



STAFF REPORT

DATE: December 11, 2018

TO: Ronald L. Olson, City Manager

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

SUBJECT: INTER-FUND LOAN AGREEMENT BETWEEN THE GENERAL FUND AND AVIATION

BACKGROUND AND FINDINGS:

The federal government, on March 23, 2018, provided the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP) an additional \$1 billion in discretionary grants. Specifically, the FAA was given direction to give priority consideration to projects at primary airports that are classified as Small or Nonhub airports. The Killeen Fort Hood Regional Airport (KFHRA) is on the FAA list as a primary nonhub airport.

As such, staff visited the FAA on 17 September to discuss this program as well as several other issues. The FAA believes KFHRA has a very strong project which would compete well for this supplemental funding; that project is the rehabilitation of taxiway B and its associated pavements. This is a comprehensive project that includes rehabilitation for full length of taxiway B (approximately 10,500 ft), the addition of shoulders to the taxiway to provide primary surface stabilization, electrical upgrades to the lighting, drainage improvements, and the rehabilitation of taxiway B3. Rehabilitation, in this case, means a mill and overlay of approximately 2" of all existing surfaces. This project is on the City and FAA CIP lists; however, it is scheduled for FY 22. This rehabilitation was originally an airport project for 2015, however, the bids came in considerably higher than expected, funding was not available at the time, so we deferred this project and performed extensive internal maintenance [crack sealing] on the surfaces to preserve surface integrity until sufficient funding became available for the project.

The total cost of the project is approximately \$7,807,400 (per engineer's estimate). This is divided into:

Design and construction management: \$701,400

Construction and construction management: \$7,106,000

The application for the supplemental funding is different than a normal airport improvement program (AIP) grant. It is done via an electronic submission format and the timing is much different than the normal AIP cycle, i.e.:

Submission deadline: Oct 31, 2018 (completed/submitted)

Award expectation: Feb 28, 2019

Construction start: no later than Aug 2019

However, to be considered for a project award, FAA is strongly suggesting all projects are designed by or as close to the award date as possible. The proposed project must be able to provide a notice to proceed on the project within six (6) months of grant award.

This project was chosen following a meeting with the FAA that determined it was a priority safety and infrastructure project that would compete well for the funding. However, to be competitive and meet FAA timelines, it is imperative the project is designed as soon as possible. This can occur if funds are made available via a loan agreement between the General Fund and Aviation for the design amount. Per the loan agreement, this funding will be paid in full, with interest, by September of 2019; the loan funding is secured via an existing passenger facility charge (PFC) and an FY19 AIP entitlement grant. It is anticipated that the Airport Improvement Program funds will be received no later than September 2019, which will make the loan from the General Fund outstanding for approximately nine-months.

The interest to be paid by Aviation while the loan is outstanding will be at a rate of 2.5%, which represent the rate earned last quarter (2%) plus fifty basis points (0.5%). The interest will be paid by the Passenger Facility Charge Fund.

THE ALTERNATIVES CONSIDERED:

Alternatives considered: (1) approve inter-fund loan agreement, or (2) deny the inter-fund loan agreement.

Which alternative is recommended? Why?

Staff recommends alternative 1. The supplemental discretionary program offers the KFHRA an opportunity to secure development funds that will not draw down future entitlement funds and will enhance the Airport's future development plans. The transfer is secured with existing funds through existing PFC funds and Airport entitlement funds; this ensures prompt repayment of the funds within a year of approval. Additionally, this transaction will guarantee the project is developed and "shovel-ready" for future funding opportunities if the project is not awarded in the initial round of grants.

CONFORMITY TO CITY POLICY:

Yes

FINANCIAL IMPACT:

The cost for the design of the taxiway improvements is \$701,400. The design will be covered by Airport Improvement Program funds (90%) and the Passenger Facility Charge Fund (10%). The estimated total cost of the project is \$7.8 million (\$701,400 design plus \$7.1 million construction). Aviation will pursue a grant to cover 90% of the construction cost, and the 10% match will be provided by the Passenger Facility Charge Fund.

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

Approximately \$701,400 for design of the project in FY19; no design expenditure anticipated in future years.

Is this a one-time or recurring expenditure?

One-time cost for project design.

Is this expenditure budgeted?

Yes; following approval of an accompanying budget amendment.

If not, where will the money come from?

N/A

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

Upon approval of the budget amendment.

RECOMMENDATION:

Approve the inter-fund loan agreement between the General Fund and Aviation and authorize the City Manager or designee to execute same as well as any and all amendments as allowed per federal, state, or local law.

DEPARTMENTAL CLEARANCES:

Finance

Legal

ATTACHED SUPPORTING DOCUMENTS:

Inter-fund Loan Agreement