

OCTOBER 11, 1989

COUNCIL MEETING  
OCTOBER 17, 1989

Honorable Mayor and Members  
of the City Council  
City Hall  
Torrance, California

SUBJECT: BALLOT MEASURE: AIRPORT FUND

ABSTRACT

Recommendation of the City Attorney that consideration be given to the concept of placing a ballot measure on the March 1990 Council election to amend the Charter so as to remove the provisions setting up an airport fund.

BACKGROUND

In 1957 the City set up an airport fund, and that fund was made part of the City Charter by election in 1957 (Section 1500). Later, in 1962, the City sold certain bonds for airport purposes, and the bond counsel at the time advised the City that bondholders would be more likely to purchase the bonds if there was an identifiable fund from which the bond payment could be made. Therefore, the Council placed a ballot measure on the 1962 election which added Sections 1501, 1502 and 1503 to the Charter. These three sections specify airport fund uses (payment of bonds being the first use), defined airport facilities and added a safety valve that the Charter provisions did not constitute a contract between the City and any bond holder. (See attached copy) Now, thirty years later, the need for a Charter provision establishing an airport fund does not exist.

ANALYSIS

It has been proposed that the Council place a ballot measure on the March 1990 election which would ask the voters to repeal Article 15 of the Charter. That repeal would take the airport fund out of the Charter.

There remains only \$41,000 to be paid in March 1990 on the 1962 airport bonds, and there is no need for the City to maintain the separate fund for the purpose of guaranteeing that payment.

A second purpose served by the airport fund was to assure that there would be income and a revenue source to maintain the airport in order to satisfy the F.A.A. quit claim deed requirements. As we all know, that requirement no longer exists.

The third reason for maintaining the airport fund was to support the federal grant programs which the City used through the years. Since the last airport use restriction based on federal grant money expired three years ago, there is no longer a need to consider the grants.

There remains no purpose to be served by keeping the Charter provisions, and if they are removed, the City will have a greater degree of flexibility in handling the income stream from the airport property. It is anticipated, however, that nothing will change in the way airport funds are accounted for. As is the case with other forms of "enterprise" money, it will be deposited in, and be accounted for, in an airport fund much as it is now. The only real difference is that that fund will not be a mandate of the Charter, but can be flexibly dealt with in accordance with good accounting practice.

It is also anticipated that the airport operations will continue to be funded and supported as they are presently.

#### RECOMMENDATION

It is recommended that staff be instructed to prepare a ballot measure for the March 1990 election which would seek approval of the voters to remove Article 15 from the Charter.

Respectfully submitted,

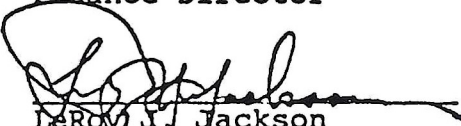
KENNETH L. NELSON  
CITY ATTORNEY

By

  
William G. Quale  
Assistant City Attorney

CONCUR:

  
Mary Giordano  
Finance Director

  
Leroy J. Jackson  
City Manager

WGQ:wm/206

22e. Councilman Mock requested a report from the City Attorney's office regarding Article 15 of the City Charter dealing with the 1948 deed to the Airport and the effect on funding matters.

City Council  
September 20, 1988



## ARTICLE 15 - AIRPORT FUND

### SECTION 1500. AIRPORT FUND.

There shall be in the treasury of the City a separate fund to be designated as the Airport Fund and under such fund there may be such accounts as may be necessary or convenient. From time to time as the same are received, all fees, tolls, rentals, charges, proceeds from the sale of property, and other revenues received by the City from or in connection with the use or operation of any airport facilities owned, controlled or operated by the City shall be placed in said Airport Fund.

