



Virginia Aviation Board Meeting Minutes

The Virginia Aviation Board held a meeting on Thursday, June 18, 2020 via electronic media. The meeting was audio recorded. The audio and meeting documents and presentation materials are available on the Virginia Department of Aviation's website, www.doav.virginia.gov.

MEMBERS

Roderick D. Hall, Chairman	Present
J. Jack Kennedy, Jr., Region 1	Present
Victoria Cox, Region 2	Present
Derek M. Hardwick, Region 3	Present
Alan C. Abbott, Region 4	Present
Maggie Ragon, Region 5	Present
Region 6	Vacant
Vanessa Christie, Region 7	Present

OTHER ATTENDEES

Julie Whitlock	Office of the Attorney General
Mark K. Flynn, Director	Virginia Department of Aviation

DOAV staff, state government representatives, federal government representatives, airport sponsors and managers, consultants, engineers, business owners, and city and county representatives were also present.

1. Call to Order Rod Hall, Chairman

After calling the meeting to order at 10:03 am, the chairman performed a roll call of all board members. He stated that the meeting was being conducted in electronic format due to restrictions related to state of emergency and COVID-19. The Webex meeting is the safest way to meet allowing for social distancing and practicing safer at home as much as possible. He asked that all board member, staff, and presenter microphones be muted unless there is a question, comment or presentation. He noted that the meeting is being made available to the public through the Webex platform, either through video/audio link by computer or by phone. He noted that all attendees will be muted until the public comment period. At that time, both Webex users and phone participants will be unmuted to ask questions or pose comments.

2. Review and approve minutes Rod Hall, Chairman
 - A. Review and approve February 20, 2020 minutes Rod Hall, Chairman

Ms. Christie moved to accept the February 20, 2020 VAB meeting minutes as presented, seconded by Ms. Ragon. A roll call vote was performed. The motion passed unanimously. (Aye: Kennedy, Cox, Hardwick, Abbott, Ragon, Christie; Nay: none)

3. Update and Announcements:

- A. FAA Informational Update Jennifer Soloman, Administrator
FAA Eastern Region
Dave Fish, Director,
FAA Eastern Region Airports Div.

Ms. Solomon noted that the financial picture is grim for the aviation industry. A preliminary focus has been on keeping people safe during the pandemic.

Mr. Fish addressed the FAA's CARES Act program, the AIP program, and other responses to COVID-19. He noted that all of Virginia's airports have elected to receive CARES funds and the majority applications have been received.

- B. VAOC Report Keith Holt, VAOC

Mr. Holt provided an update on VAOC activities and addressed the impact of COVID-19 on both commercial air service airports and general aviation airports.

- C. VABA Report Bud Oakey, VABA

Mr. Oakey provided an update on VABA activities.

- D. DOAV Update Mark Flynn, DOAV

Mr. Flynn provided an update on department activities particularly in relation to the impact of and response to COVID-19.

Safety Update Watson Felts, DOAV

Mr. Felts provided an update on aviation safety activities and concerns.

Communications & Education Update John Campbell, DOAV

Mr. Campbell provided an update on the division's communication and education program activities.

4. Old Business

- A. Hampton Roads Revised and Amended Credit Line Deed of Trust Joseph Jagdmann, OAG

Ms. Christie moved to approve the motion dated June 18 2020 regarding the Credit Line Deed of Trust for the Hampton Roads Executive Airport (Attachment A), seconded by Mr. Abbott. A roll call vote was performed. The motion passed unanimously. (Aye: Kennedy, Cox, Hardwick, Abbott, Ragon, Christie; Nay: none)

5. New Business

- A. VRA Bond Debt Defeasance Peter D'Alema, VRA

Mr. D'Alema presented a proposal on VRA bond debt defeasance and consideration for the board's approval to proceed. Ms. Ragon moved to agree to the defeasance of the VRAF series 2007 bonds as set out in the May 18 memorandum from VRA (Attachment B), seconded by Mr. Abbott. A roll call vote was performed. The motion passed unanimously. (Aye: Kennedy, Cox, Hardwick, Abbott, Ragon, Christie; Nay: none)

B. Finances FY2020, FY2021

Mark Flynn, DOAV

Mr. Flynn presented an update on the revenue collections which support the agency's operations and designated grant programs to airports. He noted that the pandemic will most likely have an impact on available funding for FY21 operations and programs. As a result, he has instructed division directors to develop cost reduction plans to address potential funding shortfalls.

