



**SEDONA-OAK CREEK  
AIRPORT AUTHORITY**

**Airport Terminal Conference Room  
Minutes of the Special Meeting – January 24, 2022  
Pursuant to A.R.S. §38-431.01(B)**

**Directors Present:** President Pam Fazzini, Vice-President David Cooper, Secretary/Treasurer Scott Schroeder, Director Timothy Miller, Director Mike Schroeder, and Director Jerry Barber.

**Directors Absent:** Director Betty Uhrig, excused absence. Secretary/Treasurer Scott Schroeder left at 4:30 p.m.

**Staff Present:** General Manager Ed Rose, Business Manager Jacquie Cooper, Nelson Durkee, Assistant to the Business Manager Patresa Miller, and Operations Manager Michael Dearden.

**Agenda Item #I.** The meeting was called to order by President Fazzini at 2:30 p.m. immediately followed by the Pledge of Allegiance.

**Agenda Item #II. Roll Call.** Roll was called and it was determined a quorum was present.

**Agenda Item #III. Consent Agenda.** The Consent Agenda included minutes of the Annual and Regular Meeting held December 6, 2021, minutes of the Executive Session held December 6, 2021, and minutes of the Special Board meeting held January 3, 2022. Tim Miller moved to approve the Consent Agenda as presented; Secretary/Treasurer Scott Schroeder seconded. The motion carried unanimously.

**Agenda Item #IV. – Reports by:**

**President:** Ms. Fazzini reported she signed a letter from Yavapai County Public Works acknowledging an agreement between Yavapai County and SOCAA to accept an American Rescue Plan Act (ARPA) grant in the amount of \$32,000. The monies are intended to reimburse operational and maintenance expenditures incurred by SOCAA after January 20, 2020. She also signed the audit engagement letter with Haynie and Company, the firm who has performed our annual audit for the past several years. There is a lot of activity at the airport these days as projects which the General Manager, the Board, and employees have been working on for the last couple of years are coming to fruition.

**Vice-President:** No report.

**Secretary/Treasurer:** Deferred to the Business Manager's report.

**General Manager:** Mr. Rose provided a summary of his detailed January 2022 report which was posted on Dropbox. The items reported on included:

- Fuel Farm Financing status update – is on today's agenda.
- Fuel Farm Project update – contracts for KEAR Corporation, Dibble Engineering, and Rural Electric along with the Notice to Proceed are ready when SOCAA finalizes the financing.
- Infield Drainage Project is designed and out for bid.

- Focused Planning Study – the survey, geotech investigation, and scoping meeting are complete, and the engineer is developing four alternate concepts along with preliminary construction costs for each.
- Other ADOT projects include sealcoating and remarking runway 03/21, milling and 1-inch filling the entire length of taxiway A, repairs to the pavement base and paving for 300 linear feet of taxiway A between A4 and A5.
- The City and County engineers are studying the acceptability of fill from City projects with the possibility of the Airport receiving fill to be used for the infield drainage project. This could result in a significant cost avoidance for the Airport.
- Applicants for the County ARPA grant for which SOCAA submitted are being asked to certify their ability to comply with reporting requirements. SOCAA responded affirmatively.
- A productive meeting to review and update the almost two-year old Fly Friendly Agreement was held on January 18. Guidance, Dakota, and APEX were all present. Powered parachutes and drones may be included in the modified agreement. A follow-up meeting is scheduled for January 28.
- Staff issued and evaluated an RFP for a fuel supplier and ancillary services. AV Fuel won the bid with no-cost refuelers in year one, lower credit card acceptance fees, and low fuel pricing. The contract is on today's agenda. The tentative transition date is March 1.
- The lease with Harrell Cooley LLC for the former Masonic Lodge has been through three revisions and is almost complete.
- Dibble Structural has been engaged to address repairs needed to the terminal building. Ninety-percent plans are done and requests for bids will go out by February 14. Construction is expected to run from approximately April 25 through August 25.
- RFPs are being prepared for two properties on the Airport, the 4.6 acres south of the Sky Ranch Lodge, and approximately 2 acres adjacent to the Juliet taxi lane.
- The search for a new Business Manager has culminated with the hiring of Jacquie Cooper who is in attendance today.
- Additional activities included coordination of photo shoots with Cirrus and Garmin, re-design of the Airport website, joining the "Leave No Trace" program through the Chamber of Commerce, discussions with a principal of Guidance Aviation, speaking engagements with Sedona Rotary, preparing a presentation for a "Community Pulse" event to take place on February 9, and commencement of planning for Airport Day to be held October 1, 2022.