### SECTION 1501. AIRPORT FUND USES.

Moneys in the Airport Fund shall be used only for the following purposes and in the following order of priority, to wit:

- 1) For the payment or providing for payment, including payments into any reserve or sinking funds, as the same falls due, of the principal of and interest on any bonds of the City, issued for the acquisition, construction, improvement or financing of airport facilities or for additions, betterments, extensions or capital improvements thereto.
- 2) For the current, necessary and reasonable costs and expenses to the City of operating and maintaining airport facilities owned, controlled or operated by the City, but without allowance for depreciation or obsolescence, or for additions, betterments, extensions or capital improvements thereto.
- 3) After paying or providing for all payments under subparagraph (1) above which are due or which will become due during the next ensuing twelve (12) months' period, and after paying or providing for all current costs and expenses under subparagraph (2) above, any balance which remains from time to time in the Airport Fund and the several accounts therein may be used for the purpose of acquiring, constructing, or improving airport facilities or for additions, betterments, extensions or capital improvements thereto (including deposits in reserve or depreciation reserves or accounts established for that purpose), and any part of such balance not then needed for such purposes may be used for any lawful purpose.

### SECTION 1502. DEFINITION OF AIRPORT FACILITIES.

As used in this Article 15 the term airport facilities means all property of any kind heretofore or hereafter acquired by the City for airport purposes or for the direct or indirect development and promotion of air commerce, air manufacture, air navigation, air transportation, aviation, or for matters incidental to or used in connection with any of the foregoing, and all land (formerly known as The Lomita Flight Strip) acquired by the City from the United States of America by quitclaim deed dated March 5, 1948.

### SECTION 1503. ARTICLE 15 NOT A COVENANT.

Nothing in this Article 15 shall be deemed to be a covenant which shall be enforceable by any holder of any bond of the City.



C I T Y   O F   T O R R A N C E

INTER-OFFICE COMMUNICATION

OPINION #90-3

APRIL 19, 1990

TO:           Mary Giordano, Finance Director  
FROM:         William G. Quale, Assistant City Attorney  
SUBJECT:      DEPOSITS OF MONEY IN THE AIRPORT FUND

BACKGROUND

Recently you asked if it would be permissible to leave a certain amount of money, say \$2.5 Million, standing in the Airport Fund, and then just transfer all other moneys accruing to that fund to the General Fund of the City.

QUESTION

May the Director of Finance provide a stipulated amount of money to be held in the Airport Fund, and then administratively transfer all other funds, and further income from airport facilities to the General Fund of the City?

CONCLUSION

YES, the Director of Finance may do so, provided the amount of money held in the Airport Fund is sufficient to meet the requirements of Article 15 of the Charter.

ANALYSIS

Article 15 of the Charter provides, in pertinent part, as follows:

"SECTION 1500.           AIRPORT FUND.

There shall be in the treasury of the City a separate fund to be designated as the Airport Fund and under such fund there may be such accounts as may be necessary or convenient. From time to time as the same are received, all fees, tolls, rentals, charges, proceeds from the sale of property, and other revenues received by the City from or in connection with the use or operation of any airport facilities owned, controlled or operated by the City shall be placed in said Airport Fund.

SECTION 1501.           AIRPORT FUND USES.

Moneys in the Airport Fund shall be used only for the following purposes in the following order of priority, to wit:

1) For the payment or providing for payment, including payments into any reserve or sinking funds, as the same falls due, of the principal of and interest on any bonds of the City, issued for the acquisition, construction, improvement or financing of airport facilities or for additions, betterments, extensions or capital improvements thereto.

2) For the current, necessary and reasonable costs and expenses to the City of operating and maintaining airport facilities owned, controlled or operated by the City, but without allowance for depreciation or obsolescence, or for additions, betterments, extensions or capital improvements thereto.

3) After paying or providing for all payments under subparagraph (1) above which are due or which will become due during the next ensuing twelve (12) months' period, and after paying or providing for all current costs and expenses under subparagraph (2) above, any balance which remains from time to time in the Airport Fund and the several accounts therein may be used for the purpose of acquiring, constructing, or improving airport facilities or for additions, betterments, extensions or capital improvements thereto (including deposits in reserve or depreciation reserves or accounts established for that purpose), and any part of such balance not then needed for such purposes may be used for any lawful purpose."

As these two sections make clear, the City must do the following things:

- 1) Establish a separate "Airport Fund",
- 2) Deposit into that fund all moneys derived from "airport facilities", which term is later defined in the article,
- 3) Use those funds in the following order:
  - a) to pay principal and interest on bonds;
  - b) operate and maintain the airport facilities;
  - c) acquire, construct, or improve airport facilities or for additions, betterments, extensions or capital improvements thereto;
  - d) the balance may be used for any lawful purpose.

Therefore, if all moneys derived from airport facilities are deposited into the Airport Fund, and a sufficient sum is held, or maintained in that fund to pay the principal and interest on bonds (and there are no current outstanding bonds), pay the cost of operation and maintenance of the airport, and pay the cost of any planned and approved improvements, there is no reason why the balance could not be automatically transferred to the General Fund immediately upon receipt into the Airport Fund.

The sum of \$2,500,000 has been suggested as an appropriate amount to leave in the Airport Fund. Since there are no outstanding bonds, and there is no requirement that any acquisitions, construction or improvements or any additions, betterments or extensions or capital improvements be made, the only expenditures which must be met from that fund are the operation and maintenance costs, and the cost of debt service on the Certificates of Participation for the 72 "T" hangars built in 1987, and the General Aviation Center, which costs are currently running about \$2,300,000 per year, and therefore the \$2,500,000 proposed for the airport fund appears to be more than adequate to meet those combined costs.

This proposed system meets both the spirit and the letter of the Charter.

A handwritten signature in black ink, appearing to read 'William G. Quale', written over a horizontal line.

William G. Quale  
Assistant City Attorney

wm/351



# CITY OF TORRANCE

## INTER-OFFICE COMMUNICATION

TO: LeRoy J. Jackson, City Manager

FROM: Mary K. Giordano, Finance Director

SUBJECT: Transfer of Non-Aeronautical Related Leased Land Revenues to the General Fund

An analysis of non-aeronautical leased land revenues received by the Airport Fund as a result of favorable leases negotiated by the Land Management Team indicates that over the past ten years, this source of revenue has gradually grown from \$484,100 to \$2,057,300 annually. As a result, working capital (the amount by which short-term assets, such as cash and investments, exceed short term liabilities, such as accrued payroll and accounts payable) has grown from \$1,288,000 to \$2,993,000. Working capital represents the amount of liquid assets available for capital projects or other airport related uses. This growth, plus a review of net income during the same period, is presented below:

	<u>Leased Land Area Rentals</u>	<u>Net Income</u> ***	<u>Working Capital</u> ***
1989-90 (PROJ)	\$2,057,300	\$853,777	\$2,993,000
1988-89	1,799,948	< 158,372> **	3,270,547
1987-88	1,578,336	806,091	3,279,985
1986-87	1,125,022	440,471	2,507,408
1985-86	897,538	532,707	1,962,214
1984-85	741,182	408,206	2,330,443
1983-84	680,932	455,311	2,258,440
1982-83	684,170*	588,212	2,025,825
1981-82	643,460*	571,000	1,617,000
1980-81	548,300*	446,333	2,082,321
1979-80	484,100	392,328	1,287,965

\* Estimate based on total leased land revenues.

\*\* Results from downpayment of \$600,000 on purchase of El Rancho leasehold.

\*\*\* Per Comprehensive Annual Financial Report.

We currently transfer \$250,000 annually in leased land revenues from the Airport Fund to the General Fund. It would be beneficial to the General Fund in two ways if we restructure the manner in which we transfer this source of revenue. I would propose that we annually evaluate the operating expenses of the airport, amount necessary to maintain working capital at \$2,500,000, and aeronautical revenues available to support airport operations. The excess of non-aeronautical leased land revenues over these requirements would be transferred to the General Fund on an annual basis. The amount of the transfer would fluctuate based on the capital projects and increases in operating expenditures of the airport over future years, however the method used in arriving at the transfer would be the same.

As noted above, this restructuring would have two positive impacts on the General Fund, and no negative impact on the Airport Fund. It would provide a method of funding General Fund expenditures with non-tax revenues, therefore it would be outside of Gann, whereas, tax increases to support General Fund expenditures impact our Gann. Airport operations would be fully provided for through maintaining a high liquid working capital balance in addition to providing for operating expenditures.

If Council concurs with the restructuring, the transfer in leased land revenues would be increased a conservative \$150,000 in Fiscal Year 1990-91 for budgeted revenue purposes, and would continue to increase in the future as the percentage rent terms of the non-aeronautical leases become fully effective.

  
\_\_\_\_\_  
Mary K. Giordano  
Finance Director

MKG:sbb:15

cc: Art Horkay

Attachment: City Attorney Opinion