

CARB Board Minutes

WSDOT-Aviation HQ – Microsoft Team Meeting
Wednesday, August 3, 2022 9:00 am – 11:00 am

The meeting was called to order by Chair, JC Baldwin, at 9:15 a.m. due to technical difficulties with MS Team meeting application. Board members Andy Hover, Ingrid Gaub, John Dobson, Rich Mueller, Bill Glassford, David Fleckenstein, and Board Secretary/Loan Program Manager Dave Chenaar participated in person while Jeralee Anderson participated via video conference. Guest Chris Herman attended via video conference. Board member Michael Echanove was unable to attend due to technical connectivity issues.

Announcements: JC Baldwin welcomed the group and asked attendees to introduced themselves.

Board Recognition: Board Secretary announced that three (3) original Board members had successfully completed their term on the CARB. Vice Chair Andy Hover, John Dobson, and Rich Mueller were each presented a framed Certificate of Appreciation for their service. Loan Program Manager, Dave Chenaar, thanked the members for their participation as “vital to the successful implementation of the loan program.” JC and the Board applauded their contributions to the CARB Loan program.

Board Agenda & Schedule: JC asked if there were any changes to the agenda and schedule. David Fleckenstein requested to add loan limits to the agenda. Andy noted the agenda should include a “public comment” period per OPMA and HB 1329. The agenda was adopted, as revised.

Approval of June’s CARB Minutes: JC asked if everyone had an opportunity to review June 2, 2022 Board minutes that were distributed. The Board responded affirmatively. Ingrid Gaub motioned to approve the minutes. David F. seconded the motion. The Board minutes were approved with no objections.

SAO Audit Update: Dave C. informed the Board the audit of the CARB Loan program by the State Audit Office (SAO) has been completed with no audit findings or management letter items identified. There were two audit exit items identified involving the loan program; 1) Noted an OPMA deficiency in notifying the public and documentation of Board members satisfying required OPMA training, and 2) Questioned a third-party, project management expense with the City of Chehalis fueling facility project and a third-party contractor. The loan agreement language on eligible project costs for project management was confusing.

The Program Manager shared a summary of the two SAO recommendations and the Loan Program Manager’s resolutions to SAO concerns. We have posted all meeting notices, agendas, and board minutes on a newly created CARB webpage and had all current Board members complete online OPMA training and sign an attestation to be kept on file. The questioned project expense is customarily eligible as required under Governor’s Executive Order 21-02 on archeological discovery. The loan agreement language in Section 4, Eligible Project Costs, paragraph 5, has been modified to clarify third-party project management costs were eligible and internal project management/administrative costs were ineligible for reimbursement under the loan. The revised loan agreement language was reviewed and approved by our assigned Assistant Attorney General. All future loans will use the revised loan agreement. SAO received copies of the actions/responses to both of their concerns and were satisfied with the resolutions presented. Aviation Director, David Fleckenstein, praised Dave C. for promptly addressing both issues prior to the completion of the audit.

Bill asked if the deficiencies will be noted in the final audit report. Dave C. responded that they will not be included in the final report that will be posted on the SAO website. Andy asked if the CARB program will be audited every 3 years. David F. responded “no”; He had requested the audit and that normally the program would not usually be selected due to its small size. Dave C. added that WSDOT is audited annually, but specific programs are audited on a “risk-based” system. Any future audits will be based on risk of compliance with GASB and the enacting program legislation. CARB may be subject to another audit in the future, but due to its compliance performance, routine audits are unlikely.

OPMA Public Comment: The Board noted a guest in the virtual meeting “waiting room” and the Board Secretary allowed guest, Chris Herman, to join. JC took a moment to ask for any public comment per OPMA requirements. None were received. JC commented that other boards receive meeting notices when they are sent out so they can forward to interested parties. Currently, Board members only receive the meeting request, drafted meeting agenda, and prior drafted meeting minutes. Dave C. explained that besides posting meetings on our webpage and aviation newsletter, he occasionally cc’s meeting invitations to interested parties like Chris. David F. suggested we could create and maintain an interested parties list to actively seek public participation. John asked how we could create the list. It was recommended to include an invitation on the webpage and newsletter to subscribe to notifications of future Board proceedings. JC added that we will need an “opt out” option, as well. The Program Manager/Secretary will develop an invitation to include in upcoming newsletters and post on the webpage for inclusion to a CARB subscription list.

