AGENDA MEMORANDUM
Resolution for the City Council Meeting of July 22, 2025

DATE: July 22, 2025

TO: Peter Zanoni, City Manager

FROM: Jeremy Valgardson, Interim Director of Aviation
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Minimum Revenue Guarantee for Airline Service

CAPTION:

Resolution authorizing an Air Service Minimum Revenue Guarantee Agreement with airline for Corpus Christi International Airport totaling $787,579.00, as part of the Small Community Air Service Development (SCASD) program grant from the United States Department of Transportation (DOT) and authorizing the city manager or designee to execute all documents necessary for the air service agreement.

SUMMARY:

This ordinance authorizes an agreement with an airline to provide a Minimum Revenue Guarantee, supporting the establishment of a new nonstop route.

BACKGROUND AND FINDINGS:

The ability to attract and sustain new air service is critical for the economic vitality and accessibility of communities, particularly for small and medium-sized airports. In the highly competitive airline industry, airlines prioritize routes that demonstrate strong passenger demand and financial viability. For airports seeking to establish new routes or attract new carriers, especially to key hub destinations, Minimum Revenue Guarantees (MRGs) have become an industry-standard and often essential tool.

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 the investment more attractive and feasible. Without such guarantees, smaller airports often struggle to compete with larger markets for new service, as airlines are hesitant to enter unproven markets, especially given the significant operational costs involved.

This agreement with an airline supports a new nonstop air service between Corpus Christi and a western destination. This service will operate twice weekly, on Thursdays and Sundays, commencing October 9, 2025, and continuing through August 16, 2026, with the ability to extend the service period based on performance and mutual agreement. The airline requires a minimum round-trip revenue per departure. Should the actual revenue for any departure fall below this level, the funding sources committed to this MRG will be responsible for covering the gap, with a maximum liability of $6,568.00 per departure. Revenue shortfalls will be calculated and reconciled quarterly.

This agreement, between the Corpus Christi International Airport and the airline, outlines the commitment of $787,579.00 towards the Minimum Revenue Guarantee for this new service. 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. The community share will be a combination of contributions from Visit Corpus Christi ($100,000) and Type B Corporation Funds ($250,000), which are being concurrently considered. This initial funding commitment is critical to de-risk the new service for the airline and demonstrates strong local support. It forms the primary layer of the total MRG, which is approximately $1.2 million, with additional funding from the Type B Corporation to be committed through a separate, concurrent agreement if needed, ensuring the full MRG commitment is met.

Securing this nonstop route to a western destination is anticipated to significantly contribute to local economic development, tourism, and business travel by providing direct access to a crucial hub and extensive onward connections across the western United States.

ALTERNATIVES:

The council could choose not to fund this agreement, resulting in the airline not initiating or sustaining the proposed nonstop service.

FINANCIAL IMPACT:

The financial impact of this agreement is an amount not to exceed $787,579.00. This funding commitment spans both FY 2025 and FY 2026 and is critical to de-risk the new service for the airline and demonstrates strong local support. It forms the primary layer of the total MRG, which is approximately $1.2 million, with additional funding from the Type B to be committed through a separate, concurrent agreement if needed, ensuring the full MRG commitment is met.

Funding Detail:

Fund:	1055
Organization/Activity:	8000070F – SCASDP Grant
Mission Element:	53 - Aviation
Project # **(CIP Only):**	**N/A**
Account:	530125 – Airline Reimbursement
Amount:	$437,579.00

RECOMMENDATION:

Staff recommends approval of the agreement in an amount not to exceed $787,579.00.

LIST OF SUPPORTING DOCUMENTS: