



## AGENDA MEMORANDUM

First Reading Item for the City Council Meeting of February 10, 2015  
Second Reading Item for the City Council Meeting of March 10, 2015

**DATE:** January 8, 2015  
**TO:** Ronald L. Olson, City Manager  
**FROM:** Fred Segundo, Director of Aviation  
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Authorize a three-year lease extension with Southwest Airlines and American Airlines for airline operations at Corpus Christi International Airport.

### **CAPTION:**

Ordinance ratifying and authorizing the City Manager to execute first amendments to the lease agreements with Southwest Airlines and Envoy Air (formerly known as American Eagle Airlines) to extend the term of the leases; authorizing and accepting an assignment of the lease from Envoy Air to American Airlines; providing for an effective date; providing for severance; and providing for publication.

### **PURPOSE:**

The 2009 Airline Use and Lease Agreement between Corpus Christi International Airport (CCIA) and Southwest, American Airlines, (American Eagle.) and United Airlines expired on July 31, 2014. The airlines are currently operating on the month-to-month provisions of the agreement until the negotiation of new terms. Southwest and American executed the term extension in December 2014. United Airlines is still reviewing the proposed extension and Airport Staff has recommended proceeding with the Southwest and American agreements. Upon United's execution of the amendment, the item will be brought to City Council for approval at a future date. This will not impact operations of the airlines.

### **BACKGROUND AND FINDINGS:**

During Spring 2009, Airport Senior Staff along with Trillion Aviation ("Airport Team") successfully negotiated a five-year agreement with the three airlines serving CCIA. (Southwest, United *formerly Continental* and American Eagle). The five-year agreement reflected several modifications and terms that have benefited CCIA over the last few years. Following is brief recap of the major provisions of the agreement:

- Reduction of barriers to New entries of Airlines
- Restructured Agreement based upon contemporary terms and conditions
- Revised Rates & Charges: less complex and more efficiently structured, incremental rent over term of the Agreement
- Elimination for Convenience Termination Provision
- Negotiated 5 year Agreement where industry norm was three or less
- Incremental revenue goes to Department of Aviation for discretionary use and reserves

The Airport Team discussed options to airline negotiations for a new agreement rather than an extension of the current agreement. CCIA has a favorable agreement both financially and for allowing new entrant service that in the current airline environment is being challenged by the legacy carriers, including those serving CCIA. Over the next few years, CCIA will continue to solicit additional service from the current carriers and from potential new entrants. As the airline environment balances its industry wide air service over the next couple years, CCIA will address a new agreement upon expiration of this extended term.

**ALTERNATIVES:**

Continue on a month-to-month basis until full negotiations are opened. Based on current industry issues detailed above, this alternative is not recommended.

**OTHER CONSIDERATIONS:**

Not Applicable

**EMERGENCY / NON-EMERGENCY:**

Non-Emergency

**DEPARTMENTAL CLEARANCES:**

Legal, Finance, Budget and Strategic Management

**FINANCIAL IMPACT:**

Operating       Revenue       Capital       Not applicable

<b>Fiscal Year: 2014-2015</b>	<b>Project to Date Expenditures (CIP only)</b>	<b>Current Year</b>	<b>Future Years</b>	<b>TOTALS</b>
Line Item Budget		\$2,345,160		2,345,160
Encumbered / Expended Amount				
This item ( <i>additional revenue</i> )		30,014		30,014
<b>BALANCE</b>		<b>\$2,375,174</b>		<b>\$2,375,174</b>

Fund(s): Airport Fund - 4610

**Comments:** None

**RECOMMENDATION:**

Staff requests approval of amendments to the lease agreement as submitted.

**LIST OF SUPPORTING DOCUMENTS:**

- Ordinance
- Southwest and American - Lease Amendments
- Airline Lease Extension – Executive Summary
- Southwest and American – Original Lease Agreements