capital Assets include all tangible assets of the Airport including completed infrastructure of over $66M and Construction in Progress which increased from $1.2M in FY 2014 to $8M in 2016, $14.6M in 2017, and decreased to $7.2M in 2018 as Airport projects were funded. The projects being currently worked on include a parking lot expansion project, and various terminal improvements - including passenger loading bridges and hold room improvements.

Liabilities
The increased passenger traffic also drove an increase in costs, which was reflected by a $3.1 million (95.5%) increase in Accrued Liabilities (such as Accounts Payable and Vouchers Payable) to $5.6 million over the five year period.

The Airport Fund has a Pollution Remediation Obligation of $576K as of the end of FY 2018. This is the liability related to toxic clean-up at the Hammer Field. California Department of Toxic Substances Control was the lead regulatory agency overseeing site cleanup. A legal settlement was reached between the U.S. Army Corps of Engineers, the Boeing Company, and the City. Cleanup costs totaled $53,988 in FY 2018. Total costs have been estimated to range between $10 and $20 million, with the City's share of cleanup costs at 10% of the total. The City pays these costs out of the Fund. The cleanup time frame has also been estimated and is expected to continue for 20 to 40 years. The Fund has adequate reserves to cover this cost.

The Airport's current liquidity position in unrestricted cash is over $47million. Management anticipates retaining 365 days of cash on hand at all times, as recommended by the rating agencies.

The growth in passengers at the Airport over the years has resulted in a Net Position that grew by 10.3 % over the five years reviewed, with FY 2018 Net Position of $174.9M.

Comparative Statement of Revenues, Expenses and Changes in Fund Position

Summary of the Fund's Comparative Statement of Revenues, Expenses and Changes in Fund Position for the last five years is as follows:

CITY OF FRESNO - AIRPORTS FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS										
For Fiscal Year Ending (FYE) June 30	**2014**		**2015**		**2016**		**2017**		**2018**	
Source:	**CAFR**	**%**	**CAFR**	**%**	**CAFR**	**%**	**CAFR**	**%**	**CAFR**	**%**
% Change		**N/A**		**2%**		**7%**		**0%**		**6%**
Operating Revenue										
Charges for Services	$20,363,369	100.0%	$20,859,804	100.0%	$22,499,847	100.0%	$22,513,635	100.0%	$24,035,217	100.0%
Total Operating Revenues	**$20,363,369**	100.0%	**$20,859,804**	100.0%	**$22,499,847**	100.0%	**$22,513,635**	100.0%	**$24,035,217**	100.0%
Operating Expenses										
Cost of Services	10,835,537	53.2%	10,539,443	50.5%	10,610,520	47.2%	11,681,555	51.9%	11,704,631	48.7%
Administration	5,509,351	27.1%	4,594,650	22.0%	5,287,870	23.5%	5,341,585	23.7%	6,636,042	27.6%
Depreciation	8,365,356	41.1%	10,308,490	49.4%	10,223,257	45.4%	10,249,952	45.5%	10,431,071	43.4%
Total Operating Expenses	**$24,710,244**	121.3%	**$25,442,583**	122.0%	**$26,121,647**	116.1%	**$27,273,092**	121.1%	**$28,771,744**	119.7%
Operating Income (Loss)	**($4,346,875)**	-21.3%	**($4,582,779)**	-22.0%	**($3,621,800)**	-16.1%	**($4,759,457)**	-21.1%	**($4,736,527)**	-19.7%
Nonoperating Revenues (Expenses)										
Operating Grants	$1,112,874	5.5%	$658,591	3.2%	$1,012,265	4.5%	$472,873	2.1%	$843,972	3.5%
Interest income	$163,638	0.8%	$246,974	1.2%	$438,113	1.9%	$81,021	0.4%	$181,530	0.8%
Interest Expense	($2,874,950)	-14.1%	($2,696,165)	-12.9%	($2,570,850)	-11.4%	($2,479,197)	-11.0%	($2,509,728)	-10.4%
Passenger Facility Charges	$2,923,161	14.4%	$2,923,643	14.0%	$3,065,974	13.6%	$3,164,158	14.1%	$3,419,433	14.2%
Customer Facility Charges	$1,704,460	8.4%	$1,886,715	9.0%	$2,080,571	9.2%	$2,156,843	9.6%	$2,178,869	9.1%
Gain (Loss) on Disposal of Capital Assets	($999,999)	-4.9%								
Total Non-Operating Revenue (Expenses)	**$2,029,184**	10.0%	**$3,019,758**	14.5%	**$4,026,073**	17.9%	**$3,395,698**	15.1%	**$4,114,076**	17.1%
Income (Loss) Before Contributions and Transfer	**($2,317,691)**	-11.4%	**($1,563,021)**	-7.5%	**$404,273**	1.8%	**($1,363,759)**	-6.1%	**($622,451)**	-2.6%
Capital Contributions	$5,670,870		$2,726,876		$4,935,371		$9,068,483		$4,413,491	
Transfer In							$9			
Transfer Out	($239,276)		($249,795)		($238,857)		($281,097)		($208,581)	
Change in Net Position	**$3,113,903**		**$914,060**		**$5,100,787**		**$7,423,636**		**$3,582,459**	
Total Net Position (Deficit) - Beginning	156,289,953		158,581,042		159,668,408		164,769,195		172,192,831	
Change in Accounting Estimate			(126,926)							
Change in Application of Accounting Principle	(822,814)		300,232						(841,030)	
Total Net Position (Deficit) - Ending	**$158,581,042**		**$159,668,408**		**$164,769,195**		**$172,192,831**		**$174,934,260**	

FY 2018 origin and destination passengers numbered a record 1,635,323, 6.3% higher than prior year passengers of 1,537,876. Airports has set passenger records for three consecutive fiscal years.
This increase in passenger traffic had a direct impact on the Airport Fund's Net Position.

Operating Revenues
Operating Revenues i.e. Charges for Services include Airline Revenues such as Landing Fees, and Terminal Building rentals; Non Airline Revenues include revenues such as other terminal rents, revenues from TSA reimbursements, rental car company terminal rents, parking fees, airfield rentals, and pension investment revenues which is the investment income from the pension asset surplus allocated to the Fund.
Over the five years reviewed, revenue growth, each year, is driven mainly by passenger and population growth. Revenue growth was 7% in FY 2016 and 6% in 2018.

In FY 2016 this included pension investment revenue of $850K and $500K in FY 2018. In FY 2017, this was $0 due to investment fluctuations in the Net Pension Account on the Fund balance sheet.

Total Operating Expenses
Total Operating Expenses grew $4.1M in the five year period reviewed to $28.8M driven by passenger growth. Cost of Services is the largest Operating Expense line item and includes operations and maintenance, supplies, personnel costs including costs associated with safety personnel. Cost of Services increased $1.1M in 2017 as staff was added. In FY 2018 the budgeted expenses for supplies, Equipment and Maintenance was increased.

Administrative Expenses include contractual services, interdepartmental charges such as legal, city manager's office, ID charges etc. These expenses, including consulting expenses and Information Systems equipment charges, all increased contributing to Total Operating Expenses of $28.8 million in FY 2018.

Non-Operating Revenues
Operating Grants, and CFCs are all itemized as Non-Operating Revenues.

Operating Grants are received from the FAA (Airport Noise Program Part 150) to help with noise reduction aid to help insulate homes impacted by the noise of flying aircraft.

Pursuant to various FAA approvals, the City is authorized to charge PFCs in a maximum amount of $4.50 per enplaned passenger until the total authorized amount of $66.7 million is collected (Refer to the Debt section for detail).

CFC's are a user fee imposed on rental car users. California law mandates that CFCs only be used to make debt service payments towards the 2007 bonds (Refer the Debt Section).

The City receives Capital Contributions from the FAA based on the number of passenger enplanements.

Net Position
Total Net Position was at $174.9 million in FY 2018, a growth of $16.4M over the five year period due to the activities discussed above.

EXISTING DEBT OBLIGATIONS

The Following table shows the existing debt repaid by the Fund:

ENTERPRISE FUND OBLIGATIONS FOR CITY OF FRESNO AIRPORT'S FUND									
Debt Issued	Underlying Rating (at issuance)	Date Issued	Maturity	Amount Issued	Outstanding Balance	Purpose of Debt	Repayment Source	Parity / Subordinate Debt Allowed	Minimum DSCR
Airport Revenue Refunding Bonds 2013A and 2013B	S & P, Fitch BBB	7/17/2013	2028	$33,630,000	$26,645,000	Finance construction of Consolidated Rental Car Facility (CRCF)	Passenger Facility Charges (PFCs) and lien on Airports Fund Revenues	Parity	1.25
City of Fresno Airport Revenue Bonds Taxable Series 2007	Baa1, BBB, & BBB+ Moody's, S&P, and Fitch	5/31/2007	2037	$22,000,000	$21,070,000	Refund and Redeem City of Fresno Airport Revenue Bond Series 2000A and 2000B	Customer Facility Charges (CFCs) and lien on Airports Fund Revenues	Parity	1.25
		Total		$55,630,000	$47,715,000				1.25

Current S&P Rating is "A" - Upgraded by S & P on 6/18/2018

The Airport Revenue Refunding Bonds 2013A and 2013B (2013 Bonds), refunded the Series 2000 Bonds issued to expand the terminal. The Bonds are secured by a lien on the Net Revenues of the Fund.

A portion of eligible debt service on the Series 2013 Bonds is paid by using PFCs, a user fee imposed on enplaning passengers. Under the Indenture, the first $1.6M of annual PFCs are covenanted to fund the Minimum PFC Contribution to debt service. The remaining debt service of $1.2M is paid with Net Revenues of the Fund.

The Fund has the capacity to apply $1.9M additional PFCs to future eligible Terminal Expansion debt service, for a total PFC contribution to debt service of $3.4M.

The Airport Revenue Bonds Taxable Series 2007 (2007 Bonds) were issued to fund the Consolidated Rental Car Facility (CRCF) and are secured by a lien on Net Revenues of the Fund. The debt service is paid with Customer Facility Charges (CFCs).

CFC's are a user fee imposed on rental car users. California law mandates that CFCs only be used to make debt service payments and fund construction costs associated with the CRCF.

Since FY 2012, annual CFCs have sufficed to pay for annual debt service. Currently the Airport generates about $2.2 million of CFCs annually, and pays $1.5 million of annual Series 2007 Bonds debt service, generating a growing surplus. Current surplus is $4M. State law restricts CFCs to paying for construction and financing costs related to the CRCF.

NOTE: The City also has the following two loans with IBank. The loans are not associated with the Fund and are therefore not included in the cash flow analysis. The loans funded infrastructure improvements related to street, public utility, railroad crossing, bridges, water well, business park entrance improvements etc.

1. CIEDB-03-47 loan dated 8/19/2003 with maturity date of 8/1/2033 at an interest rate of 3.53%. Original loan amount of $2,441,100 and current outstanding of $1,561,235. (Borrower is the City).
2. CIEDB-03-47 loan dated 8/19/2003 with maturity date of 8/1/2033 at an interest rate of 3.53%. Original loan amount of $2,441,100 and current outstanding of $1,561,235. (Borrower is the City of Fresno as Successor Agency).

The loans are paying as agreed and in compliance with required covenants.

CASH FLOW AND ANALYSIS

Historical Cash Flow table and debt service analysis is as follows**:**

CASH FLOW - HISTORICAL WITH NEW DEBT					
For Fiscal Year Ending (FYE) June 30	2014	2015	2016	2017	2018
Operating Income (Loss)	($4,346,875)	($4,582,779)	($3,621,800)	($4,759,457)	($4,736,527)
Transaction Specific Adjustments					
+ Depreciation	8,365,356	10,308,490	10,223,257	10,249,952	10,431,071
+ Interest income	163,638	246,974	438,113	81,021	181,530
+ PFC - towards Debt Service 2013 Bonds	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
+ CFC - towards Debt Service 2007 Bonds	1,369,468	1,399,218	1,436,927	1,472,011	1,509,470
- Transfer Out	(239,276)	(249,795)	(238,857)	(281,097)	(208,581)
Total of all Adjustments	11,259,186	13,304,887	13,459,440	13,121,887	13,513,490
Cash Available for Debt Service	**$6,912,311**	**$8,722,108**	**$9,837,640**	**$8,362,430**	**$8,776,963**
Debt Service Calculation					
Total Existing MADS Debt Service i.e. 2007 & 2013 Bonds	4,776,619	4,776,619	4,776,619	4,776,619	4,776,619
Proposed IBank MADS for New Parking Garage Project (1)	1,914,163	1,914,163	1,914,163	1,914,163	1,914,163
Total Obligations MADS	**$6,690,782**	**$6,690,782**	**$6,690,782**	**$6,690,782**	**$6,690,782**
Debt Service Coverage Ratio (2)	**1.03**	**1.30**	**1.47**	**1.25**	**1.31**

(1) **Calculated as $35,000,000 at 3.15% for 30 years**

(2) **Existing Parity Debt Minimum Required DSCR 1.25**

Analysis of historical cash flow for Fund the Project Debt Service shows a debt service coverage ratio (DSCR) of 1.25 or greater in four out of the five years reviewed.

Operating Revenues do not include PFCs and CFCs. These are itemized as Non-Operating Revenues.

The following are the cash flow adjustments made in the table above:

- Depreciation has been added back as this is a non-cash expense.
- Interest Income has been added back.
- PFCs have been added back as these are a consistent source of revenue available for Terminal improvements for the 2013 Bond debt service.
- CFCs have been added back as these are eligible source of revenues for 2007 Bonds debt service.

The Supplemental Indenture authorizing the 2013 Bonds requires that $1.6M of PFC revenue be applied to the annual debt service of the 2013 Bonds. This is shown in the cash flow analysis above. However, the actual eligible PFC revenue that can be used towards this debt service is approximately $2.8M. The airport is choosing to keep these revenues in reserve to be used later for the terminal expansion project.

Note: The Bonds have a balloon payment in FY 2030 which bring total MADS to $7.6M that year vs. the payment of $4.7M per year. Since this is an outlier year MADS was kept at $4.7M for purposes of this analysis. If needed, the Fund has sufficient cash reserves in the debt reserve fund and unrestricted cash to pay the outlier year MADS of $7.6M.

PROJECTIONS

The Airport provided the projected statement of Revenues, Expenses and changes in Fund Net Position.

CITY OF FRESNO - AIRPORT ENTERPRISE FUND PROJECTED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS										
FYE June 30	2018		2019		2020		2021		2022	
Source:	CAFR	%	Projections	%	Projections	%	Projections	%	Projections	%
% Change		N/A		3%		3%		3%		3%
Operating Revenue										
Total Operating Revenues	**$24,035,217**	**100.0%**	**$24,756,000**	100.0%	**$25,499,000**	100.0%	**$26,264,000**	100.0%	**$27,052,000**	100.0%
Parking Garage Rate Increase Revenues effective 7/1/2019					2,850,000		3,151,000		3,398,000	
Total Operating Revenues Including Parking Rate Increases effective 7/1/2019	**$24,035,217**		**$24,756,000**		**$28,349,000**		**$29,415,000**		**$30,450,000**	
Operating Expenses										
Cost of Services	$11,704,631	48.7%	12,402,369	50.1%	13,002,896	51.0%	13,634,055	51.9%	14,296,775	52.8%
Adminstration	$6,636,042	27.6%	7,031,631	28.4%	7,372,104	28.9%	7,729,945	29.4%	8,105,680	30.0%
Depreciation	$10,431,071	43.4%	11,300,000	45.6%	11,700,000	45.9%	12,200,000	46.5%	12,700,000	46.9%
Total Operating Expenses	**$28,771,744**	**119.7%**	**$30,734,000**	**124.1%**	**$32,075,000**	**125.8%**	**$33,564,000**	**127.8%**	**$35,102,455**	**129.8%**
Operating Income (Loss)	($4,736,527)	-19.7%	($5,978,000)	-24.1%	($3,726,000)	-14.6%	($4,149,000)	-15.8%	($4,652,455)	-17.2%
Nonoperating Revenues (Expenses)										
Operating Grants	$843,972	3.5%	450,000	1.8%	300,000	1.2%	350,000	1.3%	350,000	1.3%
Interest income	$181,530	0.8%	$181,000	0.7%	$181,000	0.7%	$181,000	0.7%	$181,000	0.7%
Interest Expense	($2,509,728)	-10.4%	($2,600,000)	-10.5%	($2,700,000)	-10.6%	($2,800,000)	-10.7%	($2,800,000)	-10.4%
Passenger Facility Charges	$3,419,433	14.2%	$3,563,000	14.4%	$3,653,000	14.3%	$3,793,000	14.4%	$3,793,000	14.0%
Customer Facility Charges	$2,178,869	9.1%	$2,327,000	9.4%	$2,407,000	9.4%	$2,491,000	9.5%	$2,491,000	9.2%
Total Non-Operating Revenue (Expenses)	$4,114,076	17.1%	**$3,921,000**	15.8%	**$3,841,000**	15.1%	**$4,015,000**	15.3%	**$4,015,000**	14.8%
Income (Loss) Before Contributions and Transfers	($622,451)	-2.6%	($2,057,000)	-8.3%	$115,000	0.5%	($134,000)	-0.5%	($637,455)	-2.4%
Capital Contributions-Other Agencies	$4,413,491		$10,880,000		$10,880,000		$4,880,000		$4,880,000	
Transfer In										
Transfer Out	($208,581)		($200,000)		($200,000)		($200,000)		($200,000)	
Change in Net Position	$3,582,459		$8,623,000		$10,795,000		$4,546,000		$4,042,545	
Total Net Position (Deficit) - Beginning	$172,192,831		175,775,290		184,398,290		$195,193,290		$199,739,290	
Total Net Position (Deficit) - Ending	**$175,775,290**		**$184,398,290**		**$195,193,290**		**$199,739,290**		**$203,781,835**	

The following are the projections that were used by the Airport in preparing the above table:

Operating Revenue growth is projected at 3% each year. (Airport revenues have grown by over 16% in the first six months of the current 2018/2019 FY).

Total Operating Revenues include parking rate increases effective 7/1/2019. (See Rate increase section for details.) By design projected parking revenues and rate increases for existing airport parking lots are more than sufficient to pay for the additional debt service associated with Parking Garage. The subject new garage revenues are not included in the projections above.

Annual maintenance costs for a 900-space parking garage is estimated at $450K and included in operating expenses. Total Operating Expenses are projected at an average of 4.5% each year except in 2019 when it is projected at 6.8% higher than FY 2018 due to the higher percentage of passenger growth seen in the first six months of the current 2019 FY. The operating expense budget is increasing because they did not grow from FY 2009 to FY 2016 and Airport Management is making required adjustments.

PFC and CFC were calculated with the growth in enplanements.
Depreciation is projected based on capital projects that are currently in process as described in the CIP section and also based on the proposed project.

Projected Cash Flow and Debt Service Analysis

Projected Cash Flow table and debt service analysis is as follows:

CASH FLOW PROJECTIONS							
For Fiscal Year Ending (FYE) June 30	2018	2019	2020	2021	2022	2023	2024
	Actual CAFR	Projected	Projected	Projected	Projected	Projected	Projected
Operating Income (Loss)	($4,736,527)	($5,978,000)	($3,726,000)	($4,149,000)	($4,652,455)	($5,465,667)	($6,300,517)
Transaction Specific Adjustments							
+ Depreciation	10,431,071	11,300,000	11,700,000	12,200,000	12,700,000	13,200,000	13,700,000
+ Interest income	181,530	181,000	181,000	181,000	181,000	181,000	181,000
+ PFC - Min required towards Debt Service 2013 Bonds	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
+ Customer Facility Charges towards Debt Service 2007 Bonds	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
- Transfer Out	(208,581)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
+ NEW Garage (Subject Project) Income						1,334,566	1,907,527
Total of all Adjustments	13,504,020	14,381,000	14,781,000	15,281,000	15,781,000	17,615,566	18,688,527
Cash Available for Debt Service	**$8,767,493**	**$8,403,000**	**$11,055,000**	**$11,132,000**	**$11,128,545**	**$12,149,898**	**$12,388,010**
Debt Service Calculation							
Total Existing MADS Debt Service	4,776,619	4,776,619	4,776,619	4,776,619	4,776,619	4,776,619	4,776,619
Proposed IBank MADS (1)			1,914,163	1,914,163	1,914,163	1,914,163	1,914,163
Total Obligations MADS	**$4,776,619**	**$4,776,619**	**$6,690,782**	**$6,690,782**	**$6,690,782**	**$6,690,782**	**$6,690,782**
Debt Service Coverage Ratio (2)	**1.84**	**1.76**	**1.65**	**1.66**	**1.66**	**1.82**	**1.85**

(1) Calculated as $35,000,000 at 3.15% for 30 years

(2) Existing Parity Debt Minimum Required DSCR 1.25

Analysis of projected cash flow for the Fund demonstrates a DSCR of 1.65 or greater in all six years projected.

The table above shows the following:

- Operating Income after Operating Revenues and Operating Expenses as projected and described in the Projections section.
- Depreciation is added back as it is a non-cash expense.
- Interest Income is kept conservatively at FY 2018 levels.
- PFC included in the table above are the $1.6M minimum that are required per the 2013 Bonds
- CFC included in the table are at $1.5M which is the debt service of the 2007 Bonds for the car rental facility debt.
- Transfers out are not expected but are included at $200K per year.
- Per the Parking Study Report, the New Garage is expected to bring in over $2.5M in revenues in FY 2023 and FY 2024. Conservatively 50% of this revenue is considered FY 2023 and 70% in FY 2024. By FY 2036 the revenues are projected over $10M. The projected cash flow analysis shows that the Fund is able to support the new debt comfortably.

Potential Terminal Expansion Project

As mentioned earlier in the CIP section of the staff report, a Terminal Expansion project is being planned as Phase 2 of the Airport Development Plan. Initial cost estimates for the project are estimated at $70M of which $40M to $45M is expected to be financed with debt. The final cost, timeline, other sources of funding for the project such as grants and FAA administered Airport improvement Program funds, and equity contribution by the Airport are yet to be determined.

The City is currently negotiating with the airlines to increase terminal rents that will partly pay for the terminal expansion. If bilateral negotiations falter, the City can unilaterally set terminal rental rates by ordinance. Higher terminal rental rates are anticipated to go into effect July 1, 2022 – (or FY 2023). This is the date the terminal project is expected to be completed and is therefore the date of beneficial occupancy by the airlines. Per law, the terminal rate increases cannot go into effect prior to the date of beneficial occupancy.

The debt service for the project is estimated at approximately $2.9M per year ($45M, 30 year, at 5.0%). If the project is completed, the airline rental rate increases and projected growth of the PFC would be adequate to cover the debt service for the terminal project. This project and the associated debt service are not expected to impact the repayment for the new garage project.

Pension Plan

The City's retirement (pension) benefits are based upon a combination of age at retirement, years of credited service, final average monthly salary, and the distribution option selected by the participant. For Fire and Police, the benefits are further based upon the tier and option selected by the participant.

The City's Plan Fiduciary Net Position as of percentage of the total pension liability was 110.79% for the Employees system and 114.76% for the Fire and Police System in FY 2018.

Out of the State's top 25 cities (by population), the City is the only one that has no pension liability but instead has a Net Pension Asset of $318.2M in FY 2018 was up from FY 2017's net pension asset of $147.7M due to strong returns from the stock market.

