

ONTARIO INTERNATIONAL AIRPORT AUTHORITY

FINANCE & AUDIT COMMITTEE REGULAR MEETING AGENDA



JANUARY 18, 2023, AT 4:00 P.M.

MEETING WILL BE HELD VIA ZOOM

Link to the Committee Meeting*: <https://us02web.zoom.us/j/88164813752>

Ontario International Airport Authority Administration Offices
1923 East Avion Street, Room 100, Ontario, CA 91761

STANDING COMMITTEE MEMBERS

ALAN D. WAPNER
Chair

RONALD O. LOVERIDGE
Member

THIS MEETING WILL BE HELD VIA ZOOM

Pursuant to Assembly Bill No. 361, the Ontario International Airport Authority (OIAA) Committee Meeting is being conducted via Zoom. Members of the public may utilize alternative measures established by OIAA to view the committee meetings and/or to address the Committee members. Please see participation instructions below.

Link to the Committee Meeting*: <https://us02web.zoom.us/j/88164813752>

To dial in, call either: +1 669 900 6833 or +1 346 248 7799

WEBINAR ID: 881 6481 3752

*Zoom may require you to enter a response for name and email. To remain anonymous, you may use Attendee and attendee@flyontario.com to bypass this Zoom feature.

ANY MEMBERS OF THE PUBLIC WISHING TO PROVIDE PUBLIC COMMENT MAY DO SO AS FOLLOWS:

LIVE VIA TELEPHONE: You may call (669) 900-6833 the day of the meeting to speak live during the committee meeting. Comments are limited to 3 minutes.

E-MAIL: You may submit public comments by e-mail to publiccomment@flyontario.com no later than 4:00 p.m. the day before the meeting. Please identify the Agenda item you wish to address in your comments. All e-mail comments will be included in the committee meeting record.

MAIL: You may mail in public comments to the OIAA Clerk's Office at 1923 E. Avion St., Ontario, CA 91761. Comments by mail must be received no later than 12:00 p.m. the day before the committee meeting. Postmarks are not accepted.

Any members of the public who require special assistance or a reasonable accommodation to participate telephonically in the standing committee meeting may contact the Board Clerk at (909) 544-5307 or clerk@flyontario.com. Sign language

interpreters, communication access real-time transcription, assistive listening devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended

WELCOME TO AN OIAA MEETING

- All documents for public review are on file at the Ontario International Airport Administration Offices located at 1923 E. Avion Street, Ontario, CA 91761.
- Anyone wishing to speak during public comment or on an item will be required to raise their virtual hand to be recognized. Your virtual hand must be raised prior to public comment, beginning, or before an agenda item is taken up. An opportunity to speak will not be taken after that time.
- You may submit public comments by e-mail to publiccomment@flyontario.com no later than 4:00 p.m. the day before the meeting. Please identify the Agenda item you wish to address in your comments. All e-mail comments will be included in the meeting record.
- Comments will be limited to 3 minutes. Speakers will be alerted when their time is up. Speakers are then returned to the attendee list and no further comments will be permitted.
- In accordance with State Law, remarks during public comment are to be limited to subjects within the Authority's jurisdiction. Remarks on other agenda items will be limited to those items.
- All those wishing to speak, including Committee Members and Staff, need to be recognized by the Committee Chair before speaking.
- Communication access real-time transcription, assistive listening devices, other auxiliary aids and/or services, or Sign Language Interpreters may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. Any members of the public who require special assistance or a reasonable accommodation to participate telephonically in the standing committee meeting may contact the Board Clerk at (909) 544-5307 or clerk@flyontario.com.

1. **CALL TO ORDER**

2. **ROLL CALL**

Wapner (Chair), Loveridge (Member)

3. **PUBLIC COMMENTS**

The Public Comment portion of the Committee meeting is limited to a maximum of 3 minutes for each Public Comment. Under provisions of the Brown Act, the Committee is prohibited from taking action on oral requests.

4. **COMMITTEE AGENDA REVIEW/ANNOUNCEMENTS**

Staff will go over all updated materials and correspondence received after the Agenda was distributed to ensure Committee Members have received them.

5. **COMMITTEE ACTION/DISCUSSION ITEMS**

A. **MINUTES**

Approve minutes of the Finance & Audit Committee meetings on July 20, 2022, and December 13, 2022.

B. **INTERNAL AUDIT**

Review and discuss internal audit

C. **REVOLVING CREDIT FACILITY FOR CAPITAL PROJECTS**

Recommend approval by the full Commission.

D. **EXTERNAL AUDIT**

Update on Financial Statements and Opinion Letter

6. **COMMITTEE MEMBER COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS**

Alan D. Wapner, Chair

Ronald O. Loveridge, Member

7. **ADJOURNMENT**

AFFIDAVIT OF POSTING

I, Norma I. Alley, MMC, Board Clerk of the Ontario International Airport Authority (OIAA), do hereby declare under penalty of perjury that the foregoing agenda has been posted at the administrative office and on the OIAA website in compliance to the Brown Act.

Date Posted: January 12, 2023

Time posted: 1:00 P.M.

Signature: _____

Norma I. Alley
Norma I. Alley, MMC

Ontario International Airport Authority Board Clerk

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**ONTARIO INTERNATIONAL AIRPORT AUTHORITY
FINANCE & AUDIT COMMITTEE REGULAR MEETING
MINUTES
July 20, 2022
(not official until approved)**

1. CALL TO ORDER

Chair Wapner called the Finance & Audit Committee meeting to order at 3:04 p.m.

2. ROLL CALL

PRESENT: Commissioners: Ronald O. Loveridge, Member
Alan D. Wapner, Chair

A quorum of the Committee was present.

Also present were Chief Executive Officer Atif Elkadi, Assistant General Counsel Kevin Sullivan, Treasurer John M. Schubert, and Board Clerk/Assistant Secretary Norma I. Alley, MMC.

3. PUBLIC COMMENT

There were no public comments.

4. COMMITTEE AGENDA REVIEW/ANNOUNCEMENT

No announcements were made.

5. CONSENT CALENDAR

A. MINUTES

Approve minutes of the Finance & Audit Committee special meeting on May 17, 2022.

The Committee unanimously approved Consent Calendar.

6. COMMITTEE DISCUSSION ITEMS

A. DISCUSSION OF OIAA RISK ASSESSMENT REPORT

Discussion regarding the OIAA Risk Assessment Report.

Moss Adams Consultants Colleen Rozilous and Tammy Morris presented to the Committee regarding the internal risk assessment report and fielded questions from the Committee. Discussion ensued between Staff and Committee Members.

Committee Members directed staff to continue to review and return at a future meeting.

B. BUDGET ADJUSTMENTS – NEW OIAA STAFF POSITIONS

Recommend Board of Commissioners approve budget adjustments.

Treasurer John Schubert provided the staff report and fielded questions from the Committee. Committee supported the recommendation to the Board of Commissioners to approve the budget adjustment.

C. BUDGET POLICY PERSONNEL ADJUSTMENTS

Discussion on policy regarding personnel adjustments.

Treasurer John Schubert provided the staff report and fielded questions from the Committee. Committee requested personnel changes continue to come before the Board of Commissioners when there are new classifications.

7. COMMITTEE STAFF UPDATES

There were no additional staff updates to bring before the Committee.

8. COMMITTEE MEMBER COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Alan D. Wapner, Chair, had no further comments.
Ronald O. Loveridge, Member, had no further comments.

9. ADJOURNMENT

Chair Wapner adjourned the Finance & Audit Committee meeting at 4:19 p.m.

RESPECTFULLY SUBMITTED:

NORMA I. ALLEY, MMC, BOARD CLERK

APPROVED:

ALAN D. WAPNER, CHAIR

6. COMMITTEE MEMBER COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Alan D. Wapner, Chair, had no further comments.
Ronald O. Loveridge, Member, had no further comments.

7. ADJOURNMENT

Chair Wapner adjourned the Finance & Audit Committee meeting at 3:30 p.m.

