

Date of Hearing: May 6, 2015

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Brian Maienschein, Chair
AB 1455 (Rodriguez and Gomez) – As Introduced February 27, 2015

SUBJECT: Ontario International Airport.

SUMMARY: Allows the City of Ontario to issue revenue bonds for the purpose of financing the acquisition of the Ontario International Airport from the City of Los Angeles, and specifies that the revenue bonds shall be secured solely by future revenues and charges from that airport.

EXISTING LAW:

- 1) Allows local agencies to issue bonds for the acquisition, construction, or improvement of any enterprise pursuant to the Revenue Bond Law of 1941.
- 2) Defines "local agency" to mean any city, county, city and county, or any municipal or public corporation or district, which is authorized to acquire, construct, own, or operate any enterprise, as defined in the Revenue Bond Law of 1941.
- 3) Defines "enterprise" to mean a revenue-producing improvement, building, system, plant, works, facilities, or undertaking used for or useful for any of the following purposes:
 - a) The obtaining, conserving, treating and supplying of water for domestic use, irrigation, sanitation, industrial use, fire protection, recreation, or any other public or private uses;
 - b) The collection, treatment or disposal of garbage or refuse matter;
 - c) The collection, treatment or disposal of sewage, waste or storm water, including drainage;
 - d) The providing of public parking lots, garages, or other automotive or vehicular parking facilities, including any and all public offstreet vehicular parking facilities;
 - e) The providing of public transportation by means of a ferry or ferry system;
 - f) The providing of public airports and facilities appurtenant thereto;
 - g) The providing of harbors, including without limitation public small boat harbors, and facilities and improvements in connection therewith;
 - h) The providing of hospitals and facilities appurtenant thereto;
 - i) The providing of public golf courses, and facilities and improvements in connection therewith; and,
 - j) The generation, production, or transmission of electric energy for lighting, heating, and power for public or private uses.

FISCAL EFFECT: None

COMMENTS:

- 1) **Bill Summary.** This bill allows the City of Ontario to issue revenue bonds for the purpose of financing the acquisition of the Ontario International Airport from the City of Los Angeles, and specifies that the revenue bonds must be secured solely by future revenues and charges from that airport.

This bill is sponsored by the City of Ontario and the Ontario International Airport Authority.

- 2) **Background.** In 1929, the City of Ontario purchased a 30-acre tract in the southwest corner of the present airport for \$12,000 and ran an airfield known as the Ontario Municipal Airport. In 1941, the City of Ontario purchased 470 acres surrounding the airport and approved construction of new runways. In 1949, commercial service began at Ontario International Airport and in 1951, a 10,880-square-foot terminal building was constructed. In 1967, the Los Angeles City Department of Airports co-signed a joint powers agreement with the City of Ontario and the airport became part of the Los Angeles' regional airport system. Over the years, the airport continued to purchase more land and expand terminal space; by 1978 the passage volume was two million. In 1985, the official transfer of title from City of Ontario to the City of Los Angeles occurred. By 1998, a new terminal was in construction and passage volume was over six million. In 2005, passenger volume at the airport peaked at seven million, but by 2010, passage volume had declined and stabilized to about 4.8 million passengers annually traveling through the LA/Ontario International Airport (ONT).
- 3) **Author's Statement.** According to the author, "AB 1455 was introduced to transfer ONT from the City of Los Angeles back to the City of Ontario. Ontario and Los Angeles have been in discussions about transferring the sponsorship of the airport back to Ontario. AB 1445 is the vehicle to facilitate that transfer.

"[ONT] is the only unconstrained commercial service airport in Southern California. Other airports in the region are constrained by noise, passenger caps or by facility and/or access constraints. It has the potential to handle far more passengers than any other airport in Southern California except for Los Angeles International Airport (LAX). As such, its potential growth is virtually limitless.

"In 1967, the City of Los Angeles and the City of Ontario entered into a Joint Powers Agreement (JPA), that allowed Los Angeles to become the airport operator. An Acquisition Agreement was signed by the cities in 1985, and Los Angeles paid \$58,329 for the transfer.

