

CARB Board Minutes

WSDOT-Aviation HQ – Microsoft Team Meeting
Thursday, December 14, 2023 9:00 am – 11:00 am

The meeting was called to order by Chair, JC Baldwin, at 9:00 a.m. Vice Chair Ingrid Gaub and Board members Ann Richart, George Steed, Michael Echanove, Cory Wright, and Chris Paolini participated via video conference. Board Secretary and Loan Program Manager Dave Chenaar participated in person. Jeralee Anderson was absent. No guests attended.

Announcements: JC Baldwin welcomed the Board members and asked if there were any announcements. Board Secretary informed the group that JC and Ingrid's terms expire in July. A port official and city official appointment will be available, and both the Chair and Vice Chair positions will be open for nominations.

Public Comment: No members of the public attended nor were any comments received.

Board Agenda & Schedule: JC asked if there were any changes to the agenda and schedule. The agenda was adopted, as drafted.

Approval of September's CARB Minutes: JC asked if everyone had an opportunity to review September 7th board minutes that had been distributed. The Board responded affirmatively. After no additional comments, the minutes were approved unanimously.

Loan Applications / Awards: Loan Program Manager, Dave Chenaar, summarized and presented the loan applications received. CARB received one (1) new application totaling \$370,645 and two (2) requests for additional funds through amendments totaling \$593,876. Total requests equaled \$964,521.

City of Deer Park, Deer Park Airport - \$370,645: This is a new application for the second phase of their utility infrastructure project to add underground water and electrical utilities to their planned taxilane development allowing for the addition of 25 buildable hangar lots. The airport currently has no developed lots for smaller hangars.

Dave shared a photo of the airport. Member George Steed was very familiar with Deer Park Airport and shared his positive impression of the airport. "This is a lovely and well-run little airport...located North of Spokane". Due to the expense of Spokane, owners are willing to drive a few miles north to park their planes there.

Phase one was successfully completed in 2023, and involved extending and connecting to the city's sewer system that was partially funded by a \$730,000 CARB loan awarded in 2021. The project was also 80% supported by a federal US EDA grant. The sewer project was completed under budget utilizing only \$257,302 in matching loan funds and returned the remaining balance of the original loan award. Completing the underground utilities is integral to their taxilane project to access new leasable hangar sites. The airport currently has seven (7) signed lease applications. These tenants are waiting for the infrastructure and taxilane to be constructed.

The airport has a WSDOT Aviation grant in place for the design of the new taxilane, and a FAA grant in-process for construction of the taxilane. This loan project will put the airport in the financial position to

continue development. Total project cost is estimated at \$370,645. No contingency costs are included. The city will be responsible for any cost overruns. NEPA/SEPA has been approved and the project can proceed immediately.

The Loan Program Manager shared selected documents from the loan application. Documents included drawings of the taxiway utility plan and locations of the proposed hangar sites, the project schedule, spending plan, project estimates, and the estimated loan repayment schedule. He then displayed the State Auditor Office's (SAO) Financial Intelligence Tool webpage providing an overview, financial indicators, and access to financial statements for the City of Deer Park. Overall, the City budget had a \$5 million surplus in 2022 and positive financial indicators. However, their Airport Fund had "cautionary" and "concerning" indicators regarding their cash balance while their enterprise outlook was "good". Reviewing their cash flow statement appears to identify the issue. While revenue from operations was \$1.4 million against operational expenses of \$985,000 netted a 31.7% positive margin of \$444,000, substantial capital expenditures incurred in 2022 reduced their cash flow to a negative \$4,143.

Ann Richart commented that this is exactly the situation most small airports experience and why this loan program was developed. Airports just don't make enough money to do their capital work. Without this loan program, the airport would have to draw from the city's general fund which could be a stress on small communities. She expressed support for aiding this "well-run airport".

