

## CARB Board Minutes

WSDOT-Aviation HQ, Conference Room  
Wednesday, August 14, 2019 10:00 am - Noon

Meeting was called to order by Acting Chair, David Fleckenstein, at 10:00 a.m. Present were Board members JC Baldwin, Richard Bogert, John Dobson, Michael Echanove (alternate), Andy Hover, Erik Martin (alternate), Rich Mueller, Jennifer Skoglund and Dave Chenaur, Program Manager and Acting Secretary to the Board. Guests present were Janea Delk, CERB/PWB administrator and Chris Herman. Board member, Jill Anderson, was excused due to prior commitment.

After introductions of the participants, the first order of business was to approve the draft agenda sent to Board members prior to the meeting. David Fleckenstein asked if there were any additions, deletions or edits to the agenda. No responses were offered. Board members moved to approve agenda and seconded the motion. The agenda was approved unanimously.

The Acting Chair summarized the legislative intent and goals of the Board. The overall intent of this program is to provide low-interest rate loans to airports with less than 75,000 commercial enplanements for revenue producing projects, not typically eligible for FAA funding, that help make the airports more self-sustainable and less dependent on grant funding over time. The near term goal is to successfully implement the revolving loan program and demonstrate the program effectiveness within the current biennial cycle. Timely awards will help encourage legislators to consider providing additional funding and legislation so the program can become permanent. The second overall goal is to keep the program relatively simple so smaller airports can submit applications without undue bureaucratic paperwork. There are two priorities spelled out in legislation that the Board needs to consider; loans must support revenue-producing projects and the airport sponsor must clearly demonstrate an ability to repay the loan. The loan program timetable is to have an application available before November so loans can be awarded in December. Loan Program Manager, Dave Chenaur, suggested that initial Board meetings be monthly to finalize and approve program application materials to support the program's goals.

Board member, Andy Hover, asked for clarification on what was meant by *"revenue-producing projects"* and whether that meant *"direct revenue to the airport or revenue to the community that supports the airport?"* David Fleckenstein responded that revenue needed to support the airport but could also support infrastructure projects such as water or power that leads to revenue generation such as a business park or stores on airport property. Board member, JC Baldwin, added that some regional and general aviation (GA) airports have very limited opportunities on what they can do to generate revenue sources. David F. concurred with JC's comment that it was even more problematic for small GA airports. Board member, Jennifer Skoglund, wanted to clarify if the loans could be used by airport sponsors for matching federal/state grants? David confirmed that the legislation allows for leveraging federal funds, however, most FAA grants cannot be used for revenue-producing projects. Jennifer had heard that some airports were unable to accept a grant due to lack of matching funds. David affirmed Jennifer's comment and stated the Board may want to consider projects requiring match, at some point, if the program evolves and funding is available. Board member, Richard Bogert, added that being on the CERB board has heightened his awareness of what is needed for economic development. Having access to an airport, similar to high-speed internet or sufficient water-treatment facilities, may be the difference whether a business selects a town or location. It generates revenue to the community but not directly to the airport. If the airport has to repay the loan that might be problematic especially for small GA

airports. David emphasized the airport sponsor has to repay the loan. If the sponsor is the county or city, they would be responsible for the loan. Board Member, John Dobson, added *“legislation also references business parks, as well, so the acquisition of additional business parks to add to the airports inventory and, therefore, the cash flow then comes into the airport side.”* David confirmed *“Many of our airports have substantial land if the airports can tap funding sources like this.”*

The second order of business was to elect Board officers. David Fleckenstein explained that the Secretary of Transportation has to select the Chair and the Board members elect the Vice Chair. Requests to serve were sent to Board members. JC Baldwin and Richard Bogert responded and offered to serve as Chair and Vice-Chair. David asked if there were any other nominations for consideration. No one responded. Each candidate made a short statement. Richard Bogert stated due to other commitments, he was only interested in the Vice Chair position and JC Baldwin, in the spirit of assisting the program, was willing to serve either position. Ballots with both candidates' names were handed out for the Vice Chair position. Board members unanimously (7 out of 7 ballots) voted Richard Bogert as Vice Chair. David Fleckenstein stated he would submit JC Baldwin's name to the Secretary (Roger Millar) for the Chair position.

The third order of business was to review and approve the drafted CARB Board Bylaws. Copies had been forwarded to members prior to the meeting and an executive summary was also provided at the meeting. David asked if everyone had an opportunity to read the draft. Everyone responded affirmatively. Richard Bogert wanted to confirm the Board meeting frequency and that the Board has to meet *“at least 3 times per year”*. Dave Chenaur confirmed that after the loan applications were selected that Board meetings would be no more frequent than quarterly. JC Baldwin added that meetings can be attended by teleconference. Dave C. confirmed that members will receive materials before the meeting and documents will be displayed on Skype for those attending by teleconference. No more comments were received and Board member, JC moved to approve the bylaws, several members seconded the motion and the motion was carried unanimously.

Being ahead of schedule, the Board agreed to continue agenda items prior to break.

The next order of business was determining program elements of the Aviation Revitalization Loan Program. David Fleckenstein requested Loan Program Manager, Dave Chenaur, to cover the agenda topics listed. Dave C. explained that legislation directed that the loan application must be made in the form and manner as prescribed by the Board and the Board must determine the interest rate the loans must bear. The drafted Loan Application, Aviation Loan Program Procedures Manual, and Appendix E: Project Schedule was distributed prior to the meeting for Board members to review.

The first item was to approve the maximum loan amount. Loan Program Manager, Dave Chenaur, recommended a maximum loan amount of \$750,000 based on the initial \$5 million fund balance, a similar cap for existing Airport Improvement Program (AIP) grants, and the desire to award multiple loans across the State. Board member, Andy Hover, asked *“What was the repayment term?”* Dave C. responded that selected projects are allowed up to a 3-year grace period and up to 20 years to repay the loan with the caveat that the airport be open to general public use for one and one-half times the loan term. Therefore, an airport with a 10-year loan must remain open to general public use for 15 years. JC asked, in order to ensure the success of the loan program, if there are requirements to perform any studies such as pre-construction and inquired if there were any funds for planning? Dave C. responded that the applications ask for preliminary engineering plans amongst other documents such as a business plan, project schedule, and financial documents. Many airports also have Airport Master

Plans that support Capital Improvement Plans (CIP) which are required for Airport Improvement Program (AIP) funds. David Fleckenstein added that smaller communities do not have the budget to do extensive planning but the CIPs do assist airports in performing that planning function. Board Member, John Dobson, shared concerns that our state has a 2-tiered airport system; NPIAS and Non-NPIAS. NPIAS airports receiving federal funds already have CIPs. Non-NPIAS airports may have trouble applying for funds. Notwithstanding the time element to awarding loans, the Board needs to consider how non-NPIAS airports will access the program. John was also interested in what type of projects we may be funding. Dave C. then displayed a spreadsheet that detailed the airports that have inquired about the loan program. John provided estimated costs for various eligible airport projects such as \$350K-\$400K for fueling stations, \$750K-\$800K for a 16-bay hangar, and beyond that it would depend on the scope of project. His real concern is the direct revenue generated (cash flow) and whether other sources would be needed to repay the loan. Board members then considered \$750k, \$1M, and \$1.5M options. Discussion of leaving the maximum loan amount "open" was considered. Pros and cons were discussed including an initial cap with exceptions granted. JC also mentioned that the cap could be adjusted after the initial round of awards. Board alternate, Erik Martin, responded that the cap is important because, from the applicant's perspective, it's going to change the type of projects being submitted. Without a cap, we may get many projects that cannot be funded. It is good guidance for the applicant.

Board member, Andy Hover, moved "*To cap the individual loan amount of \$750,000 per applicant*". JC Baldwin seconded. John Dobson moved to amend the motion to add the caveat to grant an exception to consider loans above \$750,000. Board member, Rich Mueller, asked how we would explain that to applicants, such as... "*we reserve the right to...*?" Discussion ensued and it was determined that it would be problematic to have a cap and then provide exceptions. The original motion to cap loan awards at \$750,000 carried.

The next loan topic was setting aside a portion of the loan funds to airports with less than 50,000 commercial enplanements. Originally, there was thinking about setting 50% of the loans aside for smaller airports. Any unused portion of the funds available could subsequently be transferred to qualified applications regardless of size. Member, Michael Echanove asked us to define commercial enplanements. Richard Bogert explained that commercial enplanements describes one-way, commercial, air passenger trips by commercial air carriers. John continued by giving examples of the number of enplanements for airports. Only 3 airports fall between 50K and 75K commercial enplanements; Yakima, Moscow-Pullman, and Wenatchee. Walla Walla is just under 50K. Andy asked what type of project needs were at the four airports identified. Jennifer Skoglund responded that there are lots of opportunity for growth and development at Walla Walla but they have the luxury of receiving federal and state grant funds. Michael reminded the Board that Moscow-Pullman (PUW) presently has a \$200 million dollar project but the Port of Whitman is struggling to find funding for projects. Richard agreed that funds primarily need to go to general aviation airports. David F. reminded the Board that we cannot exclude commercial airports but could weight the scoring criteria. Andy added that the loan cap lends itself to smaller projects, too. Discussion continued regarding the maximum number of projects that can be funded based on the loan cap less administrative costs.