2023-2025 Budget Requests: David F. updated the group on the status of CARB’s request for additional funding. WSDOT routinely develops decision package requests for the Governor’s budget. These requests are very competitive. We developed a decision package for the CARB program that was not an agency priority but has received some executive support. WSDOT has engaged the Office of Financial Management (OFM) to include the request alternatively as a capital item. We are currently responding to some of their questions including the status of committed funds. Currently, over \$2 million of available funds are not obligated, though we anticipate this will occur before the end of the year. Lacking infusion of additional funds for the 2023-2025 biennium would essentially suspend the program until sufficient loan funds are repaid. JC asked if a source of funds had been identified. David F. responded that a source had not been determined. Both acknowledged that the Public Works Assistance Account may not be available for another \$5M transfer.

Loan Limits: Andy requested this may be a good time to discuss loan limits. Dave C. updated the Board on the current availability of funds due to recent events impacting two awarded projects. Initially, we expected to have \$2.41 million to award. That amount has grown by \$600,000 to \$3.01 million because two awarded projects have been cancelled due to project costs doubling from initial estimates. Andy noted his county experienced a similar issue that required them to postpone the project hoping for lower future bids. David F. commented on construction cost escalation and the size of projects moving forward. Andy did not object to raising the loan limit acknowledging recent inflation but shared the need to establish an effective date for the increase and whether limits on how often an airport can apply should be considered. David F. concurred with Andy’s comments and suggested stipulations on loan requests to ensure the funds are awarded equitably. JC affirmed that some airports have more resources for alternative funding that should be considered. Dave C. noted that the Board had decided to reserve 75% of the funds to smaller airports when the loan program was established in 2019. To date, only one application submitted had significant commercial service and it was ultimately not funded. Ingrid explained lack of applications from larger airports may be due to the size of their projects and the current \$750,000 loan limit. She also supported the current 75/25 award of funding preference.

Discussion shifted to the size of the loan limit increase. Members suggested limits between \$1M to \$1.5M. Members considered many factors related to a higher loan limit including the number of applicants and awards, ability to repay, legislative intent, and program optics. After further discussion, Andy motioned to increase the loan limit cap to \$1.2M effective for the next round of applications. David F. seconded. The motion passed unanimously.

On another subject, John emphasized the need for small airports to access funds. He wondered if CARB could award some planning funds to develop loan projects. Dave C notified the Board that current legislative language does not allow for planning project or grants. Bill suggested applicants could apply to CERB for a planning project. Several members supported the idea and Chair JC commented that a planning grant would be more desirable to applicants in cases where planning did not lead to a viable loan project.

With the higher loan limit, David F. requested the Board consider a limit on the number of loans a single applicant can apply for. Discussion ensued on the number of loans, the waiting period between awards, and if awarded projects could apply for additional funds. Andy described how applicants could circumvent the loan limit by phasing a project by requesting separate loans to cover segments of the project. Members made a distinction between funding multiple projects and asking for additional funds. Ingrid asked if a project was amended, would it be limited to the \$1.2M limit. JC pondered if we should alternatively consider a percentage increase. Andy referenced a common grant practice to allow for a percentage increase for substantiated project cost overruns. David F. confirmed that FAA grant programs allow for a 10% increase. Dave C. noted that current CARB projects normally have contingency costs included in their project estimates as a common practice. Rich cautioned any project award increase would have to be subject to available funds. Andy provided an example where an applicant could request funds up to the loan limit and then would be restricted from applying again for two years. After discussion, the Board determined the award date would be the effective start date for any waiting period selected. The Board selected a two-year moratorium between applications.

Andy suggested establishing a routine annual award schedule may be beneficial for airports to plan loan applications. Currently, CARB has requested applications once or twice a year based upon funding availability. JC shared her concern regarding obligating funds promptly. The Board confirmed the desire to put the funds to work. No action was taken on Andy's suggestion.

