

AGENDA ITEM SUMMARY

November 7, 2017

City Council

STAFF

Mike Beckstead, Chief Financial Officer
Jason Licon, Airport Director
Judy Schmidt, Legal

SUBJECT

First Reading of Ordinance No. 138, 2017, Adopting the 2018 Budget and Appropriating the Fort Collins Share of the 2018 Fiscal Year Operating and Capital Improvement Funds for the Northern Colorado Regional Airport.

EXECUTIVE SUMMARY

The purpose of this item is to appropriate the City's 50% share of the 2018 Northern Colorado Regional Airport budget. The Airport's total budget is comprised of an operating budget and a capital budget. The 2018 annual operating budget is \$1,211,500, and will be funded using Airport operating revenues and non-operating revenues derived through contributions from the Cities of Fort Collins and Loveland (\$242,500 from each City). The proposed capital budget is \$365,000, and is funded through federal grants, state grants, and Airport operating revenue. This decrease is due to no anticipated FAA grant funding availability for 2018.

This Ordinance appropriates the City of Fort Collins 50% share of the 2018 Airport operating budget, which totals \$605,750 and the City of Fort Collins 50% share of the 2018 capital budget, which totals \$182,500. The City of Loveland will be appropriating the other 50%. The Airport operating budget is used to maintain and operate the Airport in compliance with all regulatory standards for safety and security, and to achieve the Council-approved Airport Strategic Plan. The Airport capital budget will be used to complete Airport improvement projects including runway and taxiway rehabilitation and preservation, taxiway sign safety modifications, an Airport Master Plan update, and acquisition of snow removal equipment.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

In 1963, the City of Fort Collins and the City of Loveland agreed to the establishment of a regional aviation facility and became owners and operators of the airport now known as the Northern Colorado Regional Airport, located approximately 16 miles southeast of downtown Fort Collins, just west of Interstate 25. The Airport is operated as a joint venture between the City of Fort Collins and the City of Loveland, with each City retaining a 50% ownership interest, sharing equally in policy-making and management, and with each assuming responsibility for 50% of the capital and operating costs associated with the Airport.

The Airport's mission is to provide a safe and efficient air transportation airport facility to the general public and aviation community by providing airport facilities that meet Federal Aviation Administration (FAA) safety standards and to implement a plan that ensures the efficient development of the Airport to meet the needs of the Fort Collins and Loveland communities. According to a 2013 State of Colorado study, the Northern Colorado Airport provides a regional economic impact of approximately \$129.4 million annually.

All revenues derived from the Airport are applied to both operating and capital expenditures. Each City contributes equal funding for Airport operating and capital needs as agreed upon within the Intergovernmental agreement between the Cities of Fort Collins and Loveland. Airport capital funds are also received for eligible projects, from the FAA and the Colorado Department of Transportation, Division of Aeronautics. All grant resources are funded through aviation taxes and fees.

The annual operating costs for 2018 for the Airport are \$1,211,500, and the City of Fort Collins contribution amount is \$242,500. In addition, the Airport Director is recommending additional capital expenditures and has identified the following funding sources:

State Grant	\$30,000
Airport Reserves	<u>335,000</u>
Total	\$365,000

The state grant portion of the capital expenditures will be used to complete the acquisition of Airport equipment. The \$335,000 item is an appropriation for use by the Northern Colorado Regional Airport Commission for discretionary Airport projects. This Airport Reserve appropriation will not require additional funding from the Cities and reflects the approved amendment of the Intergovernmental Agreement with the City of Loveland signed in June 2016, for the joint operation of the Airport. Thus, the City of Fort Collins 50% appropriation for the capital expenditures identified above is \$182,500. The requested use of Reserves in the 2018 Airport Budget meets the requirement limit set in the IGA.

The Northern Colorado Regional Airport Commission approved the proposed 2018 Airport Budget on July 20, 2017. The City of Loveland's City Council approved and appropriated the 2018 Airport budget on October 17.

CITY FINANCIAL IMPACTS

This Ordinance appropriates the City's 50% share of the annual appropriation for fiscal year 2018 for the Northern Colorado Regional Airport that totals \$788,250 and is 50% of the \$1,576,500 combined 2018 Airport operating and capital budget. Of this amount, the City of Fort Collins will be providing \$242,500 from the Fort Collins General Fund. The City of Loveland manages the Airport's budget and finances; however, since the City of Fort Collins owns 50% of the Airport, it is necessary for the City to appropriate its 50% portion of the total budget for the Airport.

ORDINANCE NO. 138, 2017
OF THE COUNCIL OF THE CITY OF FORT COLLINS
ADOPTING THE 2018 BUDGET AND APPROPRIATING THE FORT
COLLINS SHARE OF THE 2018 FISCAL YEAR OPERATING AND CAPITAL
IMPROVEMENT FUNDS FOR THE NORTHERN COLORADO REGIONAL AIRPORT

WHEREAS, in 1963, the City of Fort Collins and the City of Loveland (the “Cities”) agreed to establish a regional general aviation facility and became owners and operators of the Fort Collins-Loveland Municipal Airport, now known as the Northern Colorado Regional Airport (the “Airport”); and

WHEREAS, the Airport is operated as a joint venture between the Cities, with each city retaining a 50% ownership interest, sharing equally in policy-making and management, and each assuming responsibility for 50% of the Airport’s capital and operating costs; and

WHEREAS, pursuant to the Amended and Restated Intergovernmental Agreement for the Joint Operation of the Fort Collins-Loveland Municipal Airport dated January 22, 2015, and the First Amendment to the Amended and Restated Intergovernmental Agreement for the Joint Operation of the Fort Collins-Loveland Municipal Airport dated June 7, 2016, now known as the Northern Colorado Regional Airport (collectively the “IGA”), the Airport Manager is responsible for preparing the Airport’s annual operating budget and submitting it to the Cities for their approval; and

WHEREAS, under the IGA, the City’s share of existing and unanticipated Airport revenue is to be held and disbursed by the City of Loveland as an agent on behalf of the Cities, since the City of Loveland provides finance and accounting services for the Airport; and

WHEREAS, under the IGA, each City’s share of the Airport’s annual operating budget and the Airport capital improvement plan shall be appropriated by each City and transferred or otherwise paid into the designated account to be used for Airport funding on an annual basis; and

WHEREAS, in accordance with Article V, Section 8(b), of the City Charter, any expense or liability entered into by an agent of the City on behalf of the City, shall not be made unless an appropriation for the same has been made by the City Council; and

WHEREAS, the Airport Manager has submitted for City Council consideration a 2018 Airport operating budget totaling \$1,211,500, of which the City’s share is \$605,750; and

WHEREAS, the City Council is in the process of considering the City’s 2018 budget and Ordinance No. 154, 2017, which appropriates \$242,500 in City funds to be transferred to the Airport operating fund in accordance with the IGA (the “Fort Collins Contribution”); and

WHEREAS, pursuant to the IGA, the City of Loveland holds on behalf of both Cities the revenues of, and other financial contributions to, the Airport in a fund, which includes unappropriated and unencumbered, reserves (the “Airport Fund”); and

WHEREAS, it is the desire of the City Council to appropriate the City's share of the necessary funds for the Airport's operating costs, totaling \$605,750 for the fiscal year beginning January 1, 2018, and ending December 31, 2018; and

WHEREAS, the Airport Manager also recommends capital expenditures totaling \$365,000 for acquisition of airport equipment; and

WHEREAS, funding for the 2018 capital improvements has been identified as follows:

State Grant	\$30,000
Airport Reserves	<u>335,000</u>
Total	\$365,000; and

WHEREAS, the City's 50% share of the 2018 capital improvement costs, held in the Airport Fund, is \$182,500.

