



AGENDA MEMORANDUM

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

DATE: July 29, 2025

TO: Peter Zaroni, City Manager

FROM: Jeremy Valgardson, Interim Aviation Director
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Minimum Revenue Guarantee Funding Agreement – Type B Corporation and Frontier Airlines

CAPTION:

Resolution authorizing a secondary Revenue Guarantee Agreement with Frontier Airlines and Corpus Christi B Corporation, as part of the secondary funding source for the Air Service Minimum Revenue Guarantee Project, in an amount totaling \$394,747, with FY 2026 funding of \$394,747 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 committed up to \$700,000 to the Corpus Christi International Airport. This funding will support Frontier Airlines' new nonstop service to Denver, Colorado. The total amount combines a federal Small Community Air Service Development (SCASD) grant with local community funds, including \$250,000 from Type B Economic Development Funds, approved via a separate agreement with the Airport.

This service, operating twice weekly on Thursdays and Sundays from October 9th to August 16th (with potential extension), will significantly enhance regional air connectivity.

Attracting and sustaining new air service is vital for the economic health of communities, especially for small to medium-sized airports. In the highly competitive airline industry, Minimum Revenue Guarantees (MRGs) are essential tools. An MRG is a contractual agreement where a local entity guarantees an airline a specified amount of revenue for a new service over a defined period. If actual revenue falls short, the local entity covers the difference, directly mitigating the airline's financial risk. Without such guarantees, smaller airports often struggle to secure new routes against larger markets due to significant operational costs and airline hesitation to enter unproven 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 commitment for this new service is approximately \$1.2 million. This commitment is funded through multiple layers:

- Initial Layer (\$787,579.00): This amount is committed through a separate agreement between the Corpus Christi International Airport (CCIA) and Frontier Airlines. Funding for this layer includes a federal Small Community Air Service Development (SCASD) grant and local community funds, with \$250,000.00 from Type B Economic Development Funds approved through a separate agreement with the Airport.
- Subsequent Layer (\$394,747.00): The Type B Economic Development Funds addressed by this current ordinance will serve as the next layer of funding. These funds will only be utilized after the initial \$787,579.00 committed through the separate CCIA-Frontier agreement has been fully expended.

This layered funding approach ensures the total MRG commitment is met, securing a vital route anticipated to significantly contribute to local economic development, tourism, and business travel. It provides direct access to a crucial hub with extensive onward connections across the western United States, aligning with our strategic goals to support robust transportation infrastructure.

ALTERNATIVES:

The Type B Board 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 \$394,747 to be funded with the Type B Economic Development Fund in FY 2026.

Funding Detail:

Fund:	1055
Organization/Activity:	800070M – MRG Type B Funding
Department:	53 - Aviation
Project # (CIP Only):	N/A
Account:	530125 – Airline Reimbursement
Amount:	\$394,747.00

RECOMMENDATION:

Staff recommends approval of the Frontier Airlines agreement in an amount not to exceed \$394,747 to be funded by the Corpus Christi B Corporation in FY 2026.

LIST OF SUPPORTING DOCUMENTS: