



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
REGULAR MEETING

#13-1150

TO: Honorable Mayor & Members of the
Fort Lauderdale City Commission

FROM: Lee Feldman, ICMA-CM, City Manager

DATE: September 17, 2013

TITLE: Foreign Trade Zone Operator Agreement – Motion authorizing the proper
City Officials to execute five-year operator agreement with Corropack
Containers Corp. subject to approval of a Minor Boundary Modification for
a Usage Driven Site by the Foreign-Trade Zones Board and approval of
an activation request by US Customs and Border Protection

Recommendation

It is recommended that the City Commission approve a motion authorizing the proper City officials to enter into an Operator Agreement with Corropack Containers Corp., subject to approval of a Minor Boundary Modification for a Usage Driven Site by the Foreign-Trade Zones Board and approval of an activation request by US Customs and Border Protection.

Background

Corropack Containers Corp. (Corropack), a warehousing, packaging, fulfillment, and shipping company has requested to become an Operator in the City of Fort Lauderdale's Foreign-Trade Zone (FTZ) administered by Executive Airport.

The City of Fort Lauderdale established Foreign-Trade Zone 241 (FTZ 241) on April 19, 2000 under a Grant of Authority from the Foreign-Trade Zones Board (US Secretary of Commerce and US Secretary of Treasury). The goal of the program was to promote development of the Executive Airport Industrial Airpark, serve businesses engaged in international commerce in the greater Fort Lauderdale area, and maximize the City's business retention and attraction efforts.

Background on the City's Foreign-Trade Zone

Congress enacted legislation implementing the FTZ program in 1934 in order to increase foreign investment, job creation, and economic activity in the United States. The legislation defines a Foreign-Trade Zone as a parcel of land deemed to be outside the United States for purposes of duty assessment. Companies located in an FTZ are able to defer, reduce, and/or eliminate import duties and any applicable duty is levied only when goods are withdrawn from the FTZ and entered into the commerce of the

United States.

Originally, seven area sites, totaling 1,266 acres, were included in the FTZ with Fort Lauderdale Executive Airport and Industrial Airpark serving as the hub site. In 2005 the Zone was restructured to five sites totaling 1,219 acres with the removal of certain ineligible sites.

On April 30, 2013 the Zone was reorganized under the Alternative Site Framework (ASF), which allows for faster, more efficient designation and activation of eligible companies. As part of this process, the Zone was further restructured to remove one site and reduce the designated acreage to 873 acres.

Operator Agreement

A Grantee is an entity to which the privilege of establishing, operating, and maintaining an FTZ has been granted by the FTZ Board. The City is the Grantee of FTZ 241. An Operator is a corporation, partnership, or person that operates a Zone or Subzone under the terms of an agreement with a Grantee. As Grantee, the City may function as an Operator and retain unto itself the responsibility for all transactions and interactions with Customs and Border Protection (CBP), or alternatively, may act solely as the Grantee and enter into an Operator Agreement with one or more separate entities to perform those functions.

The City's FTZ program allows companies with the appropriate level of expertise and need to conduct Zone activities at their respective sites by entering into an Operator Agreement. The City has entered into Operator Agreements with Wartsilla North America, activated in 2005 and Fairn & Swanson, Inc., activated in 2010.

If approved, Corropack will become the third Operator in the program. Corropack is a family-run business with over 40 years of experience in the packaging and commodities management industry located in the City of Sunrise. Corropack serves customers across South Florida, handling their fulfillment and logistics needs including warehousing and storage, inventory management, pick and pack and repackaging, distribution and third party logistics.

Summary of Operator Agreement Terms

The proposed Operator Agreement will be for a five year term with a five year renewal and will establish Corropack's responsibilities for the operation and management of the site in accordance with CBP and FTZ Board regulations as well as all other applicable federal, state, and local laws, rules and regulations. The authority granted is not exclusive, and does not preclude the City from entering into Operator Agreements with other entities for FTZ operations.

The Operator Agreement will require that Corropack maintain a CBP Bond for operation of the site. It will also require that Corropack maintain a bond on behalf of the City equal to the amount of the CBP bond. Further, requirements for recordkeeping, indemnification and insurance, default and termination, administrative fees and CBP

expenses will be established. Additionally, Corropack is required to submit an activation request to CBP, outlining their Zone procedures at the new site before they can become an FTZ Operator.

The City's fee schedule requires payment of a \$5,000 application fee for the site designation, a \$5,000 activation fee once Corropack's procedures are approved by CBP, and an \$8,000 annual fee once the site is operational.

This item was reviewed and approved by the Aviation Advisory Board at its August 22, 2013 meeting.

Resource Impact

There is an anticipated positive fiscal impact to the City in the amount of \$50,000 during the five year term of the agreement.

Related CAM: None

Attachments:

Exhibit 1 – Operator Agreement

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