MEMBERS PRESENT:	Vice Chairman Schofield Mr. Craddock Mr. Jeffrey Mr. May Mr. Mello Mr. Nicholas Mr. Polish Mr. Prengaman Mr. Redelsperger
MEMBERS ABSENT:	Mr. Dini (Excused) Mr. DuBois (Excused)
GUESTS:	Mr. Bob Mandeville, Airport Authority Mr. Silvio Petricciani, Airport Authority Ms. Betty Morris, Airport Authority Mr. Bob Kendro, Airport Authority Mr. Ron Creagh, City of Reno Mr. George E. Aker, Airport Authority Mr. G. P. Etcheverry, Nev. League of Cities

Vice Chairman Schofield called the meeting to order at 9:15 A.M. The first bill we are going to discuss today will be AB-2, and also will take discussion on AB-186.

The first speaker was Peggy Westall, Assemblyman, District 31. She urged that the committee DO PASS AB-2 out of fairness to the City of Sparks and the residents that are the most impacted by the Authority. It is not only a sympathy thing, but I believe that the numbers of population there warrant it. You were handed the figures earlier and I believe that they warrant a second seat on the Board for Sparks, and I would urge that you DO PASS this bill.

Mr. Mello said that it should be stated for the record that Mrs. Westall has already testified before this committee in regard to AB-2.

Mr. George Aker, trustee of the Airport Authority of Washoe County, indicated he would testify in support of AB-2 and against AB-186. I have been the treasurer of the Airport Authority since its inception and have watched the development, the rapid growth situation in the Airport Authority, working to meet the needs of the airlines and the Cities of Reno and Sparks. It is my feeling that the City of Sparks should have that additional representation.

The proportions on the committee as originally set by the Legislature with four from Reno, two from the County, one from Sparks, perhaps understated the role that Sparks has in the valley. We would then have an Authority of eight persons, with the additional change in which the chairman would vote only in the event of a tie. In regard to AB-186, there seems to be a clear suggestion that the Airport Authority may not be filling the full bill of requirements in handling the construction and management of the Airport Authority. It is my personal feeling that the appointees have been selected well. That group of trustees have included contractors, casino owners, managers, attorney, a teacher, a banker, and together they have taken their duties very seriously, and have performed well, in what has been a substantially trying situation. We took over the airport from the City of Reno and have grappled with a very rapidly growing situation in which we went from three scheduled airline carriers to eleven. While travel was off 14% in 1980, it is still a substantial increase over the historic base. It is my feeling that the group that has held this function has served well. AB-186 seems to say we do not like an appointive group even though the trustees are appointed by elected political constituencies. Frankly, I am indifferent as to the outcome of the bill. If the Legislature, which created the Airport Authority should choose to modify it, and return that management function to elected officials as an additional duty, it clearly has that right, and I for one would certainly submit to that, and in fact, it would personally be a relief to no longer be required to participate in this kind of activity, because I have truly looked on this as a community service and feel that my involvement and I know that many of my fellow trustees feel the same way, is a matter of honest community involvement and support. I feel that it would be a substantial additional commitment to the Reno City Councilmen where they to take this responsibility on.

I think it is important that your committee have a careful and accurate assessment of the dimension of that task. There has been some information provided in the press that is substantially wide of the mark as far as the current condition of the Airport Authority of Washoe County. I would like to enter into your record the fact that as of June 30, 1980, which is the audited date, Fox & Co. are the CPA's handling the audit function for the Authority, had $75, 858,727 in assets and debt outstanding at that time of $50 million. That debt arises primarily from the $44½ million bond issue that was successfully using Merrill Lynch as the underwriter in December, 1978. The Airport Authority is currently in the process of the sale of an additional complement of bonds that will be in the order of $30 to $32 million. Our feeling from the Airport Authority is that we have a solid revenue basis for the underwriting of the bond issue that has been sold and the new bonds that will be sold.

We generate significant revenues from the operation of the airport and we have signatories from the airlines that provide through the landing fees the full underwriting of the issues which the Airport Authority would sell. In summary, I would like to say that those of us who serve as appointed trustees of the Airport Authority take pride in the task that we have undertaken. We take pride in the progress that has come through our management on this task and we feel it is a privilege to be able to serve our community in that respect. I would urge passage of AB-2 and would urge the demise of AB-186 and would feel it a pleasure to continue to serve in our current capacity.

Mr. Mello asked if the Airport Authority given direction to change the landing and takeoff patterns at the Cannon Airport.

Mr. Aker indicated that there are new tracks which have recently been put in place that are a substantial improvement from the noise standpoint impacting housing areas. I would like to defer specifics in that area to Bob Mandeville, who is the Executive Director and he can answer more fully.