The Program Manager concurred that this project aligns with the objectives of the loan program and allowing access to the development of 25 buildable hangar sites will help the airport become more self-sustainable. JC agreed and asked if the city provided documentation on the Return on Investment (ROI). Dave responded negatively other than to indicate current signed land leases on seven (7) sites and the expectation of increased revenue from land leases, fuel sales, and utilization of on-field maintenance businesses that support the airport. The overall project score reflects the omission of detailed revenue projections. The project received an overall score of 80.3 and was still recommended for funding by evaluators.

Member Michael Echanove asked what the capital expense of \$736,193 was comprised of. Dave responded it is a cumulative total, and no subsidiary ledgers were available to detail the capital expenditures that comprised that figure. It likely involves the sewer project which may be offset by pending grant reimbursement in 2023 since the city accounts for financial transactions on a cash basis.

With no further questions, JC directed the Loan Program Manager to proceed to the next request.

Lewis County, South Lewis County Airport - \$143,876: Lewis County Public Works is requesting an amendment for \$143,876 in additional loan funds to replace an existing UST fueling system with a new above-ground fueling system. They were originally awarded \$514,402 in August 2022 for this project. Project cost escalation requires an additional \$143,876 in loan funding to complete the project.

Phase 1 - procuring the new fuel system for \$242,277 has been completed with delivery scheduled in March 2024. Phase 2 - preparing the site and installation of the system (350,000) and decommissioning the old underground fuel system (\$66,000) totaling \$416,000 is scheduled through April 30, 2024. Total project cost is now estimated at \$658,278. As a NPIAS airport eligible for federal funds, the airport submitted a revised Airport Layout Plan (ALP) to FAA and received Section 163 approval related to the fuel station site location in March of 2023. The City abandoned a request for FAA grant funds in 2023 for the additional costs, hence the additional loan request.

The Program Manager displayed an aerial photo of the airport. South Lewis County Airport is located east of I-5 near the town of Toledo. George shared some observations about the airport. Discussion ensued about potential “through-the-fence” operations at the airport and NPIAS restrictions. Ann informed the group about through-the fence operations and FAA’s opinion on compatibility with NPIAS airports. JC confirmed eligibility of FAA funds to airports that allow through-the-fence.

Ann shared future concerns about funding fuel tanks with the pending availability and adoption of unleaded Avgas. Legislative action advocating for the elimination of lead in aviation fuel may impact pending fuel facility decisions. Discussion pivoted to legislative language, ASTM fuel certification, and/or STC certificates for aircraft. She anticipated availability of 100UL within two years with hopes that ASTM certification can be accomplished eliminating the need for a STC aircraft certification and/or separate tanks. Michael suggested asking future applicants of fueling facilities whether the system is expandable or adaptable to new fuels. If ASTM certification is achieved, Ann thought dual tanks may be a poor use of public funds. The Program Manager did consider 100LL tanks ability to be converted to 100UL fuel during the application review process. George shared that GAMI 100UL can be a direct drop in and mixed with 100LL. The issue of liability with fueling non-STC certified aircraft with non-ASTM certified unleaded fuel was raised.

Supporting application documents were shared with the Board. The FAA-approved ALP showing the location of the project was shown. Also shared were the Phase 1 bid tab showing the winning bid, and the engineering estimates for phase 2 supporting the request for additional funds. Sales Tax and a 10% contingency was factored into their calculations. The displayed project schedule shows the project is well underway with a new project completion date in April 2024 which extends the original scheduled project completion date by four (4) months.

Historical fuel sales were presented supporting the airports forecasted fuel revenue. The County sold about 12,000 gallons of fuel in 2022. Frequent interruptions in fuel service due to equipment failures have impacted fuel sales revenue over the last few years. A reliable fuel system is critical for the airport to continue to support based aircraft, attract visitors, and generate revenue for airport operations and maintenance.

An estimated loan repayment (amortization) schedule was presented showing an increase in the loan amount to \$658,278 with annual loan payments of \$40,258.12.

The SAO Financial Intelligence Tool (FIT) report for Lewis County was presented. In 2022, the County had a \$14,971,803 surplus on revenues of \$119,747,287. The South Lewis Airport Fund’s cash fund outlook indicator was rated “good”, but the enterprise fund cost recovery was “cautionary”. The airport’s 2022 Statement of Activities showed a loss of \$414,903 on business operations. This appears to support the assertion of lost revenue from interruptions in fuel service and the need to increase sources of revenue for the airport.

