

CARB Board Minutes

WSDOT-Aviation HQ – Microsoft Team Meeting
Tuesday, December 6, 2022 10:00 am – Noon

The meeting was called to order by Chair, JC Baldwin, at 10:02 a.m. JC Baldwin, and Board Secretary/Loan Program Manager Dave Chenaur participated in person while Ingrid Gaub, Michael Echanove, Jeralee Anderson, Bill Glassford, Cory Wright, Chris Paolini, George Steed, and Eric Johnson participated via video conference.

Announcements: JC Baldwin welcomed the new Board members and asked all attendees to introduced themselves. The new Board members are Kittitas County Commissioner, Cory Wright, SW Washington Regional Airport Manager, Chris Paolini, WPA President and Fly Washington Passport Program Treasurer, George Steed, and WSDOT Aviation Interim Director and Construction & Grants Program Manager, Eric Johnson.

Public Comment: No members of the public or guests were in attendance.

Board Recognition: Board Secretary and Loan Program Manager, Dave Chenaur, announced that WSDOT Board representative, David Fleckenstein, retired as WSDOT Aviation Director. David was not in attendance but was privately given a Certificate of Appreciation for his service to the Board. The Loan Program Manager recognized his contribution to the Board and appreciated all his support while developing the loan program.

Vice Chair Selection: The Board Vice Chair position is vacant. Only appointed Board positions can be nominated. Eligible members include county, city, or port officials, and airport manager or pilot association representatives. George Steed nominated Ingrid Gaub, Auburn City Manager, and Cory Wright seconded the motion. The Board voted unanimously to elect Ingrid as the new Vice Chair.

Board Agenda & Schedule: JC asked if there were any changes to the agenda and schedule. No changes were provided, and the agenda was adopted, as drafted.

Approval of August's CARB Minutes: JC asked if everyone had an opportunity to review August 3, 2022 Board minutes that were distributed. The Board responded affirmatively. Ingrid Gaub motioned to approve the minutes. Chris Paolini seconded the motion. The Board minutes were approved with no objections.

Loan Applications / Awards: Program Manager, Dave C., summarized and presented the loan applications received. He noted a loan application for \$1.2 million received from the City of Omak for an Airport Water Reservoir project was withdrawn with the expectation they could secure a grant in 2023 instead. The Port of Grant County suspended their application for \$1.2 million Pavement Replacement project till 2023, and the Port of Walla Walla decided to apply to the Community Economic Revitalization Board (CERB) program for their LifeFlight Hangar project due to their higher loan award limit and partial grant option. The remaining two (2) applications totaled \$1.9 million.

City of Kelso, SW Washington Regional Airport, Fuel System Replacement - \$1,200,000: The proposed system would include two aboveground 12,000-gallon tanks to provide both Jet A and AVGAS. The new fuel system will consist of two 12,000-gallon double wall UL-2085 internally epoxy lined tanks, associated drive slabs, a self-service card system, and an oil/water separator for water quality treatment. In conjunction with decommissioning the existing system, the project would also involve completing a Phase II Environmental Site Assessment to assess the soils and groundwater under and

adjacent to the existing underground tanks including removal and disposal of petroleum contaminated soil and groundwater, as necessary.

The existing fuel system is at the end of its useful life and must be decommissioned to avoid environmental concerns. If the existing fuel system is not replaced, the airport will no longer be able to provide fuel service, which will result in a loss of existing revenue. The fuel system is essential to attracting and maintaining businesses on the airfield, including our newer FBO, which operates a busy flight school and full-service maintenance shop. Fuel was a key variable in attracting the new FBO which resulted in a new revenue source through the lease agreement which also includes fuel flowage fees. The lack of fuel would be a lost revenue source for the airport and have a direct impact on business and customer demand to operate from KLS including charter flights, firefighting operations, military traffic, and likely severely impact the flight school. Additionally, the airport is the only jet capable airport in Southwest Washington and is identified as a potential base for emergency response operations during a natural disaster. Maintaining fuel availability has a ripple effect for our local economy and emergency response capabilities.

The project was initially awarded a \$500,000 CARB Loan in 2021 that was subsequently cancelled due to 100% cost escalation related to pandemic-related inflation. Total project cost is now estimated at \$1,906,279. Airport is pledging \$706,279 in local funds (\$500,000 in Cowlitz County Rural County Grant Fund). In the immediate term, all four governing entities of the airport's operating ILA have committed to an equal share of the loan debt and have agreed to increasing annual subsidies by \$15,000 to help make estimated annual loan payments of \$73,000. Equipment costs/quotes provided by Fuel Tech, Inc. and HydroCon. Construction and engineering estimates prepared by Century West Engineering. Environmental documentation and preliminary engineering have not been completed but will be ready to proceed immediately, if approved. The airport's Master Plan and Airport Layout Plan (ALP) was updated in April 2021. The project is located within the 19th Legislative District and 3rd Congressional District. The application received an overall average score of 83.0 and the evaluators support funding.

KLS Airport Manager, Chris Paolini, thanked the Board for re-considering the project. He acknowledged the city had to cancel the original project due to cost escalation. To mitigate the project costs, the city and Century West Engineering relocated the fuel tanks to repurpose existing infrastructure which reduced the scale of the project and related costs.

JC asked if the airport manages their own FBO. Chris responded the airport has historically contracted out the fuel service. Cascade Air has been operating the FBO for the past year. They also operate the flight school and maintenance shop out of the terminal building. The airport receives fuel flowage fees for the next 20 years. JC asked what percentage of revenue was from the fuel flowage fees. Chris did not know the actual percentage but emphasized having fuel access allows the airport to charge higher lease rates and attract FBOs on the airport. Maintaining lease revenue is contingent on continuing to provide on-airport fuel. Replacing the current aged underground tanks is essential to maintain critical fuel service and avoid future environmental problems.

From a cost recovery standpoint, Cory Wright asked if there were safeguards or policies in place restricting outside fuel delivery service to avoid paying fuel flowage fees. He provided an example of NFS using their own fuel tanker to support helicopters bypassing the on-airport fuel facilities. Chris replied no but was unaware of any incidents at their airport. Adopting policies and agreement language prohibiting external fuel vendors was encouraged.

The Loan Program Manager continued to discuss the audited financial information for the City of Kelso. In 2019, the city had \$29.3 million in revenues and \$22.8 million in expenses resulting in \$6.5 million in

surplus revenue. Debt and liabilities totaled \$20 million. The State Auditor's Office (SAO) rated their economic outlook for all governmental activities as "cautionary" due to their solid waste enterprise fund reporting a deficit. Their general fund was rated "good". Based on the financial information and the funding resolutions provided, the Loan Program Manager believes the city's ability to repay the loan is secured. Chris confirmed the estimated loan payment of \$73,000 will be paid with \$60,000 in funds contributed annually by the airport's four governing bodies and \$13,000 from the airport's annual budget including revenue from fuel flowage fees. He also affirmed the budgeted project cost estimates include 15% (\$191,220) for contingencies.

JC asked if no further discussion was needed, she was willing to entertain a motion. Michael motioned to accept the fuel system replacement project proposal by the City of Kelso for \$1.2 million. Jeralee seconded the motion. The motion passed unanimously. Chris Paolini recused himself from the vote.

Port of Ephrata, Ephrata Municipal Airport, T-Hangar Project - \$700,000: The Port is requesting a \$700,000 20-year loan with no deferral period. The project consists of constructing a new 9-unit T-Hangar. Project includes site preparation, stormwater improvements, paved taxiways w/markings, and a metal prefabricated structure. Total project cost is estimated at \$1,537,030. \$624,972 in FTA funds, and \$212,058 on local funds is provided as match. Project does not include demolition of old hangar. Project location and site drawing provided.

Current Hangar 405, which houses 7-8 aircraft is an 80-year-old wooden structure that is failing and is not financially feasible to repair. 2021 engineering report estimates \$712,500+ in a roof repair while this hangar is also exhibiting signs of structural fatigue (1 main door jammed). The applicant provided a cost/benefit analysis in their application along with an estimated expenditure and repayment plan. PE consulting firm (T-O Engineers) has been procured to oversee project and the associated contract was provided. The new T-hangar project will generate/leverage enough revenue to pay itself off in 19 years after construction and produce approximately \$50k/year in revenue thereafter.

Ephrata Municipal is a NPIAS community airport located in the 4th Congressional District and 13th Legislative District. The Port's 2023 budget and GHG policy was included. The project is ready to proceed immediately with a start date of January 2023 and an estimated completion date of November 2023. The project received an overall average score of 78.7 and the evaluators support funding.

George Steed asked if the old hangars were the B-17 quonset-style hangars that housed multiple planes. Hangar 405 was confirmed to be one of those hangars. George explained he was familiar with the historic hangar. Planes would have to be stored with tow bars attached so they could be repositioned to allow egress through the one existing door. Therefore, lease rates were very modest at \$138/month. He also identified the shortage of airplane hangar space in our state.

Cory asked if the Port provided a hangar waiting list in their application. The Program Manager did not recall a waiting list was included in their application. Their airport financial budget and revenue/expense reports indicate eight (8) current lessors in the current hangar and the new 9-unit T-hangar would be fully occupied.

JC added that liability issues may exist with a structure that was identified as being in disrepair and structurally deficient.

The Program Manager shared the SAO Financial Intelligence Tool (FIT) report for the Port of Ephrata. Enterprise operations have a "good" outlook rating. In 2021, revenues were \$1,115,616 while expenses were \$797,085 creating an operating surplus of \$318,531 (28.5%).

