



# City of Pensacola

222 West Main Street  
Pensacola, FL 32502

## Memorandum

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**File #:** 18-00334

City Council

9/13/2018

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### **LEGISLATIVE ACTION ITEM**

**SPONSOR:** Ashton J. Hayward, III, Mayor  
Gerald Wingate, Council President

**SUBJECT:**

AEROSPACE MAINTENANCE REPAIR AND OVERHAUL (MRO) CAMPUS EXPANSION AT PENSACOLA INTERNATIONAL AIRPORT

**RECOMMENDATION:**

That City Council commit funding in the amount of \$10 million from Local Option Sales Tax Series IV in support of the aerospace maintenance repair and overhaul (MRO) campus expansion. Funding will support the construction of certain airfield infrastructure associated with the proposed development of a second MRO hangar and buildout of an aerospace campus at Pensacola International Airport.

**HEARING REQUIRED:** No Hearing Required

**SUMMARY:**

On December 17, 2013 Mayor Hayward executed a nonbinding Memorandum of Understanding with ST Aerospace which allowed the City of Pensacola to begin contract negotiations with VT Mobile Aerospace Engineering Inc. (VT MAE) for the construction and operation of a maintenance, repair, and overhaul (MRO) facility at the Pensacola International Airport. City Council approved the negotiated lease agreement on September 9, 2014. The 173,000 sq. ft. facility officially opened in June 2018 and is on the way to creating 400 new high-wage jobs for the area. On July 18, 2018 the Triumph Gulf Coast Board of Directors unanimously approved a \$56 million grant to the City of Pensacola to allow for development of an expanded MRO Campus.

The Mayor and Staff have a longer term strategy to grow the MRO capacity. Expanding taxiways and aprons to additional development sites will allow for the expansion of MRO capabilities to further diversify the economic development opportunities in the region, create additional high quality jobs, and support the burgeoning aviation industry in the State of Florida.

As part of this strategy and in anticipation of the associated growth, the Mayor and Staff have begun to identify possible funding sources to partially pay for the possible construction of additional facilities.

Pursuant to Section 288.8-17, Triumph Gulf Coast, Inc. was created to make awards from available funds to projects or programs that meet the priorities for economic recovery, diversification, and enhancement of the disproportionately affected counties including Escambia. On July 5, 2018 an updated application for funds for

Pensacola International Airport MRO Aviation Campus was submitted by the City of Pensacola to the Triumph Board of Directors for consideration.

At the July 18, 2018 meeting of the Triumph Board of Directors, the Board voted unanimously in support of preliminary approval of a \$56 million grant supporting major expansions of Pensacola International Airport's maintenance, repair and overhaul facilities stating that this transformative investment will directly create high-paying jobs and generate more jobs in support and supply areas and grow Northwest Florida as a leader in aviation and aerospace. The Triumph grant is contingent upon obtaining funding from other public and private entities in order to finance the cost of the entire MRO Aviation campus. Triumph's funds will be paid over a period of years with each payment dependent upon jobs created and sustained. The next step for the Pensacola project is an agreement on a term sheet that will stipulate, among other things, a payout schedule and performance requirements.

A funding request in the amount of \$12 million was made to the Board of County Commissioners at their September 6, 2018 meeting. However, the Board of County Commissioners voted to contribute \$10 million towards the expansion project, leaving a shortfall of \$2 million. As explained at the FY 2019 Budget Workshops as well as mentioned in the FY 2019 Budget Message, based on receipts for the first eight months of fiscal year 2018, another \$4.3 million may be received over the life of the LOST IV series. Also during the Budget Workshops, the Chief Financial Officer notified City Council that of the \$4.3 million an additional \$2 million would be added for Fiscal year 2021 to bring the City's commitment to \$8 million for the MRO expansion project. In light of the actions of the Board of County Commissioners, the initial \$2 million shortfall is now \$4 million. Therefore, in order to ensure the success of this expansion project, it is recommended that an additional \$2 million be added for Fiscal year 2022 to the City's contribution for a total of \$10 million.

**PRIOR ACTION:**

June 13, 2013 - City Council adopted a resolution to support the acceptance of a grant offered by the Florida Department of Transportation as a Joint Participation Agreement # 43360229401 in the amount of \$11,090,000 for air commerce park phases I and IA - Infrastructure Development.

February 13, 2014 - City Council Discussion Item and Presentation on the ST Aerospace Economic Development Project at the Pensacola International Airport.

February 27, 2014 - City Council approved the Interlocal Agreement with Escambia County and the City of Pensacola for Funding of Economic Development Project - ST Aerospace of Mobile, Inc.

September 9, 2014 - City Council approved the lease with VT Mobile Aerospace Engineering.

July 16, 2015 - City Council approved the selection of Greenhut Construction and authorized the Mayor to execute the contract.

September 17, 2015 - City Council authorized the Mayor to execute acceptance of the Florida Department of Transportation Joint Participation Agreement # 43571729401 in the amount of \$1,531,546 for construction funding to expand the cargo apron and construct a taxiway connector at the Pensacola International Airport of which \$1,121,242 will be used towards taxiway connecting future VT MAE facility to runway 17-35.

March 17, 2016 - City Council authorized the Mayor to execute acceptance of the Florida Department of Transportation Joint Participation Agreements # 42030029401, # 42960929401, and # 42960939401 in the

amount of \$2,975,305 for construction of a taxiway connector at the Pensacola International Airport.

April 14, 2016 - City Council authorized the Mayor to execute acceptance of the Florida Department of Transportation Joint Participation Agreement # 43571769401 in the amount of \$8,599,600 for construction of a hangar at the Pensacola International Airport.

September 22, 2016 - City Council authorized the Mayor to execute Amendment No. 1 to the contract with Atkins North America.

February 8, 2017 - City Council authorized the Mayor to execute Amendment No. 2 and Amendment No. 3 to the contract with Atkins North America.

March 8, 2018 - City Council authorized the Mayor to execute acceptance of the State of Florida Department of Economic Opportunity Grant Agreement G0009 in the amount of \$4,000,000 for construction of infrastructure related to MRO expansion.

**FUNDING:**

Budget: \$ 10,000,000 Local Option Sales Tax Series IV

Actual: Unknown At This Time

**FINANCIAL IMPACT:**

The Fiscal Year 2019 Proposed Budget included \$6 million for Economic Development Initiatives in Fiscal Year 2019. During the Budget Workshops, the Chief Financial Officer notified City Council that an additional \$2 million would be added for Fiscal Year 2021 to bring the City's commitment to \$8 million for the MRO expansion project. As a result of the September 6, 2018 action of the Board of County Commissioners, the additional \$2 million will be added in Fiscal Year 2022 bringing the City's total commitment to \$10 million. The additional \$4 million was made possible through revised revenue estimates based on the estimates received from the State of Florida as well as the revenues received during Fiscal Year 2018. No projects were affected with the additional \$4 million towards the MRO expansion project.

As part of the County's \$10 million contribution, they voted to forgive the \$3.2 million loan to the City from the first phase of the MRO project which was budgeted in FY 2020. This will leave a balance of \$6.8 million due from Escambia County.

**CITY ATTORNEY REVIEW:** Yes

8/24/2018

**STAFF CONTACT:**

Keith Wilkins, City Administrator  
Richard Barker, Jr., Chief Financial Officer

**ATTACHMENTS:**

None

**PRESENTATION:** No