Mr. Mello said my question is you do have a vote on that, do you not. Mr. Aker answered 'surely, I do'.

Mr. Mello said that: I believe though that the landing and takeoff patterns over the City of Sparks has been changed somewhat, is that correct?

Mr. Aker answered that the airport traffic patterns are essentially a matter for the FAA. They were modified at the request of the Airport Authority to lessen the noise impact on housing areas both north and south of the main runway.

Mr. Mandeville stated that the matter of flight tracks have been under study for approximately two years in terms of finding paths that would be over less populated areas. They recently were...

Mr. Mello said: It took them two years to figure that out.

Mr. Mandeville answered that it is a very complex issue.

Mr. Mello said: Oh, it is?

Mr. Mandeville stated that the matter of aircraft flight and the control of that traffic is the perogative and jurisdiction of the FAA. They will establish...

Mr. Mello said they don't understand the problems of the City of Sparks, I am sure, or could probably care less. That is something that the Airport Authority could have been looking at a long time ago and given direction to the federal government on the flight patterns over the City of Sparks.

Mr. Mandeville stated that that has exactly been the case, Mr. Mello. The Authority has been working very closely with the FAA for over two years in order to develop flight tracks that would be less offensive in less populated areas. You asked the question 'when did it take place' and the answer is on February 19, the FAA published the new flight tracks and indicated that it would take approximately thirty days or so for the publication to get into the hands of all the participating airlines. What that means to the City of Sparks is that aircraft departing Reno in a northerly direction will make an approximate 10% turn to the west at an altitude of approximately 1,000, flying over what is considered a less populated area - Paradise Park, the freeway.

Mr. Mello said it has been for some time less populated. What I'm concerned about is it appears that the Airport Authority has not had the ear to the residents of the City of Sparks. I feel that the Airport Authority has represented the economy of the City of Reno, and I realize how important that is, first of all before the residents, at our expense. Now, I want to see the airport grow; I want to see economy of our county grow, but not at the expense of the residents that have to live with the noise created from that airport. It appears to me that the flight plan has been too long coming.

Mr. Mandeville stated that the flight track is only one element of a series of some twenty different recommendations that have been developed. Indeed, the City of Sparks, its planning staff and its professional staff, have been very instrumental in performing in the different committees that are functioning at the airport in order to analyze the noise problem. It is a very complex issue, it is not an easy one to resolve, but yet it takes the cooperation of all three governmental agencies and I believe that we achieved that.

Mr. Mello stated: After the City of Sparks got up in arms at committee meetings where the people were extremely upset and after a petition of over 6,000 names were presented to your body did you finally do something about it.

Mr. Aker stated that he would like to respond to that. Mr. Mello said: I wish you would.

Mr. Aker stated that the study was undertaken voluntarily better than two years ago and those suggested improvements have been in process of implementation. Mayor Player testified at the Commerce committee hearing held in Reno recently, together with Senator Cannon. They voiced some of the same concerns that you are voicing today which we are thoroughly familiar with. The conclusion of the hearing was that Sparks was, of course, interested in the growth and development of that airport; that they did recognize the actions taken by the Airport Authority in trying to ameliorate that noise problem and we feel that the noise problem is substantially relieved as the aircraft engine complement is changed in the fleet over a period leading to 1985. We feel that is going to be the true solution of that problem. I would say that we feel the Airport Authority has been responsive. We empathize with the Conductor Heights area.

Mr. Mello stated that he disagreed with him.

Mr. Aker answered: You are welcomed to.

Mr. Schofield asked if any other committee member...

Mr. Mello said: Just a minute, I want to pursue this. I live in Sparks and I have listened to this noise for many years. Now that I have the Airport Authority here, I would like to continue, if I may, Mr. Chairman.

Mr. Schofield: Go ahead.

Mr. Mello: Now you got me off my train of thought, now.

Mr. Mandeville said to Mr. Mello, while you are seeking your train of thought, let me just bring to your attention an action on the part of the City of Reno prior to the Airport Authority taking over. In the fall of 1977, the City of Reno authorized management to make an application with the FAA to undertake a noise study. It was one of twelve first in the United States. This was undertaken before the airport growth had taken place. This was known as the Airport Noise Control Line Use Compatibility study. We were running twenty or thirty flights a day with three scheduled carriers and the complaints that we were receiving were not the motivating factor as to why the NCLUC study was undertaken. It was undertaken as part of a study with the FAA to help noise planning efforts at the nation's airports. It was used as a pilot program in order to develop other NCLUC studies. This study has provided a series of recommendations that the Authority can implement that tends to reduce noise. One happens to be the flight tracks. In order to incorporate a flight track change, there are many organizations besides the FAA that are involved in the implementation of those flight tracks and requires considerable amount of testimony and input, particularly the Air Transport Association, Airline Pilots Association, etc.. I would emphasize that the City of Reno prior to the Authority and subsequently the Authority itself have been very sensitive to the airport environs, and particularly in Sparks, and have tried to deal with it.

Mr. Mello said you would never know it if you lived in the house I live in. Do you live in Sparks? Do you, Mr. Aker? Both answered 'no'. Well, I want to tell you. If you lived in the City of Sparks, you would have been looking at this long before now. Right now, in the area of Sparks where I live, the homes are harder to sell than they are anywhere else in the Reno/Sparks area. They have to sell them at a lower than the going market. Why? Because of the airport. I think it is long overdue what you have done for the City of Sparks. It is long overdue. It could have been done some time ago, I am sure of that.

Mr. Craddock stated that the thing that is bothering me is that by increasing the number of members from Sparks is that the emphasis seems to be to remove Reno from the position of dominance. In order to overcome that by having the chairman not vote does not necessarily solve the problem. If the chairman were to come from Reno, then there is no way they could have the majority. But if the chairman was not from Reno, the four members entitled to vote could in fact control the entire destiny of the airport. What would be the feeling of having the chairman required to be from Reno?

Mr. Aker said that the present situation is that the chairman is an appointee of the City of Reno, so that the voting members are in fact three from Reno, two from the County, one from Sparks and the proposal would be two from Sparks. AB-2 is not an attempt to wrest control away from Reno, but to give added representation to Sparks. However, I don't recall where there has been a split vote in the past. The trustees have worked very much through a consensus process. There shouldn't be any problem as to who the chairman might be.

Mr. May stated that he would like to make a brief explanation for the benefit of the members of the Airport Authority present today. Sometimes a citizen charged with a tremendous amount of responsibility and taking time away from their personal life might be a little amazed to find the Legislature concerned with their activities, and might on occasion, tend to take it somewhat personally. Certainly, each of you serving on the Authority realize that you are in a somewhat controversial area of government. This is an area that needs to be discussed and clarified and whatever action we take needs further action by both the floor of the Assembly as well as the Senate. So, please, you should not take this as a personal slander, but simply a forum to discuss some of the problems that apparently in need of discussion

Mr. Aker indicated that he would like to respond to Mr. May's comment. While some trustees might take it more personally, I would like to say that I certainly do not take it personally and as I said previously, it would be a relief to be no longer charged with this obligation.

Mr. Prengaman spoke on AB-186, but his remarks also included SB-237.

