

## Staff Report

**SUMMARY OF AIRPORT FUNDING SOURCES –  
AMES TERMINAL BUILDING PROJECT**

August 14, 2012

**BACKGROUND**

The Ames Municipal Airport terminal project is included in the airport's Master Plan as a \$1,045,000 project with \$993,020 identified from FAA and \$52,580 from local funds; and was carried forward into the City's Capital Improvements Plan (CIP). This funding scenario was reviewed by the FAA and Iowa DOT Office of Aviation. When preparing the CIP for 2012/13, City Council decided to increase the overall investment in the project to \$2,000,000. However, the same project funding split as described above was still maintained (\$1,800,000 FAA Grant and \$200,000 Local Option Sales Tax).

Jerry Searle, the lead engineer for Snyder and Associates who prepared the Master Plan, told staff that the FAA funding anticipated in the Master Plan was through an earmark, which was still in favor at that time (2007). Unfortunately, earmark funds are no longer available.

Until February 3, 2012 the status of aviation funding for the United States has been extremely uncertain, since the country's aviation funding legislation had been operating under 23 short-term continuing resolutions. Due to this on-again-off-again nature of aviation funding, the FAA Central Region staff in adopted the habit in working with the City of Ames and other municipalities to be very non-committal on the availability of funding until the monies were actually released by Congress.

As required each year, the City of Ames submits Airport Improvement Program (AIP) sheets to the Iowa DOT to be routed to FAA planning staff for review. These sheets officially enter airport projects from our Capital Improvements Plan into the federal system. **The terminal was annually shown in the AIP with 95% funding from FAA, with these sheets being approved by Regional FAA staff in Kansas City.** Even though these were approved annually, the FAA Planner reviewing this in Kansas City told staff he didn't pay any attention to how the project was programmed because it wasn't a "first year" project. The FAA never flagged the fact that the proposed funding was not feasible (see NPIAS below). **These AIP sheets were also approved by the Iowa DOT Office of Aviation without any issues being raised.**

The terminal project was also scored by FAA for funding in the National Plan of Integrated Airport Systems (NPIAS). The NPIAS is what determines which projects compete for discretionary funding. **The terminal/hangar project was scored and ranked by FAA for discretionary funding, even though staff has now found it is not eligible for this type of funding. FAA did not score this as "0" or remove it from**

**the ranking list. With the consistent inclusion of the project for scoring, the idea of available discretionary funding was perpetuated by FAA.**

A previously completed project to overlay primary runway 1-19 was only partially funded at the time by FAA, so the Regional FAA office decided to reduce the overlay thickness from 6 inches to 3 inches. Regional FAA recently conveyed to our airport consultant that a new project to add another 3-inch overlay could now be funded. This newly identified overlay project was shown in the AIP in FFY13 and the terminal project was moved back upon direct guidance from visiting FAA regional staff during an on-site review with our consultant. This situation has more recently been discussed with Regional FAA staff. Since City crews conducted crack sealing on all surfaces at the Ames Airport as preventative maintenance, Regional FAA staff concurred that there is no required airside surface (pavement) improvements, including the 3-inch RW 1-19 overlay, at this time. Therefore, a revised AIP was submitted and approved by FAA which shows the Terminal project as a FFY14 project. This coincides with the current City CIP programming of 2013/14.

## **POSSIBLE FUNDING SOURCES**

### **FEDERAL FUNDING**

**There are now two main types of Federal assistance that can be used for funding projects at the Ames Municipal Airport: Non-Primary Entitlement Funds, and Discretionary Funds.** Historically, Federal assistance required a local match of 10% (90% federal participation), though there was a brief period of time following September 11, 2001 in which Congress changed the federal participation level to 95% to support aviation growth. As of February 3, 2012, Congress approved a reauthorization bill that returned Federal participation to 90:10. The bill also provided guaranteed funding through 2015.

**Federal Non-Primary Entitlement Funds (NPE) is funding authorized under the current transportation bill that is "guaranteed" annually for the duration of the bill. General Aviation (GA) Airports receive \$150,000 per year. These funds can be used for any project on either an airside or a landside improvement, including to perform routine and preventative maintenance of airport surfaces and navigational aids. An airport can bank up to four years of this type of funding before losing their entitlement. For the Ames Municipal Airport this would equate to a maximum of \$600,000 in FFY 2016.**

The current transportation bill has a provision that will allow airports to request their entitlement funds in advance under a multi-year grant, thereby getting the funds in the first year of the program. This provision only applies through FFY 2015 (at the end of the bill), which equates to a maximum of \$450,000 in the first year.

