

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)**

**STAFF REPORT**

**INFRASTRUCTURE STATE REVOLVING FUND PROGRAM (ISRF) DIRECT FINANCING  
EXECUTIVE SUMMARY**

**Financing Overview:** This ISRF Financing would provide funds for the Sonoma County Airport Expansion Project (Project), consisting of two separate components. Each component financing will be governed by a separate financing agreement and each will be subject to different financing amounts, certain terms, and interest rates.

<b>Applicant:</b> County of Sonoma (County)	<b>ISRF Project Type:</b> Infrastructure Project	<b>ISRF Project Category:</b> Port Facilities, Public Transit
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<b>Financing Amounts:</b> \$17,000,000 (Financings) 1) Terminal Component \$11,880,000 2) Parking Lot Component \$5,120,000	<b>Financing Terms:</b> 1) Terminal Component: 25 Years 2) Parking Lot Component: 30 Years	<b>Interest Rates: <sup>1</sup></b> 1) Terminal Component: 3.52% 2) Parking Lot Component: 3.61%
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<b>Sources of Repayment:</b> The Financings will each be repaid by net airport system revenues (Net Revenues) and all legally available amounts in the Sonoma County Airport Enterprise Fund (Fund). However, revenues generated by Passenger Facility Charges (PFC) will be used to repay only the Terminal Component Financing.	<b>Fund Rating/Date:</b> None
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**Security:**  
The Terminal Component Financing would be secured by a senior lien on Net Revenues and all legally available amounts in the Fund. The Parking Lot Component Financing would be secured by a senior lien on Net Revenues (excepting any Net Revenues from PFC) and all legally available amounts in the Fund. Each lien would be on parity with the other.

<b>Project Name:</b> Sonoma County Airport Expansion Project 1) Terminal Component 2) Parking Lot Component	<b>Project Location:</b> 2200 Airport Blvd. Santa Rosa, CA 95403
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**Project Description / Sources and Uses of Proceeds:**  
The Terminal Component consists of improving current areas of the terminal at the Sonoma County Airport, design and engineering costs for future terminal improvements, and the refinance of the California Department of Transportation Runway Loan. The Parking Lot Component consists of constructing an approximately 490 space long-term parking lot.

**Use of Financing Proceeds:**  
The Financing will provide funds for the completion of the Project, including, but not limited to, design, architecture, engineering, geologic testing, hydrologic testing, refinancing, construction, remediation, equipping, machinery installation, construction contingency, permitting, entitlement, construction management, project administration, and general project development activities. IBank's Origination Fee is being financed.

<sup>1</sup> Interest Rates provided 4/19/2018

Combined Projects - Estimated Costs			
Project(s) Uses	Project(s) Sources		
	IBank	County of Sonoma	Total
Parking Lot Design, Construction & Contingency <sup>(1)</sup>	\$5,068,805		\$5,068,805
Terminal - Design & Engineering	\$2,900,000		\$2,900,000
Terminal - Construction & Contingency <sup>(2)</sup>	\$5,211,212		\$5,211,212
Runway Loan Payoff	\$3,650,000		\$3,650,000
Origination Fees (Both Loans Combined)	\$169,983		\$169,983
<b>Total</b>	<b>\$17,000,000</b>	<b>\$0</b>	<b>\$17,000,000</b>

(1) Parking Lot Project Contingency \$146,500

(2) Terminal Project Contingency \$278,000

Source: Financing information provided by County of Sonoma

### Credit Considerations:

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

TERMINAL COMPONENT - HISTORICAL - CASH FLOW					
For Fiscal Year Ending (FYE) June 30	2013	2014	2015	2016	2017
Operating Income (Loss)	(\$157,039)	\$62,417	\$120,128	(\$597,743)	(\$1,637,033)
<b>Transaction Specific Adjustments</b>					
+ Depreciation and Amortization (added back)	925,486	926,445	863,521	940,839	2,571,421
+ Fines, Forfeitures, Penalties (added back)	9,158	1,379	8,141	10,522	16,643
+ Interest Income Net (added back)	26,683	165,504	(47,488)	21,083	46,797
<b>Total of all Adjustments</b>	961,327	1,093,328	824,174	972,444	2,634,861
<b>Subtotal</b>	<b>804,288</b>	<b>1,155,745</b>	<b>944,302</b>	<b>374,701</b>	<b>997,828</b>
<b>Restricted For Terminal Component Financing</b>					
+ PFCs - Restricted for Terminal Component <sup>(3)</sup>	336,096	499,152	519,968	642,347	716,029
<b>Cash Available for Debt Service</b>	<b>1,140,384</b>	<b>1,654,897</b>	<b>1,464,270</b>	<b>1,017,048</b>	<b>1,713,857</b>
<b>Debt Service Calculation</b>					
<b>Total Existing Debt Service MADS</b>	0	0	0	0	0
<b>Proposed IBank MADS on Parking Lot <sup>(1)</sup></b>	301,207	301,207	301,207	301,207	301,207
<b>Proposed IBank MADS on Terminal <sup>(2)</sup></b>	771,308	771,308	771,308	771,308	771,308
<b>Total Obligations MADS</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>
<b>Historical Debt Service Coverage Ratio (DSCR)</b>	<b>1.06</b>	<b>1.54</b>	<b>1.37</b>	<b>0.95</b>	<b>1.60</b>

(1) Parking Lot Component - Calculated as \$5,120,000 at 3.61% for 30 years

(2) Terminal Component - Calculated as \$11,880,000 at 3.52% for 25 Years

(3) Passenger Facility Charges (PFCs) are restricted to pay for improvements to the Terminal Component only

Analysis of historical cash flow for the Terminal Component Debt Service demonstrates a debt service coverage ratio (DSCR) of 1.37 or greater in three out of the five years reviewed<sup>2</sup>.

Refer to below tables for projections on the Terminal Component and Parking Lot Component debt service coverage ratios.

<sup>2</sup> FY 2016 fell below 1.0 DSCR. This was related to capital improvement expenses from increase in Services and Supplies for the year, directly related to expenses associated with commercial air services. With the completion of the capital improvements, the DSCR improved to 1.60 the following year.

**TERMINAL COMPONENT - HISTORICAL and PROJECTIONS - CASH FLOW**

For Fiscal Year Ending (FYE) June 30	Actual		Projections				
	Source:		2018	2019	2020	2021	2022
	Fin. Stmts.	Projections	Projections	Projections	Projections	Projections	
Operating Income (Loss)	(\$1,637,033)	(\$769,540)	(\$928,927)	(\$1,104,482)	(\$1,297,924)	(\$1,511,158)	
<b>Transaction Specific Adjustments</b>							
+ Depreciation and Amortization (added back)	2,571,421	2,699,992	2,834,992	2,976,741	3,125,578	3,281,857	
+ Fines, Forfeitures, Penalties (added back)	16,643	18,307	20,138	22,152	24,367	26,804	
+ Interest Income Net (added back)	46,797	25,000	25,000	25,000	25,000	25,000	
<b>Total of all Adjustments</b>	<b>2,634,861</b>	<b>2,743,299</b>	<b>2,880,130</b>	<b>3,023,893</b>	<b>3,174,945</b>	<b>3,333,661</b>	
<b>Subtotal</b>	<b>997,828</b>	<b>1,973,759</b>	<b>1,951,203</b>	<b>1,919,411</b>	<b>1,877,021</b>	<b>1,822,503</b>	
<b>Restricted For Terminal Component Financing</b>							
+ PFCs - Restricted for Terminal Component <sup>(3)</sup>	716,029	787,632	866,395	953,035	1,048,338	1,153,172	
<b>Cash Available for Debt Service</b>	<b>1,713,857</b>	<b>2,761,391</b>	<b>2,817,598</b>	<b>2,872,446</b>	<b>2,925,359</b>	<b>2,975,675</b>	
<b>Debt Service Calculation</b>							
<b>Total Existing Debt Service MADS</b>	0	0	0	0		0	
<b>Proposed IBank MADS on Parking Lot <sup>(1)</sup></b>	301,207	301,207	301,207	301,207	301,207	301,207	
<b>Proposed IBank MADS on Terminal <sup>(2)</sup></b>	771,308	771,308	771,308	771,308	771,308	771,308	
<b>Total Obligations MADS</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	
<b>Projected Debt Service Coverage Ratio (DSCR)</b>	<b>1.60</b>	<b>2.57</b>	<b>2.63</b>	<b>2.68</b>	<b>2.73</b>	<b>2.77</b>	

<sup>(1)</sup> Parking Lot Component - Calculated as \$5,120,000 at 3.61% for 30 years

<sup>(2)</sup> Terminal Component - Calculated as \$11,880,000 at 3.52% for 25 Years

<sup>(3)</sup> Passenger Facility Charges (PFCs) are restricted to pay for improvements to the Terminal Component only

Analysis of projected cash flow for the Terminal Component Debt Service demonstrates the Fund's ability to service the proposed Financing with a DSCR of 2.57 or greater in all five years<sup>3</sup>.

**PARKING LOT COMPONENT - HISTORICAL and PROJECTIONS - CASH FLOW**

For Fiscal Year Ending (FYE) June 30	Actual		Projections				
	Source:		2018	2019	2020	2021	2022
	Fin. Stmts.	Projections	Projections	Projections	Projections	Projections	
Operating Income (Loss)	(\$1,637,033)	(\$769,540)	(\$928,927)	(\$1,104,482)	(\$1,297,924)	(\$1,511,158)	
<b>Transaction Specific Adjustments</b>							
+ Depreciation and Amortization (added back)	2,571,421	2,699,992	2,834,992	2,976,741	3,125,578	3,281,857	
+ Fines, Forfeitures, Penalties (added back)	16,643	18,307	20,138	22,152	24,367	26,804	
+ Interest Income Net (added back)	46,797	25,000	25,000	25,000	25,000	25,000	
<b>Total of all Adjustments</b>	<b>2,634,861</b>	<b>2,743,299</b>	<b>2,880,130</b>	<b>3,023,893</b>	<b>3,174,945</b>	<b>3,333,661</b>	
<b>Cash Available for Debt Service</b>	<b>997,828</b>	<b>1,973,759</b>	<b>1,951,203</b>	<b>1,919,411</b>	<b>1,877,021</b>	<b>1,822,503</b>	
<b>Debt Service Calculation</b>							
<b>Total Existing Debt Service MADS</b>	0	0	0	0		0	
<b>Proposed IBank MADS on Parking Lot <sup>(1)</sup></b>	301,207	301,207	301,207	301,207	301,207	301,207	
<b>Proposed IBank MADS on Terminal <sup>(2)</sup></b>	771,308	771,308	771,308	771,308	771,308	771,308	
<b>Total Obligations MADS</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	
<b>Projected Debt Service Coverage Ratio (DSCR)</b>	<b>0.93</b>	<b>1.84</b>	<b>1.82</b>	<b>1.79</b>	<b>1.75</b>	<b>1.70</b>	

<sup>(1)</sup> Parking Lot Component - Calculated as \$5,120,000 at 3.61% for 30 years

<sup>(2)</sup> Terminal Component - Calculated as \$11,880,000 at 3.52% for 25 Years

Analysis of projected cash flow for the Parking Lot Component Debt Service demonstrates a DSCR of 1.70 or greater in all five years projected. Because the Parking Lot Component is a revenue-generating asset without an established cash flow history, historical cash flows generally result in a DSCR less than 1.0. As referenced above, once projected revenues are taken into account a projected DSCR of 1.70 or greater is achieved<sup>4</sup>.