He stated that for the record, the airport is in his district. His testimony: I testified on AB-186 and I don't intend to repeat my testimony, but I did raise some questions there and I am going to raise them again because I think finances are critical to AB-186 and related to SB-237. If you recall, on Wednesday I tried to portray some of the things that were happening out there, the decline of the number of passengers coming in and I have prepared before you the information and statistics showing that for the year 1980, there was only one month in which the number of deplaning passengers was greater than the previous year. The report is attached hereto and made a part of these minutes as EXHIBIT A. As you can see, there is a fairly steady decline due to the general conditions of the economy. Our economy has made it more difficult to travel by air and I do not intimate that it is the Authority's fault. Everyone keeps pointing at the solid revenue basis. That is of great concern to me. Ultimately, what guarantees the operation of the airport is my house and every other person who owns property in Washoe County. In the original Airport Authority Act, there is a clause whereby subject to the agreement by the Washoe County Commissioners, ad valorum taxing powers can be used for basically anything. Section 17 of the original act says: "Whenever any indebtedness or other obligations have been incurred by the Authority, the Board may, with the approval of the Board of County Commissioners of Washoe County, levy taxes and collect revenue for the purpose of creating funds in such amount as the Board may determine which may be used to meet the obligations of the Authority for maintenance and operating charges and depreciation and provide extension of and betterments to the airports of the authority." Generally speaking, the ad valorum taxing powers may be used. I am concerned with the income side of the picture and also the debt. Based on the audit that was given you, I have prepared some numbers, the second page of the handout. I picked the year 1984 because it is when the existing short term financing that the Airport Authority has borrowed $4.1 million) is due. If you look at the chart I have prepared, on Page 19 of the audit, it discusses long term debt and what is necessary to service that debt. You will see that between now and the year 2006, there are certain amounts that must be paid yearly to pay back the revenue bonds and the general obligation bonds. It amounts to about $4 million per year. I have picked out the year 1984 ($4,143,438). If you go to Page 12 of the audit, it talks about short term debt. The short term monies borrowed by the Airport Authority to fund the fuel facility, among other things is in the neighborhood of $4,150,000. On Page 12, that indicates that those notes are payable in 1984. Some due August 4 and some due September 1. That is an additional $4 million. I don't think that interest is included here. Then we go to operating expenses of approximately $5 million. This is a very conservative figure. According to the audit year, it cost somewhere in the neighborhood of $4 million, so I have given them the benefit of the doubt that they could four or five years down the line still operate it within that ball park. In 1984, according to this audit and my figures, it will take approximately $13 million just to operate the airport and service the debt. That's all. That does not include the short term money that we are talking about borrowing this year, and it does not include servicing the $29 million bond package sitting out there. I developed some of these figures with Mr. Daykin and they are approximations. You add $3 million to service the debt if the new $29 million bond package goes. You add another $3 million, and this is predicated upon the fact that the short term money they have to borrow now would come due in 1984, for figuring purposes, the borrowing that would go on this year with the new bond package and the short term, could add another $6 million in debt service. We have, by the year 1984, approximately $20 million required to service the debt and operate the airport. This is just in that one year. Now, the income side of the picture. I used the audit year for my basis. The income for the audit year, on Page 3, is about $4.7 million. This was a year, if you look at the deplaning passengers, that had some good and some bad months. The first six months the number of deplaning passengers was above what it was the year before. The second six months there was only one of those months where it was above. They had an operating revenue of $4.7 million. If it is going to take $20 million to operate that airport in the year 1984, can we reasonably expect, given the number of deplaning passengers as decreasing, given the fact that this may impact the concessions, that they will have four times or five times the income in 1984 to service this debt than they have now? Mr. Aker spoke about the solid revenue base. Page 14 of the audit talks about income and airport property. At approximately the middle, substantially all of the airport property is subject to non-cancellable leases in concession agreements. It gives a schedule there of what we may anticipate in terms of income from them. I believe that this is basically misleading because it is not true that all of the airport concessionnaires have leases that are non-cancellable. I am aware of clauses in some of the leases, particularly the car rental leases, which have in them what are called abatement clauses, whereby if the number of deplaning passengers falls below 85% of what it was last year, same month, their rent drops to a minimum. It is a 10% minimum. If this situation occurs for six traight months, as you can see has happened, (beginning in June to the present) there is a further provision in these contracts that concessionnaires may cancel. We are looking in the audit year over $1 million in revenues from the rental car companies and according to Mr. Aiker's statement, this is the solid revenue basis. Theoretically, we could have the rental car companies asking for out. If this is the solid revenue basis that we are talking about, then I see it as a problem. These are policy issues that have to be addressed. I am not sure that they are being properly addressed by the Airport Authority. I am not sure they are policy issues necessarily to be addressed by the Legislature. Perhaps a combination there should address the fact that maybe we are digging a hole here that it is going to be difficult for us to get out of. I don't see the economy changing to where people are going to increase their air travel. The future of air travel, particularly in Reno, is in serious question here. We are not sure that the number of people coming in today is going to increase. That is the economy we have to deal with. The bottom line is that it is my house and I think given those powers that this Board has, I would feel much more comfortable if the Board were composed of people directly elected or directly responsible to them.

Mr. Craddock stated that before ad valorum taxes can be used, it required the approval of the County Commissioners.

Mr. Prengaman said - only in certain instances.

Mr. Schofield asked that Mr. Daykin be asked to come to the meeting to furnish clarification.

Mr. Prengaman felt that the Airport Authority have ad valorum taxing powers in their own right.

Mr. Jeffrey asked what happens if the bonds are sold and the revenue is not there to retire them.

Mr. Schofield indicated that he would ask Mr. Prengaman to retire and he would ask Mr. Aiker to return to the table. He stated that we are trying to get all the information we can.

Mr. Aiker stated that Mr. Prengaman has raised a very good question, and that is, who should make the decision on how the Airport Authority is financed. He stated that it is not being addressed by the trustees of the Airport Authority and he is not sure that the Legislature is the body to handle it. I would like to submit to you that the decision is made by the buyers of the bonds. When we sold bonds the first time, they were priced (in a muddy market) and we got them off at a very good rate in relation to what Dallas/Ft. Worth was selling bonds at and they were sold in 24 hours. $44½ million worth of bonds. So I submit that the buyers of those bonds had assessed the prospectus which I showed you earlier and had satisfied themselves with a statement in that offering circular which denied any intent to use ad valorum taxing power and was a pledge of the revenues to be generated by the airport as the debt service capacity at 1¼ times that service requirement. Essentially, that is where the decision is made. We have pending another bond issue which we have all identified today which is already to go. The minute that window opens in the market, so that we can get the bonds out at a rate that is acceptable to the marketplace, they are sold. Merrill-Lynch is the underwriter, with Paine-Webber, Dean Witter and Bache as co-managers of that offering. The decision on the adequacy of the revenues of Cannon International Airport to service that debt will be made by the buyers of the bonds.

Mr. Prengaman stated to Mr. Aiker that "my point, Mr. Aiker, was the policy issue here do we want to incur at this particular time more debt. Do we want to let go those $29 million in bonds to go out at this particular time. Given the economy and the debt we already have, do we want to incur at this time even more."

Mr. Aiker asked for clarification: "Is it your thesis that AB-186 puts that issue in the proper hands for decision"?

Mr. Prengaman stated that yes, if we have a board composed of locally elected officials directly responsible to the people that to me is a more legitimate arena to ask that question.

Mr. Aiker said that he personally had no difficulty with that approach. That's the decision that needs to be made first by your committee and following by the Legislature. Where you feel most comfortable with the proper decision being made. What I would request of you would be the time for us to schedule our prospective cash receipts and disbursements over a five or ten year period if that would aid you in that process. We would be delighted to take the presentation which Assemblyman Prengaman has presented to you and do our best to schedule out those revenues and requirements going forward. It is entirely conceivable to stop if that decision truly needed to be made, because we have the funds available to cover our construction to this point and I think it is not prudent course for the Airport, because what we have needed all this time is to build the airport to the scale to handle the needs of the scheduled carriers and our commercial base. If it would be useful to your committee, we would like that opportunity.

Mr. May stated that to go back to the bonds for a moment, the original $44.5 million that were sold were single barrel revenue bonds that went through the General Obligation Commission in Washoe County. Mr. Aiker indicated no. He stated that out of the $44.5 million that was sold, we today have $4 million escrowed in Treasury Bonds to meet the interest payments if other revenues are not available. That was a part of the original issue. The second part is based on the same procedure, so I think that the construction of that issue was the essence of prudence. The $29 million bond issue is also a single barrel, and the credit substance comes from the signatories to the landing agreements at the airport. The credit judgment is made by the marketplace on United, Western, Hughes Airwest, now Republic, etc.

Mr. Mello asked if we have a real decline at the airport, what happens then, if we can't make the payments in bonds.

Mr. Aiker answered that if we have a real decline in the next two years, we use the escrowed $4 million dollars of Treasury Bonds to make those interest payments.

Mr. Mello asked what if it goes beyond that.

Mr. Aiker answered that if the airport shuts down, we probably have a difficulty. The essence in any function, be it private or governmental, is making the best judgments in the absence of certainty. Our approach has been to assess the likely airline travel going forward and make a prudent commitment of the revenues that logically would be derived going forward to meet that debt service.

Mr. Mello asked if business declines would we have to raise the landing fees, is that it?

Mr. Aiker answered yes, and the landing fees....

Mr. Mello asked if you raise those to the point where you force the airlines to not land in Reno....

Mr. Aiker said there are still the signatories on the landing agreement whereby they have said that we cover the shortfall. That is why they have some ability to speak about the revenue generation that we have control over.

Mr. Mello said: Don't you think, though, that it is possible that there will not be enough revenue generated to make the payments on the bonds?

Mr. Aiker answered no, I don't think so and I would like to go specifically on record saying that we have analyzed carefully what our realistic revenues are going to be going forward in relation to the existing bond issue and in relation to the additional bond issue. If you look at the history of the Washoe Valley Complex and compare it to Las Vegas's growth pattern, you will find in each a cyclical economic development. There has been a period of growth, then a plateau, then a period of growth, then a plateau, then a period of growth and than a plateau, and I have talked to a number of people who said that in 1940 when those people went way out on the strip and built casinos, they thought they were nuts. They would never get them paid for. Where are they now, they are in the heart of the action. What's happening in Reno? We grew so fast that for the last three years the only thing we were concerned about, governmental and private units, was how were we going to cope with the growth. Now we've got a little breathing room, we have got a little plateau, the nation happens to be in a recession and I believe it is out to be coming out of that recession, there are problems in the airline travel industry. The cost of fuel is an incredible burden for the airlines. And yet, Frontier comes to town on March 1 to generate traffic, offering a $225.00 r/t fare to any city in their system. United has also come out with the same trip at $219.00. So I say, that the airline industry is alive and well and progressing and are going to cope with their problems. I think that the economic basis underlying our bonds is sound. I say that not only as an interested trustee of the airport, that's my business.

Mr. May stated that you have developed what has occurred to me as a very secondary issue, along with the primary phylosophic issue and that is the different views of growth professed by people in the area.

