

**CITY OF PARK RAPIDS  
CITY COUNCIL WORKSESSION  
DECEMBER 8, 2020, 5:00 PM  
Park Rapids City Hall Council Chambers  
Park Rapids, Minnesota**

**1. CALL TO ORDER:** Mayor Ryan Leckner called the Park Rapids City Council Workshop for December 8<sup>th</sup>, 2020, to order at 5:00 p.m.

**2. ROLL CALL:** Present: Mayor Ryan Leckner, Councilmembers Tom Conway, Erika Randall, Liz Stone, and Robert Wills. Absent: None. Staff Present: Administrator Betty Thomsen, Treasurer Jeremy Jude, and Clerk Margie Vik. Others Present: Matt Zitzow, John DeCoster, and Robin Fish from the Enterprise.

**3. BUSINESS:**

**A. Municipal Airport Issues:** John DeCoster, with Landrum and Brown, stated Betty Thomsen has been very engaged with us, in her interim role, with airport issues. We're at a crossroads. In the next five to ten years, you have a couple of major projects that will be going on here. Historically, we've always looked at the airport on an annual basis, but we have a bigger obligation that will be coming forward as we want to expand the airport and make it a bigger part of the community, and make it more marketable to the people who fly airplanes. We suggested trying to keep this momentum that we have for the airport going before Thomsen hands it off to her successor. Because of the timing involved we wanted to make sure that there is a clear understanding of what the long-term view is so that the Council can look at it strategically, instead of looking at it on an annual basis as you have historically done.

DeCoster stated tonight, we want to take the time to go through the projects that we have coming forward. The priorities as they exist today, as far as timing and sequencing of the various projects, and a clear discussion about what the local financial obligations are going to be as well as what the federal and state obligations are going to be. And, really have the Council dig into the weeds when it comes to the strategic direction, because there are some major financial hurdles that have to be dealt with over the next few years. Our goal has been to try and keep the airport as financially successful as possible. We did it last year, and we've done it periodically through the years since we've gotten, from a business standpoint, in order. Tonight, is to engage with the Council during this work session and allow you the opportunity to ask detailed questions so you understand clearly the things that are related to the airport from a strategic perspective.

Matt Zitzow, TKDA Engineer, stated it's useful to periodically have a workshop setting so we have enough time to share information. We want you to ask questions. We're at a milestone. There are two items on your regular meeting agenda, which will set the tone for our discussion tonight.

Zitzow stated one is the adoption of the airport master and layout plan update. Many of you participated in that project over the years. Your airport master and layout plan are comprehensive planning documents that look at short-, medium-, and long-term needs

and wants of the airport. Those documents are meant to be a tool to guide airport development decisions that are in the best interests of the city. Those documents are also an opportunity to engage the agencies and get their concurrence on the generalized strategy for the airport as many of your projects are funded with state and federal participation. That master plan is meant as a proving ground for future projects and prioritization of the airport. The airport master and layout plan update started in 2015. Tonight, we culminate it at the regular Council meeting with the adoption of those final documents. It's not a small accomplishment. Thank you to those who participated on the Technical Advisory Committee. Tonight, we'll discuss the findings of that report as it relates to the management of your CIP and possibly some decisions coming up in the next decade for the city.

Zitzow stated the second item on the regular agenda is an acknowledgement of the annual CIP update. You have a copy of that in your packet. I also provided the CIP with a few guiding remarks on it, which were also reviewed with the Airport Commission. Those remarks will come in handy as we talk about some of the content of the financial needs and wants, and then some of the funding pressures at the federal, state, and local level, so that you can be prepared to strategically address prioritization of the airport moving forward over the next decade.

Zitzow stated one of the messages that you will hear tonight is planning over a zero-to-five-year timeframe to provide the city time. You're not in an emergency spending situation. But it's important that we are here sharing information with you, and then you as local decisionmakers can have time to make those decisions moving forward. It's meant to be an informational sharing session. Neither of the items on your agenda have financial implications. The airport master plan is financially closed out. All federal and state reimbursements for that project have been received. There are no additional budget allocations asks, and there is no cost to updating your CIP. That happens annually and there is no requested action for a financial standpoint related to the CIP or the ALP.

Zitzow stated for the airport master plan and the layout plan, it's 417 pages. It holds a lot of information. It involves a snapshot of what your airport is today, what the needs are, who the users are, what the airport needs to become in the future to accommodate future uses and to also remain safe in operations, and to meet all of the federal and state regulations. There is a financial implication as well, as you contemplate future projects.

Zitzow stated there are two documents, the master plan is a narrative text totaling 417 pages. The layout plan is a graphical document, and is 20 pages long. Both of those documents are on file with the city in hard copy and in digital format. The master and layout plan includes a large scale, decades long strategy for the airport. The CIP is the next level down. If the master and layout plan operate at 30,000 feet, then the CIP operates at 10,000 feet. This document is housed by MN DOT-Aeronautics online. All of the 130+ airports in the state have a CIP like this. It is roughly a 20-year time scale. This documents the needs and wants of the airport, and start to contemplate prioritization as well as costs. The CIP does not allocate or encumber funds. By having a project on the CIP, it does not obligate the city to complete those projects. It does allow MN DOT and the FAA on an annual basis to look at your airport and the needs of the entire Minnesota aviation system. The state legislature uses this to understand how much money needs to be appropriated to our state system. The FAA uses it as well to understand what the needs are out there.

Zitzow stated that's a snapshot of the CIP. For your airport, it's meant to layout what are our zero to five-to-ten-year projects. We'll talk about what is the difference between a

project that is a need and a want. Your CIP represents both. There are projects on here that are development driven, some that are maintenance driven, and some that are related to equipment, like snowplows, mowers, buildings, and hangars, as well as planning documents. You won't be doing a master plan for fifteen years at least.

Zitzow stated one of the objective tonight is to express to you the funding pressures and why some of the projects need more attention than others in preparing for the costs that are associated with the projects. We'd also like to talk about the funding models that are out there at the federal and state level to help support the local match. All of these projects have some version of federal and state funding associated with it. I provided you with the documents.

DeCoster stated the first project that we will be discussing will be the infrastructure project, more taxilanes and taxiways. The reason is we are out of developable sites. We leased out our last developable site a couple of years ago. We are at a crossroads where in order to be able to continue to expand the airport, we have received requests from numerous people about developing at their cost, private hangars at the airport. We haven't been able to accommodate them. We've been talking about this next wave of infrastructure investment in order to make those sites developable. You'll see those at the leading edge of the discussion. From a timing standpoint, that one is right in our grill, unlike some of the future stuff that is ten to fifteen years out. If we're going to be able to respond to requests received, we will need to address that one on the front end.

Zitzow stated it would be really nice to share with you that the federal government has one rule about airport funding in the state and then the rest is up to you. It's not that simple. This document is meant to provide you with a snapshot of some of the major funding opportunities that are available at the federal and state level to support projects. Federal funding comes to you, generally, in one of two forms. Every year the city is provided through the federal government, essentially, and FAA entitlement program bank account, for airport of your size, and your use type, you accumulate \$150,000.00 of federal entitlement dollars every year, up to \$600,000.00.

Zitzow stated if a project is eligible for FAA entitlement funding, for example a taxiway, for every dollar that you spend on your taxiway, 90 cents or 90% would be federal, 5% state and 5% local. The state kicks in a match portion on your behalf for federally eligible elements. 90/5/5. You're spending 5 cents on the dollar for eligible projects. Those are generally runways, taxiways. The catch is oftentimes the amount that you are going to need, the amount that is federally eligible will exceed \$600,000.00. If you have a \$2 million project, your \$600,000.00 won't touch the 90% that is federally eligible. In that case you get moved down, which is called AIP discretionary funding. Discretionary dollars, there's no max on those, but the catch is that source of funding is essentially all unused entitlements, nationally. As airports decline, those national entitlement dollars are put into a pool. The federal legislature says you have to use those over time, so the FAA goes out and finds those bigger projects to support. But they compete nationally and they are ranked and prioritized nationally. Runways come first, taxiways are next, and on down the line. The 95/5 applies to the pro-rata shares.