RESPECTFULLY SUBMITTED:

NORMA I. ALLEY, MMC, BOARD CLERK

APPROVED:

ALAN D. WAPNER, CHAIR



MEETING DATE: JANUARY 18, 2023

AGENDA SECTION: COMMITTEE ACTION/DISCUSSION ITEMS

SUBJECT: REVOLVING CREDIT FACILITY FOR CAPITAL PROJECTS

RELEVANT STRATEGIC OBJECTIVE: Invest in ONT Master the Basics Plan for the Future

RECOMMENDED ACTION(S): Recommend to full Commission to adopt a resolution, prepare and execute a revolving credit agreement and fee agreement with PNC Bank in an aggregate principal amount not to exceed \$50 Million (Fifty million).

FISCAL IMPACT SUMMARY: PNC Bank, N.A. (the Bank) is providing a revolving line of credit (the LOC) up to \$50 million, which the Authority may draw upon as needed on either a taxable or tax-exempt basis to fund on-going capital needs. There is no origination cost for the Authority to the Bank, except the Bank's legal costs estimated to be \$50,000. The Authority has additional legal and financial advisory costs estimated not-to-exceed \$150,000. Interest rates on the LOC will vary depending on the timing of draws by the Authority and whether such draws are taxable or tax-exempt. Based on current market conditions as of January 9, 2023, the tax-exempt rate is 3.94% and the taxable rate is 4.91%. Assuming the Authority were to draw upon the full amount of the LOC upon closing assuming current market rates, the annual interest cost would range from \$1.97 million (tax-exempt) to \$2.46 million (taxable). Besides timing of draws by the Authority, the actual interest cost will depend on monthly changes in the base index rate under the Revolving Credit Agreement as described below. In addition to interest costs on borrowings the LOC is subject to a fee ranging from .10% to .15% of the unutilized portions of the LOC with a maximum of \$75K annually. No principal on the Notes is due until then, and the Authority expects to repay the Notes from its next bond issuance.

Interest costs will be funded from airline rates and charges in accordance with the Airline Operating Use and Lease Agreement (ULA).

BACKGROUND: The Board of Commissioners has authorized various capital projects and is expected to authorize future capital projects which are funded from multiple sources including grants, passenger facility and customer facility charges for applicable projects, and rates and charges under its Airline Use Agreements. In order to maintain liquidity and reduce the financial impact on the airlines through rates and charges, airports similar to the ONT typically maintain a line of credit with a bank to draw upon to fund capital projects in between long-term bond financings.

Each draw upon the line of credit becomes a loan secured by a note under the terms of the Revolving Credit Agreement (the RCA), the form of which is attached hereto and subject to Commission approval. Each draw can be tax-exempt or taxable depending on the project to be funded. Under the RCA, PNC would be paid during the three-year term of the agreement in two ways: (1) interest accrued on each draw of the line of credit; and (2) a

fee for that portion of the line credit that remains unutilized. The cost of each component is summarized in the table below:

1. Per annum interest rate on draws		
Tax Exempt draws		
One-month term SOFR* times 79% <i>(this rate adjusts each business day, as of Jan 9, 2023 was 4.43% times 79% equals 3.42%)</i>	Plus Credit Spread of 52 bps <i>(0.52%)</i>	Equals Jan 9 indicative rate of 3.94% <i>(actual rate will adjust each business day)</i>
Taxable draws		
One-month term SOFR* <i>(this rate adjusts each business day, as of Jan 9, 2023 was 4.43%)</i>	Plus Credit Spread of 58 bps <i>(0.58%)</i>	Equals Jan 9 indicative rate of 4.91% <i>(actual rate will adjust each business day)</i>
2. Per annum Unutilized Fee		
<ul style="list-style-type: none"> • 0.15% for remaining available balance at <50% drawn • 0.10% for remaining available balance at >50% drawn 		

* SOFR means Secured Overnight Financing Rate, which is a borrowing index that replaced LIBOR (the London Interbank Offered Rate) as the industry standard index for many short-term financing obligations.

The RCA also includes provisions in the event the Authority credit rating is downgraded, in which case the above credit spread increases for each category of downgrade. There is also a provision in the event the Authority does not pay off the line of credit by the maturity date, to convert the outstanding draws to a three-year fixed term out loan. The term out loan rate would likely be higher than the variable rate during the term of the line of credit. In each case, the maximum rate is 12% as permitted by law. The Authority has the ability to pay off the line of credit during the term of the agreement or the term out loan at any time without premium.

