



**CITY OF FORT LAUDERDALE  
City Commission Agenda Memo  
REGULAR MEETING**

**#14-0444**

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

**FROM:** Lee R. Feldman, ICMA-CM, City Manager

**DATE:** April 15, 2014

**TITLE:** Foreign Trade Zone Operator Agreement – Motion authorizing the proper City Officials to execute five-year operator agreement with DFC Services 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 U.S. Customs and Border Protection

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**Recommendation**

It is recommended that the City Commission approve a motion authorizing the proper City officials to enter into an Operator Agreement with DFC Services 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 U.S. Customs and Border Protection.

**Background**

DFC Services Corp. a warehousing and distribution company has requested to become an Operator in the City of Fort Lauderdale's Foreign Trade Zone (FTZ) administered by the 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an FTZ are able to defer, reduce, and/or eliminate import duties and any applicable duty is levied only when goods are withdrawn from the FTZ and entered into the commerce of the United States.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, Corropack activated in 2014 and Hellmann Worldwide Logistics currently is awaiting activation. Marina Mile Yachting Center has also submitted an application and will be the fifth operator.

Since FTZ-241 was established in 2000 through 2013 FTZ 241 had two activated zones. Staff is pleased to report for 2014, two zones have been activated and two additional applications are pending for a total of four additional zones to date.

If approved, DFC Services Corp. will become the sixth operator in the program. DFC Services Corp. is the distributing platform for operations in 20 countries, specializing in products such as jewelry and watches. Operating more than seventy shops located at airports, cruise liners, seaports, hotels and other tourist locations, DFC Services provides its customers with prestigious brands from more than two hundred fifty suppliers.

### **Summary of Operator Agreement Terms**

The proposed Operator Agreement will be for a five year term with a five year renewal and will establish DFC Services Corp. 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 DFC Services maintain a CBP Bond for operation of the site. Further, requirements for recordkeeping, indemnification and insurance, default and termination, administrative fees and CBP expenses will be established. Additionally DFC Services 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 \$2,500 application fee for the site designation, a \$5,000 activation fee once DFC Services 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 March 27, 2014 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.

<i>Revenue to be recorded as follows:</i>					
ACCOUNT NUMBER	INDEX NAME (Program)	OBJECT CODE/ SUB-OBJECT NAME	AMENDED BUDGET (Object Code)	AVAILABLE BALANCE (Object Code)	REVENUE AMOUNT
468-TAM070101-N900	EXECUTIVE AIRPORT	MISC INCOME	N/A	N/A	\$15,500
<b>REVENUE TOTAL ►</b>					<b>\$15,500</b>

**Strategic Connections**

This item is a *Press Play Fort Lauderdale Strategic Plan 2018* initiative, included within the **Business Development Cylinder of Excellence**, specifically advancing:

- **Goal 7:** Be a well-positioned City within the global economic and tourism markets of the South Florida region, leveraging our airports, port, and rail connections.
- **Objective 4:** Deliver best-in-class regional general aviation airport amenities and services to domestic and international.
- **Initiative 3:** Promote and develop the Foreign-Trade Zone to grow import and export businesses.

This item advances the *Fast Forward Fort Lauderdale 2035 Vision Plan: We Are Prosperous*

Attachment:  
Exhibit 1 – Operator Agreement

Prepared by: Mark J. Cervasio, Acting Airport Manager

Department Director: Diana Alarcon, Director Transportation & Mobility