



STAFF REPORT

DATE: December 11, 2018
TO: Ronald L. Olson, City Manager
FROM: Jonathan Locke, Executive Director of Finance
VIA: Miranda Drake, Director of Budget
SUBJECT: Budget Amendment

BACKGROUND AND FINDINGS:

Staff at the Killeen-Ft. Hood Regional Airport (KFHRA) was notified by the Federal Aviation Administration (FAA) of a potential grant opportunity. The grant will cover approximately 90% of the cost of improvements needed on Taxiway B and the associated connecting pavements at KFHRA. In order to apply for the grant opportunity, funding has to be secured for the design of the project.

The cost to design the rehabilitation project is estimated to be \$701,400. The design costs will be paid by a combination of an Airport Improvement Program grant (90%) and the Passenger Facility Charge Fund (10%). The City has accumulated \$1.87 million in Airport Improvement Program entitlement funding. The entitlement funds are used on a reimbursement basis, so upfront funding is required. The General Fund will provide an inter-fund loan to initially cover the design costs, and bridge the gap until the Airport Improvement Program funding is received.

The City's Financial Governance Policies require inter-fund loans to be approved by the City Council. Since the General Fund will lose interest revenue on the \$701,400 loaned to initially cover the design costs, Aviation will pay interest on the outstanding amount. 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 earned on the City's investments for last quarter was about 2%. The interest to be paid by Aviation while the loan is outstanding will be at a rate of 2.5%, which represents the rate earned last quarter (2%) plus fifty basis points (0.5%). The interest will be paid by the Passenger Facility Charge Fund in addition to the 10% match previously mentioned. The estimated interest to be paid on the loan is \$13,151.

The chart below summarizes the budget amendment needed for the design services:

	Revenues
Aviation AIP Grant Fund - Transfer In from PFC Fund	\$83,291
Aviation AIP Grant Fund - Grant Revenue	631,260
TOTAL	\$714,551

Expenditures	
Aviation AIP Grant Fund - Design/Engineering	\$701,400
Passenger Facility Charge (PFC) - Transfer Out to AIP Grant Fund	83,291
TOTAL	\$784,691

THE ALTERNATIVES CONSIDERED:

(1) Approve the budget amendment appropriating funds to pay for the design of taxiway improvements at the KFHRA; or (2) Do not approve the budget amendment.

Which alternative is recommended? Why?

Alternative 1 is recommended. The KFHRA will be able to secure funding for the design of the improvement project, and be in a position to submit a grant request for the estimated \$7.1 million construction phase of the project. The General Fund will receive interest on the amount loaned that will total approximately \$13,151.

CONFORMITY TO CITY POLICY:

The City's Financial Governance Policies, Section V. Budget Administration (B)(1) states that City Council may amend or change the budget by ordinance. Section XI. Inter-Fund Loans permits loans between funds with the approval of City Council.

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 cost of the construction phase of the improvement project is \$7.1 million. Aviation will pursue a grant to cover 90% of the project 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?

The cost for the design of the taxiway improvements is \$701,400 in FY 2019. If grant funding is secured, the construction of the rehabilitation project will cost approximately \$7.1 million and is estimated to begin in FY 2019.

Is this a one-time or recurring expenditure?

This is a one-time expenditure.

Is this expenditure budgeted?

A budget amendment is required.

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:

Staff recommends that the City Council approve the ordinance amending the FY 2019 Annual Budget and Plan of Municipal Services of the City of Killeen by increasing revenue and expenditure accounts for the design of taxiway improvements at the KFHRA.

DEPARTMENTAL CLEARANCES:

Aviation
City Attorney
Finance

ATTACHED SUPPORTING DOCUMENTS:

Ordinance