



Memorandum

File #: 20-00275

City Council

5/28/2020

LEGISLATIVE ACTION ITEM

SPONSOR: Grover C. Robinson, IV, Mayor

SUBJECT:

PENSACOLA INTERNATIONAL AIRPORT - CARES ACT GRANT OFFER, GRANT NO. 3-12-0063-045-2020

RECOMMENDATION:

That City Council approve and authorize the Mayor to execute the acceptance of the CARES Act Grant 3-12-0063-045-2020 in the amount of \$11,081,566 to help offset declining revenue at the Pensacola International Airport as a result of the COVID-19 Public Health Emergency. Further, that City Council authorize the Mayor to take all actions necessary relating to the finalization of the grant.

HEARING REQUIRED: No Hearing Required

SUMMARY:

The operation of the Pensacola International Airport is funded through the fees assessed to the various users of the facility. The airlines, rental car concessionaires, terminal concessionaires, airfield tenants, and other tenants all remit payments designed to offset the overall facility's ongoing maintenance and operating expenses.

The bulk of the annual revenue is generated through the passenger activity occurring at the main terminal building. Parking, rental car activity, food and beverage, news and gifts, and other terminal non-airline tenants make up approximately eighty-eight percent of all non-airline revenue. The airlines themselves, through their agreements, allow the Airport to maintain full financial self-sufficiency.

The COVID-19 health emergency has significantly impacted air transportation worldwide. At Pensacola International Airport, passenger traffic for the month of April was down over 93% from last year. Year-to date, passenger activity is down over 18%. With reduced passenger activity, significantly less revenue is being generated. To account for reduced revenue projections, Pensacola International Airport has instituted cost reduction efforts in both the current fiscal year, FY'20, and next fiscal year, FY'21. Projects are being delayed, and certain services are being reduced.

The Federal Government, under the CARES Act, has provided economic support to all U.S. airports. Each airport has been allocated funding to help offset the decline in revenues as a result of the

diminished activity from COVID-19. This funding may be used over a period of four (4) years for any lawful airport purpose and is designed to maintain safe and efficient airport operations. Funds are provided on a reimbursable basis. As airports incur and pay for expenses, they can request reimbursement under their individual grant.

The Pensacola International Airport has been awarded up to \$11,081,566 under the CARES Act. In the absence of these funds, the Airport would be required to significantly adjust the fees charged to the airlines. CARES Act funds will be used in FY'20, FY'21, and possibly FY'22 to provide assistance in reimbursing maintenance and operating expenses, which will aid in keeping the fees charged to the airlines at reasonable levels.

PRIOR ACTION:

N/A

FUNDING:

Budget: \$0

Actual: \$11,081,566

FINANCIAL IMPACT:

A supplemental budget resolution will be submitted to appropriate the funds. Funds will be provided from the FAA on a reimbursable basis for maintenance and operating expenses that have been incurred and paid for by the Pensacola International Airport and will allow the Airport to maintain a competitive level of rates charged to the airlines.

CITY ATTORNEY REVIEW: Yes

5/19/2020

STAFF CONTACT:

Keith Wilkins, City Administrator

Richard Barker, Jr., Deputy City Administrator - Administration and Finance

Daniel Flynn, Airport Director

ATTACHMENTS:

- 1) Grant Agreement No. 3-12-0063-045-2020

PRESENTATION: No