Mr. Aiker said that if you study gaming revenues over a substantial period of time, the compound annual growth rates have been 15% in Las Vegas, 12% in Douglas County and 10% in Reno. That has been a relative pattern that has existed over a substantial period of time. In the 1977-1979 era, Reno nearly equalled Las Vegas's growth spurt, about 15% compound annual growth rate.

Mr. Daykin arrived and following is his testimony:
Section 18 of the Airport Authority Act permits the airport to issue both general obligation and revenue bonds and since its amendment in 1979, does not impose any requirement that the approval of the Board of County Commissioners be first obtained for the issue of either type or short term bonds. However, the levying of ad valorum taxes is still under Sections 12-14 of the Act, subject to the approval of the Board of County Commissioners and a later section of the Act provides that the (Section 27.5) approval of the Board of County Commissioners required must not be unreasonably, capriciously or arbitrarily withheld. The practical effect of those sections is this: the Authority may issue either straight revenue bonds or straight general obligation bonds or what are called double barrel bonds to which the revenue are primarily pledged and then taxes are pledged if the revenues are not sufficient. They may issue any of these without the consent of the Board of County Commissioners. Then, of course, a straight general obligation bond is going to impose an obligation upon the people of the county to pay the taxes which that bond pledges to its payment. That pledge is unconditional. When we get into the area of revenue bonds, there is a

627

question as between two kinds of revenue bonds: (1) the gross revenues of the issuer are pledged. What that means is you take in a dollar and first you have to pay the debt and then if you have anything left you operate. (2) the net revenues are pledged and there you take in a dollar, you first pay your operating expenses, and then if there is anything left, you pay off the bonds. In either of those cases, it is theoretically true that the bond holder has no right to demand for ad valorum taxes to be levied for his benefit. In the case of gross revenues and the gross revenues are not sufficient, or are barely sufficient to meet the requirements of the bonds, then you have nothing with which to operate an airport. Provision is made in Section 14 for such a thing: to get ad valorum taxes to pay for it. Mr. Daykin said he did not know what the structure of the Airport Authority is. Mr. Mandevill answered that it is based on net pledged revenues, therefore, our operating costs come out first. Mr. Daykin said that the bond holders would, of course, not be paid first.

Mr. Jeffrey asked what happens in the event there are not sufficient revenues to retire the bonds.

Mr. Daykin answered that if the bonds are not double barrelled or have a pledge of ad valorum taxes, there is no legal right on the part of the bond holders to look to anything except the net revenues. What they will do is line up like so many vultures on the roof of the terminal building waiting for the net revenues eventually to be sufficient to pay their unpaid interest and principals, etc. Legally, that is the end of it. The problem is that it would then be very difficult for the Airport Authority to borrow any other money without a pledge of ad valorum taxes. And the power exists under Section 14 to levy ad valorum taxes to meet the unpaid obligations of the airport, if in the judgment of the Authority first and the Board of County Commissioners second, approving that if it were in the public interest. Since they have not issued GO bonds, any levy of ad valorum taxes to meet debt service would require the approval of the County Commissioners. The power still lies here, however, for them in the future to issue GO bonds, without the approval of the County Commissioners. Without going to the County Commissioners, they can issue the GO bonds, which would involve the payment of taxes. Theoretically, they have to go to the Board of County Commissioners then to levy the taxes to pay those. They don't have any as such, but this would be the fact. But then you have the limitation that the Commissioners' approval cannot be unreasonably withheld.

End of Mr. Daykin's opinion.

Mr. Schofield asked for testimony on SB-237.

Mr. Mandeville, Airport Manager, stated that this bill would provide for a removal of the 9% ceiling on short term funding and permit the Authority to obtain short term funds not to exceed 12%. The $2.7 million that the Authority is seeking to obtain in short term funds will be used entirely for its capital program. We have what is considered a cash flow dilemma in the sense that while the Authority has ample funds to pay for the contracts that have been awarded, we have an accounts receivable side of the ledger where funds from the FAA and funds from the airlines come in as projects are completed and there is a lag time as those funds arrive. In order to keep the contracts going, the Authority needs float money or cash flow funds on a short term basis to keep those contracts alive. We have indicated that there are substantial funds in the maintenance and operating funds. Obviously, the audit would demonstrate about a $8000,000 surplus last year in that respect. But the dilemma is not in the operating fund but in the capital fund.

Mr. Prengaman asked if these monies are guaranteed to come in that you are waiting for.

Mr. Mandeville answered yes, the funds are guaranteed. They are grant monies that go back several years, part of it land acquisition. They are monies that the federal government have already allocated and have signed in the form of a grant agreement with the City and it is just a matter of completing the projects and applying for the balance of the funds.

Mr. Mello asked how much money are you asking for at this rate?