<sup>3</sup> For details on the Terminal Component DSCR Projections, refer to the section on [Projected Terminal Component](#) Cash Flow and Debt Service Analysis in this report.

<sup>4</sup> For details on the Parking Lot Component DSCR Projections refer to the section on [Projected Parking Lot Component](#) Cash Flow and Debt Service Analysis in this report.

**Support for Staff Recommendations:**

1. Historical cash flow analysis demonstrates the Fund's ability to service the proposed Financing in three out of the five years reviewed.
2. The estimated useful life of Component terms of the Financing meets IBank Criteria guidelines.

**Extra Conditions:**

1. Hard cost disbursement will be conditioned on the County obtaining all necessary permits and approvals to commence construction.

**Criteria Waiver:**

1. The County requests a waiver of the IBank Criteria provision requiring use of the Department of Industrial Relations model pre-qualification questionnaire. The County's uses its own required questionnaire during the bid process, which substantially meets the intent of the Model Questionnaire Criteria

**IBank Staff:**

Robin Root

**Date of Staff Report:**

May 11, 2018

**Date of IBank Board Meeting:**

May 22, 2018

**Resolution Number:**

18-07

**Staff Recommendation:**

Staff recommends approval of Resolution No. 18-07 authorizing ISRF Program Financing not to exceed \$17,000,000 to the County of Sonoma for the 1) Terminal Component and 2) Parking Lot Component.

## PROJECTS DESCRIPTION

The requested financing consists of two separate components for the County of Sonoma's (County) Airport Division, which are as follows: 1) The Terminal Component, which consists of improving the existing Sonoma County Airport terminal, design and engineering costs for future terminal improvements, and the refinance of the California Department of Transportation (Caltrans) Runway loan (the California State Transportation Agency supports the refunding of the Caltrans loan); and 2) The Parking Lot Component, which consists of constructing a new long-term parking lot with approximately 490 parking spaces. Refer to [Exhibit 1](#) for aerial images and [Exhibit 2](#) for photographs of the Airport.

### **Project Background**

The Charles M. Schulz – Sonoma County Airport (Airport) is the largest commercial airport serving the North Bay and Redwood Empire (the North Coast of California). The Airport's history begins in 1941 when the County purchased 339 acres of agricultural land and began constructing a runway using grant funds from the Civil Aeronautics Authority. The U.S. Army took over the airport in 1942; it added 826 acres, extending the original runway and making various improvements and adding other facilities. Two of the hangars constructed by the Army remain in use today. Between February 1943 and January 1946, the U.S. Fourth Air Corps operated the Airport. At that time, the Airport was known as the Santa Rosa Army Airfield and it was primarily used to train fighter groups and squadrons. At its peak, up to 500 aircraft and 10,000 personnel were based on the army field.

The County resumed operation of the Airport in July 1946 and continues to operate the Airport today. In March 2000, the Sonoma County Board of Supervisors voted to change the Sonoma County Airport's name to Charles M. Schulz – Sonoma County Airport. The name change was in honor of the famous "Peanuts" comic strip cartoonist who lived for many years in Sonoma County.

Throughout its history, the Airport operated primarily as a general aviation facility serving private/recreational airplanes, and business/corporate aircraft. It has also operated as a commercial service airport offering mostly commuter airline service to San Francisco and Los Angeles. The Airport anticipates adding new destinations to its schedule in the near future, such as, but not limited to, Denver, Phoenix, Minneapolis/St. Paul, Guadalajara, Hawaii, Dallas, Salt Lake City, and Chicago. Attracting and accommodating this increased commercial air service will require enhanced terminal and parking facilities.

### **Terminal Component**

The Terminal Component is made-up of three sub-components: 1) existing terminal improvements, 2) design of a new terminal, and 3) refinance of the Caltrans Runway loan. The existing terminal improvements include the design and construction of (a) passenger ticketing and waiting facilities, (b) TSA security and screening facilities, (c) a new restroom for passenger and employee use, (d) a fire sprinkler system, and (e) a security gate.

The new terminal design component consists of the design and engineering work for the construction of new terminal facilities at the Airport. The County projects that the new terminal will be partially funded with FAA grants and partially funded with an IBank financing. The County expects to submit an application for a further IBank financing once it has secured the needed FAA grants. Based on the County's experience securing FAA grants, and on verbal commitments of FAA staff, the County expects to submit an application to IBank to finance a portion of the new terminal facility construction in Fiscal Year (FY) 2019.

The refinance component will provide funds to take-out the Caltrans Runway loan, which financed an extension to the runway. The California State Transportation Agency supports the refunding of the Caltrans loan.

Approximately \$5,500,000 of the Terminal Component Financing will be applied to the existing terminal improvements, \$2,400,000 will be applied to the new terminal design, and \$3,645,000 will be applied to the Caltrans loan refinance.

### **Parking Lot Component**

The Parking Lot Component is needed to address the lack of available parking at the Airport. The Parking Lot Component is already under construction and upon completion will consist of approximately 490 outdoor parking spaces, half of which are already being used for Airport overflow parking. The Parking Lot Component will include both pedestrian and motorized circulation facilities so passengers can efficiently travel from the Parking Lot to the Terminal, and will also include covered parking spaces with rooftop solar, which will generate electricity to support the operation of the terminal.

### **Economic Benefits**

The Project offers multiple benefits to the surrounding community. The Project would bring a modest increase in construction-related economic activity from the approximately twenty temporary jobs generated during Project construction. The average wage of the temporary jobs will be approximately \$30.00 per hour. In addition to the temporary jobs, the Project would create approximately two permanent jobs, with an average wage of \$18.00 per hour.

Residents of Sonoma, Napa, Lake, Humboldt, and Mendocino Counties would be able to utilize the Airport, being the closest commercial airport to approximately 1.2 million area residents in the North Bay/North Coast regions. These improvements are estimated to bring additional sales tax to the County, as travelers are likely to spend money in Sonoma County during their travels to and from the Airport.

### **Public Benefits**

With the combined improvements to the runway, terminal, and the additional parking, the County anticipates the Project would benefit the public by increasing the number of flight destinations from the Airport. The Airport expects to serve an additional 250,000 passengers per year and increase the options of flight destinations from the Airport in the next five years.

Solar energy improvements in the Parking Lot are projected to reduce Greenhouse Gas (GHG) Emissions by reducing the amount of electricity used at the Airport. Additionally consumers who live in the North Bay Area and Redwood Empire will drive fewer miles to reach the Airport, as opposed to driving to the San Francisco, Oakland or Sacramento Airports.

## **GENERAL COUNTY INFORMATION**

The County government is comprised of 26 departments and agencies, providing a full range of services to the community. The County size is 1,600 square miles and is divided into five districts that are approximately equal in population count, with each district having an elected Supervisor. The Board of Supervisors is comprised of five members, one from each of the five districts, elected to four-year terms. The Board establishes policies concerning growth and development, and oversees the County departments and agencies.

The Board of Supervisors also appoints a County Administrator, who assists the Board in managing, directing, and coordinating the operations of the County. The County plays a dual role to residents, providing municipal services such as law enforcement and fire protection to unincorporated areas and providing the day-to-day operation of state and federally mandated programs.

The County is located just north of the San Francisco Bay Area and is home to approximately 493,000 residents. The County has a diverse economy, which includes a world renowned wine region, natural resources, and tourism. The County's largest city, Santa Rosa, was recently named as one of the nation's

“most livable communities” by Partners for Livable Communities. Santa Rosa has approximately 33% of the County population as residents.

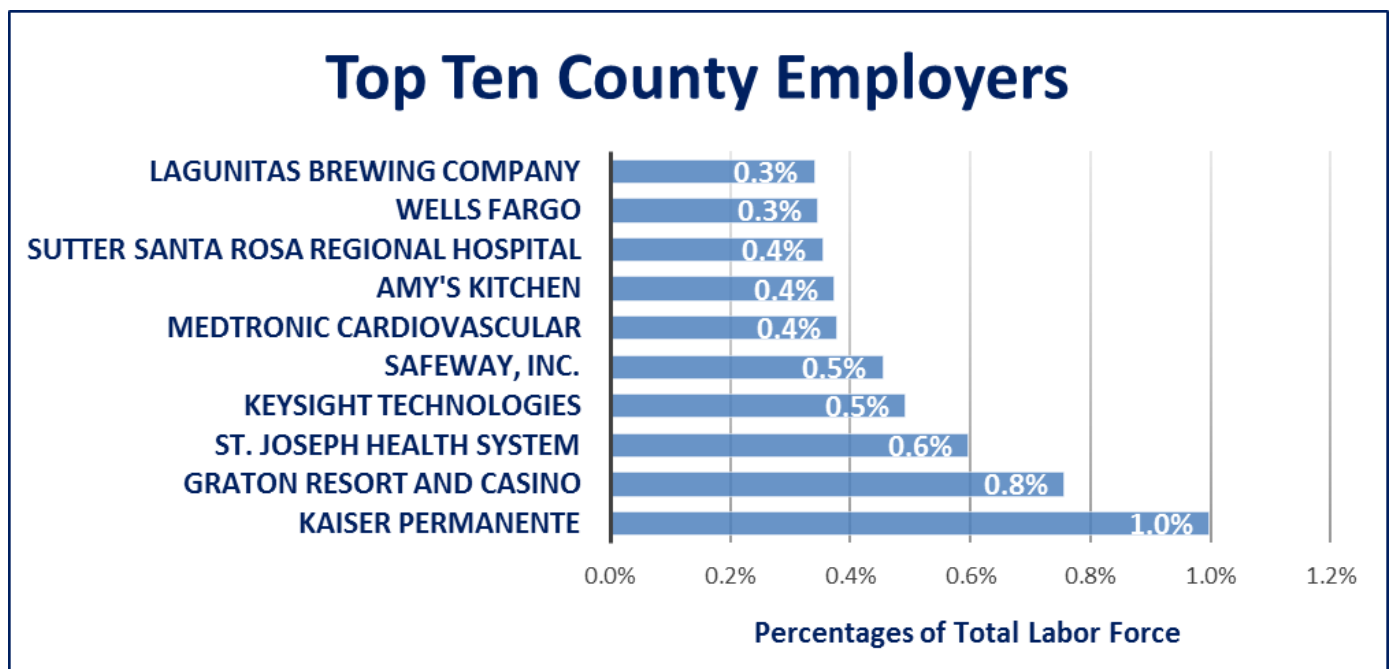
### Major Disaster Declaration California Wildfires (DR-4344)

On October 10, 2017 the Federal Emergency Management Agency (FEMA) declared a Major Disaster Declaration, California Wildfires (DR-4344) for Sonoma County. The County as a whole is recovering from the 2017 wildfires, and in the Santa Rosa area alone, 4,658 homes were destroyed in the Tubbs fire. The County Board of Supervisors adopted several Urgency Ordinances to address the immediate need for housing for persons displaced by the fires. The financial loss to Sonoma County is estimated to be in the hundreds of millions of dollars.

Although the Airport was not affected by the wildfires, IBank Financing would allow the County to reallocate funds towards the disaster areas, giving back to area residents, instead of self-funding the Sonoma County Airport Expansion Project Refer to [Exhibit 3](#) for visual references to this Major Disaster Declaration.

### County Economics

The County’s adopted budget for Fiscal Year (FY) 2017-2018 is \$1.61 billion. The County has a labor force of 264,400 people, of which 256,400 are employed, resulting in an unemployment rate of 3% as of February 2018. The California Employment Development Department, has projected that the County is expected to add more than 32,000 jobs, which represents 15% job growth over the tested period. Growth is expected across nearly all industry categories. The County’s top ten employers provide employment to 13,457 of the 264,400 total labor force equaling 5.1% as indicated in the tables below:





## Pension Plan

Sonoma County Employee Retirement Association (SCERA) administers, manages, and pays benefits of the County's Pension Plan (Plan). SCERA is governed by a Board of Retirement, which is separate from the Board of Supervisors. The Plan was originally organized under the provisions of the 1937 County Employees Retirement Law (CERL). The Plan is similar to, but separate from, CalPERS, which operates pension plans for many California public employers, including the cities within the County. County employees do not participate in CalPERS.

In 2012, the legislature enacted the Public Employees' Pension Reform Act (PEPRA). PEPRA modified the types of compensation that would be considered pensionable and changed the level of benefits offered to employees participating in County retirement programs. Most notably, PEPRA established lower formulas for computing benefit amounts for employees hired after December 31, 2012. PEPRA had only limited impact on the benefits of employees hired before 2013.

The Plan is a defined benefit pension plan, providing a specific retirement benefit based on salary and years of service. The Plan provides a predictable stream of retirement income guaranteed for life by the County. Contributions by the County and employees are pooled and a Plan Administrator professionally manages the investments. A summary of the County pension benefits for various employee groups is as follows:

The County pays approximately 36% of employee pay towards pension benefits and liabilities, and employees contribute approximately 10% of their pay. In addition, employees currently contribute a supplemental 3% to 3.03% of pay, this is scheduled to continue until 2024. This additional contribution was negotiated in the early 2000s and was intended to cover the cost of increased benefits that were retroactively applied to employees at that time. The determination of the employee and employer contributions is made annually through a process of making actuarial calculations based on assumptions adopted by SCERA.

The County has issued Pension Obligation Bonds (POBs) to refinance some of the Unfunded Actuarial Accrued Liability (UAAL), with the goal of saving interest costs. The total of POBs and any remaining UAAL is the total liability the County owes for its pension promises. The combined liability (UAAL + POB) amounts to approximately \$831 million, as of the most recent independent report, comprising data as of December 31, 2015<sup>5</sup>.

As of December 31, 2015, there were 4,071 active County employees enrolled in the Plan and 4,653 retirees receiving benefits from the Plan. County employees in a permanent position working at least half-time are members of the Plan as of their first day of employment. Upon completion of five years of service, employees are eligible to receive benefits when they reach retirement age.

As of June 30, 2017, the Airport reported a net pension liability of \$1,175,914 for its proportionate share of net pension liability, with a recognized pension expense of \$323,326. As of June 30, 2017, the Airport contributed 100% of its annual required contribution of \$521,618.

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<sup>5</sup> Report of Independent Citizens Advisory Committee on Pension Matters June 2016



**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 Sonoma County Airport Enterprise Fund.

<b>Source of Revenue to Repay Proposed ISRF Financing:</b>	The Financings will each be repaid by net airport system revenues (Net Revenues) and all legally available amounts in the Sonoma County Airport Enterprise Fund (Fund). However, revenues generated by Passenger Facility Charges (PFC) will be used to repay, and will secure only the Terminal Component.
<b>Outstanding Obligations:</b>	California Department of Transportation (Caltrans) Loan No. Son-1-11-L-8.  Original amount \$5,000,000, outstanding balance approximately \$3,650,000 to be paid off with the Financings.
<b>Type of Audited Financial Documents Reviewed:</b>	<input type="checkbox"/> Comprehensive Annual Financial Reports (CAFR) <input type="checkbox"/> Basic Financial Statements (F/S) <input checked="" type="checkbox"/> Other: Financial Report (Independent Auditor's Report)
<b>Fiscal Year Ends:</b>	June 30
<b>Audit Fiscal Years Reviewed:</b>	2013-2017
<b>The auditor's reports for all years indicate that the financial statements present fairly, in all material respects, the financial position of the County, and that the results of its operations and the cash flows are in conformity with generally accepted accounting principles.</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No [If no, explain]
<b>Adopted Budget(s) Reviewed:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No [If no, explain]
<b>Budget Year(s) Reviewed:</b>	2017-2018

## Comparative Statement of Net Position

Analysis of Comparative Statement of Net Position comprises FY 2013 – 2017 on the chart below:

COUNTY OF SONOMA AIRPORT ENTERPRISE FUND STATEMENT OF NET POSITION										
For Fiscal Year Ending (FYE) June 30	2013		2014		2015		2016		2017	
Source:	Fin. Stmts.	%	Fin. Stmts.	%	Fin. Stmts.	%	Fin. Stmts.	%	Fin. Stmts.	%
<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>										
<b>Current Assets</b>										
Cash and Investments	\$578,614	14%	\$15,929,210	8.4%	\$4,675,539	4.9%	\$15,660	0.0%	\$680,121	0.7%
Accounts Receivable	222,211	0.5%	208,315	0.2%	230,862	0.2%	400,054	0.4%	493,173	0.5%
Loan Receivable							25,674	0.0%	26,720	0.0%
Interest Receivable							1,598	0.0%	1,512	0.0%
Prepaid Expenses							5,814	0.0%	21,333	0.0%
Due From Other Governments	132,403	0.3%	7,981,825	9.2%	4,472,962	4.7%	1,969,493	2.1%	4,135,848	4.2%
Restricted Assets:										
Deposits With Others			305,512	0.4%	1,319,035	1.4%				
Cash and Investments	432,227	10%	87,872	0.1%	92,537	0.1%	199,739	0.2%	413,832	0.4%
<b>Total Current Assets</b>	<b>1,365,455</b>	<b>3.3%</b>	<b>24,512,734</b>	<b>28.2%</b>	<b>10,790,935</b>	<b>11.4%</b>	<b>2,618,032</b>	<b>2.8%</b>	<b>5,772,539</b>	<b>5.9%</b>
<b>Noncurrent Assets</b>										
Loan Receivable							453,701	0.5%	426,981	0.4%
Due From Other Governments							3,135,513	3.4%		
Restricted Cash and Investments										
Deposits With Others	399,000									
Customer Security Deposits	33,571	0.1%	30,208	0.0%	36,622	0.0%	40,265	0.0%	46,544	0.0%
<b>Total of Noncurrent Assets</b>	<b>432,571</b>	<b>1.0%</b>	<b>30,208</b>	<b>0.0%</b>	<b>36,622</b>	<b>0.0%</b>	<b>3,629,479</b>	<b>3.9%</b>	<b>473,525</b>	<b>0.5%</b>
<b>Capital Assets</b>										
Non-Depreciable	22,591,926	54.6%	46,163,800	53.2%	67,611,270	71.4%				
Land							16,128,213	17.3%	16,131,649	16.5%
Construction in Progress							5,478,273	5.9%	4,977,207	5.1%
Work in Progress - Equipment									41,021	0.0%
Depreciable, Net	16,996,185	41%	16,080,796	18.5%	16,195,907	17.1%				
Buildings and Improvements							64,700,986	69.3%	69,871,991	71.3%
Equipment							762,172	0.8%	714,864	0.7%
Land Improvements							20,812	0.0%	19,298	0.0%
<b>Total of Capital Assets (Net of Depreciation)</b>	<b>39,588,111</b>	<b>95.7%</b>	<b>62,244,596</b>	<b>71.7%</b>	<b>83,807,177</b>	<b>88.6%</b>	<b>87,090,456</b>	<b>93.3%</b>	<b>91,756,030</b>	<b>93.6%</b>
<b>SubTotal Assets</b>	<b>41,386,137</b>	<b>100.0%</b>	<b>86,787,538</b>	<b>100.0%</b>	<b>94,634,734</b>	<b>100.0%</b>	<b>93,337,967</b>	<b>100.0%</b>	<b>98,002,094</b>	<b>100.0%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>										
Deferred Pensions					232,615	0.2%	748,360	0.8%	521,618	0.5%
<b>Total Deferred Outflow of Resources</b>					<b>232,615</b>	<b>0.2%</b>	<b>748,360</b>	<b>0.8%</b>	<b>521,618</b>	<b>0.5%</b>
<b>Total of All Assets</b>	<b>41,386,137</b>	<b>100.0%</b>	<b>86,787,538</b>	<b>100.0%</b>	<b>94,867,349</b>	<b>100.2%</b>	<b>94,086,327</b>	<b>100.8%</b>	<b>98,523,712</b>	<b>100.5%</b>
<b>Current Liabilities</b>										
Accounts Payable and Accrued Liabilities	445,246	1%	7,922,389	9.1%	1,417,853	1.5%	730,036	0.8%	1,078,133	1.1%
Due to Other Governments	482,307	12%	505,425	0.6%	587,473	0.6%	499,797	0.5%	390,518	0.4%
Contract Retention Payable			507,684	0.6%	1,319,035	1.4%	103,743	0.1%	32,269	0.0%
Unearned Revenue	80,739	0.2%	67,532	0.1%	36,159	0.0%	16,060	0.0%	7,697	0.0%
Compensated Absences			12,196	0.0%	92,623	0.1%	110,407	0.1%	104,046	0.1%
Due To Other Funds	810,000	2.0%							3,500,000	3.6%
Notes Payable - County of Sonoma			1,000,000	1.2%	1,000,000	1.1%	6,500,000	7.0%	3,000,000	3.1%
Accrued Interest Payable	39,765	0.1%	60,150	0.1%	32,592	0.0%	54,702	0.1%	56,549	0.1%
Capital Lease Obligation	131,770	0.3%								
<b>Total Current Liabilities</b>	<b>1,989,827</b>	<b>4.8%</b>	<b>10,075,376</b>	<b>11.6%</b>	<b>4,485,735</b>	<b>4.7%</b>	<b>8,014,745</b>	<b>8.6%</b>	<b>8,169,212</b>	<b>8.3%</b>
<b>Current Liabilities from Restricted Assets:</b>										
Customer Security Deposits Payable	33,571	0.1%	30,208	0.0%	36,622	0.0%	40,265	0.0%	46,544	0.0%
<b>Noncurrent Liabilities</b>										
Advances from Other Governments	5,860,201	14.2%	5,354,776	6.2%	4,767,303	5.0%	4,267,505	4.6%	3,855,901	3.9%
Net Pension Liability					619,908	0.7%	1,199,319	1.3%	1,175,914	1.2%
Compensated Absences	126,017	0.3%	113,479	0.1%						
Notes Payable			13,500,000	15.6%	6,500,000	6.9%				
Capitalized Lease Obligation	204,882	0.5%								
<b>Total Noncurrent Liabilities</b>	<b>6,191,100</b>	<b>15.0%</b>	<b>18,968,255</b>	<b>21.9%</b>	<b>11,887,211</b>	<b>12.6%</b>	<b>5,466,824</b>	<b>5.9%</b>	<b>5,031,815</b>	<b>5.1%</b>
<b>Total Liabilities</b>	<b>8,214,498</b>	<b>19.8%</b>	<b>29,073,839</b>	<b>33.5%</b>	<b>16,409,568</b>	<b>17.3%</b>	<b>13,521,834</b>	<b>14.5%</b>	<b>13,247,571</b>	<b>13.5%</b>
<b>Deferred Inflows of Resources</b>										
Deferred Pensions					130,368	0.1%	124,518	0.1%	64,474	0.1%
<b>Total Deferred Inflows of Resources</b>					<b>130,368</b>	<b>0.1%</b>	<b>124,518</b>	<b>0.1%</b>	<b>64,474</b>	<b>0.1%</b>
<b>Net Position</b>										
Net Investment in Capital Assets	32,098,951	77.6%	41,884,395	48.3%	69,633,366	73.6%	75,719,411	81.1%	84,477,342	86.2%
Restricted for Passenger Facility Charges	432,227	1.0%	87,872	0.1%	92,537	0.1%	322,140	0.3%	483,834	0.5%
Unrestricted	640,461	1.5%	15,741,432	18.1%	8,601,510	9.1%	4,398,424	4.7%	250,491	0.3%
<b>Total Net Assets</b>	<b>33,171,639</b>	<b>80.2%</b>	<b>57,713,699</b>	<b>66.5%</b>	<b>78,327,413</b>	<b>82.8%</b>	<b>80,439,975</b>	<b>86.2%</b>	<b>85,211,667</b>	<b>86.9%</b>
<b>Total Liabilities and Fund Balance</b>	<b>41,386,137</b>	<b>100.0%</b>	<b>86,787,538</b>	<b>100.0%</b>	<b>94,634,734</b>	<b>100.0%</b>	<b>93,337,967</b>	<b>100.0%</b>	<b>98,002,094</b>	<b>100.0%</b>

**Total Current Assets** fluctuated during the five years reviewed, primarily due to cash injections from various grants including the FFA grant funds received and used for the runway expansion project. These cash injections are seen in the line item Due From Other Governments. The cash balance in FY 2013 was \$578,614 and in FY 2017, it was at \$680,121, with a high balance in FY 2014 of \$15,929,210. Due From Other Governments Fund balance at FY 2013 was \$132,403 and the balance in FY 2017 was \$4,135,848, this fund's balance also was high in FY 2014 at \$7,981,825.

**Total Noncurrent Assets** increased an overall 9.5% during the five years reviewed, with one large outlier of \$3,135,513 in FY 2016 in the same line item previously mentioned, Due From Other Governments. The funds used for the improvements to the runway extension project flowed from this account.

**Total of Capital Assets (Net of Depreciation)** increased by 131% from \$39,588,111 in FY 2013 to \$91,756,030 in FY 2017. This is primarily attributed to the construction of the new \$55 million dollar primary runway. The County anticipates Capital Assets will continue to increase in future years, with the construction of the long-term Parking Lot Component and Terminal Component. The largest contributing factors were the following:

- **Land** was added in FY 2016 in the amount of \$16,128,213 and reevaluated to the value of \$16,131,649 in FY 2017.
- **Construction in Progress**, was added to reflect work being completed on the runway in FY 2016 in the amount of \$5,478,273 and decreased to \$4,977,207 in FY 2017.
- **Buildings and Improvements** was also added in FY 2016, (prior years were recorded under Depreciable, Net), in the amount of \$64,700,986 and increased to \$69,871,991 in FY 2017.

**Deferred Pensions** was added in FY 2015 and fluctuated from FY 2015 through FY 2017 in the following amounts: FY 2015 \$232,615, FY 2016 \$748,360, and decreased in FY 2017 to \$521,618.

**Total Current Liabilities** increased from \$1,989,827 in FY 2013 to \$8,169,212 in FY 2017. The primary factors contributing to this increase is Note Payable – County of Sonoma in the amount of \$6,500,000 in FY 2016 and \$3,000,000 in FY 2017, as a result of two short-term, interest only loan agreements with the Sonoma County Treasury Pool, used for capital improvement projects such as the runway and for land acquisition. Line item of Due to Other Funds added \$3,500,000 in FY 2017, comprising of a loan from Sonoma County Refuse Enterprise Fund, which was processed on June 30, 2017 and repaid on July 1, 2017.

**Noncurrent Liabilities Notes Payable** had two outliers; FY 2014 reflects \$13,500,000 and FY 2015 reflects \$6,500,000. Both years are attributed to Sonoma County Treasurer's Notes, short-term financing for capital improvements for the Runway Project. The short-term notes were paid in full, upon receipt of FAA grant funds.

**Total Noncurrent Liabilities** decreased by 18.7% from \$6,191,100 in FY 2013 to \$5,031,815 in FY 2017. This is attributed to the Caltrans Hanger Construction Loan in the original principal amount of \$1,690,000 (already paid in full) and the regularly scheduled principal and interest payments to Caltrans for the Runway loan. The Caltrans loan would be refinanced by the Financing.

**Deferred Inflows of Resources, Deferred Pensions** began being reported in FY 2015 at \$130,368, FY 2016 at \$124,518 and FY 2017 at \$64,474. These amounts are applicable to a future reporting period of the Net Pension Liability.

**Unrestricted** was inconsistent over the five year period with an overall decreased of 60.9% from \$640,461 in FY 2013 ending with \$250,491 in FY 2017. There was an outlier of \$15,741,432 in FY 2014 which was primarily attributed to short-term Notes from the Sonoma County Treasury for the Runway Project. These notes were paid in full with FAA grant funds.

**Total Net Assets** increased by 156% from \$33,171,639 in FY 2013 to \$85,211,667 in FY 2017. The primary contributor is due to the increase of 163% to Net Investment in Capital Assets increasing by \$55 million from the runway project. The County anticipates Net Assets to increase, as 90% of capital projects are funded by the FAA.

Historical Analysis of Comparative Statement of Revenues and Expenses of the Airport for the last five years is as follows:

<b>COUNTY OF SONOMA</b>										
<b>AIRPORT ENTERPRISE FUND</b>										
<b>REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>										
For Fiscal Year Ending (FYE) June 30	2013		2014		2015		2016		2017	
Source:	Fin. Stmts.	%	Fin. Stmts.	%	Fin. Stmts.	%	Fin. Stmts.	%	Fin. Stmts.	%
% Change		3%		12%		5%		13%		N/A
<b>Charges for Sales and Services</b>										
Rents and Concessions	\$3,823,260	94.1%	\$3,926,280	91.6%	\$4,378,404	95.4%	\$4,595,749	93.1%	\$5,212,295	90.4%
Charges For Services	\$233,262	5.7%	\$351,679	8.2%	\$101,509	2.2%	\$328,019	6.6%	\$471,161	8.2%
Miscellaneous	\$4,714	0.1%	\$6,852	0.2%	\$109,360	2.4%	\$11,662	0.2%	\$80,559	1.4%
<b>Total Operating Revenues</b>	<b>\$4,061,236</b>	<b>100.0%</b>	<b>\$4,284,811</b>	<b>100.0%</b>	<b>\$4,589,273</b>	<b>100.0%</b>	<b>\$4,935,430</b>	<b>100.0%</b>	<b>\$5,764,015</b>	<b>100.0%</b>
<b>Operating Expenses</b>										
Salaries and Benefits	\$1,437,492	35.4%	\$1,520,445	35.5%	\$1,215,259	26.5%	\$1,792,908	36.3%	\$2,090,520	36.3%
Services and Supplies	\$1,847,629	45.5%	\$1,775,504	41.4%	\$2,390,365	52.1%	\$2,799,426	56.7%	\$2,739,107	47.5%
Depreciation and Amortization	\$925,486	22.8%	\$926,445	21.6%	\$863,521	18.8%	\$940,839	19.1%	\$2,571,421	44.6%
Bad Debt Expense	\$7,668	0.2%								
<b>Total Operating Expenses</b>	<b>\$4,218,275</b>	<b>103.9%</b>	<b>\$4,222,394</b>	<b>98.5%</b>	<b>\$4,469,145</b>	<b>97.4%</b>	<b>\$5,533,173</b>	<b>112.1%</b>	<b>\$7,401,048</b>	<b>128.4%</b>
<b>Operating Income (Loss)</b>	<b>(\$157,039)</b>	<b>-3.9%</b>	<b>\$62,417</b>	<b>1.5%</b>	<b>\$120,128</b>	<b>2.6%</b>	<b>(\$597,743)</b>	<b>-12.1%</b>	<b>(\$1,637,033)</b>	<b>-28.4%</b>
<b>Nonoperating Revenues (Expenses)</b>										
Passenger Facility Charges	\$336,096	8.3%	\$499,152	11.6%	\$519,968	11.3%	\$642,347	13.0%	\$716,029	12.4%
Fines, Forfeitures, Penalties Collected	\$9,158	0.2%	\$1,379	0.0%	\$8,141	0.2%	\$10,522	0.2%	\$16,643	0.3%
Interest Income Net of Unrealized Loss	\$26,683	0.7%	\$165,504	3.9%	(\$47,488)	-1.0%	\$21,083	0.4%	\$46,797	0.8%
Interest Expense	(\$65,203)	-1.6%			(\$270,422)	-5.9%			(\$195,174)	-3.4%
Gain on Sale of Capital Assets							\$500,785	10.1%		
Loss on Impairment of Capital Assets					(\$4,048)	-0.1%	(\$297,330)	-6.0%		
Insurance Reimbursement	\$42,614	1.0%								
<b>Net Non-operating Revenues (Expenses)</b>	<b>\$349,348</b>	<b>8.6%</b>	<b>\$666,035</b>	<b>15.5%</b>	<b>\$206,151</b>	<b>4.5%</b>	<b>\$877,407</b>	<b>17.8%</b>	<b>\$584,295</b>	<b>10.1%</b>
<b>Income (Loss Before Operating Transfers)</b>	<b>\$192,309</b>	<b>4.7%</b>	<b>\$728,452</b>	<b>17.0%</b>	<b>\$326,279</b>	<b>7.1%</b>	<b>\$279,664</b>	<b>5.7%</b>	<b>(\$1,052,738)</b>	<b>-18.3%</b>
<b>Capital Contributions and Transfers</b>										
Capital Contributions-FAA Grants	\$92,362		\$23,814,328		\$20,749,978		\$1,837,359		\$5,816,600	
Transfer In			\$5,182		\$1,976		\$1,985		\$14,186	
Transfer Out	(\$4,992)		(\$5,902)		(\$5,902)		(\$6,446)		(\$6,356)	
Capital Contributions - Donations Charging Stations	\$24,160									
<b>Total Contributions and Transfers</b>	<b>\$111,530</b>		<b>\$23,813,608</b>		<b>\$20,746,052</b>		<b>\$1,832,898</b>		<b>\$5,824,430</b>	
<b>Increase (decrease) in Net Position</b>	<b>\$303,839</b>		<b>\$24,542,060</b>		<b>\$21,072,331</b>		<b>\$2,112,562</b>		<b>\$4,771,692</b>	
Beginning Net Assets	32,867,801		33,171,639		57,713,699		78,327,413		80,439,975	
Prior Period Adjustment (=/-)					(458,617)					
<b>Ending Net Assets</b>	<b>\$33,171,640</b>		<b>\$57,713,699</b>		<b>\$78,327,413</b>		<b>\$80,439,975</b>		<b>\$85,211,667</b>	

**Total Operating Revenues** increased by 41.9% over the five years reviewed, from \$4,061,236 in FY 2013 to \$5,764,015 in FY 2017. The primary cause for the growth was an increase in the number of flights and overall activity at the Airport, as referenced in the below revenue stream categories:

- **Rents and Concessions** had a steady increase of 36% from \$3,823,260 in FY 2013 to \$5,212,295 in FY 2017. This revenue stream includes building rents such as hangers, terminal space/ advertising, car rentals and parking
- **Charges for Services** was inconsistent during the five years reviewed ending with an overall increase of 102% from \$233,262 in FY 2013 and ending with \$471,161 in FY 2017. This is attributed to the increase of activity at the Airport. The additional flights brought additional revenue from Landing Fees of commercial air carriers and aircraft not domiciled at the Airport. According to the County, the outlier of \$101,509 FY 2015 was a reporting error. The County anticipates this revenue stream to increase 5% per year.
- **Miscellaneous** was inconsistent during the five years ranging from \$4,714 in FY 2013 and ending with \$80,559 in FY 2017. These revenues consist of airport locks, sales of airport merchandise and special event fees. The inconsistencies are due to prior year recognition events. The County anticipates future years to be approximately \$15,000 per year.

**Total Operating Expenses** increased 75.5% over the five years reviewed from \$4,218,275 in FY 2013 to \$7,401,048 in FY 2017. The increase is attributed to the following three expense line items:

- **Salaries and Benefits** increased 45.4% over the five years reviewed from \$1,437,492 in FY 2013 to \$2,090,520 in FY 2017, due to additional staff required to meet air service demands and a new labor agreement ratified in March 2016, which restored key medical benefits to bargaining unit employees.
- **Services and Supplies** increased 48.2% over the five years reviewed from \$1,847,629 in FY 2013 to \$2,739,107 in FY 2017, due to an increase in general aviation and commercial air service activity. Building and equipment maintenance, janitorial services, security services, and advertising and marketing have been primary drivers of this increase.
- **Depreciation and Amortization** increased 178% over the five years reviewed from \$925,486 in FY 2013 to \$2,571,421 in FY 2017, primarily attributed to the \$55M runway extension being placed in service.

**Operating Income (Loss)** was inconsistent and fluctuated during the five years reviewed from **(\$157,039)** in FY 2013 to **(\$1,637,033)** in FY 2017. The losses are attributed to large Depreciation and Amortization expenses, as indicated in the amount of \$2,739,107 in FY 2017, associated with the runway and terminal improvements. The County projects the Operating Loss will continue in future years as a result of ongoing depreciation as additional capital projects are completed.

**Net Non-operating Revenues (Expenses)** were inconsistent over the five year period reviewed, with an overall increase of 67.3%, beginning with \$349,348 in FY 2013 and closing with \$584,295 in FY 2017, with a low of \$206,151 in FY 2015. The inconsistency is attributed to Interest Expense as this income fluctuates depending on short-term debt levels (Treasury Notes) as well as how much is capitalized each year. Loss on Impairment of Capital Assets in the amount of **(\$297,330)** occurred in FY 2016 for losses on projects that were discontinued. The overall increases are attributed to the following:

- **Passenger Facility Charges** increased by 113% over the five years reviewed from \$336,096 in FY 2013 to \$716,029 in FY 2017. The increase is attributed to commercial passenger traffic, which doubled from 110 thousand enplaned passengers to 220 thousand enplaned passengers. This line item is an eligible revenue source for the Terminal Component Financing.

- **Fines, Forfeitures, Penalties Collected** increased by 81% from \$9,158 in FY 2013 to \$16,643 in FY 2017. The outlier of \$1,379 in FY 2014 was the lowest. This revenue consist of general aviation and commercial air service fines and penalties, primarily associated with airport security violations for lost badges as well as other security violations.
- **Interest Income Net of Unrealized Loss** fluctuated over the five year period with an overall increase of 75% from \$26,683 in FY 2013 to \$46,797 in FY 2017. The high was \$165,504 in FY 2014. This revenue is calculated by the Treasury and is tied to cash fluctuations associated with capital expenditures and issuance of short-term Treasury Notes.
- **Interest Expense** was only reported in FY 2013, FY 2015 and FY 2017, as these were the only years that short-term interest only payments were required for County Treasury Notes.

**Capital Contributions-FAA Grants** fluctuated during the five year period. The fluctuations are tied to capital projects that were under construction and then later completed. The large increase FY 2014 and FY 2015 are tied to the runway project. The County projects future FAA grants to be in the range of \$4-5M for projects such as an enhanced security fence, a new aircraft rescue and firefighting building, and terminal apron rehabilitation projects. In addition, the FAA has tentatively earmarked \$20M in grants for a new passenger terminal. This future project has planned distributions of approximately four years tentatively beginning in 2019.

Analysis of Airport Projections of Revenues and Expenses for FY 2018 – 2022 are as follows:

COUNTY OF SONOMA												
AIRPORT ENTERPRISE FUND												
PROJECTIONS - REVENUES, EXPENSES, AND CHANGES IN NET POSITION												
For Fiscal Year Ending (FYE) June 30	Actual		Projections									
	2017		2018		2019		2020		2021		2022	
Source:	Fin. Stmts.	%	Projections	%	Projections	%	Projections	%	Projections	%	Projections	%
% Change		7%		7%		7%		7%		7%		NA
<b>Charges for Sales and Services</b>												
Rents and Concessions	\$5,212,295	90.4%	\$5,577,156	76.5%	\$5,967,557	77.1%	\$6,385,286	77.8%	\$6,832,255	78.3%	\$7,310,513	78.9%
Charges For Services	\$471,161	8.2%	\$518,277	7.1%	\$570,105	7.4%	\$627,115	7.6%	\$689,827	7.9%	\$758,810	8.2%
Miscellaneous	\$80,559	1.4%	\$15,000	0.2%	\$15,000	0.2%	\$15,000	0.2%	\$15,000	0.2%	\$15,000	0.2%
New Long Term Parking (50% Spaces Rented)			\$1,184,425	16.2%	\$1,184,425	15.3%	\$1,184,425	14.4%	\$1,184,425	13.6%	\$1,184,425	12.8%
<b>Total Operating Revenues</b>	<b>\$5,764,015</b>	<b>100.0%</b>	<b>\$7,294,858</b>	<b>100.0%</b>	<b>\$7,737,086</b>	<b>100.0%</b>	<b>\$8,211,826</b>	<b>100.0%</b>	<b>\$8,721,507</b>	<b>100.0%</b>	<b>\$9,268,748</b>	<b>100.0%</b>
<b>Operating Expenses</b>												
Salaries and Benefits	\$2,090,520	36.3%	\$2,299,572	31.5%	\$2,529,529	32.7%	\$2,782,482	33.9%	\$3,060,730	35.1%	\$3,366,803	36.3%
Services and Supplies	\$2,739,107	47.5%	\$2,958,236	40.6%	\$3,194,894	41.3%	\$3,450,486	42.0%	\$3,726,525	42.7%	\$4,024,647	43.4%
Depreciation and Amortization	\$2,571,421	44.6%	\$2,699,992	37.0%	\$2,834,992	36.6%	\$2,976,741	36.2%	\$3,125,578	35.8%	\$3,281,857	35.4%
New Long Term Parking Expenses			\$106,598	1.5%	\$106,598	1.4%	\$106,598	1.3%	\$106,598	1.2%	\$106,598	1.2%
<b>Total Operating Expenses</b>	<b>\$7,401,048</b>	<b>128.4%</b>	<b>\$8,064,398</b>	<b>110.5%</b>	<b>\$8,666,014</b>	<b>112.0%</b>	<b>\$9,316,308</b>	<b>113.4%</b>	<b>\$10,019,432</b>	<b>114.9%</b>	<b>\$10,779,906</b>	<b>116.3%</b>
<b>Operating Income (Loss)</b>	<b>(\$1,637,033)</b>	<b>-28.4%</b>	<b>(\$769,540)</b>	<b>-10.5%</b>	<b>(\$928,927)</b>	<b>-12.0%</b>	<b>(\$1,104,482)</b>	<b>-13.4%</b>	<b>(\$1,297,924)</b>	<b>-14.9%</b>	<b>(\$1,511,158)</b>	<b>-16.3%</b>
<b>Nonoperating Revenues (Expenses)</b>												
Passenger Facility Charges	\$716,029	12.4%	\$787,632	10.8%	\$866,395	11.2%	\$953,035	11.6%	\$1,048,338	12.0%	\$1,153,172	12.4%
Fines, Forfeitures, Penalties Collected	\$16,643	0.3%	\$18,307	0.3%	\$20,138	0.3%	\$22,152	0.3%	\$24,367	0.3%	\$26,804	0.3%
Interest Income Net of Unrealized Loss	\$46,797	0.8%	\$25,000	0.3%	\$25,000	0.3%	\$25,000	0.3%	\$25,000	0.3%	\$25,000	0.3%
Interest Expense	(\$195,174)	-3.4%	(\$20,000)	-0.3%	(\$20,000)	-0.3%	(\$20,000)	-0.2%	(\$20,000)	-0.2%	(\$20,000)	-0.2%
<b>Net Non-operating Revenues (Expenses)</b>	<b>\$584,295</b>	<b>10.1%</b>	<b>\$810,939</b>	<b>11.1%</b>	<b>\$891,533</b>	<b>11.5%</b>	<b>\$980,186</b>	<b>11.9%</b>	<b>\$1,077,705</b>	<b>12.4%</b>	<b>\$1,184,976</b>	<b>12.8%</b>
<b>Income (Loss Before Operating Transfers)</b>	<b>(\$1,052,738)</b>	<b>-18.3%</b>	<b>\$41,399</b>	<b>0.6%</b>	<b>(\$37,394)</b>	<b>-0.5%</b>	<b>(\$124,295)</b>	<b>-1.5%</b>	<b>(\$220,219)</b>	<b>-2.5%</b>	<b>(\$326,182)</b>	<b>-3.5%</b>
<b>Capital Contributions and Transfers</b>												
Capital Contributions-FAA Grants	\$5,816,600		\$5,000,000		\$5,000,000		\$5,000,000		\$5,000,000		\$5,000,000	
Transfer In	\$14,186		\$5,000		\$5,000		\$5,000		\$5,000		\$5,000	
Transfer Out	(\$6,356)		(\$6,000)		(\$6,000)		(\$6,000)		(\$6,000)		(\$6,000)	
<b>Total Contributions and Transfers</b>	<b>\$5,824,430</b>		<b>\$4,999,000</b>		<b>\$4,999,000</b>		<b>\$4,999,000</b>		<b>\$4,999,000</b>		<b>\$4,999,000</b>	
<b>Increase (decrease) in Net Position</b>	<b>\$4,771,692</b>		<b>\$5,040,399</b>		<b>\$4,961,606</b>		<b>\$4,874,705</b>		<b>\$4,778,781</b>		<b>\$4,672,818</b>	
Beginning Net Assets	80,439,975											
Prior Period Adjustment (=/-)												
<b>Ending Net Assets</b>	<b>\$85,211,667</b>		<b>\$5,040,399</b>		<b>\$4,961,606</b>		<b>\$4,874,705</b>		<b>\$4,778,781</b>		<b>\$4,672,818</b>	



The County projected five years of revenue and expenses based upon historical data. Staff concurs that both Total Operating Revenues and Total Operating Expenses have steadily increased from FY 2013 through FY 2017. County Revenues and Expenses have been projected conservatively, as detailed in the table below:

Projections Increase (Decrease) Per Year			
		Historical	Projected
<b>Charges for Sales and Services</b>	Rents and Concessions	9%	7%
	Charges For Services	26%	10%
	Miscellaneous <sup>1</sup>	\$42,629	\$15,000
	New Long Term Parking (50% Spaces Rented) <sup>2</sup>	\$0	\$1,184,425
<b>Operating Expenses</b>	Salaries and Benefits	11%	10%
	Services and Supplies	12%	8%
	Depreciation and Amortization	44%	5%
	New Long Term Parking Expenses <sup>2</sup>	\$0	\$106,598
<b>Nonoperating Revenues (Expenses)</b>	Passenger Facility Charges	28%	10%
	Fines, Forfeitures, Penalties Collected	20%	10%
	Interest Income Net of Unrealized Loss <sup>1</sup>	\$42,516	\$25,000
	Interest Expense <sup>3</sup>	(\$106,160)	(\$20,000)

<sup>1</sup> Based upon five year historical average

<sup>2</sup> New Long Term parking with 50% of spaces rented, includes increase \$1 per day/per space to current parking

<sup>3</sup> (\$20,000) represents projections for future short-term notes, not counting IBank proposed Financing

**Charges for Sales and Services** are projected lower for each revenue source than historical revenues received. The County is using conservative projections to for growth into the future.

- **Rents and Concessions** have steadily increased by 9% annually. The increase is directly related to the increase in air activity. Projections are conservatively estimated at 7% per year.
- **Miscellaneous** five year historical average was \$42,629. County projections are a flat rate of \$15,000 per year for all future years.
- **New Long-Term Parking:** The Airport currently does not have sufficient parking to meet traveler's needs (current long term parking is 450 spaces and short term is 100 spaces). Overflow parking at the new long term parking lot is already 50% full. The new Parking Lot Component will bring approximately 490 new long-term parking spaces. Projections are based upon 50% (245 spaces) of the new long-term spaces being rented; in addition to a \$1 increase that will take effect in July 2018 on current long-term (450 spaces) and short-term (100 spaces) parking lots. Projections are based upon a rate of \$11.00 per day, per space (50% being rented, 245 spaces) on the new long-term parking, bringing \$1,275,675 in additional revenue to the Airport.

**Operating Expenses** are projected lower than historical for each expense item. The Airport has completed the runway and does not anticipate the expenses to rise as sharply as they did from FY 2014 through FY 2017.

- **Salaries and Benefits** have steadily increased over the last five years, primarily attributed to pension costs, which rose significantly in recent years. County projects a 10% increase annually for future years, which is less than the 11% historical. The one-time injection of the pension obligation pushed the historical average higher than what salaries alone would have averaged. Staff deemed the 10% adjustment appropriate.
- **Services and Supplies** average annual increase was 12% during the five years analyzed, with County projections at 8% annual increase. The expenses for adding additional flights from FY 2014 through FY 2017 increased due to the longer runway. Many services were adjusted to

service larger aircraft for maintenance, janitorial services, and security services. For the foreseeable future, the County anticipates these expenses will grow at a slower pace than the last five years, as the Airport is reaching its capacity for adding additional flights. Staff deems the 8% projected adjustment appropriate.

- **Depreciation and Amortization** average annual increase was 44% during the five years analyzed. This large increase is attributed to the \$55 million runway. Projected depreciation takes into account the future \$17 million of improvements of the Project and an additional \$20 million for the Terminal Phase 3 Project in FY 2019. The County projects a 5% increase annually, as additional capital projects are completed. Staff deems this projection appropriate.
- **New Long-Term Parking Expenses** does not have historical data. Projections are based upon 9% of New Long-Term Parking revenues to pay for operating expenses for the new 490 space Parking Lot. These projections appear consistent to other service items and expenses related to the current parking lot expense. Staff has deemed this projection appropriate.

**Nonoperating Revenues (Expenses) are also projected lower than historical line items, for conservative purposes.**

- **Passenger Facility Charges (PFC)** average annual increased was 28% during the five years analyzed. Projections are conservative at 10% increase annually. This revenue is derived from ticket sales with a PFC charged of \$4.50 added per ticket. The Airport receives \$4.39 of the \$4.50 charged (98%), which may only be used for facility improvements and long-term debt on the improvements. The Parking Lot Component is not eligible for PFC reimbursement, while the Terminal Component is. For this reason, the County is requesting two separate loans, to ensure proper separation of the PFC revenues and uses.
- **Fines, Forfeitures, Penalties Collected** average annual increase was 20% during the five years analyzed. County projections are a conservative 10% annual increase.
- **Interest Income Net of Unrealized Loss**, its five year annual average was \$42,516. County projections are based on a flat rate of \$25,000 per year upon the securing of long-term financing for capital projects.
- **Interest Expense** only occurred in three out of the five years analyzed, with a five year annual average of **(\$106,160)**. County projections are **(\$20,000)** in future years, as the County may have short-term Treasury Notes for various purposes in future years.

## Sonoma County Airport Expansion Project Cash Flow and Debt Service Analysis

Cash Flow and Debt Service analyses for each of the Terminal Component and the Parking Lot Component were prepared separately. This is because PFC revenues may be applied to the Terminal Component but are excluded from the Parking Lot Component. The analyses include both historical cash flow and projected future cash flow. The projected cash flows include: 1) a \$1 per day increase in parking rates scheduled to go into effect in July 2018, and 2) a conservative assumption that only 50% of the new Parking Lot Project Spaces will be filled. The assumption is supported by the fact that while the Parking Lot Project is still under construction, the County reports that on average 270 of the parking spaces are filled.