C. Commercial Service Airports

1. Commercial Air Service Plan Update

Cliff Burnette, DOAV

Mr. Burnette reported that the Commercial Air Service Plan update was close to completion in February. With the pandemic's impact on the aviation industry, the plan was changed from a reporting tool to a plan to assist in commercial airport recovery as a result of COVID-19. He noted that participation from the commercial airports is essential to this study. Target date for completion is early September.

2. Resolution: Use of Entitlement Funds for Operating Costs Mark Flynn, DOAV

Mr. Flynn presented a resolution to authorize the department to allow commercial service airports to use entitlement funds for recurring operating expenses. The state code and budget provide that entitlement funds and Commonwealth Airport Funds are to be used for infrastructure projects but provide authority to the board to allow the use of entitlement funds for operating costs. This resolution is presented to assist commercial airports to stay as healthy as possible to receive airlines when full service returns. He asked the board to consider action like that in the resolution at its next meeting, if such is recommended by the consultant for the commercial air service plan.

D. Amended Entitlement Utilization Plan Review and Consideration for Approval

Mike Swain, DOAV

Mr. Swain presented revisions to FY2020 Entitlement Utilization Plans for Charlottesville-Albemarle Airport and Roanoke-Blacksburg Regional Airport. Ms. Cox made a motion to accept staff recommendations for these revisions, seconded by Mr. Abbott. A roll call vote was performed. The motion passed unanimously. (Aye: Kennedy, Cox, Hardwick, Abbott, Ragon, Christie; Nay: none)

E. Next Meeting Date - September 2020

Rod Hall, Chairman

Mr. Hall stated that the August meeting, normally held in conjunction with the Virginia Aviation Conference, would be changed. Mr. Flynn added that the Governor plans to convene the General Assembly in early August to address budget revisions in response to revenue shortfalls due to COVID-19. He suggested potential meeting dates between late August and early September with the meeting format to be determined and dependent upon restrictions.

6. Public Comment Period

Rod Hall, Chairman

The Chairman opened the meeting to public comments or questions. All attendees were unmuted to participate. No public comments were offered.

7. Board Member Comments and Reports

Rod Hall, Chairman

Region 1: No report.

Region 2: No report.

Region 3: Mr. Hardwick stated he will contact staff regarding Culpeper Airport.

Region 4: No report.

Region 5: No report.

Region 7: No report.

Director: No report.

Chairman: No report.

8. Adjournment

Rod Hall, Chairman

Mr. Abbott made a motion to adjourn the meeting at 12:08 pm, seconded by Mr. Hardwick. A roll call vote was performed. The motion passed unanimously. (Aye: Kennedy, Cox, Hardwick, Abbott, Ragon, Christie; Nay: none)

Attachment A

Motion to Approve Reduction and Subordination of Amount Secured by Amended and Restated
Credit Line Deed of Trust for Hampton Roads Executive Airport

18 June 2020

The coronavirus pandemic has raised concerns for the Hampton Roads Executive Airport (the Airport) with respect to funding available from the Department for facility improvements, and the effect of the proposed Amended and Restated Credit Line Deed of Trust (ARCLDT) approved by the Board on February 20, 2020 upon commercial credit otherwise available to the Airport. With regard to the Hampton Roads Executive Airport, and Airport Grant Agreements regarding the same, I move that, notwithstanding Section 4.2.1 of the Department's Airport Program Manual, the ARCLDT approved by the Board on February 20, 2020 may provide that, upon request by the Airport sponsor, the maximum total of outstanding Grant Agreement obligations secured by the ARCLDT may be reduced by agreement of the Department and the Airport sponsor. Further, upon such reduction the Department may subordinate the reduced lien of the ARCLDT to other deeds of trust having seniority in priority to the ARCLDT as a result of such subordination without obtaining either Board approval or a new appraisal of the Airport, provided the total amount secured by the ARCLDT and all senior deeds of trust encumbering the Airport shall not exceed \$25,350,000.00. The ARCLDT may otherwise contain terms approved by the Board on February 20, 2020.

This resolution is conditioned upon the requirement that the Department shall approve the scope and cost of all construction projects for which future Grant Agreements are requested in advance of executing such Grant Agreements, and shall obtain proof of the use of the funding provided by such Grant Agreements for the approved construction projects.



MEMORANDUM

TO: Mark Flynn

Executive Director, Virginia Department of Aviation

FROM: Peter D'Alema

CC: Stephanie L. Hamlett

DATE: May 18, 2020

**RE: Virginia Airports Revolving Fund Series 2007
(Taxable) Cash Defeasance**

Executive Summary

Virginia Resources Authority (“VRA”) has worked closely with its financial advisor, Davenport and Company, in recent years to review the existing public bonds outstanding in the Virginia Airports Revolving Fund (“VARF”) to determine if there would be a benefit in refunding or defeasing the existing VARF Series 2007 bonds in order to reduce the interest rate on the underlying related airport borrower loans. VRA could potentially seek to refund the Series 2007 issuance based on the taxable market interest rates; however, due to the small par amount of Series 2007 bonds currently outstanding (\$2.925 million), a taxable refunding would be inefficient due to the costs of issuance associated with a public refunding bond issue. Another option is to redeem the related VARF Series 2007 bonds (\$2.665 million in par amount matures between 8/1/2021 and 8/1/2032) using approximately \$2.7 million in existing program resources, which would not adversely impact the current level of uncommitted VARF program equity that can be used for future VARF loans.

The defeasance of the 2007 bonds would be funded by a combination of i) the 2007 debt service reserve fund and ii) scheduled loan repayments and reserve cash flows due on 8/1/2020. This defeasance would not require the use of the current \$11.8 million in uncommitted VARF program equity, which will remain available for future VARF loans. The defeasance would allow VRA to reset the interest rates on the underlying VARF Series 2007 airport borrower loans to levels more in line with the current interest rate environment. With the redemption of the VARF Series 2007 bonds, the underlying local loans would become direct loan investments of the VARF program (instead of leveraged loans needed for the repayment of 2007 VARF bondholders). Additionally, converting the Series 2007 local airport borrower loans to direct loan investments of the VARF program would provide additional interest revenue and lending capacity to the program as the loan repayments would benefit the VARF rather than public bondholders.

Subject to final review by VRA’s bond counsel, it is VRA’s recommendation to use existing VARF reserves associated with the original Series 2007 bonds (\$1.26 million) along with a portion of the scheduled program cash flow due by August 1, 2020 to redeem the VARF Series 2007 bonds outstanding, which will generate an estimated additional \$280,982 in VARF program earnings over the coming 12 years. This approach also maintains sufficient program equity to meet future estimated loan demand of the program.

VARF Program Summary (as of May 1, 2020) VARF

Publicly Issued Bonds Outstanding:

VARF Series 2007 Bonds Outstanding	\$ 2,925,000
VARF Series 2011 Bonds Outstanding	<u>16,925,000</u>
Total VARF Publicly Issued Bonds Outstanding	\$ 19,850,000

VARF Local Airport Borrower Loans Outstanding:

VARF Direct Local Loans Outstanding	\$ 12,948,295
VARF Leveraged Local Loans Outstanding	<u>18,044,772</u>
Total Local Airport Borrower Loans Outstanding	\$ 30,993,068

VARF Pledged Reserves:

General Reserve Fund	\$ 1,254,918
Additional Reserve Fund	792,613
Series 2007 Debt Service Reserve	1,259,350
Series 2011 Debt Service Reserve	<u>5,446,043</u>
Total VARF Pledged Reserves	\$ 8,752,924

Uncommitted VARF Equity **\$ 11,834,058**

VARF Series 2007 Bonds

On March 21, 2007, VRA issued the VARF Series 2007 Airport Revolving Fund Revenue Bonds (Taxable) in the original principal amount of \$5,425,000 to fund loans on behalf of five airport borrowers. The airport borrowers included Hanover County (“Hanover”), on behalf of Hanover County Airport, Middle Peninsula Regional Airport Authority (“MPRAA”), Stafford Regional Airport Authority (“SRAA”), Tappahannock- Essex County Airport Authority (“TECAA”), and Tazewell County Airport Authority (“TCAA”). The TCAA loan matured on July 1, 2017. The VARF Series 2007 bonds were issued primarily to finance t- hangar facilities, which is why the local loans were funded with taxable bonds. As of May 1, 2020,

\$2,925,000 of the original VARF Series 2007 bond issuance remains outstanding. After the August 1, 2020 payment, \$2,665,000 will remain outstanding that can be redeemed early.

VIRGINIA AIRPORTS REVOLVING FUND - SERIES 2007 BORROWER LIST

OBLIGOR / AIRPORT	LOAN BALANCE (AS OF MAY 1, 2020)	FINAL MATURITY	PROJECT DESCRIPTION	CURRENT INTEREST RATE	SECURITY
Hanover County / Hanover Regional Airport	\$ 888,701	7/1/2027	Construction of 5 new hangars & acquisition of related building components including electrical & gas equipment	5.08%	Special Revenue Pledge
Middle Peninsula Airport Authority	313,804	7/1/2032	Construction of two six-unit T-hangars	5.15%	Revenue Pledge; M.O. of the Town of West Point, Gloucester, King & Queen and King William Counties
Stafford Regional Airport Authority	786,699	7/1/2027	Acquisition & construction of T-hangar facilities as well as the installation of water, sewer & electrical utilities for an existing corporate T-Hangar facility	5.08%	Revenue Pledge & M.O. of Stafford & Prince William Counties & the City of Fredericksburg
Tappahannock-Essex County Airport Authority	521,184	7/1/2032	Acquisition & construction of T-hangar facilities, terminal building improvements & other general infrastructure	5.15%	Revenue Pledge & M.O. of Essex County & the Town of Tappahannock
Tappahannock-Essex County Airport Authority	253,432	7/1/2032	Acquisition & construction of T-hangar facilities, terminal building improvements & other general infrastructure	3.50%	Revenue Pledge & M.O. of Essex County & the Town of Tappahannock

Tappahannock-Essex County Airport Authority	52,679	7/1/2032	Acquisition & construction of T-hangar facilities, terminal building improvements & other general infrastructure	3.66%	Revenue Pledge & M.O. of Essex County & the Town of Tappahannock
Tazewell County Airport Authority	-	7/1/2017	Acquisition & construction of T-hangar facilities	4.81%	Revenue Pledge & M.O. of Tazewell County
TOTAL \$ 2,816,499					

Historic VARF Loan Demand

While the VARF experienced significant demand in the years after its inception, in the last five years, the program has primarily been used for smaller projects, particularly hangar construction, parking improvements, land acquisition, and fuel farm construction. These projects are critical to the aviation community; however, they have not represented a significant dollar volume demand for the VARF. The table below shows the loan demand between fiscal year (“FY”) 2015 and fiscal year to FY2020.

**Virginia Resources Authority
Virginia Airports Revolving
Fund
New Loan Issuance (FY2015-FYTD2020)**

Borrower Project Purpose Loan Amount				
FY2015	Charlottesville-Albemarle Airport Authority	VARF-DL-13	Parking lot improvements	\$ 1,612,000
FY2017	City of Manassas	VARF-DL-14	Refinancing of Land Acquisition	2,010,000
	Chesterfield County	VARF-DL-15	Fuel Farm Construction	1,846,000
FY2019	Hanover County	VARF-DL-16	Hangar Construction	2,400,000
FY2020	Dinwiddie Airport & Industrial Authority	VARF-DL-17	Hangar Construction	1,662,473
	Winchester Regional Airport Authority	VARF-DL-18	Hangar Acquisition	1,550,000
Total				\$ 11,080,473
Average Annual Demand (FY2015-FY2020)				\$ 1,846,746
Max Annual Demand (FY2015-FY2020)				\$ 3,856,000

As can be seen, six loans were made from the VARF over the last six years, including two in each of FY2017 and FY2020. While the highest demand on the fund occurred in FY2017 when \$3.856 million in loans were made, average annual demand has been \$1.85 million since FY 2015. Three of the six loans involved the financing or refinancing of hangar projects.

As such, VRA generally anticipates continued demand for hangar and other airport projects not exceeding \$4 million annually over the coming five-year period, similar to historic demand on the VARF. There is the potential for a larger application for up to \$30 million from Charlottesville Albemarle Airport Authority related to a parking garage project; however, given the current pandemic, that project may be delayed for several years. If this project does request funding over the coming five-year period, subject to project and credit approval, VRA anticipates being able to leverage the uncommitted VARF program uncommitted equity through a public bond issue to fund the loan.