**Business Manager:** The Business Manager, Mr. Durkee, was pleased to report fuel sales to date are on a par with those of 2021. As he was requested to do by the Board, Mr. Durkee submitted an inquiry to our insurance carrier to see if repairs to the terminal building might be covered, but they are not. The Airport's second PPP loan for approximately \$151,000 has been forgiven and taken off the books. He thanked his assistant Patresa Miller for her excellent work in getting this accomplished. The 2021 Audit is underway and should be completed sometime in April. There was a concern expressed during the due diligence process for the loan regarding cyber security; Mr. Durkee is following up and some changes will be implemented. Director Barber is assisting staff with learning DocuSign with the intent of using electronic signatures as part of the review and approval process for loan and construction projects. Financial information for 2021 was sent to Board Members. Performance in 2021 was significantly improved over 2020, and performance in 2020 was better than in 2019.

## **Agenda Item #V. – Unfinished Business: Fuel Farm Project.**

### **A. Financing:** Consideration, review, and possible action on the following:

Resolution of the Board of Directors authorizing the financing of certain capital improvements and related expenses through the issuance by the Sedona Oak-Creek Airport Authority, Inc. of its Airport Improvement Revenue Bond, Series 2022 (taxable); authorizing the sale of such bond through a private placement to a financial institution pursuant to a bond purchase and loan agreement. The documents to be considered as a package include the Bond Purchase and Loan Agreement, the Security Agreement, the Placement Agreement, and the Investor Letter.

Mr. Leeper, Assistant Vice-President, Stifel Public Finance, addressed the Board. He distributed a document summarizing the bids received. He explained Stifel, working with SOCAA staff, prepared a term sheet with all the relevant details about the Authority and Mr. Williams with Snell and Wilmer, prepared all the legal documents. Information was sent out to investors about three weeks ago, and last week we received three bids, from National Bank of Arizona, Western Alliance, and Washington Federal. Two of the bids are strong, considering the bonds are taxable. With NBAZ the annual debt service would be about \$337,000 per year, subject to the bank's final credit and legal review. There were some additional conditions set up by the bank: they would like to enter into a deposit relationship with the bank, and they would like the Authority to maintain a working capital debt service coverage of about 1.5 times the debt service - about \$1.5 million. Secretary/Treasurer Scott Schroeder clarified those funds would be maintained as an on-going ratio, not a set-aside. Prepayment penalties would be three percent in the first year, two percent in the second year, one percent in the third year, and after that, there would be no penalty for prepayment or refinancing. NBAZ will use its in-house counsel which will help reduce the cost of obtaining the loan. After ten years, the rate would adjust to the five-year U.S. Treasury Bond rate plus two percent.

Mr. Leeper ran through the bid submitted by Western Alliance which came in 8 basis points higher than National Bank of Arizona's, but with a 20-year option in addition to the 15-year option. Secretary/Treasurer Scott Schroeder asked new business manager, Jacquie Cooper, to explain the difference between the two offers as it impacts SOCAA's budget. Ms. Cooper replied our budget was based on a 3.5 percent interest rate, but because municipal bonds are amortized over 15.5 years resulting in one extra payment, the debt service for the NBAZ loan came in lower than what was budgeted. The answer to the ultimate question, "Can we afford it?" was affirmative.

