

# Mayor and Council Communication

**DATE:** 12/17/19

**M&C FILE NUMBER:** M&C 19-0393

**LOG NAME:** 55AFW ALLIANCE MANAGEMENT AGREEMENT

**SUBJECT**

Authorize Execution of an Amendment to the Agreement with Alliance Air Management, LTD for the Management, Operation and Maintenance of Fort Worth Alliance Airport (COUNCIL DISTRICT 7)

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**RECOMMENDATION:**

It is recommended that the City Council authorize the execution of an amendment to the management agreement with Alliance Air Management, LTD for Fort Worth Alliance Airport to provide for an extension option after expiration of the current agreement and revision to the revenue split from 75/25 to 65/35 with 10% of the City's revenue allocated to capital projects.

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**DISCUSSION:**

On December 15, 1993, the City and Alliance Air Services, Inc. entered into City Secretary Contract ("CSC") No. 20060, an agreement for the management, operation and maintenance of Fort Worth Alliance Airport (Airport), which was subsequently amended five times for various reasons, including the transfer of the contract to Alliance Air Management, Ltd. (Alliance Air). The current contract ends on December 31, 2023 with an opportunity to extend for one ten-year term to December 31, 2033.

Alliance Air requests to exercise the remaining 10-year extension as well as amend the current contract to provide for the option to extend the contract to December 31, 2053, contingent on Alliance Air expending \$30 million dollars for a state-of-the-art Fixed Base Operations (FBO) facility. Extending the term of the Agreement will enable Alliance Air to secure financing for construction of the FBO facility. If Alliance Air does not complete the FBO development by December 31, 2028 or expend the required \$30 million dollars in the FBO facility, then the contract will not automatically renew and the Agreement would expire on December 31, 2033, with optional extensions at the City's discretion.

Under the current Agreement, the City retains 25% of all Airport revenue and as total compensation for all services and obligations performed per the agreement by AllianceAir, AllianceAir receives 75% of all Airport revenue. If approved, this Amendment will reduce Airport revenue allocated to AllianceAir to 65% and increase City Airport revenue to 35%, 10% of which will be segregated to be used for capital projects at the Airport as recommended by Aviation and approved by City Council. Changes to the revenue share would begin on January 1, 2020 if the amendment is approved.

History of revenue at current rate agreement:

	Total Revenue	Alliance 75%	CFW Aviation 25%
FY 2019	\$ 2,168,374.46	\$ 1,626,280.85	\$ 542,093.62
FY 2018	\$ 2,160,670.77	\$ 1,620,503.08	\$ 540,167.69
FY 2017	\$ 2,004,843.65	\$ 1,503,632.74	\$ 501,210.91

Projected revenue with proposed rate agreement (includes projected Amazon revenue):

	Total Revenue	Alliance 65%	CFW Aviation 25%	Capital Project Funds 10%
FY 2020	\$ 3,500,806.96	\$ 2,275,524.52	\$ 875,201.74	\$ 350,080.70

This property is located in COUNCIL DISTRICT 7.

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**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that the Aviation Department (and Financial Management Services) is responsible for the collection and deposit of funds due to the City, and prior to any expense being incurred, the Aviation Department also has the responsibility to validate the availability of funds.

**Submitted for City Manager's Office by:** Fernando Costa 6122

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