



AB 218 (Bonta) – *Indebtedness in Collecting Customer Facility Charges*

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SUMMARY

AB 218 would remove indebtedness as a requirement to collect a Customer Facility Charge (CFC)¹ for the Oakland International Airport (OAK) and all other airports, until January 1, 2023. The statute would then revert back to the existing language, ~~absent the deletion or extension of t~~ date. Additionally, this bill would allow for the per-contract CFC in an amount less than \$10, and would reiterate a CFC cannot be collected more than once for the same rental car transaction.

BACKGROUND

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 a CFC. Airports are therefore required to incur debt to fund the operation of common-use transportation systems, and modest improvements to rental car facilities, even when such projects do not require large amounts that would cause airports to finance them over many years. The authorization to collect CFCs then becomes inoperative when the bonds used for financing are paid.

In 2008, AB 2142 (Swanson) was signed into law. It removed indebtedness as a requirement for OAK to collect a CFC for a period of 10 years. 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 at OAK (approximately \$7 out of every \$10), sufficient CFC funds exists to operate the buses, and even fund the purchase of newer greener shuttle buses.

THE NEED FOR THE BILL

The requirement for airports to incur debt related to such modest projects 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 diverts funds that would otherwise be spent directly benefiting the customers that use an airport's rental car facilities.

In order for OAK to accomplish their projects, the airport would like the flexibility to pay for them through a

financial instrument of its own choosing, following an independent audit that is submitted to the Legislature, as already required by state law.

The airport would still be required to justify their use of funds, ~~and ensure that projects do not exceed the~~ reasonable costs, but would no longer be required to finance projects through the issuance of bond debt. The amount to be collected will not exceed the reasonable costs, as determined by the audit.

SOLUTION

This bill would remove indebtedness as a requirement to collect a CFC until January 1, 2023. Specifically, it would delete the current authorization pertaining to OAK, and would delete the requirement for the general authorization for an airport to impose a CFC becoming inoperative when the bonds are paid. On or after January 1, 2023 the statute would revert back to its current language. Additionally, to allow airports greater flexibility and include further consumer protections. This bill would set the per-contract CFC at not-to-exceed \$10, rather than the current firm \$10; and would reiterate a CFC cannot be collected more than once for the same rental car transaction.

SUPPORT

Port of Oakland (Sponsor)
California Airports Council
Oakland Chamber of Commerce
City of Oakland Mayor Libby Schaaf
Oakland City Council President Larry E. Reid
East Bay Economic Development Alliance (EDA)
Visit Oakland

OPPOSITION

None on File

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¹ Customer Facility Charge means a fee, including an alternative fee, required by an airport and collected by a rental company from a renter.