



## STAFF REPORT

**DATE:** August 06, 2019

**TO:** Ronald L. Olson, City Manager

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

**SUBJECT:** PASSENGER FACILITY CHARGE (PFC) APPLICATION

### **BACKGROUND AND FINDINGS:**

14 CFR Part 158 establishes procedures which allow airport sponsors to apply for approval to impose (collect) Passenger Facility Charges (PFC) from enplaned passengers and use those revenues for eligible capital improvement projects. PFC revenues are then used to fund either the full cost of eligible projects or to satisfy the sponsor's match requirement for FAA Airport Improvement Program (AIP) grants. The Killeen Fort Hood Regional Airport (KFHRA) has an existing PFC, however, the authorized impose and use amount of that application is nearing its collection limit and a new application is necessary to fund required projects and continue the program.

Killeen has participated in the PFC program and received PFC funds at Killeen Municipal Airport and, later, KFHRA continuously since 1992 and has had a collection rate of \$4.50 per passenger since May 2001, shortly after the Federal regulation was amended to allow that rate. This critical airport capital improvement funding program significantly contributed towards the original construction of the KFHRA and several subsequent capital improvements. Projects at KFHRA that have been funded through the PFC program include the ramp and taxiways supporting commercial operations, the state-of-the-art security system, the wildlife hazard reduction equipment, and the airport master plan to name a few.

The PFC fees are collected by the airline that sells the ticket for the leg of the flight departing from Killeen Fort Hood Regional Airport as part of the ticket charge. The airline is allowed to retain a \$0.11 handling fee and then forwards a check for \$4.39 per passenger directly to the airport. These revenues are deposited into a restricted account that can only be used for the specific projects that were approved by the FAA in the application.

The process for submitting a PFC application begins with coordination with the FAA, notifying and then consulting with air carriers serving the Airport, notifying the public, and, following a thirty (30) day comment period, submission of the final application to the FAA. For airports similar in size to the KFHRA, the FAA has thirty (30) days to review and approve the application.

Aviation Staff began the formal process for a new PFC application on May 17, 2019 with notification to the airlines serving Killeen of the City's intent to impose and use PFCs for projects at Killeen Fort Hood Regional Airport / Robert Gray Army Airfield. A consultation meeting with the airlines was held on June 27, 2019; public notice of the City's intent to impose and use PFCs

was posted on the City's and Airport's web site inviting comments on the proposal on June 28, 2019, and published in the Killeen Daily Herald July 1, 2019. The airlines fully endorsed the application projects and no public comments were received at the end of the comment period on July 31, 2019.

The proposed charge effective date for this application is March 1, 2022 (the same date as expiration of the current application) with an estimated expiration date of May 1, 2024. The request is to collect a total of \$1,263,151 at the rate of \$4.50 per enplaned passenger, which is the same rate as our existing PFC.

Projects intended to be funded in the application either wholly or in part are:

Table 1. PFC Project List  
Project

	PFC	Total Project Cost
Taxiway B Rehabilitation-Design	\$ 13,151	\$ 714,551
Rehabilitate Terminal Building-Replace Baggage Make-Up Unit	\$ 1,150,000	\$ 2,300,000
Rehabilitate Runway-Pavement Maintenance	\$ 10,000	\$ 100,000
Rehabilitate Taxiway-Pavement Maintenance	\$ 10,000	\$ 100,000
Install Apron Lighting	\$ 10,000	\$ 100,000
Install Perimeter Security Fencing and Access Gates	\$ 20,000	\$ 200,000
Administrative Expenses	\$ 50,000	\$ 50,000
Total	\$ 1,263,151	\$ 3,564,551

All of the capital projects included in this application are for replacement or upgrade of current equipment / systems. Completion of these projects is expected to reduce current operational costs for maintaining those items; no new maintenance or operational expense requirements are created. A detailed description and need for each project is attached to this staff report.

City Council approval of this PFC application does not in itself imply approval to proceed with the expenditure of funds on any of the listed projects. Staff will request appropriate City budget approval and/or contract approval as applicable, prior to the initiation of each project. Assuming FAA approval of this application, the amounts indicated in Table 1 are the maximum amount that may be expended from PFC funds for each project unless the application is subsequently amended per 14 CFR Part 158.

#### **THE ALTERNATIVES CONSIDERED:**

Staff considered two alternatives concerning the use of the PFC program. Those alternatives are:

1. Decline to use the PFC program and use other local funds to match FAA grants and to fully fund other capital projects; or,
2. Approve the request to collect \$4.50 per enplaned passenger to fund authorized projects.

#### **Which alternative is recommended? Why?**

Staff recommends Alternative 2 and continuation of the PFC program at the collection rate of \$4.50 per enplaned passenger. Approval of this application positions the Airport for continued

success, replaces aging equipment expensive to repair and operate, provides needed ramp rehabilitation, and solidifies the City's joint-use operations with Fort Hood.

Alternative 1 (declining the application) would result in the loss of \$2,301,400 in available FAA Airport Improvement Program grants for the ramp rehabilitation, baggage equipment replacement, installation of apron lighting and perimeter fencing and access gates, unless other sources of revenue can be identified to match these grants. It will also result in an inability to complete critical airport capital projects which are intended to decrease existing operating costs while increasing reliability and safety of airport infrastructure.

**CONFORMITY TO CITY POLICY:**

Yes

**FINANCIAL IMPACT:**

The total impact to the Airport operating fund is net zero. This is a restricted use fund that can only be used for the projects and amounts approved in the application. This PFC application will span approximately two years and two months through May 1, 2024 to collect the proposed amount of \$1,263,151; the PFC fees are deposited in account number 529-0000-344.01-06 PASSENGER FACILITY CHARGE.

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

Exact project costs for each year are difficult to determine due to the complexity of several of the projects; however, FY20 estimates from this account are \$1,165,000; FY 21 estimates are \$98,151.

**Is this a one-time or recurring expenditure?**

The specific projects authorized by this application are one-time capital expenses spread over the length of project construction and/or design duration.

**Is this expenditure budgeted?**

Yes; PFC expenditures and revenues are budgeted each year in the 529 account.

**If not, where will the money come from?**

N/A.

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

Yes.

**RECOMMENDATION:**

City Council authorize the Executive Director of Aviation to submit Passenger Facility Charge application 11 to the FAA for collection and use approval and to provide for continuation of PFC

collections at the rate of \$4.50 per enplaned passenger for the purpose of funding the projects indicated in the application.

**DEPARTMENTAL CLEARANCES:**

Finance

Legal

**ATTACHED SUPPORTING DOCUMENTS:**

Project Descriptions