"When the Ontario Airport was transferred to LA, the passenger traffic count was 3.7 million. In 1999, the first year that the new terminals were open, passenger traffic was 6.6 million, peaking in 2007 to 7.2 million. Since that time, passenger service has decreased to less than 4 million. Ontario and Los Angeles are in negotiations to transfer the airport back. In 2012, the City of Ontario and the County of San Bernardino created the Ontario International Airport Authority to receive and manage the operations of the Ontario Airport."

- 4) **Revenue Bonds.** According to the California Debt Investment and Advisory Commission's (CDIAC) Debt Primer, revenue bonds are long-term debt instruments retired by specific dedicated revenues, often revenues generated by a project funded out of bond proceeds. Revenue bonds are designed to be self-supporting through user fees or other special earmarked receipts; the general taxing powers of the jurisdiction are not pledged. The debt

created through the issuance of revenue bonds is to be repaid by the earnings from the operations of a revenue-producing enterprise (an enterprise revenue bond), from special taxes (a special revenue bond), or from contract leases or rental agreements (a lease revenue bond).

5) **Previous Legislation.** SB 446 (Dutton) of 2012 would have established the Ontario International Airport Authority and would have authorized the Authority to enter into an agreement with the City of Los Angeles to facilitate the transfer of management and operational control of ONT from the City of Los Angeles to the Authority. SB 446 passed out of the Senate, and was referred to the Assembly Local Government Committee, but was never heard.

6) **Policy Considerations.** The Committee may wish to consider the following:

- a) **Bond Issuance Process.** The bill does not specify any details about how the City of Ontario will issue revenue bonds or the public process in order to do so.
- b) **Revenue Bond Law of 1941.** The Revenue Bond Law of 1941 (Chapter 6, of Part 1, of Division 2, of Title 5 of the Government Code) allows specified local agencies to issue revenue bonds for the acquisition, construction, or improvement of any enterprise pursuant to the procedures specified in that Chapter. For purposes of the Revenue Bond Law, local agency is defined as a "city, county, city and county, or any municipal or public corporation or district which is authorized to acquire, construct, own, or operate any "enterprise,"" as defined). "Enterprise" is defined to mean a revenue-producing improvement, building, system, plant, works, facilities, or undertaking used for or useful for specified purposes, including "the providing of public airports and facilities appurtenant thereto."

The Committee may wish to consider whether the existing Revenue Bond Law of 1941 would allow the City of Ontario to issue bonds without the need for legislation.

- c) **Local Fight.** The transfer of the Ontario Airport is an issue that has yet to be solved locally, although discussions are ongoing. The Committee may wish to ask the author for an update on where those negotiations stand, and whether a better approach might be to let those negotiations continue, and if legislation is necessary in the future to implement an agreement, getting the Legislature involved then, rather than the Legislature picking winners and losers in what is a local, regional fight.
- 7) **Arguments in Support.** Supporters argue that this bill would establish local control for Ontario International Airport and restore one of Southern California's most important economic and jobs engines.
- 8) **Arguments in Opposition.** None on file.

REGISTERED SUPPORT / OPPOSITION:**Support**

City of Ontario [CO-SPONSOR]
Ontario International Airport Authority [CO-SPONSOR]
Air Fair
Airport Working Group of Orange County
Alliance for a Regional Solution to Airport Congestion
Brea Chamber of Commerce
California Contract Cities
Cities of: Adelanto, Canyon Lake, Chino, Chino Hills, Colton, Diamond Bar, Eastvale, Fontana, Glendora, Grand Terrace, Highland, Jurupa Valley, Lakewood, Montclair, Monterey Park, Newport Beach, Norco, Palmdale, Rancho Cucamonga, Riverside, San Gabriel, Upland, Victorville, and Whittier
Corona Chamber of Commerce
County of San Bernardino (In Concept)
El Monte / South El Monte Chamber of Commerce
Fullerton Chamber of Commerce
LaVerne Chamber of Commerce
North Orange County Legislative Alliance
OmniTrans
Ontario Professional Firefighters, Local #1430
Orange County Council of Governments
San Bernardino County
San Gabriel Valley Council of Governments
San Gabriel Valley Economic Partnership
San Gabriel Valley Regional Chamber of Commerce
Service Employees International Union – United Service Workers West
Southwest California Legislative Council
Town of Apple Valley
Western Riverside Council of Governments

Opposition

None on file

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