Michael asked if the old hangar was to be demolished or is the new T-hangar going to be in a separate location. The Program Manager confirmed the project does not include removing the old hangar and that the T-hangar would be in a new location. Whether the old hangar would ultimately be demolished was uncertain. Engineering reports and estimates indicated 2 out of the 3 old hangars were restorable.

Chair JC called for the question. Chris moved to approve the Port of Ephrata's loan request of \$700,000 for a 9-unit T-hangar. Ingrid seconded. Without further discussion, the Board approved the motion unanimously.

Remaining Funds – Reserve: Loan awards totaled \$1,900,000 leaving \$295,598 available for awarded project cost overruns or future loan awards. The Program Manager reminded the Board that at the last August meeting, the decision to raise the maximum loan limit and allow loan recipients an additional 10% beyond the loan limit for documented cost escalation. The remaining funds may need to be held in reserve to meet these requests. Currently, 9 out of 17 projects are still ongoing that could request additional funds. JC asked if requests were capped by 10%. Dave responded affirmatively but provided an example where an existing loan below the new loan threshold may apply for an amendment increasing the loan to the new threshold which would be beyond 10%. The example, however, would require a new application and would be subject to available funds.

Chris asked how much loan revenue will be received to replenish the fund over the next year. Dave responded that the projected amount of loan revenue, comprised of both return of principal and loan interest, will be minimal. By June 30, 2023, only \$134,644 will be collected. This is due to only four (4) projects having begun repaying their loans. As more projects are completed, this revenue will increase correspondingly. Program revenue also includes investment interest income earned on the 22L revolving loan fund. Investment interest is less than 1%. As of June 30, 2022, investment interest totaled \$31,498. In total, the program would only have an additional \$200,000 funds by July 1, 2023 unless additional funds are secured in the 2023-2025 capital budget.

JC clarified that repaid funds are available to a wider group of applicants including privately-owned airports. Dave reminded the Board of their original intent to use those funds for attractive projects to airports that were ineligible due to additional restrictive language that was added on 2021.

Eric asked if the remaining funds would expire on the end of the biennium (June 30, 2023). Dave replied the funds are non-appropriated state funds held in a permanent, revolving loan account that does not expire like traditional state funds. Historically, the Board has focused on "putting the funds to work" and successfully completing projects to demonstrate demand for the program. Due to the small amount of funds available, the Board would have to identify a specific project, with a very limited budget or willing to accept partial funding, to award the remaining funds. It may be more likely an existing project may require additional funds due to construction cost escalation. JC confirmed the reasoning for the Board to modify the funding limits amid an environment of rising construction costs.

The Program Manager asked if the Board preferred to request additional applications or hold the funds in reserve. If not used, they would be added to any future funds secured. \$5 million has been identified in the 2023-2025 capital budget. Ingrid liked the idea of holding the funds in reserve to be available to support existing projects. While the construction climate may have stabilized, they are still higher from the time we made prior awards. George also supported the idea of holding the funds in reserve. He shared his experience with other programs where withholding funds was a prudent strategy. Chris agreed. Cory suggested the Board consider developing a reserve policy based on an end of biennium

review. JC directed the Program Manager/Board Secretary to add the topic to a future agenda and develop a report.

Comments/Next Board Meeting: JC asked if there were any final comments. Chris asked if there is any loan award announcement protocol. Dave summarized the loan award offer process and said he would be contacting all the applicants by tomorrow. Since all applications were awarded, there is no restriction on sharing the City of Kelso's award information.

Michael informed the Board he attended the IACC Conference in Wenatchee last October and attended a presentation on the CARB program performed by Dave. He recognized and praised Dave for his excellent work promoting the program. JC also has attended a few presentations on CARB and concurred that Dave has done a great job educating the public and performing outreach. She challenged all Board members to promote the program when possible.

JC recommended a new aviation-themed movie called "Devotion" based on the true story of the U.S. Navy's first Black pilot. Set during the Korean war, the movie was partially filmed in East Wenatchee (Pangborn Airport), Washington.

The next Board meeting was tentatively scheduled for May or June 2023 after the state budget is signed into law. The meeting may be held at the Bremerton National Airport or as a virtual online meeting. If possible, a tour of the almost completed CARB-funded Multi-Purpose Facility at the Bremerton National Airport may be part of the meeting with lunch provided at the new restaurant, "Emelia's Hangar". George has a plane at Bremerton National and volunteered to help coordinate a meeting at the airport. Invitations to the next Board meeting will likely occur in April when more information is available.

JC adjourned the meeting at 11:50 p.m.

David Chenaur

David Chenaur, Acting CARB Secretary

Date: December 13, 2022