PROCUREMENT: On August 19th 2022, the Authority issued a Request for Proposal from qualified banks to provide a line of credit. The Authority received three proposals: City National Bank (a subsidiary of RBC), JP Morgan, and PNC Bank. Authority staff conducted interviews with both City National Bank and PNC Bank; and after such interviews the staff evaluation team determined that PNC rated as the highest scoring proposer.

CEQA COMPLIANCE AND LAND USE APPROVALS: N/A

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: Will return some operating cash already expended and makes available short-term financing for current capital projects underway. The ability to utilize the line of credit also reduces the need to use rates and charges to fund such projects on a paygo basis. This provides continuity for current project planning, construction, and completion, while limiting impact on the rate base.

SCHEDULE: Upon approval, funds are tentatively available to draw on February 1, 2023.

ATTACHMENTS:

1. Resolution

STAFF MEMBER PRESENTING: Chief Executive Officer Atif Elkadi

Originator Name: John M. Schubert, Chief Financial Officer

Originating Dept.: Finance

Director Review: N/A

Chief Review: John M. Schubert, Chief Financial Officer



CEO Approval:



This Agenda Report has been reviewed by OIAA General Counsel.

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein, which are not attached or posted online, may be reviewed prior to, or following scheduled Commission meetings in the Office of the Clerk of the Board. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday, although these hours and review procedures may be modified. In that case, the documents may be requested by email at clerk@flyontario.com.

BOARD DISPOSITION: Approved Denied Continued to _____

RESOLUTION NO. __

A RESOLUTION AUTHORIZING AND APPROVING THE PREPARATION, ENTERING INTO AND THE EXECUTION AND DELIVERY OF A REVOLVING CREDIT AGREEMENT AND FEE AGREEMENT, EACH BETWEEN THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY AND PNC BANK, NATIONAL ASSOCIATION, AND AUTHORIZING AND PROVIDING FOR THE ISSUANCE TO PNC BANK, NATIONAL ASSOCIATION, AS EVIDENCE OF SUCH AGREEMENT AND THE SECURITY THEREFOR, OF ONTARIO INTERNATIONAL AIRPORT AUTHORITY SUBORDINATED REVENUE NOTES, SERIES 2023, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$50,000,000; AND PROVIDING FOR CERTAIN OTHER MATTERS

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY:

SECTION 1. References. Unless the context shall clearly indicate some other meaning, all capitalized words and terms used in this resolution which are not defined herein shall have the meanings given to them (a) in the Master Trust Indenture, dated as of November 1, 2016 (the “Master Indenture”), as supplemented and amended by the First Supplemental Trust Indenture, dated as of November 1, 2016, the Second Supplemental Trust Indenture, dated as of February 1, 2021 and the Third Supplemental Trust Indenture, dated as of April 1, 2021 (such supplemental indentures, together with the Master Indenture, are herein defined collectively as the “Indenture”), each between the Ontario International Airport Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee, or (b) in the Agreement hereinafter referred to, as applicable.

SECTION 2. Revolving Credit Agreement. Pursuant to and under the authority of Article 4, Chapter 5, Division 7, of Title 1 of the California Government Code and pursuant to a Joint Exercise of Powers Agreement dated as of August 21, 2012 (the “Joint Powers Agreement”), by and between the City of Ontario, California, a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State of California and the County of San Bernardino, California, a political subdivision of the State of California duly organized and existing under the Constitution and laws of such state, for the purpose of providing funds to finance a portion of the Authority's capital improvement program at the Ontario International Airport, there is hereby authorized to be entered into a Revolving Credit Agreement (the “Agreement”), between the Authority and PNC Bank, National Association (the “Lender”), pursuant to which the Lender shall from time to time advance Taxable Loans and Tax-exempt Loans (as each such term is defined in the Agreement) and, if applicable, the Term Loan (as defined in the Agreement), in an aggregate principal amount not to exceed Fifty Million Dollars (\$50,000,000).

SECTION 3. Form of Revolving Credit Agreement. The Agreement shall be in the form presented to the Board at the meeting at which this resolution is adopted, together with such

changes as the Chief Executive Officer of the Authority shall approve consistent with this resolution, upon the advice of counsel, such approval to be conclusively evidenced by the execution thereof. The Agreement shall be executed in the name of the Authority by the manual signature of the Chief Executive Officer of the Authority, or in such other manner as may be required or permitted by law.