David F. made a motion on a 24-month waiting period and a 10% additional funding request for cost overruns. After discussion, the Board agreed to divide the motion into two separate motions. David F. then motioned that "Loan applicants are subject to a 24-month waiting period following award of the loan before requesting a subsequent loan for a different project". Andy/Rich seconded. No further discussion was offered and the motioned passed. David F. next motioned "Loan applicants may request additional funds within the 24-month waiting period due to cost overruns not to exceed 10% of the original loan, if available." Andy seconded. Jeralee asked for clarification if the additional 10% was beyond the loan limit. Several Board members confirmed affirmatively that the request would be in addition to the loan limit. Bill questioned need for "if available" language since award is subject to board approval. The Board agreed and David F. modified the motion to "Loan applicants may request additional funds within the 24-month waiting period due to cost overruns not to exceed 10% of the original loan." The motioned passed unanimously.

The Board took a brief 10-minute break to allow the Board Secretary to update the Loan Procedures Manual to include the new approved language.

Update to Loan Procedures Manual: After the Board reconvened, Secretary, Dave C., displayed the Loan Procedure Manual edits to the Board for review and approval. He noted additional language clarifying the cost overrun provision could be in addition to the new loan limit, and if it would require an additional motion. The Board responded negatively and vetted the revision. Dave C. moved on to the remaining manual revisions regarding loan eligibility. As Loan Program Manager, he described how SB 5031 changed eligibility of loan awards to non-governmental (privately-owned) airport sponsors, as follows:

Non-governmental Airport Eligibility: When the CARB Loan Program was established in 2019 by capital budget SHB 1102 and funded with \$5M, the legislation was silent on eligibility of privately owned, non-governmental airports to access CARB loans besides being open to the public and under an annual 75k commercial enplanement threshold. Subsequently, loan applications were received from privately owned airports open to the general public in 2019 and 2020. The Board awarded and executed two (2) loans for a total of \$85,000 to Sequim Valley Airport, a privately owned airport. Both projects were successfully completed, and the airport has begun making loan repayments in 2021.

In May 2021, the Community Aviation Revitalization Board (CARB) loan program was made permanent with the passage of SB 5031 and funded with an additional \$5 million from the Public Works Assistance Account for the 2021-2023 biennium. SB 5031, Section 6(4) added the following language that was not part of the original program:

“(4) Loans issued to airport sponsors of nongovernmental airports must only be made from repaid loan funds deposited into the public use general aviation airport loan revolving account.”

This additional language restricts “non-governmental” airport sponsors for current funding until sufficient repaid loan funds are available to be awarded. We have received another loan application from Sequim Valley Airport, Inc. for a viable hangar and office project that appears to be affected by this provision.

We consulted with our assigned AAG on the new language, and he confirmed our concerns that new applications from non-governmental airports will not be eligible for current funding. While past awarded projects to privately-owned airports are not affected, the additional language effectively restricts all future applications from non-governmental, privately owned airports from being awarded funding in the near term. Current projections estimate that will not occur until the 2025-27 biennium.

John commented that it really impacts privately-owned airports. Rich expressed disappointment with the additional language. Members wondered what the source and intent for this language. JC asked if we could go back to the sponsor, Senator Honeyford, for additional information. Rich volunteered to reach out to Senator Honeyford and requested the summary provided to the AAG and the executive summary of the Sequim Valley loan application from the Program Manager. Dave C. confirmed he will fulfill the request.

Dave C. shared the proposed revisions to the Loan Procedures Manual in the loan eligibility section noting that “Loans issued to airport sponsors of nongovernmental (privately owned) airports must only be made from repaid loan funds deposited into the public use general aviation airport loan revolving account.” Andy motioned to accept the language to the Manual. Jeralee seconded. The motioned passed unanimously.

Loan Applications / Awards: Program Manager, Dave C., presented the loan applications received. He noted a loan application from the Port of Ephrata for a \$730,000 hangar project was withdrawn by the new acting Port Director for further review due to the sudden departure of the Port Director responsible for submitting the application.

