



City of Arts & Innovation

City Council Memorandum

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TO: HONORABLE MAYOR AND CITY COUNCIL DATE: NOVEMBER 14, 2023

FROM: GENERAL SERVICES DEPARTMENT WARD: 3

SUBJECT: CALTRANS AERONAUTICS AIRPORT LOAN APPLICATION IN THE AMOUNT OF \$2,000,000

ISSUE:

Adopt a Resolution to authorize application for, and potential award of, a \$2,000,000 loan from the California Department of Transportation Division of Aeronautics to the Riverside Municipal Airport for extensive roof replacements and rehabilitation for buildings and hangars at the Riverside Municipal Airport.

RECOMMENDATIONS:

That the City Council:

1. Adopt a Resolution to authorize application for, and potential award of, a \$2,000,000 loan from the California Department of Transportation Division of Aeronautics to the Riverside Municipal Airport Enterprise fund for extensive roof replacements and rehabilitation for buildings and hangars at the Riverside Municipal Airport;
2. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record an increase of \$2,000,000 in revenue and appropriate expenditures in an equal amount in the Airport Enterprise Fund to be used towards roof rehabilitation/replacement as described herein;
3. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record a corresponding appropriation for annual debt service payments in accordance with the debt amortization schedule to be paid from the Airport Enterprise Fund; and
4. Authorize the Chief Financial Officer and Airport Manager, or authorized designees, to execute all documents necessary to complete the financing transaction, including making minor and non-substantive changes.

COMMISSION RECOMMENDATION

On November 9, 2023, the Airport Commission reviewed the terms of the CalTrans Aeronautics Airport Loan and expressed support for the application in the amount of \$2,000,000.

BACKGROUND:

During the Winter 2022 and Spring 2023 rainy season, numerous airport buildings at the Riverside Municipal Airport experienced extensive roof leaks. Roofs are generally designed to last 20 plus years with proper maintenance. Many of the airport’s building roofs have been in service for 50 plus years, exceeding the useful life cycle and resulting in extensive deferred maintenance.

The Airport currently has approximately \$1.7 million in operating and capital reserves. Generally, these reserves have been accrued at the expense of deferred maintenance. Annually, the Airport Enterprise fund operates at a near breakeven, generating approximately \$1.8 million in annual operating revenues and expenses hampering the ability to fund capital projects, including deferred maintenance. The Airport budget allocates \$299,000 each fiscal year to fund professional services, maintenance, repair and building improvements. As the Airport continues growing (reaching 130,000 annual aircraft operations in 2022), these funds are generally utilized for growth improvements and emergency repairs of infrastructure, leaving very little available for deferred maintenance.

DISCUSSION:

The Airport has two types of capital needs, those eligible for Federal Aviation Administration (FAA) funding, such as runway and taxiway projects, and those either not eligible or deemed low-priority for FAA funding, such as facility maintenance and rehabilitation projects. To ascertain the extent of roof repairs and facilities rehabilitation work needed, the Airport contracted with a roofing company to conduct assessments of all airport roofs, including numerous hangars and the main terminal building. The total cost estimate for 17 airport building roof replacements and rehabilitation work is approximately \$3,340,000-\$3,720,000.

These capital expenditures are significantly higher than the available balance in the Riverside Municipal Airport Enterprise fund. The following chart summarizes all deferred facilities maintenance needs currently identified at the Airport:

| BUILDING | WORK TYPE | ESTIMATED BUDGET | | CONCERNS & UNFORESEEN ITEMS |
|-------------------------------|-----------------------|---------------------|---------------------|--|
| BUILDING Q. / FAA / FLAT ROOF | REROOF | \$ 400,000 | \$ 450,000 | Wood decking / asbestos / ponding |
| BUILDING Q. / FAA / TILE ROOF | REROOF | \$ 200,000 | \$ 215,000 | Wood decking / fascia / tile |
| HANGER E | REROOF | \$ 200,000 | \$ 225,000 | Wood decking / fascia / weight / ponding |
| CIVIL AIR PATROL / CAVU | RESTORATION | \$ 200,000 | \$ 220,000 | Rust / Skylights |
| MAIN BUILDING | RESTORATION | \$ 205,000 | \$ 225,000 | Wood decking / drainage |
| ATP HANGER | RESTORATION | \$ 110,000 | \$ 120,000 | |
| HANGER F - FLIGHT ACADEMY | REROOF | \$ 80,000 | \$ 90,000 | Wood decking / fascia / weight / ponding |
| HANGER F - HANGERS | REROOF | \$ 170,000 | \$ 190,000 | Wood decking / fascia / weight / ponding |
| AIRPORT OPS/MAINTENANCE | REROOF | \$ 80,000 | \$ 100,000 | Wood decking / asbestos / ponding |
| CAF | RESTORATION & REPAIRS | \$ 115,000 | \$ 130,000 | Rust / Skylights |
| BUILDING J. / RAS JETPORT | RESTORATION & REROOF | \$ 220,000 | \$ 240,000 | Rust / wood decking |
| HANGER L | RESTORATION | \$ 95,000 | \$ 110,000 | Rust |
| HANGER M | RESTORATION | \$ 90,000 | \$ 100,000 | |
| HANGER T | RESTORATION | \$ 145,000 | \$ 160,000 | Skylights |
| HANGER T1 | RESTORATION | \$ 55,000 | \$ 65,000 | Skylights |
| HANGER W | RESTORATION | \$ 550,000 | \$ 610,000 | |
| HANGER V | RESTORATION | \$ 425,000 | \$ 470,000 | |
| | | \$ 3,340,000 | \$ 3,720,000 | |

Airport Loan Program

The California Department of Transportation Division of Aeronautics provides an Airport Loan Program with terms up to 17 years at 5.00% interest. At this time, the Airport will prioritize roof replacements with a \$2,000,000 loan. The estimated annual debt service will total \$177,398.28, equating to \$14,783.19 per month. Without an early paydown, total interest will equal \$1,015,770.82 over the 17-year life of the loan. After discussion with airport staff, City Finance staff, and the Chief Financial Officer, it was determined the needed funds could be most efficiently acquired through the Cal Trans Airport Loan program.

Although the total cost estimate to address all roofs is greater than the \$2,000,000 loan amount, the Airport has several initiatives in place that will allow sufficient capital reserves to be accrued over time. On September 26, 2023, an RFP was issued for 18 acres on the Westside of the Airport. Proposals are due December 14, 2023, with interviews to be held the week of January 16, 2024. Notification of selection will be on February 16, 2024, with a City Council meeting to consider awarding of contract in February 2024. The RFP is seeking proposals from one or more developers to develop the entire 18-acre site or minimum 3-acre parcels. Aeronautical development, to include aircraft hangars, a fixed base operator, and/or fuel farm may be developed for this site. Based on current rates for unimproved commercial land at \$0.30 per sq ft per year, an estimated \$235,212 in ground lease revenue will be generated annually once the 18 acres are developed. Additionally, the Airport will be contracting with a consultant soon to examine all airport rates and fees to ensure Airport fees are market competitive. In this way, additional roof replacements and deferred maintenance can be funded through accrued funds, eliminating the need to acquire additional loan funds.

STRATEGIC PLAN ALIGNMENT:

This Airport Loan will contribute to the City's Strategic Priority 6: Infrastructure, Mobility & Connectivity.

This Airport Loan also aligns with each of the Cross-Cutting Threads of the City's Strategic Plan as described below:

1. **Community Trust** – City Council approval of this Airport Loan demonstrates the Airport's commitment to the community and airport users by ensuring transparency.
2. **Equity** - The Airport ensures that services are provided in an equitable fashion and endeavors to replace roofs on all airport buildings to benefit all airport tenants.
3. **Fiscal Responsibility** – Approval of this Airport Loan at attractive rates and terms, preserving current operating funds and instead amortizing expenses over a longer term ensures the airport maintains fiscally responsible practices.
4. **Innovation** – Approval of this Airport Loan will allow for the most advanced roofing systems to be installed on airport buildings.
5. **Sustainability and Resiliency** – Approval of this Airport Loan contributes to sustaining the Airport's resiliency and furthering the Airport's sustainability as a self-supporting enterprise fund.

FISCAL IMPACT:

The total fiscal impact of this action, if awarded, will be \$3,015,770.82 over the life of the loan, including principal and interest. The \$2,000,000 Airport Loan will require debt service payments estimated at \$177,398.28 annually over 17 years, including interest costs of \$1,015,770.82, for a total payback amount of \$3,015,770.82. The annual debt service amount will be appropriated from the Airport Fund Working Capital, with current available working capital of \$1.66 million, at the time of publishing of this report.

Prepared by: Carl Carey, General Services Director
Certified as to
Availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Edward Enriquez, Assistant City Manager/Chief Financial Officer/Treasurer
Approved as to form: Phaedra Norton, City Attorney

Attachments:

1. Presentation
2. Resolution
3. Amortization Table