The Fund's allocated portion of the Net Pension Asset is $4,960,373 in FY 2018.

Risk Factors

1. The Airport's revenues are based upon three year contracts with the Airlines with 60-Day opt-out clause. If one or more of the airlines leave the Airport, revenues would likely decline.
2. New parking lot revenues could be less than projected if passenger's use alternative transportation modes, such as mass transit and ride share companies.
3. Economic downturn may affect discretionary spending for traveling, which would result in less flights and lower Airport revenues.
4. Influx of efficiency electric and hybrid cars would birth a need for the conversion of many regular parking spaces to parking spaces with electric charging stations within the garage.
5. Gasoline is a key cost that drives airline costs (resulting in increased cost of travel), and parking garage revenues. As the price of oil increases, gas prices increase and vehicle use declines. An increase in the world price of crude oil represents a potential threat to this industry.

Mitigating Factors

1. The air passenger sector has proven lucrative to the Airlines and it would not be prudent for them to cut back services. The Airport expects that the Airline contracts will be on-going.
2. While the projections include the revenue from the Project, the Fund's cash flow is adequate to service all debt without these new revenues.
3. The two strong factors that impact Airport revenues are the population growth in the area and the growth of per capita income. Both factors have been well above the State's average. The Airport has a large passenger base making it less vulnerable to air service cut-backs.
4. There will be 24 charging stations at the new garage and infrastructure built in for an additional 24 charging stations. If the Airport had to convert a majority of the 900 parking spaces into charging stations, the Airport has unrestricted cash reserves to accommodate the change.
5. Planned Terminal Expansion and the new garage will attract more Airline carriers with expanded flight destinations resulting in increased revenues.
6. The City's governing board is empowered to establish and enact rates and charges to ensure sufficient revenue for expenses and debt payments, without the approval of any other governing body.
7. The Airport is different from comparable smaller airports of similar size. According to the Airport's Administrative Manager, many smaller airports have only recently attained break even status and become self-sustaining. In contrast, this Airport annually generates a sizable operating margin, and profit before depreciation is considered. The Airport has a strong liquid position with Cash and Investments of $29.7M, Net Position of $174.9M and unrestricted cash of $47.7M. Per recommendations by rating agencies the airport also maintains a 365 day cash on hand for operations.

Compliance with IBank Underwriting Criteria

1. The financing will be secured by a lien on Net Revenues.
2. The estimated useful life of the Project is 39 years, which exceeds the 30 year term of the Financing.
3. The City has the power to establish and enact rates and charges without the approval of any other governing body.

Criteria Waiver

1. Readiness and Feasibility: Due to the amount of time needed to complete the Environmental, Design, Bidding components of the Project, the City requests a waiver of the Criteria requirement that construction be completed within two years after IBank's financing approval. The City is requesting 43 months from Financing Approval to complete construction of the Project. IBank staff supports the City's requested Criteria waiver.
2. The Contractor Criteria: The request to waive the provision that provides contractors should be pre-qualified using the Model Questionnaire detailed in the Criteria. The City intends to use its internally-required contractor pre-qualification questionnaire, which substantially meets the intent of the Model Questionnaire. Therefore, the City seeks a waiver of the Criteria.