Redemption / Defeasance of VARF Series 2007 Bonds Using Existing VARF Reserves

With a defeasance of the VARF Series 2007 bonds, the underlying local airport borrower loans become direct loans of the VARF. As such, interest received on the related airport borrower loans originally funded by the VARF Series 2007 bond proceeds would increase program equity, even after the underlying airport borrowers receive reduced interest rates on the related local loans.

The VARF Series 2007 bonds are currently callable, meaning that VRA's trustee can issue redemption notices at any time and call the bonds back from the bondholders by paying the accrued interest and 100% of outstanding par amount on the bonds.

The table below shows the estimated annual transfers to the VARF program before and after the defeasance of the VARF Series 2007 bonds and estimated loan rate resets. The transfers include the remaining pledged loan repayments and the de-allocation of reserve funds after payment of bond debt service. Under the defeasance scenario, the escrow deposit necessary to pay off the VARF Series 2007 bonds is funded from the existing VARF Series 2007 debt service reserve fund and scheduled program cash flows due by August 1, 2020. As a result, the VARF maintains the existing uncommitted program equity (approximately \$11.8 million) as available capacity for future loans.

Comparison of Estimated Transfers to Revolving Fund
Virginia Airports Revolving Fund

As of May 7, 2020

Estimated Annual Transfers to Revolving Fund			Cumulative Transfers to Revolving Fund		
Date	Base Case: Existing Cash Flow	Defeasance with Rate Resets	Date	Base Case: Existing Cash Flow	Defeasance with Rate Resets
8/1/2020	1,658,004	302,768	8/1/2020	1,658,004	302,768
8/1/2021	1,536,332	1,749,102	8/1/2021	3,194,336	2,051,870
8/1/2022	1,439,847	1,653,990	8/1/2022	4,634,184	3,705,860
8/1/2023	1,320,070	1,528,425	8/1/2023	5,954,254	5,234,285
8/1/2024	1,365,857	1,567,866	8/1/2024	7,320,111	6,802,152
8/1/2025	2,218,158	2,418,262	8/1/2025	9,538,269	9,220,414
8/1/2026	1,208,286	1,414,866	8/1/2026	10,746,555	10,635,280
8/1/2027	1,368,338	1,541,440	8/1/2027	12,114,893	12,176,720
8/1/2028	222,514	269,344	8/1/2028	12,337,407	12,446,064
8/1/2029	224,181	270,763	8/1/2029	12,561,588	12,716,828
8/1/2030	175,870	235,307	8/1/2030	12,737,457	12,952,135
8/1/2031	63,043	153,094	8/1/2031	12,800,501	13,105,229
8/1/2032	124,500	100,755	8/1/2032	12,925,001	13,205,983
Total	\$ 12,925,001	\$ 13,205,983			

The defeasance provides approximately \$280,982 in additional funds back to the VARF through 2032 by turning the leveraged underlying local airport loans into direct VARF loans and combining with the other existing direct loans in the portfolio and the de-allocation of existing program reserves.

Local Airport Borrower Loan Interest Rate Resets

Interest rates on the local airport borrower loans funded from the VARF Series 2007 bonds would be reset based on prevailing market interest rates at the time of the bond defeasance. The table below estimates the new local loan interest rates based on estimated taxable market interest rates as of May 1, 2020.

Estimated Airport Borrower Interest Rate Resets and Savings (based on est. taxable rates as of 5/1/2020)

Borrower*	Loan	Current Interest Rate	Estimated New Interest Rate	Gross Debt Service Savings
Hanover County	VARF-07-01	5.08%	2.09%	\$ 102,733
Middle Peninsula Regional Airport Authority	VARF-07-02	5.15%	2.12%	66,121
Stafford Regional Airport Authority	VARF-07-03	5.08%	2.09%	94,466
Tappahannock-Essex County Airport Authority	VARF-07-04a	5.15%	2.12%	109,817
Tappahannock-Essex County Airport Authority	VARF-07-04b	3.50%	1.44%	34,815
Tappahannock-Essex County Airport Authority	VARF-07-04c	3.66%	1.51%	<u>7,599</u>
Total				\$ 415,551