Mr. Fred Williams, our bond counsel from Snell and Williams, asked for a few minutes to go through the various documents in front of the Board. When he drafted the Resolution of the Board of Directors, he anticipated having the exact terms of the deal to plug in; we're not there yet. Alternatively, there is a parameters resolution which allows for the still-to-be finalized negotiations with the bank. A parameters resolution establishes the outer parameters of the agreement and allows the Board to authorize the resolution so long as the numbers stay within those parameters. For instance, the amount SOCAA expects to borrow is \$4.063 million, but that number was adjusted upwards to \$4.1 million to cover any additional costs that may arise. SOCAA doesn't have to increase the amount of the loan, but the flexibility is there. Additional costs, if any, may be paid out of our existing funds instead of being built into the loan. The purpose of the Bond Resolution is to give the authority to proceed to borrow up to \$4.1 million, provides for the pledge of gross revenues, and there is room for the pledge of other assets, such as personal property, which may be negotiated. The project funds are to be held by the bank for the benefit of the Authority and the bank will have a security interest in those funds in the unlikely event of a default. That is accomplished through the Security Agreement.

The Bond Purchase and Loan Agreement is the document pursuant to which the Authority, as both a 501(C)(3) non-profit and a body politic, issues its bonds. This is the main “nuts and bolts” agreement which covers interest rates, coverage, what happens if there is a default, how the loan is to be repaid, etc.

The Security Agreement is a written agreement between the debtor and the creditor. There will be UCC Financing Statements filed with the Secretary of State’s office which provide priority to the lending bank in case there is a failure to pay; other creditors are put on notice. Those are all standard agreements you would see in any financing transaction.

Mr. Williams then reviewed the terms of the bond. The loan amount is not to exceed \$4.1 million; the purchase price is equal to the loan amount, the bond will mature no later than July 1, 2037, (which is slightly longer than 15 years) and the interest rate on the bond can be no more than 5 percent. We expect the rate to be lower than that – closer to the 3.87% - but rates will continue to fluctuate until we are able to lock in the rate. These bonds are special obligations of the Authority, payable only from the assets that will be pledged (gross revenues); there will be no lien on real property, and no lien on the lease -neither Yavapai County nor the State of Arizona is responsible in any way.

These are the core documents which must be executed to finalize the loan.

President Fazzini noted there is a conference call scheduled tomorrow with the National Bank of Arizona, SOCAA attorneys and staff, our bond counsel, and our agents to finalize the terms of the agreement. She offered any Board members who wished to join in on the call the chance to participate.

Vice-President Cooper asked General Manager Rose if he has been communicating with Yavapai County regarding the Authority’s intent to borrow money and if the County has voiced any concerns. Mr. Rose said he has been communicating with the County since SOCAA first decided to move ahead with the Fuel Farm Project. The County is aware SOCAA intends to borrow money to finance the project but has not expressed interest in the particulars.

Secretary/Treasurer Scott Schroeder moved to approve the Bond Purchase and Loan Agreement and all associated documents necessary to undertake this financing; to authorize the Authority and its representatives to negotiate to secure the most favorable terms, and to authorize the Board President to execute all necessary documents. The motion was seconded by Directors Barber and Mike Schroeder. There was no further discussion. The vote was taken, and the motion passed unanimously.

**B. Notice to Proceed and Contracts:** Consideration, review, and possible action on contracts with KEAR Corporation, Dibble Engineering, and Rural Electric.

General Manager Rose is seeking authorization from the Board for the President to execute the Notice to Proceed once resources are in place. The KEAR Corporation, General Contractor, contract is about \$3.705 million, the Dibble Engineering contract is \$178,000 which will be paid out of pocket, and the contract with Rural Electric is in the amount of \$246,000. All the contracts have been through legal review by our attorneys as evidenced by attached emails.

Director Barber moved to authorize the President to sign these contracts contingent on the financing being in place and Director Miller seconded the motion. There was no discussion. The motion passed unanimously. The Business Office will report to the Board once the financing has been obtained and the contracts have been signed.

**Agenda Item #VI. – New Business:**

- A. Airport Rescue Plan (ARPA) Grant, Letter of Acceptance.** Review, discussion, vote to ratify signature.

As noted in the President's report, the Letter of Acceptance was timely signed on January fourteenth to accept a grant for \$32,000, proceeds of which may be applied to reimburse the Authority for directly related operational and maintenance expenses incurred no earlier than January 20, 2020. Yavapai County will seek reimbursement from the FAA and reimburse SOCAA for all approved expenditures. Funds may be used for almost any operational or maintenance expense including debt service.

Secretary/Treasurer Scott Schroeder moved to ratify the signature; Director Barber seconded, and the vote was taken. The motion to ratify passed unanimously.

- B. Fuel Supplier** – Review, discussion, and possible vote on General Manager's recommendation pursuant to his review and evaluation of bids submitted in response to RFP.

SOCOA put out an RFP for fuel suppliers in early August. This hadn't been done for fifteen years; this is something that should be done every three to five years. There were metrics set up against which to evaluate the responses. Avfuel Corporation came in with a strong bid. The cost of fuel, the credit card acceptance rate – fifty-six percent of the credit cards we have historically accepted will now incur no fees – and the first year of NEW fuel trucks (with air conditioning for the first time at KSEZ) will be at no cost. They also offered a few extras such as Avfuel hub access, branding, and signage. We are looking to do a changeover around March 1. Counsel has reviewed and approved the lease as evidenced by the attached email.

Director Miller asked if Avfuel was offering non-leaded aviation fuel. The answer was, not at this time, but Avfuel is investigating non-leaded aviation fuels. In the meantime, we will have a vessel to hold aviation fuel, and we will be responsive when the time comes.

Director Mike Schroeder moved to approve the recommendation of the General Manager to replace distributor World Fuels with Avfuel; Vice-President David Cooper seconded the motion. The vote to approve was unanimous.

- C. Harrell Cooley LLC – Venue on the Mesa.** The Board authorized General Manager Rose to negotiate a lease with Harrell Colley, LLC at the August 6 Special Meeting last year for development of the former Masonic Lodge building. Review, discussion, and possible action on a Commercial Lease and a Development Agreement.

Mr. Rose emphasized this is a triple-net lease which will remove responsibility for maintenance of the premises and grounds from the Authority. The term of the lease is forty years – an initial thirty years with two five-year options by the Authority, the County, or whomever the successor organization may be. As for development, Harrell Cooley will add 4,000 square feet within the first five years. All improvements vest in SOCAA or the successor at sunset of the lease. Both documents have been vetted by our attorneys as evidenced by the attached emails. Both documents have been sent to the County for review. This is a unique opportunity to bring activity to an unused asset, increase revenues, and move operational and capital improvement expense to the private sector. This initiative fills a niche in Sedona, bringing high-end corporations to Sedona for retreats and meetings. The Venue plans a regular restaurant and bar operation while hosting special events. Venue on the Mesa has agreed to host no-cost fundraising opportunities to local groups such as fire, police, trail support, chamber, etc.

There are concerns from the community, in particular from Rob and Maria West, regarding noise pollution being broadcast over West Sedona. Mr. Rose shared that he was a neighbor of the West's for a time, so he is personally aware of some of the potential impacts about which they are concerned, but he believes those concerns have been addressed in the language of the lease and the development agreement to the satisfaction of the Authority. President Fazzini asked if Mr. Rose could specify what language that is, which he did, referring to language saying the lessee would comply with any and all Federal, State, and local ordinances to include those regulating noise. If there are any impacts to the community which reflect negatively on the Authority, those are grounds for the Authority to speak directly with Harrell Cooley and correct the situation.

The principals of Harrell Cooley are aware of the concern expressed by members of the community, and they are in attendance and are willing to speak to that today.

President Fazzini confirmed with Mr. Rose, under the terms of the lease, Harrell Cooley would be operating under the same restrictions in place for every other business operating in Sedona today. Enforcement would lie both with the City of Sedona and with SOCAA through the lease.

Vice-President Cooper noted this lease will require approval by Yavapai County and asked what the timing would be for that. Mr. Rose responded the County, through Mr. Fields, was in possession of the draft, and would vote on the lease after it has been approved by the SOCAA Board. Mr. Rose reported that President Fazzini pointed out some errors and omissions contained within the drafts in front of the Board today. Mr. Rose admitted the drafts presented to the Board today will change. He stated, "I cannot ask the Board to approve what it cannot see." Ms. Fazzini shared these concerns and said she would not approve a document with erroneous and/or missing information. She hated to delay the vote since these documents have been in the works for a long time, but the upside is there is a Regular Meeting of the SOCAA Board in one month's time.

Secretary/Treasurer Scott Schroeder moved to table consideration of the lease and development agreement to the next meeting or such time as the Board had documents ready to present to the Board in a timely manner. Director Jerry Barber seconded the motion. A vote was taken and the motion to table was unanimously approved.

**Agenda Item #VII. Call to the Public.** Each member of the public who wished to speak filled out the request form and was given two minutes to speak.

Rob and Maria West spoke of their concerns with Venue on the Mesa. They submitted a written statement.

Russ Demaray spoke to say he lived on Panorama Drive for ten years and could hear noise from venues on State Route 89A but was never bothered by noise from the Masonic Lodge when they used to have events.

Becky Polzan spoke saying she lived next to Tlaquepaque in Sedona for twenty-two years and "enjoys" music from wedding venues every weekend, and the music is not a problem for her; they all shut down at 10 p.m.

Matt Cooley spoke to say they care about the communities in which they host events, and they will be incredibly respectful to this community. Sedona has a lot of "gorilla" events where people just set up on trails and other publicly accessible sites. He believes having a venue will be an improvement over the current situation.

Erick Harrell spoke to say his family has lived in Sedona since 1969, he lives here full time, and the last thing he wants to do is upset neighbors. He knows the sound level for commercial properties in the city is 65 decibels and he will respect the city ordinance. He already invested \$75,000 in this proposed business and hired two full-time employees who are just sitting idle. He would like to move forward with the lease by holding another special meeting.

Al Comello offered a historical perspective using the wine fest as an example. There were extensive negotiations with neighbors before the park added music and event venues to the sporting events held there. A system for good communications gets rid of a lot of "angst," and turning off the music at a reasonable hour respects the neighbors.

Vice-President Cooper asked staff to work closely with Harrell Cooley and see if there is something that should be added to the lease, perhaps adding wording more specific than is in the lease now.

**Agenda Item #VIII. – Call for Vote to Convene Executive Session pursuant to A.R.S. §38-431.03(A)(3).** Director Tim Miller moved, seconded by Secretary/Treasurer Scott Schroeder, to convene an Executive Session to conduct the Annual Review of the General Manager and to consult with our attorneys regarding on-going legal action. The motion passed unanimously. The Board convened the Executive Session at 4:20 p.m. Attorneys for the Airport Authority joined the session by telephone. Executive Session ended at 6:13 p.m.

**Agenda Item #IX. – Possible Action on Items Discussed in Executive Session:**

Open session re-convened at 6:15 p.m.

**Annual Review of the General Manager.** Vice-President Cooper moved that the term of Mr. Rose's Employment Agreement ("Agreement") be extended to February 23, 2025; that his Base Salary be increased to \$118,000 effective at the beginning of the first full pay period after January 24, 2022; and that the schedule of Severance Payments set forth in Section C.1 of the Agreement be reduced to 40%, 30%, and 20% for the years ending on February 23, 2023, February 23, 2024, and February 23, 2025, respectively. Director Barber Seconded the motion. Motion passed five to zero.

**Agenda Item #X. – Adjournment.** There being no further business to come before the Board, President Fazzini requested a motion to adjourn. Director Mike Schroeder so moved, and Director Miller seconded to adjourn the meeting. The meeting was adjourned at 4:23 p.m.

**Certified as Accurate and Correct:**

Dated this 28<sup>th</sup> Day of February 2022  
Sedona Oak-Creek Airport Authority Minutes

Approved

BY: Pamela A. Fazzini  
Pamela Fazzini, President  
SOCAA Board of Directors

BY: David M. Cooper  
David Cooper, Vice-President  
SOCAA Board of Directors