### Terminal Component

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

TERMINAL COMPONENT - HISTORICAL and PROJECTIONS - CASH FLOW -										
For Fiscal Year Ending (FYE) June 30	Actual					Projections				
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Source:	Fin. Stmts.	Fin. Stmts.	Fin. Stmts.	Fin. Stmts.	Fin. Stmts.	Projections	Projections	Projections	Projections	Projections
Operating Income (Loss)	(\$157,039)	\$62,417	\$120,128	(\$597,743)	(\$1,637,033)	(\$769,540)	(\$928,927)	(\$1,104,482)	(\$1,297,924)	(\$1,511,158)
<b>Transaction Specific Adjustments</b>										
+ Depreciation and Amortization (added back)	925,486	926,445	863,521	940,839	2,571,421	2,699,992	2,834,992	2,976,741	3,125,578	3,281,857
+ Fines, Forfeitures, Penalties (added back)	9,158	1,379	8,141	10,522	16,643	18,307	20,138	22,152	24,367	26,804
+ Interest Income Net (added back)	26,683	165,504	(47,488)	21,083	46,797	25,000	25,000	25,000	25,000	25,000
<b>Total of all Adjustments</b>	961,327	1,093,328	824,174	972,444	2,634,861	2,743,299	2,880,130	3,023,893	3,174,945	3,333,661
<b>Subtotal</b>	<b>804,288</b>	<b>1,155,745</b>	<b>944,302</b>	<b>374,701</b>	<b>997,828</b>	<b>1,973,759</b>	<b>1,951,203</b>	<b>1,919,411</b>	<b>1,877,021</b>	<b>1,822,503</b>
<b>Restricted For Terminal Project Financing</b>										
+ Passenger Facility Charges - Restricted for Terminal Project <sup>(3)</sup>	336,096	499,152	519,968	642,347	716,029	787,632	866,395	953,035	1,048,338	1,153,172
<b>Cash Available for Debt Service</b>	<b>1,140,384</b>	<b>1,654,897</b>	<b>1,464,270</b>	<b>1,017,048</b>	<b>1,713,857</b>	<b>2,761,391</b>	<b>2,817,598</b>	<b>2,872,446</b>	<b>2,925,359</b>	<b>2,975,675</b>
<b>Debt Service Calculation</b>										
<b>Total Existing Debt Service MADS</b>	0	0	0	0	0	0	0	0	0	0
<b>Proposed IBank MADS on Parking Lot <sup>(1)</sup></b>	301,207	301,207	301,207	301,207	301,207	301,207	301,207	301,207	301,207	301,207
<b>Proposed IBank MADS on Terminal <sup>(2)</sup></b>	771,308	771,308	771,308	771,308	771,308	771,308	771,308	771,308	771,308	771,308
<b>Total Obligations MADS</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>
<b>Projected Debt Service Coverage Ratio (DSCR)</b>	<b>1.06</b>	<b>1.54</b>	<b>1.37</b>	<b>0.95</b>	<b>1.60</b>	<b>2.57</b>	<b>2.63</b>	<b>2.68</b>	<b>2.73</b>	<b>2.77</b>

<sup>(1)</sup> Parking Lot Component - Calculated as \$5,120,000 at 3.61% for 30 years

<sup>(2)</sup> Terminal & Runway Component - Calculated as \$11,880,000 at 3.52% for 25 Years

<sup>(3)</sup> Passenger Facility Charges are restricted to pay for improvements to the Terminal Component only

Analysis of historical cash flow for the Terminal Component Debt Service demonstrates the Fund's ability to service the proposed Financing with a DSCR of 1.37 or greater three out of five years reviewed<sup>6</sup>.

<sup>6</sup> FY 2016 fell below 1.0 DSCR. This was related to capital improvement expenses from increase in Services and Supplies for the year, directly related to expenses associated with commercial air services. With the completion of the capital improvements, the DSCR improved to 1.60 the following year.

Analysis of projections demonstrate the Terminal Component has a DSCR of 2.57 or greater in all five years projected. The following adjustments were made to the Cash Flow:

- Depreciation and Amortization have been added back.
- Fines, Forfeiture, Penalties Collected have been added back as it is a consistent source of revenue available to the County.
- Interest Income Net has been added back
- Passenger Facility Charges have been added back as these are a consistent source of revenue available for Terminal improvements.
- The Runway Loan with the California Department of Transportation is not included in Existing Debt Service MADS, as this loan will be retired with proceeds from the Terminal Component Financing.

### Parking Lot Component

Historical and Projected Cash Flow table and debt service analysis for the Parking Lot Project is as follows:

PARKING LOT COMPONENT - HISTORICAL and PROJECTIONS - CASH FLOW -										
For Fiscal Year Ending (FYE) June 30	Actual					Projections				
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Source:	Fin. Stmts.	Fin. Stmts.	Fin. Stmts.	Fin. Stmts.	Fin. Stmts.	Projections	Projections	Projections	Projections	Projections
Operating Income (Loss)	(\$157,039)	\$62,417	\$120,128	(\$597,743)	(\$1,637,033)	(\$769,540)	(\$928,927)	(\$1,104,482)	(\$1,297,924)	(\$1,511,158)
<b>Transaction Specific Adjustments</b>										
+ Depreciation and Amortization (added back)	925,486	926,445	863,521	940,839	2,571,421	2,699,992	2,834,992	2,976,741	3,125,578	3,281,857
+ Fines, Forfeitures, Penalties (added back)	9,158	1,379	8,141	10,522	16,643	18,307	20,138	22,152	24,367	26,804
+ Interest Income Net (added back)	26,683	165,504	(47,488)	21,083	46,797	25,000	25,000	25,000	25,000	25,000
<b>Total of all Adjustments</b>	961,327	1,093,328	824,174	972,444	2,634,861	2,743,299	2,880,130	3,023,893	3,174,945	3,333,661
<b>Cash Available for Debt Service</b>	<b>804,288</b>	<b>1,155,745</b>	<b>944,302</b>	<b>374,701</b>	<b>997,828</b>	<b>1,973,759</b>	<b>1,951,203</b>	<b>1,919,411</b>	<b>1,877,021</b>	<b>1,822,503</b>
<b>Debt Service Calculation</b>										
<b>Total Existing Debt Service MADS</b>	0	0	0	0	0	0	0	0	0	0
<b>Proposed iBank MADS on Parking Lot <sup>(1)</sup></b>	301,207	301,207	301,207	301,207	301,207	301,207	301,207	301,207	301,207	301,207
<b>Proposed iBank MADS on Terminal <sup>(2)</sup></b>	771,308	771,308	771,308	771,308	771,308	771,308	771,308	771,308	771,308	771,308
<b>Total Obligations MADS</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>	<b>\$1,072,515</b>
<b>Projected Debt Service Coverage Ratio (DSCR)</b>	<b>0.75</b>	<b>1.08</b>	<b>0.88</b>	<b>0.35</b>	<b>0.93</b>	<b>1.84</b>	<b>1.82</b>	<b>1.79</b>	<b>1.75</b>	<b>1.70</b>

<sup>(1)</sup> Parking Lot Component - Calculated as \$5,120,000 at 3.61% for 30 years

<sup>(2)</sup> Terminal & Runway Component - Calculated as \$11,880,000 at 3.52% for 25 Years

The Parking Lot Project will be an entirely new revenue-generating asset without any historical use. Because construction of the Parking Lot Project commenced recently, and has been in partial use for less than a year, there is no historical cash flow from the Parking Lot Project from which to offset the associated debt service. Therefore, when a Debt Service Coverage Ratio (DSCR) is calculated for the Parking Lot Project using historical figures there is no revenue generated by the Parking Lot Project to take into account and as a result the DSCR for the Parking Lot Project is generally below

Please note that if PFCs were available to pay Parking Lot Project Debt Service, then, based solely on historical Airport revenues, the Parking Lot Project DSCR would exceed 1.0 in four of the five years reviewed.

When, as discussed above, a conservative Parking Lot average daily occupancy rate of 50% is included in cash flow projections, coupled with the \$1 per day parking rate increase that will go into effect July 2018, DSCR amply exceeds IBank's standard DSCR of 1.20.

The following adjustments were made to the Cash Flow:

- Depreciation and Amortization have been added back.
- Fines, Forfeiture, Penalties Collected have been added back as it is a consistent source of revenue available to the County.
- Interest Income Net has been added back
- The Runway Loan with the California Department of Transportation is not included in Existing Debt Service MADS, as this loan will be retired with proceeds from the Terminal Component Financing.

**Risk Factors**

1. The Airport’s revenues are based upon short-term contracts with the Airlines (90-days or less). If one or more of the airlines leave the Airport, then revenues would likely decline.
2. New parking lot revenues could be less than projected if travelers use alternative transportation modes, such as mass transit and ride share companies.
3. Competing airports, such as Sacramento, Oakland, and San Francisco are within approximately 68 miles driving distance from the Airport. County residents could travel to these airports to catch a flight for a wider variety of scheduling choices or lower ticket cost.
4. Economic downturn may affect discretionary spending for traveling, which would result in less flights and lower revenues.

**Mitigating Factors**

1. Projected cash flow demonstrates the Fund’s ability to service each component Financing in all five years reviewed using net revenues from only 50% of the new spaces from the Parking Lot Component.
2. Terminal and Parking Lot improvements will allow the Airport to attract more Airline carriers and add additional destinations flights to area residents, resulting in an increase in revenues.
3. Airport revenues as a whole are likely to increase as additional flights are added to the Airport’s schedule.

**Compliance with IBank Underwriting Criteria**

1. The Project is in accordance with Government Code (63000-63010), offering availability of loans and capital for local infrastructure development.
2. The Borrower is a California County, an eligible borrower per IBank Criteria, Priorities and Guidelines for the Selection of Projects for Financing under the Infrastructure State Revolving Fund (ISRF) Program (the Criteria) and the Bergeson-Peace Infrastructure and Economic Development Bank Act, Government Code Section 63000, et seq.
3. These Projects meet the ISRF Program financing limits set forth in the Criteria.

**Criteria Waiver:**

The County requests a waiver of the IBank Criteria provision requiring use of the Department of Industrial Relations model pre-qualification questionnaire. The County’s uses its own required questionnaire during the bid process, which substantially meets the intent of the Model Questionnaire Criteria.

**Interest Rates Setting Demographics**

The interest rates for the proposed Financing was set, in part, based upon the following statistics obtained from the most recent data available in the 2016 American Community Survey (1-year estimates).

<b>Unemployment Rate</b>	Sonoma County’s unemployment rate was 3%, which is 150% below that of the State’s rate of 4.5%.
<b>Median Household Income</b>	Sonoma County’s median household income was \$73,929, which is 109.14% above that of the State’s median household income of \$67,739.

## STAFF RECOMMENDATION

Staff recommends approval of Resolution No. 18-07 authorizing Infrastructure State Revolving Fund (ISRF) Program Financing not to exceed \$17,000,000 to the Sonoma County (County) Airport Expansion Project, subject to the conditions herein.

1. **Applicant/Borrower:** County of Sonoma
2. **Project: Sonoma County Airport Expansion Project**
  - 1) Terminal Component
  - 2) Parking Lot Component
3. **Amount of ISRF Program Financings:** \$17,000,000
  - 1) **Terminal Component** \$11,880,000
  - 2) **Parking Lot Component** \$5,120,000
4. **Maturity:** 1) Terminal Component 25 Years ; 2) Parking Lot Component 30 Years
5. **Repayment:**
  - 1) **Terminal Component:** Repayment will be from airport system net revenues (Terminal Component Net Revenues) and all legally available amounts in the Sonoma County Airport Enterprise Fund (Fund).
  - 2) **Parking Lot Component:** Repayment will be from airport system net revenues, excepting any revenue generated from Passenger Facility Charges (PFC), (Parking Lot Component Net Revenues) and all legally available amounts in the Fund.
6. **Security:**
  - 1) **Terminal Component Financing:** Would be secured by a senior lien on Net Revenues and all legally available amounts in the Fund
  - 2) **Parking Lot Financing:** Would be secured by a senior lien on Net Revenues and all legally available amounts in the Fund, with the exception of any revenue generated by PFCs.
7. **Interest Rate:** 1) Terminal Component 3.52% 2) Parking Lot Component 3.61%;
8. **Fees:** County will finance two origination fees of 1% (one for each financing), totaling \$169,983, included in the Financing amounts, and shall pay annually a fee of 0.30% of the outstanding principal balance.
9. **Not an Unconditional Commitment:** IBank's resolution shall not be construed as unconditional commitment to finance the Project, but rather IBank's approval pursuant to the Resolution is conditioned upon entry by IBank and the County into a Financing Agreement, in form and substance satisfactory to IBank.
10. **Limited Time:** The Board's approval expires 90 days from the date of its adoption. Thus, the County and IBank must enter into the Financing Agreement no later than 90 days from such date. Once the approval has expired, there can be no assurances that IBank would be able to provide the ISRF Program financing to the County or consider extending the approval period.
11. **Terminal Component ISRF Program Financing Agreement Covenants and Conditions:**

The Financing Agreement shall include, among other things, the following covenants:

  - a. County shall adjust as necessary the rates, charges, and expenses of the Sonoma County Airport (Airport) in an amount sufficient to ensure that the sum of Terminal Component Net Revenues produce a minimum 1.20 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 County will be prohibited from issuing future debt payable from Terminal Component Net Revenues or the Fund senior to the Financing.
  - c. Parity debt will be allowed if Terminal Component Net Revenues amount to at least 1.20 times the Maximum Annual Debt Service (MADS) taking into consideration the MADS payable in any Fiscal Year on all existing debt payable from Terminal Component Net Revenues or the Fund and the proposed parity debt.
  - d. Subordinate debt will be allowed if Terminal Component Net Revenues are at least 1.00 times the sum of the MADS on all outstanding debt payable from Terminal Component Net Revenues or the Fund, including the proposed Subordinate Debt.



- e. County 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. County to provide to IBank annually within 180 days of the end of each of County's fiscal year 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 County obtaining all necessary permits and approvals to commence construction.

**12. Parking Lot Component ISRF Program Financing Agreement Covenants and Conditions:**

- a. County shall adjust as necessary the rates, charges, and expenses of the Airport in an amount sufficient to ensure that the sum of Parking Lot Component Net Revenues produce a minimum 1.20 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 County will be prohibited from issuing future debt payable from Parking Lot Component Net Revenues or the Fund senior to the Financing.
- c. Parity debt will be allowed if Parking Lot Component Net Revenues amount to at least 1.20 times the Maximum Annual Debt Service (MADS) taking into consideration the MADS payable in any Fiscal Year on all existing debt payable from Parking Lot Component Net Revenues or the Fund and the proposed parity debt.
- d. Subordinate debt will be allowed if Parking Lot Component Net Revenues are at least 1.00 times the sum of the MADS on all outstanding debt payable from Parking Component Net Revenues or the Fund, including the proposed Subordinate Debt.
- e. County 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. County to provide to IBank annually within 180 days of the end of each of County's fiscal year 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 County obtaining all necessary permits and approvals to commence construction.

**13. Criteria Waiver:**

- a. The County requests a waiver of the IBank Criteria provision requiring use of the Department of Industrial Relations model pre-qualification questionnaire. The County's uses its own required questionnaire during the bid process, which substantially meets the intent of the Model Questionnaire Criteria.

**PROJECT PROPOSED AREA MAP – Exhibit 1**



**County and Google Maps**





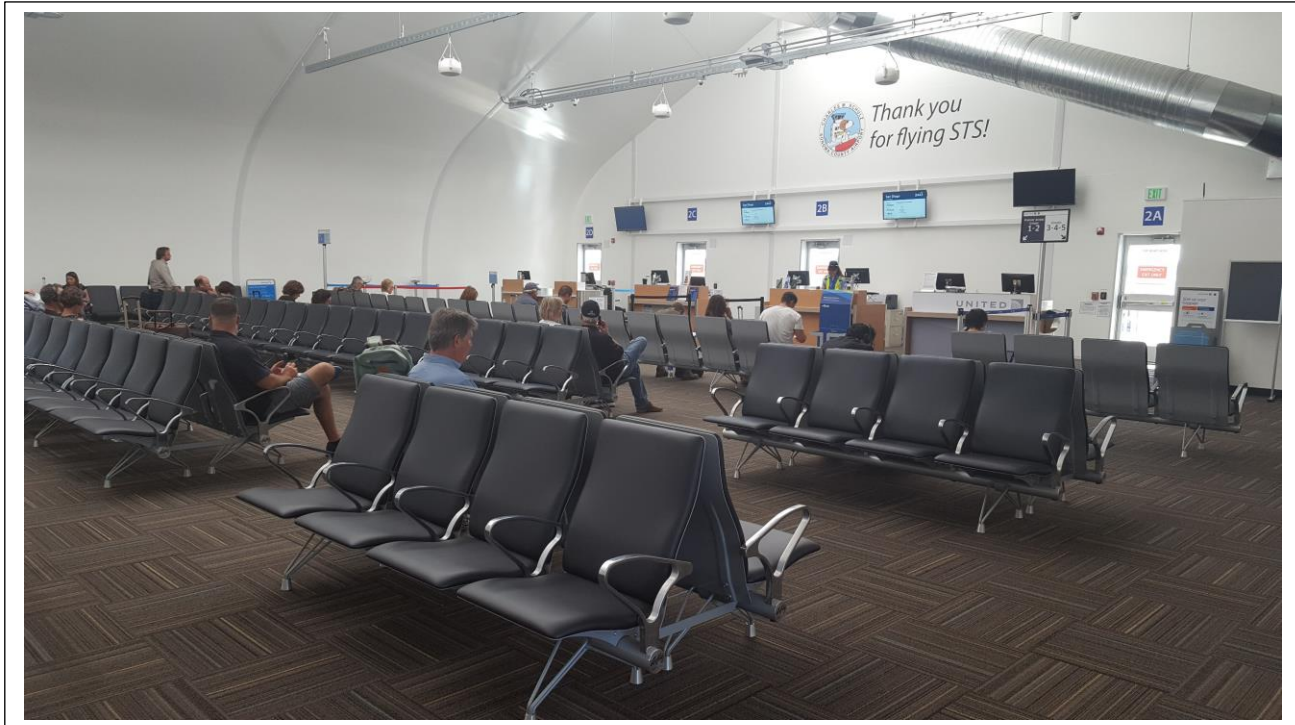
Source: County and Google Maps



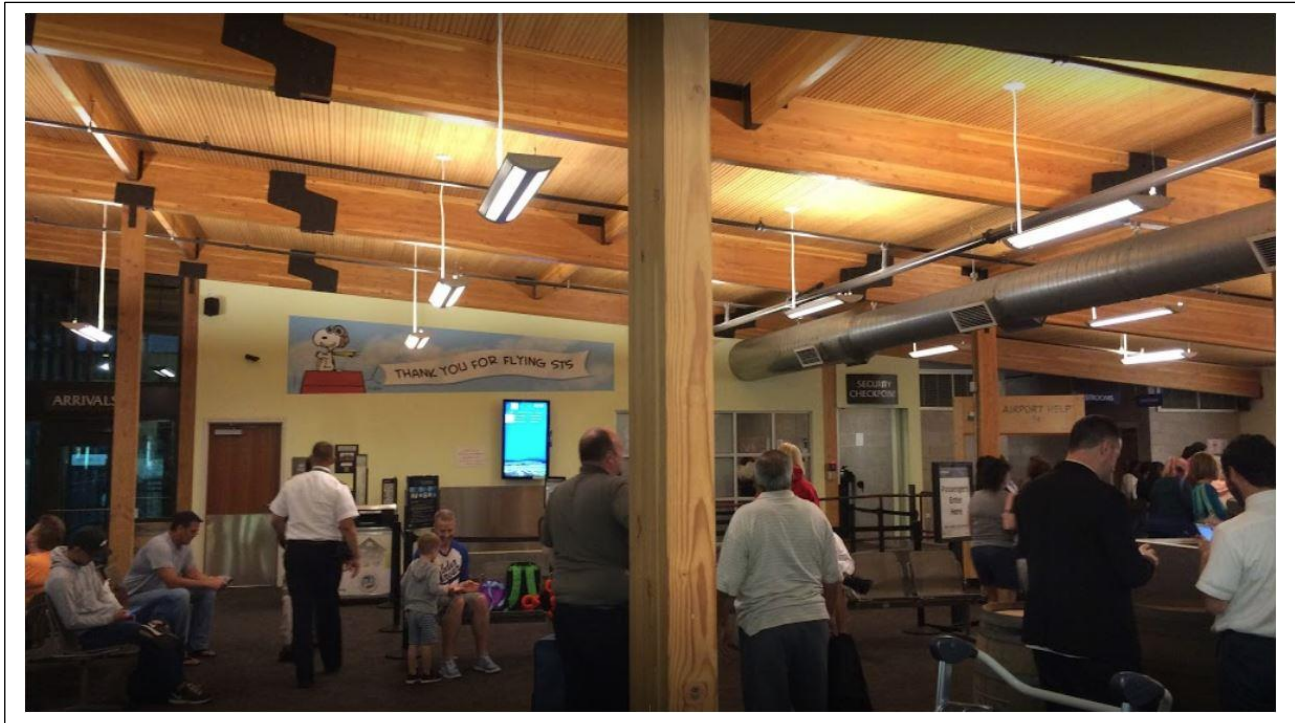
AIRPORT PHOTOS – Exhibit 2



Source: County



**Tent 1 Completed**



**Terminal**

**Source: County**



MAJOR DISASTER DECLARATION CALIFORNIA WILDFIRES IMAGES – Exhibit 3



Source: Google Maps





**Source: Google Maps**