NPE funds can also be used for landside improvements such as hangars, terminal buildings, fuel farms, or other projects seen as "revenue generating" insofar as the following conditions have been met. The FAA requires (1) that all airside needs have

been met for the next three years following use on a landside project (as an Airport will be ineligible for Discretionary funds in those three years), (2) that all runway approaches be free of obstructions, and (3) justification for the project. As noted above, the Kansas City Region of FAA has concurred that there are no current airside surface improvement needs at our airport.

It should be noted that not all uses within a Terminal Building are eligible for NPE funds. Public service areas such as Flight Instruction, Rental Car, and Weather/Flight Planning can use these funds. In contrast, board rooms, leased office space and other areas that could be used to generate revenue are not eligible. If there were to be an attached hangar to the Terminal Building for covered storage, it would be eligible for NPE funds, provided the City submits justification to the FAA prior to requesting the funds.

**Federal Discretionary Funds** are funds that are congressionally approved each year for all Airport Improvement Program (AIP) eligible projects. In general, eligible projects include runway/taxiway/apron construction or rehabilitation, lighting, navigational aids, drainage, land acquisition, planning/environmental studies, safety improvements and airport layout plans. **The Ames airport terminal is not eligible for Discretionary funds.**

When used on airside (pavement) improvements, NPE funds are typically combined with Discretionary funds under the same agreement for federal assistance. As part of a Federal Discretionary grant, an Airport's entitlement funds are automatically expended first, "off the top" of the total project cost.

## **STATE FUNDING**

Iowa DOT Funding for airports is available from seven annual aviation funding programs. However, only one program is applicable to a Terminal Building and attached Hangar – the General Aviation Vertical Infrastructure (GAVI) program. Eligible projects include landside construction and major renovation of airport terminals, hangars, maintenance buildings, and fuel facilities. Section 8.57.6.c of the Iowa Code excludes routine maintenance.

The State's share is up to 85%, with a minimum grant of \$5,000. Additional local share increases the prioritization of the project. The maximum cap may vary depending on funding availability. In talking with staff from the Iowa DOT Office of Aviation, they indicated projects that have been successful in receiving this grant have offered between 40% to 60% local match. There is approximately \$750,000 available statewide each year for this program. Typical funding levels given to each project have ranged from \$50,000 to \$150,000 in State participation.

## **LOCAL FUNDING**

Currently the City of Ames relies primarily on revenues generated from aviation related services at the airport to fund both operational costs and local matches for capital

projects. These revenue sources include hanger leases, land leases, fuel flowage fees, and office space rental, as well as from crop revenues generated from adjacent farm land. In those cases where sufficient revenue may not be available for the local match, other City funds could be earmarked to help finance the capital improvements. For example, \$200,000 in Local Option Sales Tax Fund monies has been appropriated as the local match for the proposed new Terminal/Hanger building.

Another viable option for local funding is to request financial participation in support of the capital improvement by some of the major users of the facility. For example, it would be advisable to approach Iowa State University to gauge their willingness to help fund this new facility since their employees, students, and visitors would benefit from an improved terminal.

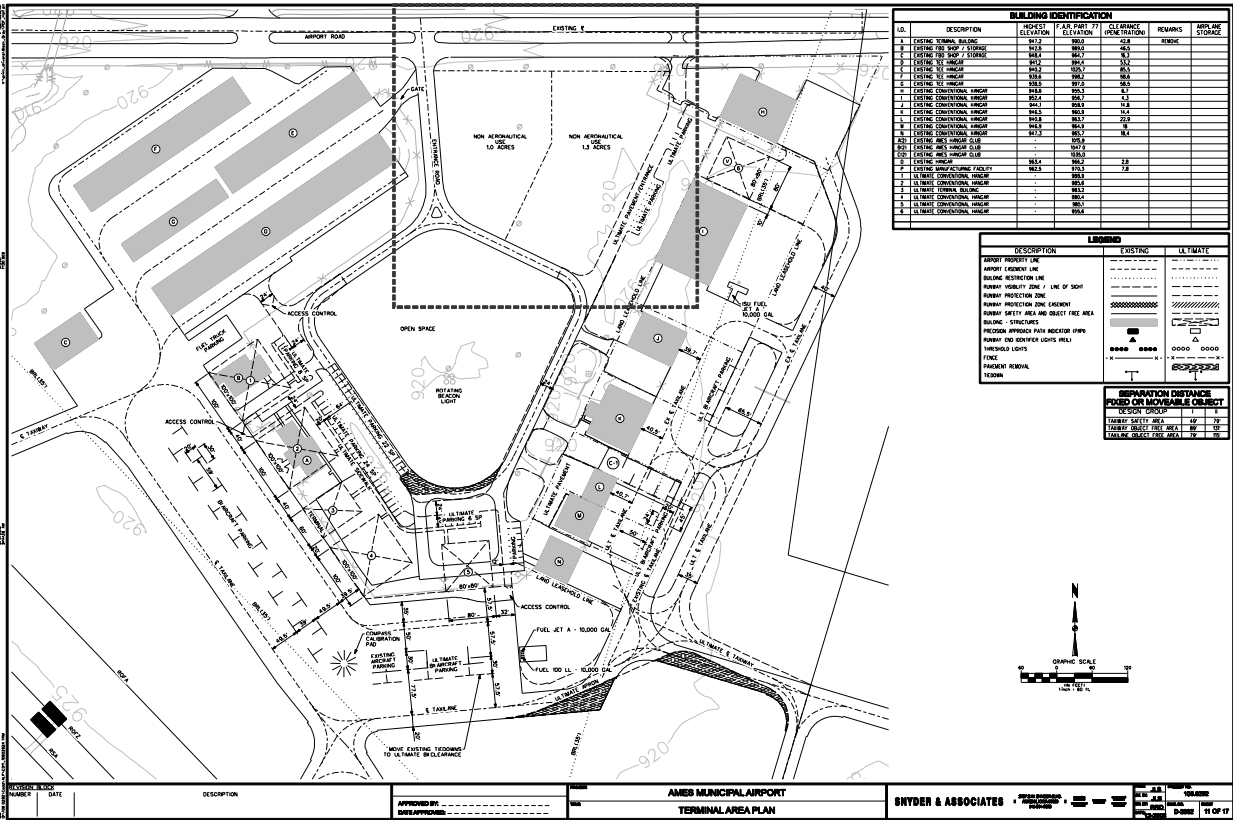
Private funding is the least complicated funding source. There is no minimum or maximum participation by a private donor. Private funding also counts towards the calculation of local match for any applicable Federal or State funding programs. For private funds to be used, the project must be owned by the public entity and be open to the public following all appropriate non-discrimination laws. This source has been utilized for terminal/hangar projects at other airports.

## **NON-AERONAUTICAL DEVELOPMENT**

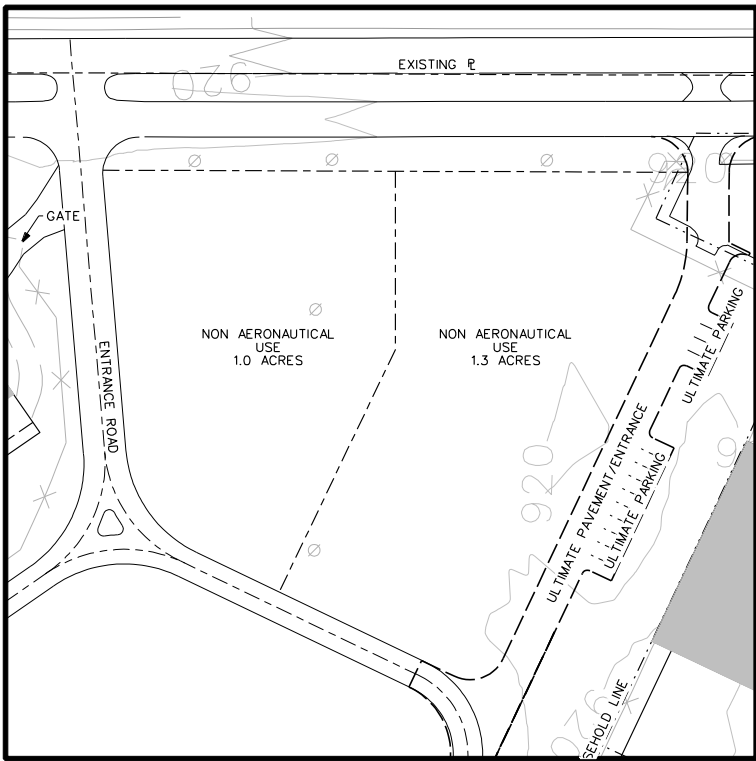
The Airport Master Plan anticipates the future leasing of what is referred to as “non-aeronautical development”, which is any business use that is not aviation based but can be used to compliment airport activities.

