



## Memorandum

---

**File #:** 17-00579

City Council

11/9/2017

---

### **LEGISLATIVE ACTION ITEM**

**SPONSOR:** Ashton J. Hayward, III, Mayor

**SUBJECT:**

SIGNATORY AIRLINE OPERATING AGREEMENT AND TERMINAL BUILDING LEASE

**RECOMMENDATION:**

That City Council adopt the Airline Operating Agreement and Terminal Building Lease for signatory airlines setting forth the rights, privileges, and obligations for operating at Pensacola International Airport. Further, that City Council authorize the Mayor to execute the Airline Operating Agreement and Terminal Lease for each airline throughout the term and to take all actions necessary relating to the finalization of the agreement.

**HEARING REQUIRED:** No Hearing Required

**SUMMARY:**

In 1989, the City of Pensacola approved a Scheduled Airline Operating Agreement and Terminal Building Lease that established the business strategy and rate making formula for the Pensacola Airport. This agreement has ensured the Airport's ability to cover all of its maintenance and operating costs and its ability to fund a Capital Improvement Account that provides the local matching dollars for Federal and State grants, covering capital projects or purchases. Overall it has allowed the Airport to maintain full financial self-sufficiency with no reliance on the City's General Fund for support.

While this agreement has worked well, it was developed over 20 years ago. In 2016, Airport Staff and the airlines began the process to review and renegotiate the agreement. While slight modifications were made to account for changes that have taken place in the operation of the Airport over time, the resulting document maintains the general financial framework that was outlined in the 1989 agreement. Under this industry-standard structure, the airlines continue to ensure the Airport's ability to cover its costs. The new agreement also continues to maintain the operational parameters for the activity.

Once approved, this agreement will be retroactive to October 1, 2017, the beginning of the current Fiscal Year, and will remain in place for a five-year period. Any airline wishing to become a signatory airline will be subject to the same terms and conditions. The only variations will be the exact space used for individual operations.

Within the next few months, Airport Staff will also present to City Council revised permits for any airline wishing to operate under a month-to-month non-signatory arrangement rather than under the longer term signatory agreement. The current non-signatory permits were developed in the 1989-1990 timeframe and have

been undergoing review as well.

**PRIOR ACTION:**

March 23, 1989 - City Council approved the current Scheduled Airline Operating Agreement and Terminal Building Lease for signatory airlines.

September 11, 2003 - City Council approved an Amendment to the current Scheduled Airline Operating Agreement and Terminal Building Lease for signatory airlines to extend the agreement.

October 23, 2008 - City Council approved an Amendment to the current Scheduled Airline Operating Agreement and Terminal Building Lease for signatory airlines to extend the agreement.

**FUNDING:**

N/A

**FINANCIAL IMPACT:**

The Agreement establishes the rate making methodology for the Pensacola International Airport. The recently approved FY18 Budget for the Airport incorporates the financial framework contained in the Agreement.

**CITY ATTORNEY REVIEW:** Yes

10/20/2017

**STAFF CONTACT:**

Eric W. Olson, City Administrator

Daniel E. Flynn, Airport Director

**ATTACHMENTS:**

- 1) Airline Operating Agreement and Terminal Building Lease

**PRESENTATION:** No