Mr. Mandeveille indicated a need for $2.7 million. We might obtain the loan on a $700,000 or $800,000 a month, rather than doing it all at once. We will want our banking community give us counsel on the better approach. We have flexibility there, whether to do it in short increments or do the whole $2.7 million. At any rate, the $2.7 million in terms of liability on our revenues would first be paid back out of the subsequent bond program. In other words, the bond program that you have been discussing includes funds to repay that short term loan. If the bonds are not sold, then the $2.7 million becomes part of the rate base formula and in the landing fee agreement with the airlines. In that sense, it is carried for a five year term and we pay interest only and then the balance of the principal comes into play at the end of the five years. That arrangement required approval from the signatory airlines.

Mr. Mello asked for the total number of phases of construction.

Mr. Mandeville answered that right now we have just put the finishing touches on phase I. We are uncertain as to when phase II would be required. It could occur in 1985 to 1995. Phase II would be the extension of a third concourse to the south. Phase II would be a fourth finger on the north or the possibility of 50 gates at the terminal. Right now there are 19. The money we need now is strictly a current cash flow need. Nothing to start anything else.

Mr. Schofield asked if there were any other questions. He asked if there was anyone to testify on behalf of SB-237. Anybody to testify opposed to SB-237. If not that will conclude the testimony on SB-237.

Mr. Nicholas: Mr. Vice Chairman, would you entertain a motion at this time? Mr. Schofield answered 'yes'. Mr. Nicholas: I make a motion that we approve DO PASS on SB-237.

Mr. Craddock seconded.

Mr. Schofield said: All those in favor say 'aye'.

Mr. Prengaman asked: Mr. Chairman, if I abstain, is there enough votes to get it on?

Mr. Mello said: If you abstain, six is still our quorum.

Mr. Prengaman: In other words, if I abstain on this bill, there are still enough votes to get it on?

Someone said 'yes'.

Mr. Prengaman: Well then, it is my intention to abstain.

Voice: Mine, too.

Mr. Schofield: All those in favor of voting. John, did you have some question? All those in favor?

Aye: Nicholas

Aye: Polish

Aye: Craddock

Aye: May

Aye: Schofield

Mr. Mello: Mr. Vice Chairman, I abstain.

Voice: Should get a committee together to.....

Mr. Mello: Mr. Chairman, I move we adjourn.

Mr. Schofield: Motion made to adjourn. Meeting's adjourned.

Respectfully submitted,

Lucille Hill

Lucille Hill
Assembly Attache

ASSEMBLY GOVERNMENT AFFAIRS COMMITTEE

GUEST LIST

Date February 27, 1981

PLEASE PRINT

PLEASE PRINT YOUR NAME	PLEASE PRINT REPRESENTING:	I WISH TO SPEAK FOR	AGAINST	BILL NO.
BOB MANDEVILLE	AIRPORT AUTHORITY	X	X	SB 237 AB 186
Silvio PETRICCIANI	AIRPORT AUTHORITY		X	AB 186
Betty Morris	Airport Authority Washoe Co.		X	AB 186
Bob [illegible]	" " "	✓		SB 237
Ron [illegible]	City of Reno		~~AB 2~~ ✓	AB 2
George E [illegible]	Airport Authority of Washoe County	✓		SB 237 AB [illegible]

PLEASE PRINT

633

ASSEMBLY GOVERNMENT AFFAIRS COMMITTEE

GUEST LIST

Date ____________________

PLEASE PRINT YOUR NAME	PLEASE PRINT REPRESENTING:	I WISH TO SPEAK FOR	AGAINST	BILL NO.
GP Etcheverry	Nev League of Cities			

DEPLANING PASSENGERS

RENO AIRPORT 1977 - 1978 - 1979

	1977	1978	1979	1980	% of 79
January	45,387	52,074	96,808	90,259	93.2
February	49,391	56,347	110,094	97,898	88.9
March	62,358	67,420	124,526	107,856	86.6
April	57,142	60,894	72,902	89,082	122.2
May	53,766	88,565	94,163	92,415	98.1
June	56,609	92,601	129,762	97,263	75.0
July	63,823	98,608	136,892	107,495	78.5
August	73,031	105,833	143,414	115,663	80.6
September	61,644	107,323	119,630	98,619	82.4
October	62,139	103,576	114,412	92,224	80.6
November	56,608	98,028	105,891	79784	75.4
December	54,798	106,593	103,705	85453	82.4
TOTAL	696,696	1,037,862	1,352,199	1154011	85.34

United Airlines Strike

Exhibit A

1984 EXPENSES

p. 19		4,143,438	to service existing bond debt
p. 12		4,150,000	short term financing for construction (PRINCIPAL ONLY)
		?????????	interest on this short term money
		5,000,000	operating expenses to run airport (this is a conservative estimate, since it cost 4,322,866 to operate it in the audit year)
		13,293,438	approximately 13 million dollars just to operate and service existing debt
ADD	App.	3,000,000	to service debt if new 29 million dollar bond package goes
	App.	3,000,000	if new short term money is borrowed in the next 60 days to meet current cash-flow problems
		6,000,000	to service new debt,

APPROXIMATELY 20 MILLION DOLLARS COULD BE REQUIRED IN THE YEAR 1984 TO SERVICE THE DEBT AND OPERATE THE AIRPORT.