Based upon the number of possible funded projects, Board member, Andy Hover, motioned "No more than 25% of the available loan funds will be awarded to airports with 50,000 or more commercial enplanements." John Dobson seconded for discussion. Members clarified the motion was a near term stipulation and that set asides would be reconsidered at a later date when and if more funding became available.

The next loan topic was the interest rate charged to loan recipients. Legislation requires the Board to determine the interest rate and that the rate must not exceed the amount needed to cover the administrative expenses of the Board and the loan program. That administrative costs were estimated to be approximately \$260,000 for salary, benefits, travel and supplies for the 2019-2021 biennia. 3% is the estimated interest rate required to cover the administrative costs subject to available loan funds accruing interest for the biennium. Since selected projects may defer repayment for up to 3 years, accrued interest may not be available to pay administrative costs and WSDOT Aviation funds may need to supplement the costs until repayment begins. If additional funding is secured next legislative session, then the interest rate can be potentially adjusted downward for future loans since administrative costs are relatively static. For example, if another \$5 million was awarded, the interest rate could be reduced to 1.5% annually. Janea Delk was asked about the interest rate used by the Public Works Board (PWB). Janea responded the PWB's interest rate was 1% to 1.5%, depending on the loan recipient. Dave Chenaur informed the group that similar state loan programs charge between 2% to 4% and the private sector rates start around 5%. Andy Hover reminded the group that the program needed to be self-sustainable and wanted to know what rate would cover the administrative costs. JC commented that idle (surplus) funds could be "swept" and potentially used for other purposes. Janea informed the group that PWB needed to retain a portion of funds to cover administrative costs until the program revenue streams materialized. Dave C. reiterated that interest would accrue but would not be available (no cash flow) to pay costs initially. Andy asked "How would the interest rate accrue?" Dave C. responded that interest would not accrue until the loan recipient requested reimbursement. Starting with warrant date, interest would accrue monthly using an amortization spreadsheet to track individual reimbursements and added together to calculate principle and interest. Loan recipients would receive loan statements and begin making monthly payments after the grace period expires. There would be no pre-payment penalty for paying the loan off early. John preferred to charge 1.5% based upon the program becoming permanent next legislative session. David Fleckenstein responded that the program may become permanent but the lower interest rate may require additional aeronautics program funding. Dave C. added that the 3% rate was fiscally conservative based upon current funding levels and that the rate could be re-visited by the Board if additional funding was supplied by legislators. John shared his experience while with the Port of Shelton that commercial rates were only about 1% higher than the state option and were more attractive due to their ease of applying and managing. JC commented that it could be beneficial because it would free up funds for other projects that lack a private funding option. David F. summarized the discussion by asking members which interest rate they preferred; "3% or lower than 3%?" John stated 1.5% but would settle for 2%. David was concerned that less than 3% would be insufficient without additional funding and could potentially impact the already modest aeronautics' account. JC thought 3% was reasonable. Andy wanted to ensure the rate charged would be attractive and feasible for airport communities. Clarification was provided as to the administrative costs estimated for the program on a fiscal and biennial basis. Jennifer asked whether the \$5M initial funding in the construction account was earning interest and whether the interest earned are returned to the account or goes to the General Fund. Dave C. confirmed that the funds are earning interest but was unsure how the interest was allocated. An inquiry will be made to the Budget Office. David F. asked for a proposal from the membership.

Richard Bogert moved to set the initial rate at 3%. JC Baldwin seconded the motion. David asked if there was any further discussion or objections. No one responded. The motion passed unanimously. The initial loan rate offered will be 3% with the ability to change the rate in the future if additional funding becomes available.

The Board took a 10-minute break.

