



STAFF REPORT

DATE: April 4, 2017

TO: Ronald L. Olson, City Manager

FROM: Matthew Van Valkenburgh A.A.E., Executive Director of Aviation

SUBJECT: RESOLUTION TO AUTHORIZE TxDOT-AVIATION TO ACT AS THE AIRPORT AGENT FOR A SKYLARK FIELD T-HANGAR PROJECT

BACKGROUND AND FINDINGS:

Texas Department of Transportation (TxDOT) - Aviation Division has the responsibility to handle planning, programming, and administration of Federal Aviation Administration (FAA) Airport Improvement Program (AIP) funds for General Aviation Airports in Texas. These grants are known as non-primary entitlement (NPE) funds. Qualified airports may receive up to \$150,000 annually, and, to fund larger projects, may "bank" up to four consecutive years of their NPE allotment for a total of up to \$600,000. Skylark Field is a qualifying airport and has been a previous recipient of these funds; additionally, Skylark currently has \$600,000 NPE grant funding available for use.

On October 25, 2016, Council adopted the Skylark Field Master Plan which identified adding T-hangars as the highest priority facility requirement and recommended construction of a T-hangar complex in FY 2018. FAA NPE funds can be utilized to fund the major portion of a hangar design and construction.

Staff met with TxDOT in March to discuss the Skylark Field Master Plan and various funding mechanisms for the T-hangar project. In the course of the meeting, it came to light that the opportunity and funding was available to design the T-hangars in FY 17 and then construct in FY 18. Skylark currently has \$600,000 "banked" FAA NPE grant funds from fiscal years 2014-2017; if we do not use the FY 2014 funds this fiscal year, they will be forfeited, i.e., lost for our use. Although our bank will again grow to \$600,000 in FY 18, a portion of that money will also be necessary for design. Therefore, if the overall project is divided into a design project this year and followed with a separate construction project in FY 2018, the airport will have \$150,000 for design in FY 17 and have a full \$600,000 NPE available for construction when FY 2018 NPE funds are distributed. This method of programming the project will make maximum utilization of federal grant funds.

A major revenue source for the Skylark Field enterprise fund is the rental of light aircraft storage units - commonly known as T-hangars, to individuals and businesses basing their aircraft at Skylark Field. The airport has 40 T-hangar and covered tie-down units. These facilities stay 100% occupied and there is waiting list with over 50 requests for T-hangar space.

A new 9-unit T-hangar building is estimated to earn approximately \$28,000 per year in revenues. Additional revenues will be earned from fuel sales to the tenants of the new hangar.

The estimated design and construction cost of a 9-unit T-hangar building is \$1,050,000; design being \$100,000 and construction \$950,000 based on existing markets pricing. It is the Airport's intent to provide \$350,000 toward the project construction, and \$10,000 (or 10%) for the design match.

It is TxDOT's intent to include the Skylark Field T-hangar project on the agenda for consideration at the April 25th Transportation Commission meeting. Assuming project approval by the Commission, the City will be required to provide its 10% match for the design to TxDOT in the June-July 2017 time frame.

THE ALTERNATIVES CONSIDERED:

The alternatives for the project are: (1) design the project in FY 2017 with construction in FY 2018; (2) design and construct in FY 2018; or, (3) defer the project indefinitely.

Which alternative is recommended? Why?

Staff recommends Alternative 1. If the city proceeds with design FY 17, up to \$150,000 in NPE funds are available with a full \$600,000 available for construction in FY 18. Thus, by leveraging funding for both fiscal years, the City can have up to \$750,000 for the project. Alternative 2 will effectively cost the City \$150,000 in NPE funding as the \$150,000 for FY 14 will be forfeited by remaining unused; Alternative 3 deprives Skylark Field the opportunity to increase its revenue.

CONFORMITY TO CITY POLICY:

The hangar construction plan conforms to Skylark Field Airport Master Plan as adopted by City Council on October 25, 2016.

FINANCIAL IMPACT:

For this Staff Report, there is no financial impact for the Council to support a resolution authorizing TxDOT to act as the Airport Agent for the disbursement of project NPE funds and administration of the T-hangar project. Staff will bring back to Council staff reports which will fully outline the financial responsibilities of the project. However, for a general overview of the funding mechanisms:

What is the amount of the expenditure in the current fiscal year? For future years?

For FY 17, the City's share for this project is estimated to be \$10,000 to match an FAA Non-Primary Entitlement grant for design.

For FY 18, which will be in the Aviation Department FY 18 budget, the City share is estimated to be \$350,000. This estimated amount will match an FAA Non-Primary Entitlement grant of up to \$600,000.

Is this a one-time or recurring expenditure?

This is a one-year expenditure in each of FY 17 and FY 18.

Is this expenditure budgeted?

No. For FY 17, a budget amendment will be submitted for Council consideration concurrently with a future council agenda item to accept the Federal Grant (administered through TxDOT Aviation Division). This grant offer will follow the State Transportation Commission's approval of the project. The FY 18 fund expenditure will be budgeted.

If not, where will the money come from?

The funds are available in the Skylark Field Aviation Enterprise Fund balance to fund the grant matching requirements. The Skylark Field fund balance currently includes restricted funds that were received from the sale of approximately 15 acres of land in 2012. Those funds must be used for capital improvement projects at Skylark Field.

Is there a sufficient amount in the budgeted line-item for this expenditure?

No. A budget amendment will be recommended to establish a specific account and project amount upon receipt of the formal grant offer from TxDOT Aviation Division.

Upon completion of the project, the increase to annual revenue at Skylark Field will be approximately \$28,000 per annum.

RECOMMENDATION:

City Council approve a resolution for TxDOT-Aviation to act as the Airport Agent for the disbursement of NPE funds and administration of the design and construction of a Skylark Field T-hangar project and for the purpose of applying for, receiving and disbursing all federal and state funds for this project and for the administration of contracts necessary for the initiation of the work; and authorize the City Manager to execute any and all required documents including any and all amendments within the amounts set by state and local law.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

N/A