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CITY OF OAKLAND



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Larry Reid
President of The Council
Council Member, 7th District

TO: Rules and Legislation Committee
FROM: Council President Reid
DATE: 03/16/2017
RE: Adopt a Resolution in Support of Assembly Bill 218 (Bonta)

RECOMMENDATION:

ADOPT A RESOLUTION IN SUPPORT OF ASSEMBLY BILL 218 (BONTA) TO CONTINUE TO ALLOW THE OAKLAND INTERNATIONAL AIRPORT TO COLLECT A CUSTOMER FACILITY CHARGE (CFC) FOR CAR RENTAL TRANSACTIONS BY REMOVING INDEBTEDNESS AS A REQUIREMENT FOR COLLECTION.

EXECUTIVE SUMMARY

AB 218 would remove indebtedness as a requirement for the Oakland International Airport to collect Customer Facility Charges (CFCs).¹

ANALYSIS

Under current law, an airport is required to incur debt (i.e. bond debt) for certain projects and then remain in debt in order to collect CFCs. Debt financing is used to fund modest improvements for rental car facilities, even when such improvements do not require large initial outlays that would require airports to finance these projects over many years. The authorization to impose CFCs becomes inoperative when the bonds used for financing are paid. In 2008, AB 2142 (Swanson) was signed into law. It removed such indebtedness as a requirement to collect CFCs for a period of 10 years for the Oakland International

Airport. That authority expires at the end of next year. While the current CFC collection is chiefly being spent on the operation of the existing common use rental car buses (approximately \$7 out of every \$10 CFC collection goes to provide the consolidated busing system), sufficient CFC flow exists to fund the purchase of newer cleaner shuttle buses. Going forward the airport could explore adding green shuttle buses that run between the rental car facility and the passenger terminals, and invest in the infrastructure to support such a fleet. The airport also intends to use the CFCs for the continued improvement of the rental car facilities.

SUSTAINABLE OPPORTUNITIES

The requirement that airports incur debt related to such improvements at rental car facilities adds an unnecessary and significant cost to finance the bond issuance and amortize the debt. Furthermore, the customer and the rental car companies do not receive any benefits from the use of the CFC payments for debt retirement, and also diverts funds and resources that would be better spent directly benefiting the customers that use rental car facilities at the airport. In order for Oakland International Airport to accomplish their projects, the airport would like the flexibility to pay for them through a financial instrument of its own choosing, and reimburse itself using CFCs following an independent audit that is then submitted to the Legislature, as required by state law. The airport would still be required to justify their use of CFCs, and ensure that they don't exceed the reasonable costs of constructing and maintaining such facilities, but would no longer be required to finance the improvements through the issuance of bond debt. The amount to be collected will not exceed the reasonable costs, as determined by an audit.

ACTION REQUESTED OF THE CITY COUNCIL

This bill would remove indebtedness as a requirement to collect CFCs. Specifically; it would delete the authorization pertaining to the Oakland International Airport, and would delete the requirement that the general authorization for an airport to impose a CFC becomes inoperative when the bonds are paid.

To:

ADOPT A RESOLUTION IN SUPPORT OF ASSEMBLY BILL 218 (BONTA) TO CONTINUE TO ALLOW THE OAKLAND INTERNATIONAL AIRPORT TO COLLECT A CUSTOMER FACILITY CHARGE (CFC) FOR CAR RENTAL TRANSACTIONS BY REMOVING INDEBTEDNESS AS A REQUIREMENT FOR COLLECTION.

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OAKLAND CITY COUNCIL

DRAFT

City Attorney

RESOLUTION No. _____ C.M.S.

INTRODUCED BY COUNCIL PRESIDENT REID

A RESOLUTION IN SUPPORT OF ASSEMBLY BILL 218 (BONTA) TO CONTINUE TO ALLOW THE OAKLAND INTERNATIONAL AIRPORT TO COLLECT A CUSTOMER FACILITY CHARGE (CFC) FOR CAR RENTAL TRANSACTIONS BY REMOVING INDEBTEDNESS AS A REQUIREMENT FOR COLLECTION.

WHEREAS, Under current law, an airport is required to incur debt (i.e. bond debt) for certain projects and then remain in debt in order to collect CFCs; and

WHEREAS, Debt financing is used to fund modest improvements for rental car facilities, even when such improvements do not require large initial outlays that would require airports to finance these projects over many years and, the authorization to impose CFCs becomes inoperative when the bonds used for financing are paid; and

WHEREAS, In 2008, when Assembly Bill 2142 (Swanson) was signed into law. It removed such indebtedness as a requirement to collect CFCs for a period of 10 years for the Oakland International Airport and, the current CFC collection is chiefly spent on the operation of existing common use rental car buses (approximately \$7 out of every \$10 CFC collection goes to provide the consolidated busing system), sufficient CFC flow exists to fund the purchase of newer cleaner shuttle buses; and

WHEREAS, The requirement that airports incur debt related to such modest improvements at rental car facilities adds an unnecessary and significant cost to finance the bond issuance and amortize the debt and, the customer and the rental car companies do not receive any benefits from the use of the CFC payments for debt retirement, and also diverts funds and resources that would be better spent directly benefiting the customers that use rental car facilities at the airport; and

WHEREAS, In order for Oakland International Airport to accomplish their projects, the airport would like the flexibility to pay for them through a financial instrument of its own choosing, and reimburse itself using CFCs following a required independent audit that is then submitted to the Legislature, as required by state law; and Assembly Bill 218 would remove indebtedness as a requirement for the Oakland International Airport to collect CFCs; therefore, be it

RESOLVED: That the Oakland City Council hereby endorses Assembly Bill 218 and urges the California State Legislature and Governor Jerry Brown to support its enactment into law.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2017.

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL-WASHINGTON, GALLO, GIBSON MCELHANEY, GUILLEN, KALB, KAPLAN, and PRESIDENT REID

NOES -
ABSENT -
ABSTENTION -

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California