David Fleckenstein reconvened the Board and asked Dave Chenaar to continue with the next loan topic, loan draws and reimbursement. Dave C. explained the process for reimbursing the loan recipients and the timeline involved. It is recommended that we disburse funds on a reimbursable basis up to the loan amount to ensure only eligible charges are funded and the recipient is only charged interest on monies received. The expectation is that properly submitted invoices would be paid within 2 weeks. Michael asked if the invoices submitted require a project manager or engineer signature. Dave C. confirmed that the reimbursement invoice form contains a certification box would have to be signed by an authorized representative under penalty of perjury. Andy asked if eligibility [of expenses] mimics the federal/state grant program. Dave C. confirmed it would follow state eligibility requirements. David F. confirmed that the program is designed to mimic the AIP program that is familiar to airports. With no further discussion, David F. ask for a summarized proposal which was separated into two parts per Rich Mueller's recommendation.

The first motion was *"No draws will be allowed and payment will be made on a reimbursable basis only upon submission of appropriate invoices."* The motion was seconded and was passed unanimously. The second motion was *"Interest will not accrue until the loan recipient has received payment based upon the warrant date of the payment."* The motion was seconded and also passed unanimously.

The next items were the loan documents: the application, attachments, and the loan procedures manual. The first form reviewed was the application. Dave C. went through the document explaining the various application elements. The form is purposely based upon the AIP application. It is an expanding fillable form that can be submitted electronically. The first page focuses on identifying the applicant and the project. Page two, requests project specific information and the last page asks for funding justification to assist in evaluating the project. Jennifer Skoglund asked if the intent was to apply for funds prior to going out to bid. If yes, project costs could fluctuate from the estimates used in the application. Dave C. responded there was no requirement the applicant needed to have bids to support their loan request. There was an expectation of an engineer's cost estimate for the project to be included in the application. There is also significant time and costs involved with issuing and RFP or ITB which applicants may not want to incur prior to receiving a loan. The Board may need to consider how to handle project bids that are significantly different from cost estimates provided in the application.

Michael Echanove referenced Appendix E, Project Schedule, of the application as to whether the milestone requesting funding should appear sooner on the Project Schedule list. Dave C. responded that the Project Schedule was based on a standard design, bid, and build (DBB) scenario and that the milestones listed, while typically are performed in the listed order and may overlap, do not have to be chronological in regards to requesting funding. However, projects that are not ready to proceed to construction and require more preliminary design and planning may not be scored favorably as to being "shovel ready". Board members continued to discuss the issue of when to apply for funding including whether planning expenses are eligible, if small communities would commit monies for a project before knowing if they could secure loan funding, and how bids could be conducted without planning and specifications already being performed. Richard Bogert informed the group that CERB provides planning study funds so communities can validate projects and then could apply for a construction loan for qualified projects. JC confirmed that the PWB also provides pre-construction loans and that a portion of their funding is allocated to that purpose, however, JC thought it was too risky to provide pre-construction loans initially because the project may not be completed. David Fleckenstein responded that initially it is not the intent to provide funds for planning but that could be consider in the future if funding was sufficient. It was also added that many planned projects do not proceed due to a large

variety of reasons and therefore would not generate any revenue. Janea Delk added that their construction loans allow for final design and engineering expenses and are required to be shovel ready at the time of contracting. They have a 6-month pre-contract period where they require a resolution of repayment, verify environmental and cultural requirements have been met, and permits and match have been secured. If these have not been satisfied and an extension has not been granted, the loan offer can be withdrawn. David F. and JC concurred that the process described by Janea was prudent and desirable.

Jennifer Skoglund pointed out that in the instructions for the Project Data Sheet, item 4 – Cost Estimate Details and item 5 – Project Schedule appear to be similar to the AIP grant program and pointed out some discrepancies in language including eligible costs and July 1<sup>st</sup> as being a critical eligibility date for when reimbursable costs can be incurred. Dave Chenaar responded that these sections require editing to correct the language. Some expenses would not be eligible and the July 1<sup>st</sup> time frame reference is only relevant as the effective date of the loan program funds being available on July 1, 2019. Corrections will be made. Clarification was requested regarding when project expenses incurred before the loan agreement date would be eligible. Generally, expenses incurred before the agreement period are ineligible. The Board can consider whether these expenses and other administrative costs should be reimbursable. Michael Echanove suggested we partner with CERB for planning expenses not eligible under the aviation loan program. CERB planning funds provide up to \$50k and do not have a job creation requirement.

David Fleckenstein noted the board had exceeded their meeting time and asked members about the next Board meeting. It was decided Dave Chenaar would send out a Doodle Poll for the date and time and to provide any comments or suggestions regarding the Board meetings to him. The next meeting will be 4 hours long and can be attended by teleconference or in person.

The meeting was adjourned at 12:12 p.m.

\_\_\_\_\_ Date: \_\_\_\_\_  
David Chenaar, Acting CARB Secretary