

## CITY OF MARSHALL AGENDA ITEM REPORT

<b>Presenter:</b>	Jason Anderson
<b>Meeting Date:</b>	Tuesday, May 27, 2025
<b>Category:</b>	NEW BUSINESS
<b>Type:</b>	ACTION
<b>Subject:</b>	Consider Authorization to Submit Application for a MnDOT Airport Fuel System Grant
<b>Background Information:</b>	<p>MnDOT Aeronautics announced a one-time grant opportunity that is dedicated to airport fuel systems. Typically, these fuel systems can be grant-eligible through MnDOT's annual airport capital grant solicitation, but they do not score well against other projects because they are considered to be "revenue-generating facilities" and less of a priority when compared against airfield pavements. To be eligible for this grant the airport must be owned by a municipality, must be licensed for public use, must be in the State Airport System, and the airport must be zoned or in the process of zoning. Additionally, the grant gives priority to airports based on historical fuel sales. This one-time grant opportunity for fuel systems is a very good opportunity to replace aging fuel systems at the Southwest Minnesota Regional Airport.</p> <p>The current fueling system is owned and operated by the City's Fixed Base Operator (FBO), Midwest Aviation. The current JetA underground fuel tank is a 15,000 gallon tank that installed in 1985 and was recertified with a 30 year warranty in 1992. The current 100LL tank is a 12,000 gallon tank installed in 1996 with a 30 year warranty. Both tanks are either past warranty or near warranty expiration. Additionally, the tanks are near the old Arrival/Departure (A/D) Building, and not in an ideal location.</p> <p>Included in the Council packet is a memo, sketch, and cost estimate from TKDA, the City's airport consultant. The proposed plan would remove the existing underground tanks, move the new fuel tanks to be closer to the current A/D Building, and includes above-ground fuel tanks. The cost estimate as presented includes two-10,000 gallon tanks, but staff will investigate an in-kind replacement to include a 12,000 gallon 100LL tank and a 15,000 gallon JetA tank.</p> <p>By authorizing City staff to submit for a MnDOT grant, the Council is not authorizing or approving the project. If the City receives notice of grant award, we will be required to submit grant request letters to MnDOT to access the funding, and this will require future City Council action. This grant window opened on May 2<sup>nd</sup>, and will close on Friday, May 30<sup>th</sup>. MnDOT intends to notify applicants of grant award by June 30<sup>th</sup>. Following notice of award, staff believes that we will have until the end of 2025 to request for a project design grant. A project construction grant would need to follow, and MnDOT would prefer to see this occur in summer 2026.</p> <p>City staff is currently working toward a renegotiation of the grant agreement with our FBO. During this time of lease agreement renegotiation, it will be expected that the FBO pay the City a fuel flowage fee to generate revenue for the City to help cover our costs at the airport, including capital costs such as this fuel tank replacement. If an agreement cannot be made on an acceptable flowage fee, it may be necessary to pull back from our cost participation in the replacement of these fuel tanks.</p>

<b>Fiscal Impact:</b>	No fiscal impact at this time. Future fiscal impact is a 40% City cost participation as a grant match. TKDA's cost estimate is roughly \$1.2M at this time, which puts the City cost participation at \$480,000 for this project. Ideally, this would be a late 2026 or early 2027 construction project.
<b>Alternative/ Variations:</b>	No alternative actions recommended.
<b>Recommendations:</b>	that Council authorize City staff to submit a grant application for a MnDOT Airport Fuel System Grant to install new 100LL and JetA fuel tanks at the Southwest Minnesota Regional Airport.