**AGENDA MEMORANDUM**
First Reading Ordinance for the City Council Meeting December 3, 2024
Second Reading Ordinance for the City Council Meeting December 10, 2024

**DATE:** December 3, 2024

**TO:** Peter Zanoni, City Manager

**FROM:** Kevin Smith, Director of Aviation
KevinS4@cctexas.com
(361) 826-3232

**Ordinance authorizing a three-year lease agreement with American Airlines, Southwest Airlines, and United Airlines**

## CAPTION:

Ordinance authorizing three Airline Use and Lease Agreements with (1) United Airlines, (2) Southwest Airlines, and (3) American Airlines, each of which has a three-year term with a mutual agreement option to renew for a period of two two-year options. (6 votes required)

## SUMMARY:

American Airlines, Southwest Airlines, and United Airlines currently operate out of Corpus Christi International Airport (CCIA). A Signatory Airline Use and Lease agreement (AULA) is required to outline the terms and conditions as well as setting rates and charges for operating commercial air service at CCIA. In addition, the AULA also identifies the roles and responsibilities for both the airlines and the airport.

## BACKGROUND AND FINDINGS:

The 2017 Airline Use and Lease Agreement between the City of Corpus Christi / Corpus Christi International Airport (CCIA) and American, Southwest and United Airlines expired on September 30, 2022. Negotiations began in September 2021 with the expressed intent to have a new agreement in place by October 1, 2022. As a result of changes within airline personnel, pandemic recovery efforts, internal review processes and new terms and conditions, the finalization of an agreement was significantly delayed until September 30, 2024. The current agreement includes a “hold-over” provision that ensure the continuation of operations until a new agreement is executed.

Negotiation sessions included Airport Senior Staff, City Attorney Staff, and DKMG Consulting Services (“Airport Team”) resulting in a successfully negotiated a new three-year agreement with the three airlines serving CCIA. The agreement includes revisions and exhibit modifications that will benefit the airlines and CCIA over the next few years. The following information is a brief recap of the major provisions/revisions within the agreement:

1. Cost Recovery Financial Model
   Includes a new rates and charges model based on total operational costs and funding required from the airlines for the use of airport facilities. This model ensures proper allocation for each airline and sets controls for airport operational cost recovery.

| RATES & FEES | CURRENT | NEW | CHANGE |
|---|---|---|---|
| Ticket Counter, Queuing, Office, Gate Lounge, Storage | $ 7.48 | $ 7.86 | $ 0.38 |
| GSE- Ground Service Equipment | $ 0.11 | $ - | $ (0.11) |
| Apron at Gates | $ 0.11 | $ - | $ (0.11) |

*Fixed rent based on square footage allocation*

| | | | |
|---|---|---|---|
| Baggage Claim | $ 7.48 | $ 7.86 | $ 0.38 |
| Security Check Point | $ 7.48 | $ 7.86 | $ 0.38 |
| Landing Fee | $ 2.87 | $ 2.54 | $ (0.33) |
| Gate Use Fee | $ 175.42 | $ 152.06 | $ (23.36) |
| Remain Overnight Fee | $ 175.42 | $ 180.00 | $ 4.58 |

*Fixed rates based on airline activity*

2. Residual Terminal Cost Center
   The methodology for determining rental rates to ensure that common use space (baggage claim and security) costs to operate and maintain areas are recovered by market cost sharing paid for by the airlines.

3. Revenue Share Control
   At the discretion of the Airport Director, periodic reviews during each fiscal year to determine if the airport operating budget and revenues generated through non-airline activities allow for airline rate adjustments to reduce the Cost Per Enplanement (CPE). This effort and subsequent adjustments will contribute to on-going Air Service Development initiatives for CCIA.

4. Term Flexibility
   The airport identifies a (3) year initial term and (2) two-year option period structure that allows flexibility for the airport to modify or renegotiate the agreement if a new entrant's incentives expire and the need for a different methodology consideration.

CCIA leadership continues to work on additional service level plans with current carriers and potential new airline entrants. As the airline environment continues to evolve, CCIA will continue to explore terms and conditions that will benefit our community, customers and business partners.

**ALTERNATIVES:**

There are currently no alternatives.

**FISCAL IMPACT:**

The airlines pay an estimated $3.2M annually, which equates to approximately 30% of the total revenue for the airport.

**FUNDING DETAIL:**

| | |
|---|---|
| Fund: | 4610 |
| Organization/Activity: | 35000 |
| Department: | 53 |
| Project # **(CIP Only):** | **N/A** |
| Account: | 320000, 320007, 320010, 320011, 320020 |

**RECOMMENDATION:**

City staff recommends approval of this action item.

**LIST OF SUPPORTING DOCUMENTS:**

Ordinance
Lease Agreement with Exhibits