The City of Colville is requesting a \$300,000, 20-year loan, for a Jet A Fuel System consisting of the installation of a 12,000-gallon UL 2085 Fireguard fuel tank designed to store and dispense Jet A fuel to aircraft commercially. Since the 2015 fire season, there has been a need for an on-airport source of Jet A fuel. The city has land use agreements with the Colville National Forest, Washington State DNR, the BIA, and Washington Dept of Fish & Wildlife. A medivac operator is also considering a full-time base at the Colville airport. The city projects net income from fuel operations between \$19,829 - \$26,458 annually dependent on wildfire activity. Scheduled loan payment is only \$18,347/annually. The project is ready to proceed immediately. The application received an overall score of 81.3 points.

John asked why the project was significantly less than the City of Chehalis. Dave C. responded that unlike Chehalis, which replaced an existing UST system with two above ground tanks with dispensing equipment, containment, and disposal of the underground tanks, Colville is a prefabricated, single fuel tank that does not require digging up old tanks, disposal, or special containment.

Andy moved to approve a \$300,000 loan for the fuel system. Rich seconded. The motion passed unanimously.

Lewis County is requesting a \$514,402, 20-year loan (w/2-year deferral period), to replace an existing UST fueling system with a new above-ground AvGas 100LL fueling system using a phased approach: Phase 1 – Procurement of new fuel system, and Phase 2 – Site preparation and installation of new fuel system. The existing fuel system is outdated and in need of replacement. The new fueling system will meet FAA requirements and provide enhanced operations at South Lewis County Airport (aka Ed Carlson Memorial Field - Toledo). Replacement of the fuel system at the South Lewis County Airport will allow the County to provide reliable refueling services for pilots utilizing the airport. Currently the County has sold about 12,000 gallons of fuel in 2022 and their system has been down for weeks at a time due to miscellaneous equipment failures. A reliable fuel system is critical for the County to continue to attract visitors and generate revenue for airport operations and maintenance. The fuel system also gives the County the opportunity to attract visitors, events, and potential development at the airport. An itemized cost estimate was provided including a 10% contingency. The application received an overall score of 68.0 points.

Members asked if the project included disposal of the old system. Dave C. could not confirm from the application specifically, however, the project schedule did list removal. Rich moved to approve a \$514,402 loan for the fuel system. Andy seconded. The motion passed unanimously.

Unfortunately, as identified earlier, Sequim Valley as a non-governmental airport cannot be awarded current funding. Sequim Valley Airport is requesting a 20-year loan for \$750,000 to construct four (4) single-unit aircraft rental hangars (42'x32' each), one (1) single-unit aircraft rental hangar (50'x40'), 300' taxiway to these hangars, one (1) office building with restrooms/pilot planning area for hangar owners, and rental office. Multiple bids were received confirming the cost estimates including one bid to build all structures for less than \$750,000. Letters of intent to lease were received for all proposed hangars, and revenue and cost projections showed the project would generate \$16,542 in annual income during the term of the loan. The application received an overall score of 82.0 points.

David F. asked if the Board had any alternative suggestions for this airport sponsor. Bill responded he will investigate if he could find an alternative funding source. No action by the Board could be taken at this time.

Dave C. summarized the awards totaling \$814,402 leaving approximately \$2.2M available for the next award prior to the end of the year.

Comments/Next Board Meeting/Tour of Pangborn Memorial Airport: The next Board meeting was tentatively set for Tuesday, December 6th from 9:00 am to Noon as a virtual online meeting. Jeralee needs to confirm her availability. If the meeting is for loan award only, the meeting could be shortened to one or two hours. Dave C. stated that we need three new Board appointments to have a quorum including one county official, one airport manager, and one representative from a pilot association in Washington state. Nominations for Board members would be appreciated.

The formal Board meeting was adjourned at 11:22 p.m. for lunch. A box lunch was provided courtesy of the Port of Chelan. Following lunch, the Board toured the Pangborn Memorial Airport. Airport Manager, Trent Moyer, drove the Board around the airport to see the recently completed, current, and future planned capital construction projects at the airport. The tour was very informative and appreciated by the Board members.

David Chenaur

David Chenaur, Acting CARB Secretary

Date: August 30, 2022