



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 2019-15

City Council

3/28/2019

LEGISLATIVE ACTION ITEM

SPONSOR: Grover C. Robinson, IV, Mayor

SUBJECT:

RESOLUTION NO. 2019-15 - AUTHORIZING THE ISSUANCE OF A TAXABLE AIRPORT FACILITIES SPECIAL REVENUE NOTE, IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$20,000,000 TO FINANCE A PORTION OF THE COST OF THE EXPANSION AND IMPROVEMENT OF THE AEROSPACE MAINTENANCE, REPAIR AND OVERHAUL CAMPUS AND RELATED FACILITIES AT THE PENSACOLA INTERNATIONAL AIRPORT.

RECOMMENDATION:

That City Council adopt Resolution No. 2019-15.

A RESOLUTION AUTHORIZING THE ISSUANCE BY THE CITY OF PENSACOLA, FLORIDA OF A TAXABLE AIRPORT FACILITIES SPECIAL REVENUE NOTE, IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$20,000,000 TO FINANCE A PORTION OF THE COST OF THE EXPANSION AND IMPROVEMENT OF THE AEROSPACE MAINTENANCE, REPAIR AND OVERHAUL CAMPUS AND RELATED FACILITIES AT THE PENSACOLA INTERNATIONAL AIRPORT; PROVIDING FOR THE PAYMENT OF SUCH NOTE FROM CERTAIN LEGALLY AVAILABLE NON-AD VALOREM REVENUES OF THE CITY BUDGETED AND APPROPRIATED THEREFOR; ESTABLISHING CRITERIA FOR DETERMINING THE DATE, INTEREST RATES, SERIES DESIGNATION AND MATURITY SCHEDULE FOR SUCH NOTE; AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT; AUTHORIZING THE EXECUTION OF OTHER RELATED FINANCING DOCUMENTS IN CONNECTION WITH SUCH NOTE; AUTHORIZING THE AWARD OF THE SALE OF SUCH NOTE ON A NEGOTIATED BASIS; AUTHORIZING FURTHER OFFICIAL ACTION IN CONNECTION WITH THE DELIVERY OF SUCH NOTE; PROVIDING FOR SEVERABILITY; PROVIDING FOR REPEAL OF INCONSISTENT PROVISIONS; AND PROVIDING AN EFFECTIVE DATE.

HEARING REQUIRED: No Hearing Required

SUMMARY:

On December 17, 2013, the City executed a nonbinding Memorandum of Understanding with ST Aerospace allowing 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.

The Mayor and Staff have a longer term strategy to grow the MRO capacity, sometimes referred to as “Project Titan”. A second hangar similar in size and configuration to the first hangar, a possible support services center, an aircraft apron and automobile parking would be constructed on 16 acres of Airport property directly south of the first hangar. The construction of this second hangar area was otherwise contemplated and accounted for during the development process for the first hangar, and is referenced in the current real property lease with VT MAE. Additional facilities consisting of two hangars, each approximately 191,000 sq. ft., a 100,000 sq. ft. support services center, a 120,000 sq. ft. administrative office building, aircraft aprons, and automobile parking would also be constructed on approximately 50 acres of Airport property adjacent to Tippen Avenue on the west side of the Airport. It is expected that the project will create a minimum of 1,325 full-time jobs with an annual average salary of \$44,461, excluding benefits. The total project cost of \$210,125,000 is funded by a combination of VT MAE investment, State and Federal grants, and local funds.

To ensure sufficient cash is available to pay project cost until Federal, State, local and private funds become available, City Staff, upon consultation with the City’s Financial Advisor and Bond Counsel, explored various financing structures to bridge any potential shortfalls. The structure presented in the attached resolution authorizes the Mayor to award a taxable, not to exceed \$20,000,000, draw-down bank loan with a maturity date not to exceed October 1, 2044, a market rate, variable rate and/or fixed interest rate not to exceed 6% per annum and a security payable solely by a covenant to budget and appropriate Non Ad-Valorem Revenues of the City of Pensacola. While it is not certain the City will ultimately utilize this financing, by authorizing the Mayor to award the sale of a note in relation to this project puts the City in the best position to ensure that there are no delays in construction due to funding requirements for the project.

The financing team consists of Julie Santamaria, the City’s Financial Advisor with RBC Capital Markets, LLC and Duane Draper, Esq., and Randy Clement, Esq., each with Bryant Miller Olive, the City’s Bond Counsel.

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 approved the issuance of the Taxable Airport Facilities Grant Anticipation Note, Series 2016 to finance a portion of the cost of the construction of a hangar at the Pensacola International Airport until grant funds would be available for draw down.

September 22, 2016 - City Council authorized the Mayor to execute Amendment No. 1 to the lease the VT Mobile Aerospace Engineering.

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.

September 13, 2018 - City Council authorized the Mayor to accept and execute the State of Florida Department of Transportation Public Transportation Grant Agreement Financial Project 441494-2-94-01 in the amount of \$3,000,000 for Pensacola International Airport Facilities Development related to MRO expansion.

September 13, 2018 - City Council committed 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.

February 6, 2019 - City Council approved the amended Interlocal Agreement between the Escambia County Board of County Commissioners and the City of Pensacola related to additional funding requirements for the aerospace maintenance, repair and overhaul (MRO) campus expansion at the Pensacola International Airport, and approved additional Local Option Sales Tax IV funding of \$5 million for the City's share of the aerospace maintenance, repair and overhaul (MRO) campus expansion at the Pensacola International Airport.

FUNDING:

Budget:	\$ 35,000,000	ST Aerospace Engineering
	3,000,000	State Legislature
	14,000,000	Governor's Job Growth
	45,000,000	FDOT Grant
	15,000,000	Escambia County

15,000,000	City Local Option Sales Tax Series IV
12,250,000	Federal - U.S. Economic Development Administration
66,000,000	Triumph Gulf Coast
<u>4,875,000</u>	Anticipated Additional Funding (City Responsibility)
<u>\$ 210,125,000</u>	

Actual: \$ 210,125,000 Estimated

FINANCIAL IMPACT:

The structure of the loan and repayment schedule will be determined based on the requirements at the time of issuance. It is anticipated that the loan will have a variable interest rate with interest only payments through the end of the construction period. Once construction is complete, it is anticipated that the loan will convert to a fixed interest rate with level principal and interest payments and a maturity date no later than October 1, 2044. The market at the time of issuance will determine if a variable rate, fixed rate or combination of the two will be used.

CITY ATTORNEY REVIEW: Choose an item.

[Click here to enter a date.](#)

STAFF CONTACT:

Christopher L. Holley, City Administrator
Richard Barker, Jr., Chief Financial Officer
Daniel Flynn, Airport Director

ATTACHMENTS:

- 1) Resolution No. 2019-15

PRESENTATION: No