WHEREAS, the Airport Reserves item is an appropriation for use by the Northern Colorado Regional Airport Commission for discretionary Airport projects; and

WHEREAS, the requested use of Reserves in the 2018 Airport Budget meets the required limits set forth in the IGA; and

WHEREAS, this appropriation will not require additional funding from the Cities and is consistent with the IGA for the joint operation of the Airport.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. That the City Council hereby makes and adopts the determinations and findings contained in the recitals set forth above.

Section 2. That the City Council hereby approves and adopts the 2018 Airport operating and capital budget totaling \$1,576,500 (\$1,211,500 for operations and \$365,000 for capital), a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference.

Section 3. That the City Council hereby appropriates in the Airport Fund SIX HUNDRED FIVE THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$605,750) to be expended to defray the City's share of the 2018 operating costs of the Fort Collins-Loveland Municipal Airport.

Section 4. That the City Council hereby appropriates in the Airport Fund ONE HUNDRED EIGHTY TWO THOUSAND FIVE HUNDRED DOLLARS (\$182,500) to be used for the City's share of the 2018 capital improvements at the Fort Collins-Loveland Municipal Airport.

Introduced, considered favorably on first reading, and ordered published this 7th day of November, A.D. 2017, and to be presented for final passage on the 21st day of November, A.D. 2017.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading on the 21st day of November, A.D. 2017.

Mayor

ATTEST:

City Clerk

Airport Fund

The Airport Fund receives revenue for operating and capital expenses primarily from revenues generated by Northern Colorado Regional Airport operations. Additional revenues are provided by the airport partners, the Cities of Loveland and Fort Collins, and, for approved projects, from the FAA and Colorado Department of Transportation. Use of money in the Fund is restricted to the airport. The Fund is managed by the City Manager's Office. Details on the expenditures are in the Other Entities chapter.

Airport Fund Summary

	2016 Actual	2017 Adopted	2017 Revised (July 1st)	2018 Budget	2018 Budget / 2017 Adopted % Change
BEGINNING FUND BALANCE	\$ 517,141	\$ 2,043,905	\$ 2,010,807	\$ 1,506,761	
REVENUES					
CONTRIBUTION - LOVELAND	227,500	260,000	260,000	242,500	-6.7%
CONTRIBUTION - FORT COLLINS	177,500	260,000	260,000	242,500	-6.7%
INTEREST	8,584	15,000	15,000	22,812	52.1%
OTHER	15,961	23,200	23,200	23,500	1.3%
AIRPORT REVENUE	629,444	634,530	634,530	665,800	4.9%
CONTRIBUTION - FAA	565,500	1,000,000	1,000,000	-	-100.0%
CONTRIBUTION - STATE OF CO	420,495	55,556	55,556	46,240	-16.8%
Total Revenues	\$ 2,044,984	\$ 2,248,286	\$ 2,248,286	\$ 1,243,352	-44.7%
Total Resources	\$ 2,562,124	\$ 4,292,191	\$ 4,259,093	\$ 2,750,113	-35.9%
EXPENDITURES BY FUND					
Other Entity					
AIRPORT	\$ 3,538,650	\$ 2,592,332	\$ 2,752,332	\$ 1,576,500	-39.2%
EXPENDITURES BY CATEGORY					
PERSONNEL SERVICES	443,315	577,165	577,165	598,078	3.6%
SUPPLIES	41,753	54,115	54,115	54,700	1.1%
PURCHASED SERVICES	363,855	467,750	611,750	558,722	19.4%
DEPRECIATION	1,502,333	-	-	-	0.0%
CAPITAL	1,187,394	1,493,302	1,509,302	365,000	-75.6%
Total Expenditures	\$ 3,538,650	\$ 2,592,332	\$ 2,752,332	\$ 1,576,500	-39.2%
ENDING FUND BALANCE	\$ 2,010,807	\$ 1,699,859	\$ 1,506,761	\$ 1,173,613	