



Legislation Text

File #: 11-0594, **Version:** 1

Department of Transportation recommending the Board:

- 1) Approve the re-calculation of the Placerville Airport Fuel Tank Loan ("Loan") using the County's pooled rate of investments thereby reducing the principal of the Loan by \$15,219.88 to reflect the correct amount of principal as of July 1, 2010; and
- 2) Forgive the remaining balance of the Placerville Airport Fuel Tank Loan in the amount of \$36,851.14.

Fiscal Impact/Change to Net County Cost:

The General Fund would not recognize revenue of approximately \$2,800 per year for the next seventeen years or \$47,500 (\$36,851.14 plus interest).

Background:

On June 13, 1995 the Board approved Agenda Item #19 which authorized the Chairman to sign a budget transfer transferring \$71,000 from the General Fund Contingency to the Placerville Airport Enterprise Fund to fund a portion of the cost of the Airport fuel tank. This approval was with the caveat that the transfer was a loan. At the January 9, 1996 Board meeting, Item #50, the Board determined to leave in place the loan from the County General Fund to finance a portion of the underground fuel tank replacement, and have the matter come back through the budget process for an analysis of budget impacts. During the 1996/97 budget hearings the record shows the Board made no change with regard to the loan. Approved loan documentation has not been located. The Placerville Airport has made annual loan payments to the General Fund based on a 5% fixed interest rate, which was approximately the County's pooled rate of investment ("Pooled Rate") in 1995.

Reason for Recommendation:

It is customary to the practices of County internal loans to charge an interest rate based on the annual Pooled Rate of interest. The 30-year amortization schedule that was prepared for the airport loan used the 1995 Pooled Rate of 5%. The annual payments were made based on this rate with no adjustment for the fluctuation in the Pooled Rate. Because the interest rate on the loan had not been adjusted annually, the Placerville Airport over paid interest to the General Fund. Using the Pooled Rate accurately reflects the County cost of funds to support the Loan and reduces the burden to Placerville Airport. Had the Loan been adjusted each year and based on the payments made, the Loan principal should be paid down an additional \$15,219.88 and would currently be \$36,851.14, see Exhibit B.

The Placerville Airport has been making the Loan payment and has began paying its share of the County's A-87 costs to the General Fund. Alternatively, the airport receives a General Fund contribution of approximately \$31,000, which is reflective of a portion of the annual property taxes generated by the Airport uses. The initial payment of this contribution to the airports was in fiscal year 2010/2011 but should have been evaluated as a possible funding source when DOT began overseeing the airports in 2008/2009. Seventeen years of annual payments of approximately \$2,800, based on an average interest rate of 3%, remain on the loan. Forgiving the balance of the Loan would reduce the financial burden to the Placerville Airport and eliminate an on-going transfer

between funds.

Action to be taken by the Department following Board approval:

The Department will submit a journal entry to the Auditor's Office for processing that will reflect the Board's action by adjusting the Financial Statements.

Contact:

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Concurrences: N/A