


# INFORMAL STAFF REPORT

## MEMORANDUM

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**To:** Margie C. Rose, City Manager

**Thru:** Sylvia C. Treviño, Assistant City Manager

**From:** Fred Segundo, Director of Aviation 

**Date:** March 12, 2018

**Subject:** Trillion Aviation

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### Issue/Problem

Business Development Services for Corpus Christi International Airport (CCIA).

### Background & Findings

Trillion Aviation has had several consulting services successes during their contract. Below is some representative work that Trillion has provided to the Corpus Christi International Airport and the listed business categories.

#### • **Strategic / Financial:**

- Airport Bonds: Spearheaded the compliance plan and subsequent report to the rating agencies after an Airport bond covenant violation. Assisted in the refinancing of the General Airport Revenue Bond debt to City General Obligation bonds.
- Assessment of Passenger Facility Charges (PFC) utilized for bond payments.
- Financial Rates & Charges Model: Created a cost center, cost recovery financial model for Airline Rates and Charges.
- Vision Development Planning: Quarterly assessments with Airport senior management and Airport Board Executive Committee.
- Vision Financial Planning: Quarterly whiteboard sessions that, along with the items listed, have resulted in a significant financial turnaround.
- Terminal: Assessment of aging systems and the need to create a long term capital improvement program to address the aging terminal infrastructure.
- Board Updates: Quarterly updates for the Airport Board and/or Airport Board Executive Committee that has led to strong alignment on business policies and implementation.

#### • **Airlines:**

- Lease: Negotiated and executed a 5-year lease, at a time when City was concerned about Southwest Airlines exiting the market.
- Lease: Negotiated and executed a 3-year extension at a time when airlines were challenging leases similar to the Corpus Christi International Airport's.
- Lease: Negotiated a new 3-year lease (pending) that rebalances the City's risk profile with the airlines based on the financial model keeping the financial risk for leased space in the terminal with the airlines.

- **Advocacy:** As former airline representatives, Trillion worked as a conduit to the airlines on critical issues between the airlines and the City on lease, finance, bonding, and fueling issues.
- **Concessionaires:**
  - **Food & Beverage:** Through a competitive bidding process, solicited interested bids. Bids included industry leading concessionaires that responded to the Request for Proposal and negotiated an enhanced revenue and capital investment requirement from the concessionaire.
  - **Retail:** Redefined the business and development terms for a Request for Proposal for the retail concession at the Airport resulting in increased net revenue to the Airport.
  - **Advertising:** Defined a new set of specifications and solicited industry interest for a Request for Proposal process. Bids reflected an upgraded advertising program and negotiated improved business terms.
  - **Parking Lot:** Defined the scope of work for a new outsourced parking management program. Negotiated a parking management contract with the top parking management operator in the industry that provided for a significant increase in net revenues to the Airport.
- **Development and Other Airport Leases:**
  - **Appraisals:** Initiated the concept at the Airport of assigning a fair market value to all land and facilities at the Airport through an aviation appraisal. Negotiated with an industry leading specialized aviation appraisal specialist to provide fair market values to Airport lands.
  - **FedEx Ground:** Negotiated a development agreement for FedEx to locate a FedEx ground facility on the Airport landside. The facility has been expanded since it opened.
  - **U.S. Coast Guard:** Negotiated a development contract with a third party developer to relocate and develop a large US Coast Guard facility at the Airport. Served as the Airport owner's representative through the development phase, governmental approvals, and completion of the facility.
  - **Rental Car Quick-Turn-Around Facility:** Negotiated an amendment to the rental car concession agreement to develop and fund a Quick-Turn-Around facility.
  - **Fixed-Based Operators:** Defined and significantly improved business terms for the Airport and negotiated a new agreements for the two Fixed-Based Operators facilities.
  - **Medical Transport Facility:** Led the development of the term sheet for a new medical transport lease and negotiated the contract for the operator to start a medical transport facility for ambulatory services at the Airport.
- **Business / Financial Successes**
  - Trillion's efforts on Airport cost savings and revenue enhancements have resulted in greater than a 10x Return On Investment to its contract.
- **Air Traffic and Air Service Analysis**
  - **Grants:**
    - Awarded a Small Community Air Service Development grant through the U.S. Department of Transportation for \$300,000 to allow the Airport to rebrand and market.
  - **Analysis:**
    - Conducted a Leakage and catchment area studies to discern percentage of persons flying from San Antonio and Houston and where they specifically reside in the Coastal Bend.
    - Conducted airfare studies to mark comparisons to competing markets.
  - **Capacity:**
    - Through the recession and economic downturns, the Airport has maintained all three airlines when many communities lost one or more.
    - Both American and United have added seats to the market, added two-cabin (first class) service on select flights, and American has flown narrow-body aircraft and United is likely to add as well.

- Airline Meeting: Over the past few years, airline meetings with; American, United, Southwest, Delta, Allegiant, SkyWest, Sun Country, SeaPort, Public Charters, Volaris, Viva Aerobus, and Aeromar.
- Recent meetings include:
  - An in-person meeting with Allegiant in Corpus Christi to discuss multiple flying markets;
  - A United Airline Corporate meeting in Chicago to discuss increased capacity to Houston and potential future service to Denver.
- **Recent Air Service Successes at Other Airports**
  - Secured 5 new routes in 2016-17 for the Sonoma County Airport, including service to Phoenix (American and Allegiant), San Francisco (United), Las Vegas (Allegiant) and Minneapolis-St. Paul (Sun Country).
  - Recently recruited 2 new routes for the South Bend International Airport, including Charlotte (American) and Dallas-Fort Worth (American) service. Both routes start in 2018. Also recruited new service to Newark (United) in 2015.
  - Worked with the Rick Husband Amarillo International Airport to land new Phoenix service on American Airlines. New service starts in 2018.
  - Captured new Minneapolis-St. Paul (Delta Connection) service for the Sawyer Regional Airport in Marquette, Michigan. This service started in March 2017.
  - Assisted the Capital Region International Airport's (Lansing, MI) successful recruitment of American Airlines service to Washington, D.C. and Chicago in 2016.
  - Supported the Evansville Regional Airport in enlisting new service to Orlando-Sanford and Destin Ft. Walton Beach (Allegiant) and aircraft upgrades to Dallas-Fort Worth (American).
  - Assisted the Dane County Regional Airport (Madison, WI) in adding new service to San Francisco (United) and Philadelphia (American and Frontier). New service launches in 2018.
  - Developed air service presentation and forecast that resulted in new American Airlines service to Philadelphia on behalf of the Des Moines International Airport. Starts in 2018.

### **Conclusion**

Trillion Aviation has the experience and qualifications to provide Business Development Services, including Business/Finance and Air Service to the Corpus Christi International Airport.