SECTION 4. Security for Revolving Credit Agreement. The Authority hereby grants and makes to secure the payment of principal of and interest on the Loans and the other Obligations (as defined in the Agreement) of the Authority under the Agreement, a valid and binding Lien on and pledge of the Net Pledged Revenues junior and subordinate to the Bonds and Policy Costs. The payment of the Loans and the other Obligations ranks on a parity with the payment of the principal and purchase price of and interest on all Parity Debt as defined in the Agreement. No filing, registration, recording or publication of this resolution or any other instrument is required to establish the pledge provided for thereunder or to perfect, protect or maintain the Lien created hereby on the Net Pledged Revenues to secure the payment of principal of and interest on Loans and the other Obligations under the Agreement. The principal of and interest on the Loans and the other Obligations under the Agreement may be paid from moneys constituting Net Pledged Revenues only if all deposits required to be made to the Trustee under the Indenture and all amounts of principal and interest which have become due and payable on the Bonds whether by maturity or redemption have been paid in full and the Authority is current on all payments, if any, required to be made to replenish any bond reserve fund created for any Bonds. The Authority hereby designates the Agreement, the Notes and the other Obligations under the Agreement as a “Subordinated Obligation” under the Indenture and designates the Agreement as an “other written instrument” for such purpose. If for any reason the Agreement, the Notes or any other Obligation under the Agreement shall be determined to not be a Subordinated Obligation for the purposes of the Indenture the pledge, Lien and security interest granted under this Section 4 shall be deemed a discretionary purpose as authorized by the Board and the Joint Powers Agreement within the meaning of Section 4.04(b)(6) of the Indenture. Notwithstanding the designation of the Agreement, Notes the other Obligations under the Agreement as a Subordinated Obligation under the Indenture, the Lender shall have no rights and may take no action under the Indenture.

SECTION 5. Notes and Fee Agreement. The Board hereby authorizes and approves the preparation, entering into and the execution and delivery by the Chief Executive Officer of the Authority of (a) three notes, in the aggregate principal amount for all three notes of not to exceed Fifty Million Dollars (\$50,000,000) to be designated (i) the “Ontario International Airport Authority Subordinated Revenue Note, Series 2023 (Tax-Exempt)”, evidencing the Authority’s obligation to repay the Loans under the Agreement which are Tax-exempt Loans, (ii) the “Ontario International Airport Authority Subordinated Revenue Note, Series 2023 (Taxable)”, evidencing the Authority’s obligation to repay the Loans under the Agreement which are Taxable Loans and (iii) the “Ontario International Airport Authority Subordinated Revenue Note, Series 2023 (Term)”, evidencing the Authority’s obligation to repay the Term Loan under the Agreement, if applicable (collectively, the “Notes”), each in the form attached to the Agreement, and (b) a Fee Agreement (the “Fee Agreement”), between the Authority and the Lender, in the form presented to the Board at the meeting at which this resolution is adopted, together with such changes to the Notes and Fee Agreement consistent with this resolution as the Chief Executive Officer shall approve upon the advice of counsel, such approval to be conclusively evidenced by the execution

thereof. The Board hereby further ratifies, validates, confirms and approves the Notes and the Fee Agreement and the terms, provisions and conditions thereof.

SECTION 6. Additional Authorizations Actions of Board. The Board hereby authorizes the Chief Executive Officer or Chief Financial Officer of the Authority to take any and all such further action as upon the advice of counsel the Chief Executive Officer or Chief Financial Officer shall deem necessary or desirable to carry out, give effect to and consummate the transactions contemplated hereby. The Board has obtained from the Authority's municipal advisor the good faith estimates required by Government Code Section 5852.1 and such estimates are set forth in the staff report which shall be included and filed with the minutes of the meeting at which this resolution is adopted.

SECTION 7. Effectiveness of Resolution. This resolution shall take effect immediately.

ALAN D. WAPNER
PRESIDENT

ATTEST:

SECRETARY/ASSISTANT SECRETARY

APPROVED AS TO LEGAL FORM:

LORI D. BALLANCE
GENERAL COUNSEL