STAFF RECOMMENDATION

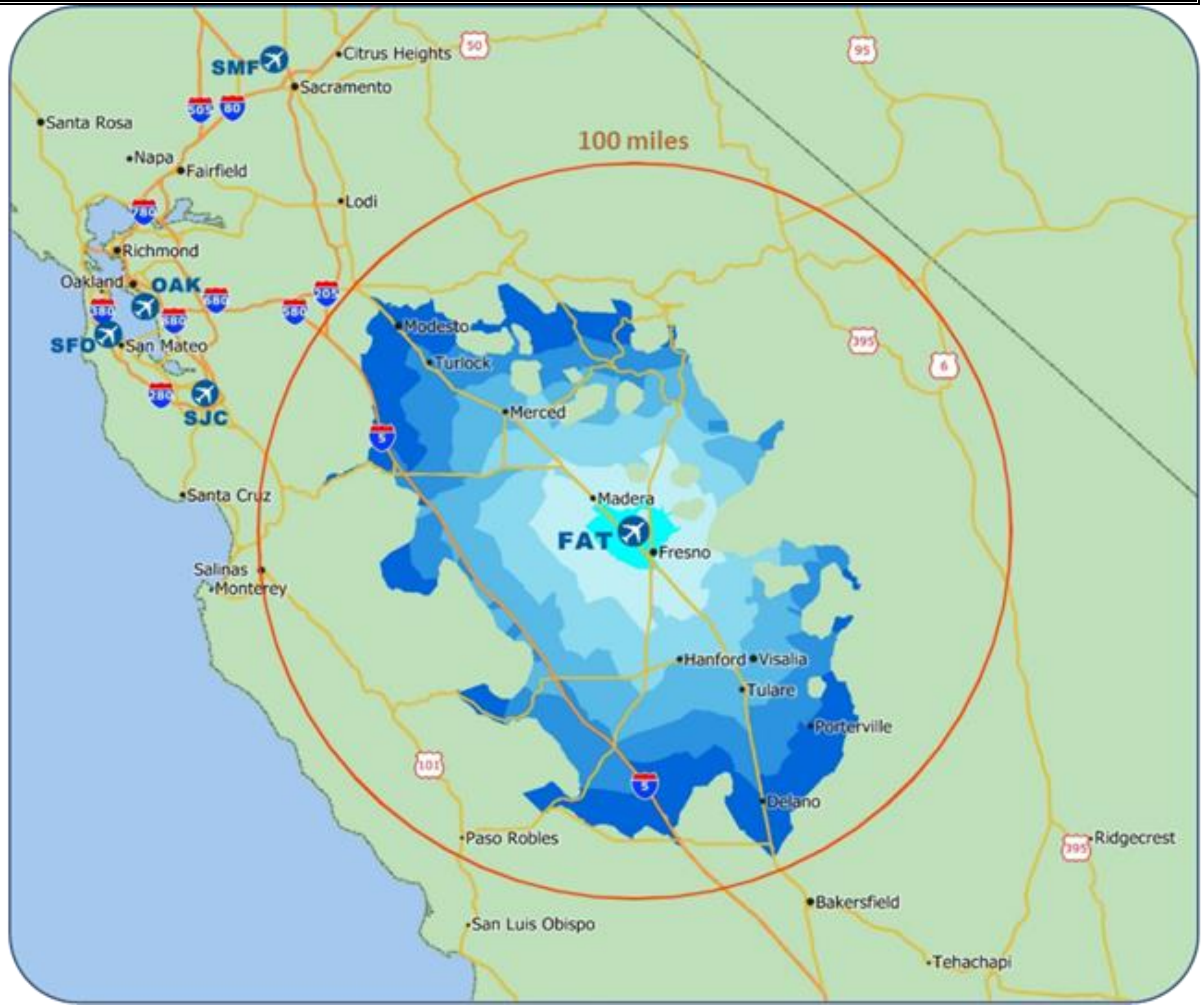
Staff recommends approval of Resolution No. 19-04 authorizing financing not to exceed $35,000,000 to the City of Fresno (City) Fresno Yosemite International Airport New Garage Project, subject to the conditions herein.

1. **Applicant/Borrower:** City of Fresno
2. **Project:** City of Fresno's Fresno Yosemite International Airport New Garage Project
3. **Amount of Financing:** $35,000,000
4. **Maturity:** Thirty (30) Years
5. **Repayment:** Repayment will be from airport system Net Revenues, and all legally available amounts in the Fund, except any revenue generated from, and Fund money attributable to Passenger Facility Charges (PFC) and Customer Facility Charges (CFC)
6. **Security:** Secured by a senior lien on Net Revenues and all legally available amounts in the Fund, with the exception of any revenue generated by, and Fund money attributable to, PFCs and CFCs.
7. **Interest Rate:** 3.15%;
8. **Fees:** City to pay an origination fee of 1.00%, $350,000, and an annual fee of 0.30% of the outstanding principal balance.
9. **Not an Unconditional Commitment:** IBank's resolution shall not be construed as an unconditional commitment to finance the Project, but rather IBank's approval pursuant to the Resolution is conditioned upon entry by IBank and the City into a Financing Agreement, in form and substance satisfactory to IBank.
10. **Limited Time**: The Board's approval expires on May 07, 2019. Thus, the City and IBank must enter into the Financing Agreement no later than May 07, 2019. Once the approval has expired, there can be no assurances that IBank would be able to provide financing to the City or consider extending the approval period.
11. **Project Financing Agreement Covenants and Conditions:**
    a. City shall adjust as necessary the rates, charges, and expenses of the Airport in an amount sufficient to ensure that the Net Revenues produce a minimum 1.25 times aggregate annual debt service coverage ratio for the sum of actual annual debt service on the Financing and any obligations on parity with the Financing.
    b. The City will be prohibited from issuing future debt payable from Net Revenues or the Fund senior to the Financing.
    c. Parity debt will be allowed if Net Revenues amount to at least 1.25 times the Maximum Annual Debt Service (MADS) taking into consideration the MADS payable in any Fiscal Year on all existing debt payable from Net Revenues and the proposed parity debt.
    d. Subordinate debt will be allowed if Net Revenues are at least 1.00 times the sum of the MADS on all outstanding debt payable from Net Revenues, including the proposed Subordinate Debt.
    e. City to comply with the requirements of the Criteria, except to the extent of any Criteria waivers, and all applicable laws, regulations, and permitting requirements associated with public works projects.
    f. City to provide to IBank annually within 180 days of the end of each of City's fiscal years a copy of its audited financial statements that report the enterprise fund separately, together with an annual certificate demonstrating compliance with the foregoing covenants, as well as other information as IBank may request from time to time.
    g. Hard cost disbursement will be conditioned on the City obtaining all necessary permits and approvals to commence construction.
    h. Standard Liability Insurance and Business Interruption Insurance (if available on commercially reasonable terms) will be required.

