



STAFF REPORT

DATE: June 1, 2021
TO: Kent Cagle, City Manager
FROM: Jonathan Locke, Executive Director of Finance
VIA: Miranda Drake, Director of Budget
SUBJECT: Budget Amendment

BACKGROUND AND FINDINGS:

The following is a budget amendment for two (2) grants and the cancellation of a performance agreement that City Council will consider at the same meeting.

1. The City has been offered a Military Airport Program (MAP) grant through the Federal Aviation Administration (FAA) in the amount of \$277,120 to fund the rehabilitation of parking areas, entrances, and exits to the airport. The American Rescue Plan Act signed into law on March 11, 2021, increases the federal share to 100 percent for Airport Improvement Program (AIP) grants planned for fiscal year 2021. Under normal circumstances, AIP grant recipients contribute a matching percentage of the project costs. There is no matching requirement for the grant.

The Killeen-Fort Hood Regional Airport (KFHRA) staff submitted an application to the FAA for a MAP grant for the rehabilitation of the parking lot at KFHRA. The project consists of rehabilitation of pavement surfaces, slurry seal, and restriping of all markings within the long and short-term parking lots, entrances and exits, and the exit lane leading to payment plaza at the KFHRA.

The revenues will be amended as follows:

Revenues	
AVIATION / USDOT-FAA	\$277,120
TOTAL	\$277,120

The expenses will be amended as follows:

Expenses	
NOTICES REQUIRED BY LAW	\$500
CIP PROJECTS / CONSTRUCTION	276,620
TOTAL	\$277,120

2. The City has been offered a MAP grant in the amount of \$349,500 to fund the design of a second corporate aviation hangar at KFHRA. The American Rescue Plan Act signed into law on March 11, 2021, increases the federal share to 100 percent for AIP grants planned for

fiscal year 2021. Under normal circumstances, AIP grant recipients contribute a matching percentage of the project costs. There is no matching requirement for the grant.

The KFHRA staff submitted an application to the FAA for a MAP grant for a second corporate aviation hangar at KFHRA. This project will include not only hangar design, but design of significant civil improvements to include water/sewer, electrical, roadway, drainage, security, and apron components.

The revenues will be amended as follows:

Revenues	
AVIATION / USDOT-FAA	\$349,500
TOTAL	\$349,500

The expenses will be amended as follows:

Expenses	
CIP PROJECTS / DESIGN/ENGINEERING	\$349,500
TOTAL	\$349,500

3. The following budget amendment cancels a performance agreement with CSI Aviation.

On September 24, 2019, City Council approved a MAP grant for the construction of a corporate hangar that required a \$375,000 match. At the time, the Aviation Fund did not have a sufficient fund balance to make the required match payment. Aviation entered into a performance agreement with the prospective tenant, CSI Aviation, to make the required grant match.

The Aviation Fund now has sufficient fund balance to cover the grant's matching requirement. Aviation is presenting an item for City Council's consideration to cancel the performance agreement with CSI Aviation that provided the required 10% match. In order to cancel the agreement, CSI Aviation must be reimbursed for match payments already made, plus accrued interest.

Under the terms of the agreement, CSI Aviation made the required \$375,000 match which would have been repaid over a five-year period in the form of rental credits. The amount of match paid by CSI Aviation accrued interest at the rate of 3.5%. CSI Aviation has made match payments totaling \$49,620 and interest in the amount of \$1,111 has accrued on the match payments thus far. The total amount due to CSI Aviation is \$50,731.

The budget amendment increases expenses in the Aviation Fund by \$376,111, which represents CSI Aviation's match reimbursement of \$50,731 and the remaining required grant match of \$325,380.

The revenues will be amended as follows:

Revenues	
TRANSFER IN FROM FUND 525 (KFHRA)	\$376,111
TOTAL	\$376,111

The expenses will be amended as follows:

Expenses	
TRANSFER TO FUND 524 (AIP GRANT)	\$376,111
DESIGNATED EXPENSE	50,731
TOTAL	\$426,842

THE ALTERNATIVES CONSIDERED:

- 1) Do not approve the ordinance amending the FY 2021 Annual Budget.
- 2) Approve the ordinance amending the FY 2021 Annual Budget.

Which alternative is recommended? Why?

Option 2 is recommended to approve the ordinance amending the FY 2021 Annual Budget.

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.

FINANCIAL IMPACT:

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

This budget amendment will recognize revenues for two grants offered by the FAA and appropriate funds for the grant match of a corporate hangar and repayment to CSI Aviation. The MAP grant in the amount of \$277,120 to fund rehabilitation of the parking lot at KFHR and the MAP grant in the amount of \$349,500 for the design of a second corporate aviation hangar at KFHR. In addition, this budget amendment appropriates \$376,111 to fund the project grant match for a corporate hangar and for the reimbursement of CSI Aviation.

Is this a one-time or recurring expenditure?

One-time

Is this expenditure budgeted?

Upon approval of the attached ordinance amending the FY 2021 Annual Budget.

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 attached ordinance amending the FY 2021 Annual Budget.

RECOMMENDATION:

City Council approve the ordinance amending the FY 2021 Annual Budget.

DEPARTMENTAL CLEARANCES:

Finance

Legal

ATTACHED SUPPORTING DOCUMENTS:

Ordinance