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**FINANCE & RECORDS**

## Memo

To: Mayor and City Council

From: Nancy A. Lueck, Finance Director  
Gregg Mandsager, City Administrator  
Jodi Royal-Goodwin, Community Development Director

Date: March 27, 2019

Re: Review of Possible Alternatives for New Airport Hangar Construction

### **Introduction and Background:**

On October 10, 2018 the City received bids for (1) the new Airport Hangar project, and (2) the Airport Apron project related to the new hangars. Due to issues with the outside funding for the Hangar project, it was determined to be in the best interest of the City to reject all bids received for both the Hangar and the Apron projects.

The recommendation to reject the bids was due to private investor funds and agreements not being in place and the ground and hangar lease terms and conditions would also be in conflict with FAA Grant Assurances #22 and #23 per the City Attorney. Differing lease terms, as proposed by the investors, were not in accordance with FAA Grant Assurances or FAA regulations. The City Council approved the resolutions officially rejecting the bids for these projects on December 6, 2018.

### **Current Alternatives for Council Consideration:**

City staff, working with Bolton & Menk, the City's engineers for the project, have provided two alternatives to consider if the City is interested in proceeding with construction of new hangars at the Airport.

Attachment A shows (1) information on the IDOT grant of \$150,000 for hangar construction, (2) the engineering agreement for the original project of \$22,000, (3) "Probable costs" of construction and prior and additional engineering for either a 5 Hangar Unit or a 3 Hangar Unit, and (4) funding requirements if the City wanted to proceed with either the 5 Hangar Unit or 3 Hangar Unit.

Funding sources currently available for this project would be the \$150,000 IDOT grant and \$27,583 in net bond proceeds from the 2018 bond issue. As shown in this schedule, there is projected to be a \$400,000 funding shortfall for a 5 Hangar Unit and \$300,000 shortfall for a 3 Hangar Unit. The City Council can consider including either the \$400,000 or \$300,000 funding requirements in the 2020 bond issue.

**"I remember Muscatine for its sunsets. I have never seen any  
on either side of the ocean that equaled them" — Mark Twain**

Schedule B is the list of projects and preliminary bonding requirements for the May 2020 bond issue based on the currently estimated costs for the projects listed. This schedule was reviewed with City Council in February as part of the Debt Service fund budget. As noted on the line with the asterisk, this schedule allowed \$621,000 for additional projects or for the identified project costs to be higher than currently estimated, to bring the total issue to \$3,000,000. The City Council can consider using a portion of these funds for the 5-Hangar or 3 Hangar options.

From discussions with the engineer, grant funding for hangar construction is very limited, and it is not likely that the City would be able to obtain grant funding higher than the \$150,000 that is currently available.

Also, just as a note, Bolton & Menk provided a "probable cost" estimate for the related Airport Apron project. Based on this estimate, it is expected that there are sufficient grant funds and local match funding from the 2018 bond issue to fund the apron portion of the overall project.

**Recommendation:**

It is recommended that City Council review and discuss this information and provide direction to staff as to whether the City is interested in proceeding with one of the project alternatives. If so, engineering agreements would need to be prepared and brought to Council for their consideration, then design for the revised projects could begin, and new bids solicited.

Please contact any of us if you have any questions or would like additional information.

**City of Muscatine  
Proposed New Airport Hangar Project  
Possible Alternatives  
3/27/2019**

**IDOT Grant for New Hangars:**

Maximum Grant Amount (44%)	\$ 150,000.00
Minimum Match for Grant (56%)	<u>190,909.09</u>
Minimum Total Project Cost if Proceed with Grant	<u>\$ 340,909.09</u>

**Original Engineering Agreement with Bolton & Menk:**

Design and Bidding for Originally Planned Project (Paid)	\$ 20,000.00
Construction Phase (Not Paid)	<u>2,000.00</u>
Original Agreement Total	<u>\$ 22,000.00</u>

Note - The original design and bids were based on 4 hangars and assumed the cost of 3 of the hangars would be paid by private parties and contributions from the outside parties would be used towards the local match for the grant. Agreements were not reached with the outside parties and the bids for the project were rejected. The low bid on the original project was \$555,047.00.

**Possible Alternatives for New Hangar Construction**

	<u>5 Hangar Unit</u>	<u>3 Hangar Unit</u>
<b>Estimated Project Costs:</b>		
"Probable Costs" for Construction (Bolton & Menk) (3 Hangar Unit estimated to cost \$100,000 to \$120,000 less than 5 Hangar Unit; amount shown assumes \$100,000 less)	\$ 512,600.00	\$ 412,600.00
Original Engineering Agreement (\$20,000 already paid)	22,000.00	22,000.00
Estimated Engineering for New Contract	<u>40,000.00</u>	<u>40,000.00</u>
Total "Probable" Project Cost (per Engineer)	<u>\$ 574,600.00</u>	<u>\$ 474,600.00</u>
<b>Funding Available:</b>		
IDOT Grant	\$ 150,000.00	\$ 150,000.00
2018 Bond Proceeds (net of bond issuance costs)	<u>27,583.00</u>	<u>27,583.00</u>
Funding Available	<u>\$ 177,583.00</u>	<u>\$ 177,583.00</u>
Funding Shortfall (Bonding Requirements)	<u>\$ 397,017.00</u>	<u>\$ 297,017.00</u>
Rounded Amounts for Possible Bonding	<u>\$ 400,000.00</u>	<u>\$ 300,000.00</u>

**City of Muscatine**  
**Preliminary List of Projects to be Funded from the May 2020 Bond Issue**

	<u>Estimate of Bond Requirements</u>
<b>Property Purchase:</b>	
Former IDOT Property	\$ 610,000
Start of Renovation of Former IDOT Maintenance Building (Scope of work and cost not yet determined)	303,000
<b>Street Improvements:</b>	
Local Share of Conversion of Portion of Park Avenue from 4-Lanes to 3-Lanes	425,000
<b>Park Improvements:</b>	
Riverfront Fence Replacement	76,000
Fuller Park Playground Resurfacing	140,000
Soccer Field #3 Improvements	120,000
<b>Deferred Building Maintenance Projects:</b>	
Roofs, Windows, Doors, Radiant Heater, etc.	225,000
<b>Transfer Station Project:</b>	
Fire Suppression System Repair	130,000
<b>Airport Projects:</b>	
Potential Local Share of Airport Improvement Projects	50,000
<b>Trail Project:</b>	
West Side Trail - Projected Additional Funding Needed	300,000
<b>Allowance for Additional Projects up to a \$3 Million Bond Issue</b>	<b>621,000 *</b>
<b>Total General Obligation Portion of Issue (Debt Levy Funded Portion)</b>	<b>\$ 3,000,000</b>
<b>Tax Increment Financing Funding for Downtown Streetscaping Project:</b>	
Preliminary Estimate of Project Costs	<u>3,042,000</u>
<b>Total Proposed Bond Issue (Before Issuance Costs)</b>	<b>\$ 6,042,000</b>
<b>Estimated Bond Issuance Costs</b>	<u>108,000</u>
<b>Total Proposed Bond Issue</b>	<b><u>\$ 6,150,000</u></b>

\* The \$621,000 allowance for additional projects may include the local share of Airport project costs which were not yet determined at the time the budget was prepared, for project costs higher than estimated after bids are received for projects, or for other projects.