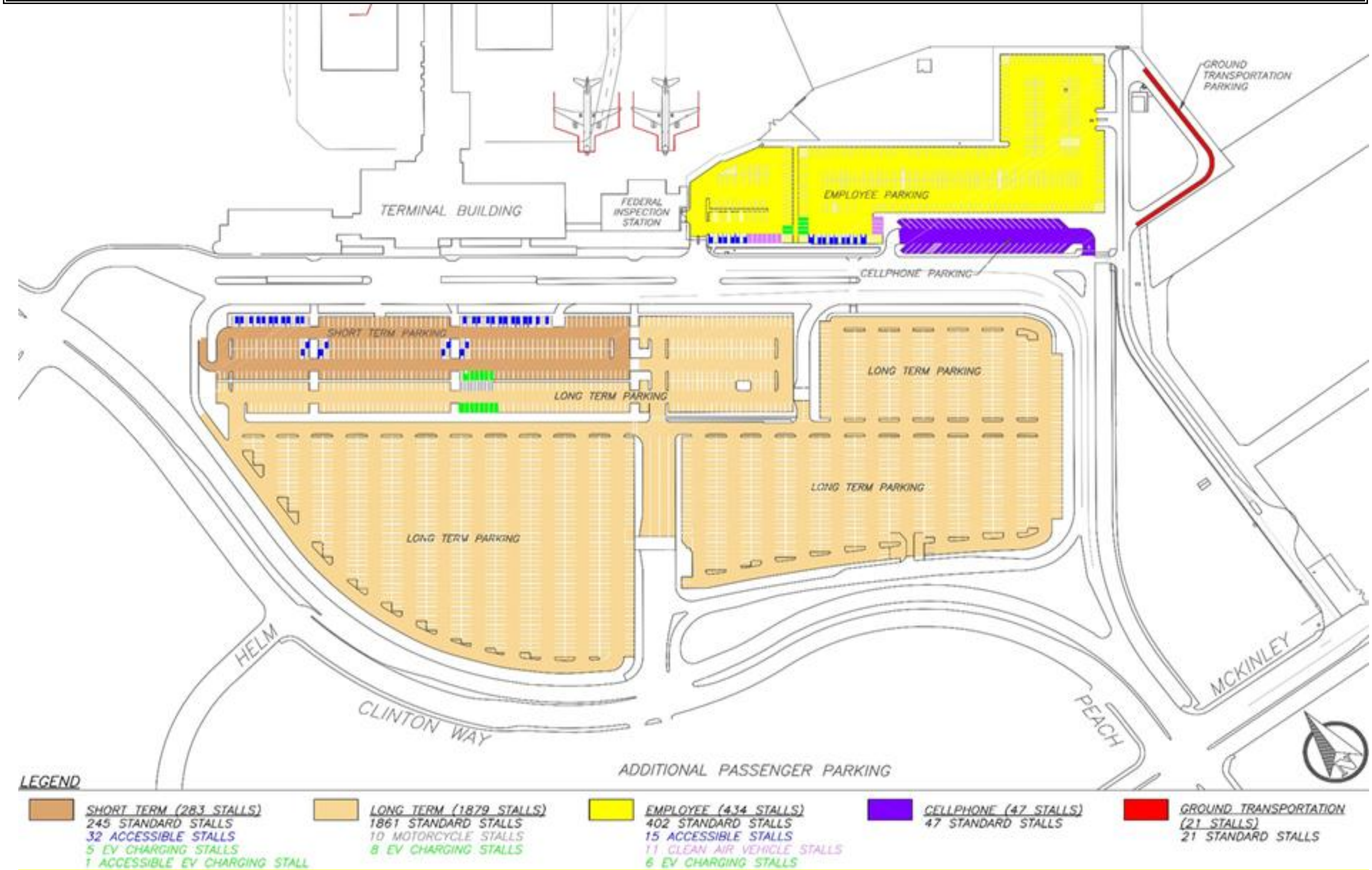
Fresno Yosemite International Airport Service Area Map – Exhibit 1

Circle range represents 100 mile radius from FAT

Shaded Area: 1.8 million population within 90 minute drive of FAT



Existing Parking Conditions – Exhibit 2



Source: Airports Department, City of Fresno, 2018

Project Location – Exhibit 3

FRESNO YOSEMITE INTERNATIONAL AIRPORT	
TERMINAL EXPANSION & PARKING STRUCTURE	SITE MAP