

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY

Meeting Date: June 18, 2019

☒ Consent ☐ Regular
☐ Workshop ☐ Public Hearing

Submitted By: Department of Airports

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to:

- A) **Approve** an Amended and Restated Fuel Farm Facilities Lease Agreement with Aircraft Service International, Inc., a Delaware corporation, d/b/a Menzies Aviation (Menzies) (Amended Agreement), amending and replacing an Airport Building/Ground Lease Agreement (R-93-1323D) and Fuel Farm Facilities Lease Agreement (R-99-2004D); extending the term of the leasehold by three years to June 30, 2024; providing for a minimum capital expenditure of \$2,487,650 for the improvement of the commercial aviation fuel farm facilities at the Palm Beach International Airport (PBI) and rental credit in an amount not to exceed \$817,094; and requiring Menzies to provide third-party into-plane fueling operators with access to the fuel farm facilities.
- B) **Approve** a Budget Transfer of \$817,094 in the Airport's Improvement and Development Fund including a transfer from Reserves in the amount of \$817,094.

Summary: Menzies leases and operates the commercial aviation fuel farm facilities at PBI and provides into-plane fueling services to the airlines pursuant to two agreements. The Amended Agreement combines and replaces the two existing agreements with a single updated agreement. The Amended Agreement requires Menzies to invest a minimum of \$2,487,650 to complete various improvements necessary for the safe and efficient operation of the fuel farm facilities. Menzies will be entitled to receive a rental credit in an amount not to exceed \$817,094 to reimburse a portion of the costs of the improvements. The existing agreements expire on June 30, 2021. Menzies has requested a three-year extension to amortize its investment in the fuel farm facilities. The airlines have indicated a desire to select third-party fueling operators to service their aircraft. In order to accommodate the airlines, the Amended Agreement requires Menzies to provide third-party into-plane fueling operators access to fuel farm facilities to obtain fuel stored in the facilities. The Amended Agreement also includes liquidated damages provisions for certain failures that cause impacts to or delays in flight operations, including the failure to provide timely access to the fuel farm facilities resulting in a delay of a scheduled flight. A budget transfer is necessary to establish the project and record the rental credit and includes a transfer from reserves in the amount of \$817,094. **Countywide (HF)**

Background and Justification: The fuel farm facilities are owned by the County and consist of 14 above ground storage tanks (ASTs) with a capacity of approximately one million gallons of fuel. The improvements to be completed include stripping and painting all ASTs; replacing cathodic protection systems to abate corrosion; installing overfill protection systems and a new emergency generator with crossover systems capable of serving multiple tank farms on the site; upgrading lighting, security and system monitoring systems; replacing containment liners in the tank catchment areas; and installing fall-arrest systems for operator safety in the catwalk areas necessary for tank inspections. The current annual rental is \$270,697 and is subject to escalation on October 1, 2019, and every three years thereafter.

Attachments:

1. Amended and Restated Fuel Farm Facilities Lease Agreement (3)
2. Budget Transfer

Recommended By: _____

Department Director

Date

Approved By: _____

County Administrator

Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2019	2020	2021	2022	2023
Capital Expenditures	817,094				
Operating Costs					
Operating Revenues	0	0	(67,674)	(270,697)	(270,697)
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT	817,094	0	(67,674)	(270,697)	(270,697)
# ADDITIONAL FTE					
POSITIONS (Cumulative)					

Is Item Included in Current Budget? Yes _____ No X
Does this item include the use of federal funds? Yes _____ No X

Budget Account No: Fund 4111 Department 121 Unit A395 Object 6504

B. Recommended Sources of Funds/Summary of Fiscal Impact:

The fiscal impact of a three-year extension to the lease term is 3 additional months of rental (July through September) in FY2021 and annual rental in FY2022 and FY2023. An additional 9 months rental (October through June) will occur in FY2024, and is not shown above. A rental credit in the amount of \$817,094 is shown as occurring in FY2019. The actual date the credit will be vested to Menzies will be determined by completion of the required improvements. This action includes a budget transfer in the amount of \$817,094 in Fund 4111. Airports Improvement and Development Fund will provide budget for this project. A transfer from reserves in the amount of \$817,094 is included.

C. Departmental Fiscal Review: CM Sumin

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Development and Control Comments:

Reyn Brown 5/30/19
OFMB 5/30 5/29

John J. Jackson 6/6/19
Contract Dev. and Control 6/6/19 TN

B. Legal Sufficiency:

H. J. Lee 6/6/19
Assistant County Attorney

C. Other Department Review:

Department Director

REVISED 11/17

(THIS SUMMARY IS NOT TO BE USED AS A BASIS FOR PAYMENT)