According to the plan, the Ames Municipal Airport contains a minimal amount of land area that is currently not needed for aeronautical function. Typically, these areas are located beyond the runway visibility zones, runway protection zones, building restrictions lines and obstacle free areas associated with runways and taxiways. On most general aviation airports in rural areas, these areas are used for farming operations. On airports where water and sewer services can be provided, opportunities exist for land uses other than agriculture. Revenue from agricultural lease arrangements often represents a major source of income for rural general aviation airports.

Due to the proximity of the Ames Municipal Airport to major transportation corridors and water and sanitary sewer, there is an opportunity to accommodate non-aeronautical development on the airport property. Available land area on the airport represents small remnant tracts of ground. Currently, the Airport Master Plan has identified 1.0 acre and 1.3 acre parcels located between Airport Road and Airport Drive on the north central area of the airport property. (See maps on next page.) These small tracts function as part of the airport, even though there is no specific aeronautical purpose determined. Staff believes that these parcels should remain a part of the airport and be available for related airport uses.



Terminal Area Plan: 2008 Ames Airport Master Plan



Enlarged View of Potential Development Parcels

## **GENERAL AVIATION (GA) VS. RELIEVER (R) AIRPORT DESIGNATION:**

The Ames Municipal Airport main classification is General Aviation. However, it also has a role classification in the FAA NPIAS system as an “Enhanced Service” airport. The following is a definition and associated criteria for this designation:

*“**Enhanced Service** - Criteria for Enhanced Service airports reflect design elements and level of services typically offered to support the operations of business jet and twinengine aircraft. Airports in this role are able to meet the needs of most general aviation aircraft users. Airports must have the following criteria to be classified as an Enhanced Service airport:*

- *5,000 foot or longer paved runway.*
- *Airport Reference Code (ARC) of C-II or greater.*
- *Full-time staffing during regular business weekday and weekend hours.*
- *Availability of based services such as aircraft maintenance and repair, flight training, rental aircraft, and aircraft charter operations.*
- *Availability of airport or Fixed Base Operator (FBO) staffing 24 hours a day.*
- *Availability of jet fuel.*
- *Installation of on-airport automated surface observing systems (ASOS) or automated weather observing systems (AWOS) weather equipment.”*

**General Aviation Reliever Airports** - Due to different operating requirements between small general aviation aircraft and large commercial aircraft, general aviation pilots often find it difficult to use a congested commercial service airport. In recognition of this, FAA has encouraged the development of high-capacity general aviation airports in major metropolitan areas.

These specialized airports, called relievers, provide pilots with attractive alternatives to using congested hub airports. They also provide general aviation access to the surrounding area. To be eligible for reliever designation, airports must be **open to the public**, have **100 or more based aircraft**, or have **25,000 annual itinerant operations**. According to recent discussions with Central Region FAA Staff in the Federal Office in Kansas City, prior to securing the reliever designation an airport must be near a congested airport that has been identified by the FAA as being congested. Currently, Ames does not meet any of the previously stated criteria.

It is important to note that **being designated as a reliever would not provide a General Aviation Airport any more or different funding opportunities**. The major benefit to being a reliever is that the annual projects submitted for federal assistance would on average rank higher on the NPIAS scoring system than a standard GA airport. This is due to the consideration that the purpose is for the reliever to carry heavier number of operations which will equate to a higher national significance.

## **NEXT STEPS & PUBLIC INPUT APPROACH:**

Before developing a funding strategy, it would be advisable to have the City staff meet with the Airport users to identify space needs. From these discussions, a concept plan can be developed along with the estimated cost of the proposed facility.

At this time, we do not know if the \$2,000,000 included in the CIP is too much or not enough to meet the needs of our community. Once the conceptual layout is determined, it will be possible to calculate the anticipated costs for this facility, and a funding strategy outlining potential sources of revenue can be identified.

Staff's recommendation would be to hold several meetings with current and potential Airport users. These meetings would gather information about their visions for an airport terminal project. This includes helping to define the uses and spaces within the Terminal Building to build an overall concept and layout for the facility. That can lead to development of a probable cost for construction, as well as identification of potential funding sources and amounts that would be applied to each piece of the new Terminal Building.

The Ames Airport currently sees the following general categories of users: 1) Iowa State University, 2) Private Hangar Owners, 3) Corporate Jets, 4) Business Charters, 5) Light Sport – Recreational, 6) Glider Club Members, 7) Frequent Itinerant/Visitor Flights, and 8) Ames Chamber and Visitor Convention Bureau. All of these users would be encouraged to provide input into the Airport Terminal project.

Once this information is completed, Staff would return to City Council with a report of the findings and would identify alternatives for the new Terminal Building. The outcome of this process would be to define a project, or phases of a project, that can be entered into the Airport Improvements Program of the Ames CIP.