INCOME FOR THE AUDIT YEAR WAS 4,710,996 (FOUND ON PAGE 3). THIS WAS A YEAR WHICH WAS HALF GOOD (SIX MONTHS-JUNE THRU DECEMBER OF 1979 ALL HAD INCREASES OVER THE PREVIOUS YEAR) AND HALF BAD (SIX MONTHS-JANUARY THRU JUNE OF 1980 ONLY ONE MONTH WAS MORE THAN THE PREVIOUS YEAR).

THE QUESTION IS, GIVEN THE PRESENT DECLINE IN AIR PASSENGERS, THE EVEN HIGHER COSTS OF AIR TRAVEL (THE AIRLINES WERE JUST GRANTED A 6% INCREASE IN FARES), LESS CONCESSION REVENUES DUE TO LESS PASSENGERS, THE POSSIBILITY THAT SOME CONCESSIONS COULD PULL OUT, IS IT REASONABLE TO ASSUME THAT INCOME WILL INCREASE OVER 5 TIMES IT'S PRESENT RATE AND THE 20 MILLION DOLLARS NECESSARY TO SERVICE THE DEBT AND OPERATE THE AIRPORT WILL IN FACT BE THERE?

Airport Authority considers expansion project cutbacks

By RODNEY FOO

Plans to defray an estimated $4.7 million budget deficit for Cannon International Airport expansion were presented to Airport Authority of Washoe County trustees Thursday.

The two contingency plans — which would delete some portions of the airport's projects — were proposed by Airport Director Robert Mandeville during an afternoon workshop before the authority's regularly scheduled night meeting.

Financial reports supplied to the trustees outlined the airport's spending on terminal expansion.

Mandeville said airport officials will meet with airline representatives to reach an agreement on which projects may be omitted.

Of the overall deficit, more than $3.3 million is due to cost increases to the airport terminal's expansion, according to the reports.

The terminal construction budget was originally estimated at $18 million, but according to airport figures it has grown to $21.3 million.

The increase in terminal construction spending is mainly due to more than $2.6 million in change orders. The figure also includes change orders for the baggage claim section.

Change orders stem from modifications in the architect's original plans for airport expansion, Mandeville explained.

Another $800,000 deficit is due to construction to outfit building shells for additional airlines in the terminal, Mandeville said. Because of the growing number of airlines servicing Reno, the original airport expansion plan has had to be modified several times to add more loading gates, ticket areas and offices.

Mandeville said the $4.7 million deficit could be pared down by about $1 million because of underestimated revenue from bond interest.

He added the airport is expecting $2.5 million from the Federal Aviation Administration in funds.

Mandeville said Cannon International is "number one" on the administration's priority list, but cautioned, "We think we'll get them (money), but we can't count on them."

The remaining $1.2 million deficit could be made up by scaling down a taxi runway project by $572,000 and eliminating $295,000 worth of work to runway lighting. Also, about $356,000 could be eliminated from a project to relocate the airport's two fixed base operators.

If the airport does not receive the FAA funds, the second plan calls for omitting the fixed base operator relocation project and runway lighting improvements entirely.

Another $1.7 million would be subtracted from the runway taxi expansion project and $1 million would be taken from the airport's land acquisition fund. The airport authority, in an effort to lessen noise complaints from neighboring residents, has instituted a program to purchase the affected homes.

Authority Chairman Don Carano said he was not surprised the deficit had grown to $4.7 million, considering numerous change orders had been approved after the budget was adopted. Mandeville said he thought the airport's deficit budget wasn't too bad considering original expansion plans were targeted at $20 million, but had now grown to $60 million.

At the night meeting, a financial report conducted by the Reno accounting firm of Elmer Fox, Westheimer and Company revealed the airport finished $1.3 million in the black for fiscal year 1979.

The figure is mainly due to the interest accumulated from the unused portion of the $44.5 million construction bond. Accountant Dennis Thompson said approximately $33 million still remains from the bond.

The airlines had financed the bond through the airport's bonding capability for expansion construction.

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