

# Mayor and Council Communication

DATE: 10/29/24

M&C FILE NUMBER: M&C 24-0929

LOG NAME: 55AMEND ALLIANCEAIR

## SUBJECT

(CD 10) Authorize Execution of a New Professional Services Management Agreement with Alliance Air Management, LTD for the Management, Operation and Maintenance of Perot Field Fort Worth Alliance Airport

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## RECOMMENDATION:

It is recommended that the City Council authorize the execution of a new Professional Services Management Agreement with Alliance Air Management, LTD for the management, operation and maintenance of Perot Field Fort Worth Alliance Airport.

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## DISCUSSION:

The purpose of this Mayor and City Council Communication is to authorize the execution of a new Professional Services Management Agreement with Alliance Air Management, Ltd (Alliance Air) for the management, operation, and maintenance of Perot Field Fort Worth Alliance Airport (Airport) that incorporates prior amendments to the current management agreement, revises mandatory facility improvement obligations of Alliance Air, and improves financial reporting and accounting requirements.

The City and Alliance Air Services, Inc. signed City Secretary Contract ("CSC") No. 20060 on December 15, 1993, for the management, operation, and maintenance of Fort Worth Alliance Airport (Existing Agreement). The Agreement was later amended six times for a variety of reasons, including the contract's assignment to Alliance Air Management, Ltd.

The Agreement's original term ended upon the execution of Amendment No. 6, effective as of January 1, 2020, which created a new term going out to December 31, 2050 with an option to renew for an additional ten-year period (New Term) (Amdt. No. 6). The New Term was conditional on Alliance Air investing \$30 million in a brand-new, state-of-the-art Fixed Base Operations (FBO) facility. As per the terms laid out in Amdt. No. 6, if Alliance Air does not complete the FBO facility and expend the required \$30 million for the funding of the FBO facility or finish the FBO development by December 31, 2028, then the New Term would automatically be amended, shortening the New Term to end on December 31, 2033, with optional extensions at the City's discretion. Amdt. No. 6 also reduced Alliance Air's revenue allocation from 75% to 65% and increased the City Airport revenue allocation from 25% to 35%, 10% of which is segregated to be used for capital projects at the Airport as recommended by the Aviation Department and approved by City Council. Management fees paid to Alliance Air is 65% of gross revenue collected and deposited with the City by Alliance Air on a monthly basis.

Alliance Air has requested a re-evaluation of their improvement obligations agreed to in Amdt. No. 6. This reconsideration stems from the substantial renovation and rehabilitation improvements made to an existing office building and hangar bays currently leased by Alliance Air Services, Inc., located at 13901 Galaxy Way, Fort Worth, Texas. These premises now house the new FBO facility, as well as other planned Airport improvements. This request is prompted by shifts in the economic climate since 2020 and a reassessment of optimal Airport utilization and available space. Subject to approval by City Council, an agreement has been reached with Alliance Air to enter into a new agreement for professional management services at the Airport. This agreement preserves existing and newly proposed obligations for Airport management, incorporates changes from previous amendments to the Existing Agreement, and maintains Alliance Air's mandatory minimum \$30 million investment obligation. This investment will facilitate the construction of a new FBO facility including: the addition of new hangars, expansion of fuel storage capacity, and adaptation of existing facilities to support U.S. Customs operations.

Alliance Air has agreed to enter into a new agreement with the City containing the following general terms and conditions:

- Acknowledges expenses incurred by Alliance Air to renovate and rehabilitate the building located at 13901 Galaxy Way for the new FBO facility. The rehabilitated area includes 23,830 square feet of office space for administration/operations, 68,000 square feet of existing hangar space, and 25,000 square feet of aviation support, storage, and shop space - Expended to date: **\$18,556,205.00**;
- Requires Alliance Air to design and construct a new hangar containing in the aggregate approximately 30,000 square feet, which may include office and aviation support space - Estimated cost: **\$8,400,000.00**;
- Requires Alliance Air to expand the fuel farm facility to increase fuel storage capacity for Avgas from 10,000 gallons to 20,000 gallons, and Jet A from 20,000 gallons to 40,000 gallons to accommodate future airport development and fuel demand - Estimated cost: **\$1,610,000.00**;
- Requires Alliance Air to renovate the former FBO administrative office building to support US Customs and Border Protection Services personnel and operations - Estimated cost: **\$1,800,000.00**;
- Incorporates all prior amendments to the Agreement;
- Removes provisions in the Agreement that are no longer applicable; and
- Revises financial reporting and accounting requirements.

Benefits to the City as Airport owner and sponsor associated with the new agreement:

- Promotes the early development of approximately 30,000 SF of new hangar space

- Expands aviation fuel storage capacity
- Increases airport system revenue
- Rehabilitates and maximizes the utilization of 116,800 square feet of existing aircraft hangar space, office and administration space, and aviation support and storage space
- Provides convenience to those who utilize the services of US Customs and Border Protection

The new agreement is exempt from competitive bidding requirements as it falls under a professional services exemption.

This property is located in COUNCIL DISTRICT 10.

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**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon approval of the above recommendation and execution of the agreement, funds will be deposited into the Municipal Airport Fund. The Aviation Department (and Financial Management Services) is responsible for the collection and deposit of funds due to the City.

**Submitted for City Manager's Office by:** Valerie Washington

**Originating Business Unit Head:** Roger Venables 5402

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