

**COUNCIL ACTION FORM**

**SUBJECT: IDENTIFICATION OF ADDITIONAL FUNDING FOR AIRPORT IMPROVEMENTS**

**BACKGROUND:**

The City's 2015-2020 Capital Improvements Plan (CIP) includes a project to construct a new terminal building, itinerant hangar, and related site improvements at the Ames Municipal Airport. Because the itinerant hangar will be built from private donations, the budget reflected in the CIP includes the following sources of revenue for what was estimated to be a \$2,410,000 project for the design/engineering of the terminal building, the site preparation work, and the terminal construction.

*\$867,000 From debt supported General Obligation (G.O.) Bonds*

*\$ 943,000 From abated G.O. Bonds (abated by future revenues from the management agreement with a Fixed Base Operator (FBO) and backed by ISU guarantee*

*\$150,000 From a State of Iowa Vertical Infrastructure Grant*

*\$450,000 From Federal Aviation Administration funding*

*\$2,410,000 Total Revenue*

On July 14, 2015, staff presented a report summarizing the funding history of the terminal building and detailed a projected budget shortfall for the improvements based on 1) the fact that the low bid received for the site preparation work came in \$202,000 greater than the budget and 2) the City's architect for the project provided a cost update for the terminal building which indicated that the building as proposed with 6,970 sq. ft. is now estimated to be \$548,000 over the budget amount (assuming the least expensive option of a flat roof design is accepted, along with a projected 10% contingency.) **Therefore, the most recent cost estimates indicate that the Airport improvements reflected in the CIP are now \$750,000 over the current budget.**

In order to rectify this \$750,000 budget shortfall, the City Council identified the following three conditions for the project to proceed.

- a) ISU must agree to contribute up to an additional \$250,000 in cash towards the improvements that included the engineering/design of the terminal, site preparations, and terminal construction costs.
- b) The City must agree to contribute up to an additional \$250,000 in cash towards the improvements that included the engineering/design of the terminal, the site preparations, and terminal construction costs. These additional City funds were to come from the available balance in the Local Option Sales Tax Fund.
- c) The City staff must work with the architect/engineers and user focus group members to identify reductions in the square footage of the proposed terminal building that will reduce the construction cost by \$250,000.

**ALTERNATIVES:**

- 1a) The City Council can approve the attached Addendum to the December 10, 2015 agreement and obligates ISU and the City to each contribute up to an additional \$250,000 towards the Airport improvements, and
- 1b) The City Council can authorize the City's portion of this additional \$250,000 towards the Airport improvements come from the available balance in the Local Option Sales Tax Fund.
2. The City Council can approve the attached Addendum to the December 10, 2015 agreement that obligates ISU and the City to each contribute up to an additional \$250,000 towards the Airport improvements, but identify another source of revenue to meet the City's additional \$250,000 obligation.
3. The City Council can decide not to approve the attached Addendum to the December 10, 2015 agreement with ISU at this time if the City Council members do not support the suggested 1,600 reduction in the square footage of the terminal that is being proposed to cut the project costs.

**MANAGER'S RECOMMENDED ACTION:**

Assuming that the addition of a new terminal building and itinerant hangar remains a high priority of the City Council and the Council is satisfied with the square footage reduction that is being recommended to reduce the project costs by \$250,000, then **it is the recommendation of the City Manager that the City Council approve Alternatives #1a and #1b.** This action approves the attached Addendum to the December 10, 2015 agreement and obligates ISU and the City to each contribute up to an additional \$250,000 towards the Airport improvements as well as authorizes the

City's portion of this additional \$250,000 towards the Airport improvements come from the available balance in the Local Option Sales Tax Fund. Now that the three conditions of the City Council have been met, \$2,910,000 is available for the Airport improvements project.

**ADDENDUM TO AGREEMENT FOR PUBLIC IMPROVEMENTS  
AT THE AMES MUNICIPAL AIRPORT DATED FEBRUARY 10, 2015**

This Addendum to Agreement for Public Improvements at the Ames Municipal Airport is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2015, by and between Iowa State University (hereinafter called "ISU") and the City of Ames, Iowa (hereinafter called the "City").

**WITNESSETH:**

**WHEREAS**, the City and Iowa State University have entered into a comprehensive Agreement for Public Improvements ("Main Agreement") in order to fund, design and construct significant improvements to the Ames Municipal Airport, which Agreement was executed on February 10, 2015; and

**WHEREAS**, since the execution of the agreement, the design and taking of bids for site preparation work and completion of preliminary construction cost estimates for the terminal building were completed; and

**WHEREAS**, the latest estimated construction costs for site preparation and terminal building were found to exceed what had been anticipated; and

**WHEREAS**, the City and University determined that each was willing to equally commit additional funds to the project so that all of the improvements necessary to meet both Parties' needs could be timely and efficiently built;

**NOW THEREFORE**, in consideration of the mutual promises agreed to in the Agreement of February 10, 2015, and in further consideration of the mutual promises hereinafter set forth, the Parties hereto agree and covenant as follows:

**I.**

**CITY OF AMES ADDITIONAL FUNDS GUARANTEE**

In the event that the costs for the design and site preparation construction costs as well as the design and construction costs for the new terminal building exceed the \$2,410,000 that was previously budgeted for this work, the City shall provide funding in addition to that it committed to provide under the terms and provisions of the Main Agreement up to the amount of \$250,000.00.

**II**

**ISU ADDITIONAL FUNDS GUARANTEE**

In the event that the costs for the design and site preparation construction costs as well as the design and construction costs for the new terminal building exceed

the \$2,410,000 that was previously budgeted for this work, ISU shall provide funding in addition to that it committed to provide under the terms and provisions of the Main Agreement up to the amount of \$250,000.00.

**III.  
PRORATION AND PAYMENT OF FUNDING**

Utilizing the funding identified under Sections I and II of this Addendum, the City and ISU shall share equally in any additional funding needed in excess of the \$2,410,000 originally identified for the design and construction of the site preparation and terminal building. Payment of ISU's portion of this funding shall be made upon request by the City.


**IV.  
ALL OTHER TERMS CONTINUE**

The Parties understand and agree that all other terms and provisions set forth in the Main Agreement continue in full force and effect as set forth therein.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be signed and sealed by their authorized representatives as of the date first above written.

IOWA STATE UNIVERSITY

CITY OF AMES, IOWA

By   
Warren R. Madden  
Senior Vice President for  
Business & Finance

By \_\_\_\_\_  
Ann H. Campbell, Mayor

Attest \_\_\_\_\_  
Diane R. Voss, City Clerk