

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Airport	(2) MEETING DATE 5/22/2012	(3) CONTACT/PHONE Richard Howell 805-781-5205	
(4) SUBJECT Request to authorize a budget adjustment in the amount of \$1,659,888 to finalize a previously approved loan from the General Fund to the Airport to fund construction of the Quick Turn Around Rental Car Facility at the Airport.			
(5) RECOMMENDED ACTION General Services Agency recommends your Board: (1) approve the use of the General Fund Designation-Internal Financing to fund a loan to the Airport for the construction of Rental Car Quick Turn Around facility, and (2) authorize a budget adjustment in the amount of \$1,659,888 in Fund Center 102-Nondepartmental Other Financing Uses, by four-fifths vote.			
(6) FUNDING SOURCE(S) General Fund Loan to be repaid by CFC	(7) CURRENT YEAR FINANCIAL IMPACT \$45,000.00 redesign expense for the project	(8) ANNUAL FINANCIAL IMPACT \$200,000 annual loan payment beginning one year after project completion	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation (Time Est. _____) <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A		(12) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: 1112138 <input checked="" type="checkbox"/> 4/5th's Vote Required <input type="checkbox"/> N/A	
(13) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)		(14) W-9 <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
(15) LOCATION MAP  Attached	(16) BUSINESS IMPACT STATEMENT?  No	(17) AGENDA ITEM HISTORY  <input type="checkbox"/> N/A Date 3/12/02, 7/16/02, 2/7/06, 3/3/09, 6/23/09, 1/5/10	
(18) ADMINISTRATIVE OFFICE REVIEW			
(19) SUPERVISOR DISTRICT(S) District 3 -			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Airport / Richard Howell 805-781-5205

DATE: 5/22/2012

SUBJECT: Request to authorize a budget adjustment in the amount of \$1,659,888 to finalize a previously approved loan from the General Fund to the Airport to fund construction of the Quick Turn Around Rental Car Facility at the Airport.

## **RECOMMENDATION**

General Services Agency recommends your Board: (1) approve the use of the General Fund Designation-Internal Financing to fund a loan to the Airport for the construction of Rental Car Quick Turn Around facility, and (2) authorize a budget adjustment in the amount of \$1,659,888 in Fund Center 102-Nondepartmental Other Financing Uses, by four-fifths vote.

## **DISCUSSION**

In the latter part of the 1990's and during 2000 and 2001, the Airport and airport based rental car companies (RAC) evaluated the potential to develop a Rental Car Quick Turn Around facility (QTA). The facility was to be constructed for use by all rental car companies operating out of the Airport. The RAC would stage, clean, wash, and return cars to the rental pool. The project is proposed to be developed and owned by the Airport and leased to rental car companies that use the facilities.

In 2002, the Board of Supervisors approved the purchase of property upon which the QTA would be built. The Airport identified 2.52 acres of property adjacent to the Airport that would serve as the site for the QTA. In 2002, the Board of Supervisors approved the purchase of the property at a cost of \$1,476,000. A loan from the County General Fund to the Airport was used to finance the property purchase. The Airport has since repaid this loan in full.

Along with the staging and wash facilities, the current proposed project will also include the installation of a pad and an additional canopy (as a bid alternate) for use by the RACs should they wish to install a refueling facility at their own expense.

A project to construct the QTA was approved as part of the FY 2005-06 County budget. The project included an estimated cost of \$1,969,700 with the funding source being Customer Facility Charges (CFCs). CFCs were planned to be used to repay a subsequent loan from the General Fund.

The method to repay all county loans associated with the property purchase and construction of a future facility is through the revenues generated by the CFC program. This revenue is based on charges that are collected from RAC customers at the airport by the RAC agencies, and are paid to the airport. The CFC's are accounted for in a separate fund and they must be used on capital projects and improvements directly benefiting the rental car agencies operating at the airport.

In October 2005, the DAC approved a General Fund loan with a cap of \$2.1 million for the project and any outstanding land loan balance. In February 2006, your Board approved the professional services contract for final engineering design and construction documents for the proposed QTA. On June 23, 2009, your Board approved the project for bid. The Airport Manager rejected all bids as the collective amount of the project identified in the bids and the outstanding land acquisition loan exceeded the maximum General Fund loan of \$2.1M approved by the DAC. The project was placed on hold for redesign in 2009 as a result of these funding issues. In the past year, the project has been redesigned to reduce

the project costs and the entire land purchase loan has been repaid to the county. The current estimate for the construction is \$1,659,888.

Approval of this request would result in the formal authorization of the use of the General Fund Designation-Internal Financing and to make the loan to the Airport for construction of the Rental Car Quick Turn Around facility. The associated BAR replaces the CFCs financing with loan proceeds from Fund Center 102. The benefits of this project would be providing a facility for all the rental car agencies to efficiently process rental cars so they could be rented again quickly. The project is intended to assist rental car agencies to more rapidly respond to higher rental car demands and thus increased revenues. The rental car agencies and the Airport will directly benefit from the increased revenues and ability to service more customers.

#### **OTHER AGENCY INVOLVEMENT**

This request has been coordinated with the Administrative Office, Auditor Controller's Office and the Debt Advisory Committee.

#### **FINANCIAL CONSIDERATIONS**

Your Board's authorization of this budget adjustment allows the use of the General Fund Designation-Internal Financing to fund the General Fund loan for the construction of the Rental Car Quick Turn Around facility (WBS 300015). The current year expenditures of \$45,000 relates to costs for project redesign. The interest rate will be a float of .5% over the Treasury pool's average annual interest rate. The loan will be repaid with the CFC revenue. The first annual loan payment will be made one year after the project is placed in service (estimated to be July 2014) and each year thereafter on that same date until the loan is repaid in full. The maximum projected loan amount of \$1,659,888 will be repaid in less than 12 years as approved by the DAC. The annual loan payment is estimated to be \$200,000. Annual revenues from the CFC program have averaged \$230,000 annually over the past five years.

#### **RESULTS**

This will allow the Rental Car Quick Turn Around facility project to complete design and start construction. This will benefit both the airport and rental car agencies with respect to future revenues and the ability to accommodate more rental cars for customers. The county will benefit from interest revenue as the general fund loan is paid by airport with CFC's. This project will contribute toward our community's economic prosperity and provide services that are responsive to community desires.

#### **ATTACHMENTS**

1. Map for QTA project