



Item #\_5e\_

City of Palo Alto

**MEMORANDUM**

**TO:** Finance Committee

**DATE:** May 4, 2017

**SUBJECT:** Additional Information Pertaining to the Fiscal Year 2018 Proposed Operating Budget

This memorandum transmits additional information requested by the Finance Committee in regards to the Fiscal Year 2018 Proposed Operating Budget.

**Airport Fund Loan Repayment to the General Fund** (Finance Committee Budget Hearing May 2<sup>nd</sup>; Agenda Item #6)

At the May 2<sup>nd</sup> Finance Committee meeting, the Committee inquired about a longer term forecast for the Airport Fund and the ability of the Airport Fund to repay loans from the General Fund. Below is a five year forecast for the revenue and expenditures in the Airport Fund and details regarding the loan repayment to the General Fund.

	<b>FY 2017 Estimate</b>	<b>FY 2018 Proposed</b>	<b>FY 2019 Projected</b>	<b>FY 2020 Projected</b>	<b>FY 2021 Projected</b>	<b>FY 2022 Projected</b>
<b>Beginning Fund Bal.</b>	<b>\$390,376</b>	<b>\$251,464</b>	<b>\$515,092</b>	<b>\$393,516</b>	<b>\$397,549</b>	<b>\$689,800</b>
Operating Rev.	1,145,800	2,341,579	2,443,326	2,510,544	2,579,657	2,650,719
FAA Grant Rev.	2,442,768	4,860,000	9,135,000	2,880,000	297,000	225,000
Loan from the GF	704,150	200,000	200,000	-	-	-
<b>Sub-total Revenue</b>	<b>4,292,718</b>	<b>7,401,579</b>	<b>11,778,326</b>	<b>5,390,544</b>	<b>2,876,657</b>	<b>2,875,719</b>
<b>Total Sources</b>	<b>4,683,094</b>	<b>7,653,043</b>	<b>12,293,418</b>	<b>5,784,060</b>	<b>3,274,205</b>	<b>3,635,039</b>
Operating Expenses	1,224,967	1,711,200	1,749,903	1,816,169	1,877,012	1,938,542
Capital Expenses	3,206,663	5,426,751	10,150,000	3,200,000	330,000	250,000
GF Loan Repay	-	-	-	370,343	377,394	802,706
<b>Sub-total Expenses</b>	<b>4,431,630</b>	<b>7,137,951</b>	<b>11,899,903</b>	<b>5,386,511</b>	<b>2,584,406</b>	<b>2,991,247</b>
<b>Ending Fund Bal.</b>	<b>251,464</b>	<b>515,092</b>	<b>393,516</b>	<b>397,549</b>	<b>689,800</b>	<b>574,272</b>

Since Fiscal Year 2011, the General Fund has loaned the Airport Fund approximately \$2.9 million with an additional \$0.4 million anticipated in Fiscal Years 2018 and 2019 (\$0.2 million each year) for a total loan of \$3.3 million. The initial loan from FY 2011 was originally anticipated to be repaid by December 2016; however, the Federal Aviation Administration provided more grants for capital improvements at the airport than originally estimated. In order to accept the funding for these grants, the Airport Fund is required to provide 10 percent matching funds. As a result, funding that could have been used to begin the repayment of the General Fund loan was instead recommended to be used to provide funding for the Airport's 10 percent grant match in order to improve the overall airport facility. Based on the current projections, it is anticipated that the Airport Fund will have sufficient fund balance to begin loan repayments, including interest, in Fiscal Year 2020. Based upon the revised repayment schedule, the Fiscal Year 2014 loan will be repaid by the end of Fiscal Year 2023, which aligns with the original repayment schedule for the Fiscal Year 2014 loan. Subsequent loans will also be repaid according to their anticipated schedules, with the final Fiscal Year 2019 loan being repaid by the end of Fiscal Year 2028. The loan repayment schedule will be reevaluated and revised as part of future year budget cycles.

DEPARTMENT HEAD:



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LALO PEREZ  
Director Administrative Services/CFO

CITY MANAGER:



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JAMES KEENE  
City Manager