Board Member Cory Wright asked if the fuel was sold by an FBO or the county, and whether we knew what was the average price per gallon compared to the surrounding area? Dave responded the information was not provided in the application [*From the internet: South Lewis County does not have an FBO. 100LL is provided by the county airport 24/7 via self-service utilizing a credit card*]. George responded that Chehalis Airport is listed at \$7.97/gallon while Toledo (South Lewis County Airport) is at

\$6.25/gallon. Kelso/Longview (SW Regional Airport) is \$6.73/gallon. Packwood is not listed, and Portland is at \$8.50/gallon, so the airport is at the low end for the surrounding area.

The airport is in the 20th Legislative District and 3rd Congressional District. The application received an average score of 65.0 due to omission of fuel revenue data and is still recommended for additional funding.

Pierce County, Thun Field - \$450,000: This project was originally awarded \$750,000 in 2022 to replace and install new hangar doors on 50 county-owned nested box hangars. Upon completion of construction, deficiencies were identified affecting the operation of the new doors. The county has pursued remedies with the construction management firm and contractor, but they have been unwilling to cure the deficiencies. The additional \$450,000 requested is to correct the problem. The County plans to procure and assign an engineer to review the original design per the issued Request for Proposal (RFP) from 2021, and to amend that design to reflect current needs. A project design will be written and then advertised for construction. Any settlement from the bonding and insurance company and/or subsequent litigation can be used to pay down the additional loan principal.

The Loan Program Manager shared photos of the airport and the affected hangar doors. Material specifications for the hangar door support were not followed which caused damage to the doors and for them to not operate properly. The county plans to repair the door structure to mitigate the damages and correct the deficiency. This will allow the hangars to be leased and fully occupied.

The County provided a resolution to secure and repay the additional funds, an updated project schedule with the additional mitigation work, and an estimated repayment schedule for the increased loan amount of \$1.2 million. Estimated monthly loan payments are \$7,582.00 without considering the recuperation of any funds from the bond or litigation.

Pierce County's FIT report was presented. 2022 County revenues were \$981,813,375 and expenses were \$799,425,351. The Airport Fund indicators were "concerning" for "cash balance sufficiency" and "enterprise fund cost recovery", and "cautionary" for their "current ratio" (current assets/current liabilities). Their 2021 State of Activities showed a loss in net position of \$926,000.

Since the engineer's review and repair estimate has not been completed for this mitigation phase, the project only received an overall average score of 50.3.

Michael asked if the county ordinance provided was a revenue or general obligation by the county. Dave confirmed it was a "legal general obligation of Pierce County" pledging the "full faith and credit to the payment thereof" and was not dependent on the airport's limited funding. Michael noted the ordinance identified the use of general funds if the additional loan funds were not secured.

Cory asked who was responsible for the project. Dave responded that Pierce County has an Airport Director/Ferry Administrator in their Planning and Public Works Department with the project being assigned to Public Works. Public Works then contracted the work out to Waters Construction, Inc.

Chris shared concerns this request did not align with the intent of the program. The program should not be used as a "bailout fund" due to significant lack of project oversight. JC also believed this is the county's responsibility and not CARBs. Cory shared a similar experience with a county project involving public works that ultimately the county had to resolve. Ingrid agreed this was not the purpose of CARB "to pull an agency out of its own mistakes and provide a fund to pay the bill. Pierce County needs to resolve on its own."

George asked if the hangars were generating revenue now. Dave responded that during his site visit about 12 units (20%) were vacant waiting for repairs. Occupied hangars were paying rent, but at the old,

reduced rate. The original intention of the project was to provide hangar door upgrades tied to increased lease rates approved by the airport and tenants. Renovation problems has impacted that plan. Unfortunately, the increased project cost has reversed the revenue forecast from a positive cash flow to a negative one without recouping proceeds from the bonding company or contractor. Members shared concerns regarding hangar rental rates not reflecting market rates. The executive summary listed monthly revenue at \$6,322.50. The Program Manager voiced reservations on the accuracy of that amount.

*[Correction: \$6,322.50 reflects additional monthly hangar lease revenue of \$126/unit for 50 units. The new rate of \$325.00 less \$198.55 current rate ($\$325 - \$198.55 = \$126.45 * 50 \text{ units} = \$6,322.50$)]*

JC summarized the comments and conclusions of the Board. She stressed the importance of not setting a precedent for others to make similar requests and, in her opinion, concurred this is not the purpose of the CARB program.

Loan Awards: The Program Manager displayed the loan award tab showing the funds available to award. The Board considered each application in ranked order.

The City of Deer Park was the highest ranked project and is requesting \$370,645 for the second phase of their utility installation project to develop buildable hangar lots. Chris moved to approve a loan for \$370,645. Ingrid seconded the motion. Michael commended the city for their successful completion of phase one under budget. Chair JC called for the question. The award passed unanimously.

Lewis County is requesting additional funds to complete their new fueling facility. Chris motioned to award Lewis County's request for \$143,876 in additional loan funds to complete their project. Cory seconded the motion. Without further comments, JC called for the question. The motioned passed unanimously.

Pierce County is requesting an additional \$450,000 to correct deficiencies with their hangar door replacement project. Chris moved to deny their request for additional funds. Ann seconded the motion. The motion passed unanimously.

JC thanked the group for their due diligence in considering and selecting projects. She directed the Program Manager to inform the applicants of their decisions.

Comments/Next Board Meeting: JC informed the group while at the public ports conference last week attended by the Port of Benton, both Executive Director Diahann Howard and Airport Manager Quentin Wright, thanked CARB for the loan to purchase the former terminal building that is closing next week.

Cory encouraged the Board to develop a study or create a resolution regarding the cost of hangars and other airport facilities to provide a framework to compare and evaluate projects. It's a constant battle with airport tenants to determine market rates. He understands they are trying to control costs when fuel is \$6-\$8 per gallon. However, you also must justify the decision to the public that don't own a plane. The concept of having an airport that requires public financial support to generate other economic opportunities is a difficult conversation without understanding the dynamic. He would like to see the Board active in making this information available, not only for our own decision making, but also to help other decision makers across the state. Chris seconded the idea of a possible board resolution requiring funded hangar projects to charge a fair market value for their hangars. Chris referred to an effort by AOPA and the Aircraft Owners Association to conduct research on hangar rents. He is contemplating a

hangar lease rate adjustment and is looking forward to the results of the survey. Current annual CPI adjustments are not keeping up with actual inflation.

Chris also shared good news on the status of Kelso's Southwest Regional Airport Fuel Farm project. The project had been delayed due to unexpected costs but is now progressing. The tanks have been purchased and the final bids for the foundation work came in substantially under the engineer's estimate of \$646,000 at \$469,000. In the coming months, he will begin invoicing the loan for the project costs and thanked the Board for the CARB loan. JC was thrilled with the great news and was happy to see some projects reversing the trend of higher project costs.

Ann expressed her pleasure with the CARB loan program and the projects we have completed. Considering the initial small investment, the program has accomplished a large economic impact that is already starting to pay back. Investing in airports is a really good value and we need to promote it. Our grant program is underfunded, too. Messaging the benefits of these investments may help develop more funding to airports with grants and loans. JC responded that her 9 years on the Public Works Board and Michael's 10 years on CERB can attest to the benefits of these low interest funding programs as a vital element to assist local communities with infrastructure.

JC transition to scheduling the Board's next meeting. The legislative session should be completed by May and would allow adequate time to solicit loan proposals for review. After discussion, the next Board meeting was scheduled for May 9, 2024 at 9:00 am to Noon. The Board Secretary will create a meeting invitation to be sent to board members.

JC adjourned the meeting at 10:56 a.m.

David Chenaar

David Chenaar, Acting CARB Secretary

Date: February 21, 2024