Zitzow stated there are a couple of examples of special programs at the federal level. You hear about those in the news. Occasionally, the federal government has economic stimulus, economic supportive plans or special spending plans. Often, they will appropriate portions of those mega bills to the FAA. Oftentimes the FAA has the ability to increase or add special funding programs. At the state level, there are some projects that are not eligible for federal funding. There are only eligible for state funding.

Zitzow stated the state legislature has the MN DOT-Aeronautics budget and it supports numerous programs. The first one being the airport M&O grant. Every year you get a maintenance and operations grant. It's capped at \$75,000.00, but you pay 25 cents on the dollar for eligible things like mowing, plowing, equipment, crack sealing, labor. MN DOT also has a construction grant program. In your case the matching share is 75/25, and those are for things like apron pavement that's not taxiways, but it's up towards your buildings. Often, those types of projects are state eligible. Your construction grants, fuel systems, trucks, and equipment, there is a cap annually. There's a limit to how much state funding that you will get from MN DOT in any given year. That cap is \$1 million. You are also competing against other airports in the state. It's not an unlimited fund. It's appropriated by the legislature.

Zitzow stated the hangar loan program is in your CIP packet. MN DOT has a special revolved hangar loan program to help cities construct public hangars. The conditions of that loan are that the vertical construction, the floors, walls, roof, everything above the ground is eligible for a zero percent, 20-year loan, for 80% of the construction costs. If you build a t-hangar and pay 20% upfront, and the remaining 80% is funded at zero percent over a twenty-year term. That's on a reimbursable basis, only operating on the fees that they are collecting, the return being that they are collecting from other communities. Generally, the state can issue an additional loan about once a year. One airport every year in the state, of 130, are provided that opportunity. You are now in line, every so often your opportunity will come along. The state legislature, at times, will authorize special funding programs and sometimes that will affect airports, bonding bills, grants, etc.

DeCoster stated there are a number of sources of revenue that come into play to pay for that local match, including fixed base operator's lease, money from the FBO, the t-hangars rents. We have upgraded the t-hangar leasing program a few years ago. The City Council approved an annual rate increase. We will do that every year for validation. That revenue has been increased. It had been quite a while since rent had been increased on the t-hangars. In the last couple of years, we have gotten that cleaned up. The land for the privately held hangars, the city receives land rent. The cost for developing and maintaining those hangars are the responsibility of the tenant. There is a fuel flowage fee for the fuel that is pumped by the FBO. It's a direct recovery for the city. There are some minor sources in income such as ag leases. That is for land around the runways that we lease to farmers. It's not a major source of revenue at \$300.00 a year, but it's some of land that would otherwise be vacant.

DeCoster stated one thing that we've talked about but haven't pursued is looking at some key tenants, and looking at donations or participation from those tenants. We've talked about the arrival and departure building project. It's an older building. There are some concerns about the décor, and what is the image that portrays when someone comes to the City of Park Rapids. We've debated on that for months of where does that fall in the priorities, the needs versus the wants in the CIP. That project might be a good candidate for not tapping the state or federal revenues, and instead looking at some of the local tenants and key users to fund some things that would provide a facelift for the building to improve the ambience when you walk in the door. Staff has gone in and done some maintenance things to fix some deficiencies and to try to increase the useful life of the asset. We're dealing with that. We'll be looking at the possibility of donations.

DeCoster stated historically the liquor fund has been a big source of that city funding. There are no levied assessments which have been directly attributed to the airport. Some airports of your size, for the reasons we are discussing tonight they have

adopted an annual assessment that goes into a reserve fund for years when they have a capital project which requires a bigger local match, which can't be generated on the airport. Instead of tapping liquor store funds they use that fund as an ongoing reserve fund to be able to pay for those things. Those are the local match things.

DeCoster stated the city got the 2019 audit back. The airport did end up in a black position from a cash flow standpoint, and all of the grants are closed out. That's where we want to be. We want to make sure that we utilize those surpluses properly as we look forward in the next ten years.

Zitzow stated the meat and potatoes of the conversation tonight is to orient you into the next five to ten years what projects are listed on the CIP, what projects have been discussed by the Airport Commission and city staff, and then to provide you with insight as to which are more in the need's category, the wants category, and the funding pressures at the federal, state and local levels.

Zitzow stated there are two projects that I would highlight as needs and not wants. One is in state fiscal years 2021 and 2022, the terminal area taxiway improvements. It's split into a design phase and a construction phase. That is typical at the federal and state level. You often get a grant for design separately from a grant for construction. That project is currently under grant. You already accepted a grant for design of that project. The city invested in building sites on lots 20-23. All four of those lots have since been utilized and built upon. There are no developable sites at the airport. That's a concern because as you continue to take requests for opportunities for people to invest in the airport, there's private investment that could become a revenue source at the airport. There is also a lack of developable sites for a future public t-hangar. There is a limitation on your ability to build t-hangar space and address your t-hangar waiting list. A sub-portion of the taxiway area of the terminal area taxiway project effectively will complete the paving and earthwork to accommodate the construction of hangars 24-27, the back row, of large private hangars, 31-43, the middle row of smaller private hangars, and it will also accomplish the earthwork necessary for the future construction of t-hangar 44.

DeCoster stated hangars 41-43, and 24-27, those would be the sites that there would be a land lease and the owner of the hangar would actually be the one funding the development of the hangar and owning the hangar according to the lease terms. Those have some initial pent-up demand. There are names and contact points we can go to once we are able to define what the timeframe is going to be for the development of those sites. We think there is a high probability of some takers at the front end.

Zitzow stated the design is ongoing for that project. Bids are anticipated to be received in February of 2021. I understand that the proposed city budget includes that first portion of construction funding to accommodate the construction phase. It would be a two-year construction in 2021 and 2022. That's one project that addresses needs of the airport for developable space. It also improves circulation taxiway. So, there is a safety component for that project as well.

Zitzow stated the next major project is listed as state fiscal year 2025-2028. What that project represents is the reconstruction of your primary runway. You have two runways at the airport. You have a primary runway, and a secondary smaller crosswind runway that is relatively new. It will not need reconstruction for some time. Your primary runway, however, will be nearing in the next decade, the need for reconstruction. It's a big, disruptive, costly project. It represents a couple of years of construction, in a couple of phases. It also represents some downtime for some of your major users at your airport. There is an operations impact, and it's a multi-million project. The funding pressure on that

goes back to the fact that you will never be able to bank enough entitlement dollars. \$600,000.00 of federal funding banked up will not touch that project. City staff recently met with the FAA representative to talk about the fact that the FAA has a heavy lift as well to come forward with that discretionary grant. Do we know that that construction will occur in that timeframe? The answer is no. Timing of that project will be a blend of the physical condition of the runway, because we want to use the runway until it's absolutely not useable, safe, but fully useable. We also recognize that you have some local funding to get in line. The agencies also have to queue you into their funding program for discretionary dollars.

Zitzow stated there are several projects that the Airport Commission, and your professionals concur should be thought of as wants. That includes the construction of a public t-hangar. You can't build a t-hangar until you have a site. Your development project addresses the site. At some point they're looking at possibly that MN DOT loan, zero percent, for 20 years, to accommodate that construction. Right now, MN DOT thinks you probably won't be up for a loan until about state fiscal year 2025 or 2026. You are currently fourth or fifth on their statewide waiting list, and they issue one loan per year.

Zitzow stated in state fiscal year 2024 we have three projects. AD building remodel, which would not get federal dollars. That would be a state program. Pavement crack and joint repair, which is a relatively inexpensive project, but it's important to keep the useful pavement functioning. The third piece is snow removal equipment which represents a loader/blower combination in replacement of the current loader/blower that is of the age of 1995. That equipment does have an end of its useful life, which is coming. Burlingame advised us to continue to be aware of that project. We have to recognize that with the pressure at the federal level, we are going to use a lot of entitlements on the terminal area taxiway expansion. You have not enough time to build up \$400,000.00 to \$500,000.00 in entitlements because you get \$150,000.00 a year. Funding the snow removal equipment on this timeline is a challenge. The challenge at the local level is you're looking at the local match and contemplating in total this represents a significant ask for the airport. Projects like the AD building remodel, that local contribution, you would not be wise to prioritize that over addressing the safety of your primary runway. There is a push and a pull between this entitlement program.

Randall stated I do serve on the Airport Commission. We discussed this last week. I felt like this information and the way it is laid out is one of the best ways I've seen this presented. I think this is very clear to show what the city has to come up with for dollars to do, not wants at all, to do needs. I thought that was really important. From the Airport Commission standpoint, I posed a question if anyone felt that the reconstruction of the runway 13-31 was more important than the AD building, and nobody said yes. I want to assure you, the AD building is on here in 2024, but it is not a priority of the commission. We are exploring other avenues to look at that. The reason that the AD building even got on here ahead of some of the other projects was because there was a very small potential of a grant. We put it on there. I want to assure everybody that this AD building is really on the back burner right now. We have some other avenues that need to be explored.

Randall stated the other thing that we talked about for the first time since I have been on the commission was while the airport is in the black this year, that doesn't mean that the airport fund can pay for our current projects. It pays for all of the things that were listed such as operations and utilities. But every time we have a project with a local match, we are going to our liquor store, almost always. I feel that is a really bad practice. When you see the dollars that are needed, we can't take all of that from our liquor store. The

question that I posed to the commission is, as a city we make sure that we budget \$3,000.00 a year for squad cars, so we can replace them and our officers have safe vehicles to drive, but we don't budget anything for airport projects. Zero. We're not building a bank at all. When it comes time to do our budget next year, I believe this will be a big discussion about how we start budgeting so that we're not relying on our liquor store to meet this need. We have some really big needs here. While the t-hangars are a want, if we want to generate revenue by having t-hangars, and we come to the front of the list for this zero percent loan, we need to be ready. We need to be in a position to say we have cash, because if we say no, we go back to the bottom of the list of the all the airports in the state that want to get a hangar loan. That's a want, but it's also a strategic move about if we're doing all of this work to develop all of these sites and there's a need for hangars, it's definitely a catch-22. Those are my thoughts and the things that came up at the commission meeting.

Zitzow stated that does provide some additional context for those of you that are not tracking every Airport Commission meeting. That's a good summary of the dialog that has occurred at the Airport Commission level. To reinforce that your CIP is a planning tool, it doesn't obligate funds, it also doesn't encumber state or federal funds. It does provide you the opportunity prior to actual asks for funding for these projects that you get the chance to contemplate what the bigger picture looks like. We're not just looking at each project request on an individual basis. We're trying to look at the whole airport system.

Zitzow stated the airport CIP is updated annually, or as many times as you want. MN DOT requests that we update it. Typically, that goes through the commission. TKDA assists with the online portion of that. But, at anytime the City Council, staff, Airport Commission, can request amendments to reprioritize, push projects up or down. I'm always happy to assist you with that. I usually bring this forward to the commission in the fall, because that's generally when MN DOT requests that it is done. This is the current state of the CIP online. If tonight the Council would like to make any requests for the CIP, I'd be happy to make those. It is a moving document and is updated continually upon your request.

DeCoster stated over the last few years we've updated all of the contracts on the airport. We put in escalator provisions for lease rates. We updated the hangar rents based on fair market value and we have an escalator provision in there. We come back to the City Council every year to recommend either increase the amount or not. We will be able to increase rates and charges when we get the box hangar sites available and we'll get rates from those once they are up. The reality is we're not going to be able to self-generate enough revenue, based on your leasing program at the airport, to get that local match requirement that is coming up the road. That's why we want a strategic discussion with you about the longer-term obligations that are going to be there. The runway is a no brainer. If you don't have a runway, the airport isn't much good to us. Looking down the road we want to make sure, from a Council standpoint, there's a full understanding of all of the demands that are going to be out there before that. Least of which is the demand for local participation in all of these funding sources.

Zitzow stated we've touched on all of the agenda items. We want to underscore that your airport is a tremendous asset to your community. The city has invested in the past and that you will continue to see the airport as an asset to your community. People get tired of me saying it but pound for pound, you're one of the best airports in the state. You have a great reputation for the facility that you have, regionally and statewide. It's really a feather in your hat that you have this airport in your community and region. The purpose of

tonight's discussion was not to be alarming, but to provide you information you can use for future decision making, and really understand that decisions at the airport are in your control, and you can make good choices for your city moving forward with this timescale of decades level strategy.

Randall questioned can we pull that AD building for now, and place it in 2029. I just don't like that number popping up. In three years, we're not going to spend \$800,000.00 on an AD building. That number is really segued when the local portion says \$200,000.00. The reason it got moved up and has never got put back in its place, there may be individuals that feel when it gets pushed back to 2029 that we lose site of it. I do feel there is some forward momentum for the AD building. It needs to be explored differently before it gets some prioritization. We are in the process of assembling a task force to come up with a realistic scope so that we can generate realistic numbers. The scope has never been done. I took a tour of the AD building to try to get an understanding of where the deficiencies are, and I'm not seeing \$800,000.00 worth of deficiencies. I'm seeing things differently. It's definitely on the radar and there are a lot of things that we can do right now, but not likely in 2024. I want people to have a good understanding at looking forward to our local match numbers without that number being in there.

Leckner questioned is a grant the reason that it was in there? DeCoster stated it was a special grant that the feds were putting out, which was 100% federally funded. There was no local match. Based on the criteria they gave at the time; Park Rapids was right at the crosshairs as eligible. Unfortunately, it ended up being used to fund east and west coast airports. The State of Minnesota got funded for two airports, International Falls and Detroit Lakes for runway projects. They scored higher in that process. The reality is we had to do that in order to make a pitch for those funds. We were not successful. We never brought it back into the timeframe that it probably should have been. Right now, is a good time to make an adjustment.

Randall stated it still will continue to be on our agenda with an appropriate timeframe. This task force is probably a better avenue to pursue rather than try to spin our wheels at a commission meeting. DeCoster stated we can scope that properly. We all have a feel for what the requirements and objective should be and finding a way to pay for it.

Zitzow stated given that you now have a briefing on the realistic timeframes from MN DOT's prospective, you also realize that project will continue to bump down every year until that loan becomes a real offer. Generally, MN DOT can offer one loan a year. Oftentimes, communities will pass because they don't have a need or the local funds, then MN DOT will go down to the next airport. You can anticipate that it will not likely be 2023, but we will continue to track that along as we get updated communications from MN DOT. DeCoster stated they are good about making sure that doesn't jump up on you. Zitzow stated you generally have a full year. You have some time to react to that offer. We'll keep you updated through the commission and city staff.

DeCoster stated the reason the loan program is so important is it's not likely we'll get a private developer to come in and develop a ten-hangar unit. The main reason being they expect an economic return and the rates will not be competitive with the city rates. It's all about money for the developer. We think this is the best way for the city to stay in first position and balance the need to repay the loan and any investments made into it, and then make a reasonable return on it, and recycle that money back into the investment fund for the airport versus having a third party come in and do it. They charge really high rates and people come yelling at the city because they think it's you setting the rates.

Conway questioned what do you think your percentage of accuracy is for the years you have the reconstruction of the new runway. Zitzow stated I think we are, from design through the various phases, given our conversations with the FAA, and the condition of the airfield that we are monitoring every year, I'd say the accuracy is plus or minus is zero or minus four. I don't think it's coming sooner than 2025, but I see that construction could be delayed two to four years. It's also going to still be safe. The FAA has to dovetail that major project with other asks across the region. Every year they have just several discretionary grants that they can assign in the state and region. You have to enter the que.

Zitzow stated thank you again. We appreciate your time. Hopefully, the information is helpful to you and you can contact us through city staff with any questions.

**3. ADJOURNMENT: A motion was made by Conway, seconded by Stone, and unanimously carried to adjourn the meeting at 5:50 p.m.**

[seal]

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Mayor Ryan Leckner

ATTEST:

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Margie M. Vik  
City Clerk