



AGENDA MEMORANDUM

Action Item for the City Council Meeting of July 29, 2025

DATE: July 29, 2025

TO: Peter Zanoni, City Manager

FROM: Jeremy Valgardson, Interim Aviation Director
Jeremyv2@cctexas.com
361-826-1777

Minimum Revenue Guarantee Funding Agreement – Type B Corporation and City of Corpus Christi

CAPTION:

Resolution authorizing the execution of a Revenue Guarantee Agreement with Corpus Christi B Corporation as part of the B Corporation's Air Service Minimum Revenue Guarantee Project, in an amount totaling \$250,000, with FY 2026 funding of \$250,000 from Type B Corporation.

SUMMARY:

An MRG is a contractual agreement where a local entity, such as an airport or an economic development corporation, guarantees an airline a specified amount of revenue from ticket sales for a new service over a defined period. If the airline's actual revenue falls short of this guaranteed minimum, the local entity provides a cash payment to cover the shortfall. This mechanism directly mitigates the financial risk for the airline in launching a new route, making investment more attractive and feasible. Without such guarantees, smaller airports often struggle to compete with larger markets for new services, as airlines are hesitant to enter unproven markets, especially given the significant operational costs involved. This item is one of three items that make up the funding for an MRG for a new airline service to a western destination.

This agreement is between the Type B Corporation and the City of Corpus Christi in the funding amount of \$250,000 for the community participation portion of the Small Community Air Service Development (SCASD) Grant.

BACKGROUND AND FINDINGS:

On July 21, 2025, the Corpus Christi Type B Corporation approved funding for a Minimum Revenue Guarantee program to support crucial new air service at Corpus Christi International Airport (CCIA). This allocation is part of a broader strategy to significantly boost regional air connectivity.

Attracting and maintaining new air service is vital for the economic health of communities, especially for small to medium-sized airports like CCIA. To compete in the airline industry, Minimum Revenue Guarantees (MRGs) are essential. An MRG is a contractual agreement where

a local entity guarantees an airline a specific amount of revenue for a new service. If actual revenue falls short, the local entity covers the difference, reducing the airline's financial risk. This mechanism is critical for smaller airports to secure new routes against larger markets.

This approved funding supports new nonstop service between Corpus Christi and Denver, Colorado, via Frontier Airlines. The service will operate twice weekly, on Thursdays and Sundays, from October 9th through August 16th, with potential for extension. The maximum liability for revenue shortfalls is \$6,568.00 per departure, with reconciliations occurring quarterly.

The total MRG for this service is approximately \$1.2 million. The initial agreement between CCIA and Frontier Airlines commits \$787,579.00 towards this MRG. This amount is sourced from a \$437,579.00 federal match from the Small Community Air Service Development (SCASD) Grant and a \$350,000.00 community share. Of the community share, \$250,000.00 will come from Type B sales tax funds.

This agreement specifically authorizes the appropriation of \$250,000.00 from the Type B Economic Development Fund to CCIA. These funds are a key part of the Airport's community share, enabling CCIA to fulfill its commitment to this vital new air service. This initiative is expected to significantly benefit local economic development, tourism, and business travel by providing direct access to a major hub and extensive connections across the western United States, aligning with our goals for robust transportation infrastructure.

ALTERNATIVES:

The council could choose not to fund this agreement, resulting in Frontier Airlines not initiating or sustaining the proposed nonstop service between Corpus Christi and Denver, Colorado.

FINANCIAL IMPACT:

The financial impact is an amount not to exceed \$250,000.00 to be funded with the Type B Economic Development Fund in FY 2026.

Fund:	1055
Organization/Activity:	800070M – MRG Type B Funding
Department:	53 - Aviation
Project # (CIP Only):	N/A
Account:	530125 – Airline Reimbursement
Amount:	\$250,000.00

RECOMMENDATION:

Staff recommends approval of the agreement between the Corpus Christi B Corporation (Type B) and the Corpus Christi International Airport in an amount not to exceed \$250,000.00 to be funded by the Type B Economic Development Fund in FY 2026.

LIST OF SUPPORTING DOCUMENTS: