



AGENDA MEMORANDUM

First Reading Item for the City Council Meeting of September 18, 2018
Second Reading Item for the City Council Meeting of September 25, 2018

DATE: August 27, 2018

TO: Keith Selman, Interim City Manager

FROM: Fred Segundo, Director of Aviation
FredS@cctexas.com
(361) 289-0171 ext. 1213

Authorize a three-year Airline Use and Lease Agreement with American Airlines for airline operations at Corpus Christi International Airport.

CAPTION:

Ordinance authorizing a three-year airline use and lease agreement with American Airlines to be effective as of October 1, 2017, with one two-year option.

PURPOSE:

American, Southwest, and United Airlines currently operate out of Corpus Christi International Airport (CCIA). A signatory airline use and lease agreement (AULA) is required for and details the terms and conditions for operation at CCIA. In addition, the AULA provides specifics on responsibilities and calculations of the rates and charges to the airlines.

BACKGROUND AND FINDINGS:

The 2014 Airline Use and Lease Agreement First Amendment between the City of Corpus Christi / Corpus Christi International Airport (CCIA) and American Airlines expired on September 30, 2017. Negotiations began in early January of 2017 with the expressed intent to have a new agreement in place by October 1, 2017. As a result of changes in some airline property managers, internal review processes and new terms and conditions, the finalization of an agreement was significantly delayed beyond September 30, 2017. The existing agreement has a "hold-over" provision that keeps operations going until a new agreement is executed.

Negotiation sessions included Airport Senior Staff, City Attorney Staff along with Trillion Aviation ("Airport Team") and resulted in a successfully negotiated three-year agreement with the three airlines serving CCIA. The three-year agreement reflects several modifications and terms that will benefit CCIA over the next few years. Following is brief recap of the major provisions/revisions of the agreement:

1. Cost recovery financial model.
Includes a rates and charges model so that the fees billed to the airlines are determined based on actual costs and not predetermined set rates. This ensures proper allocation collection from the airlines.
2. Residual terminal cost center.
The methodology for determining rental rates ensures that vacant space is paid for by the airlines (e.g., an unused gate) and the cost is not borne by the airport.
3. Revenue share control.
Annually, the airport director at his discretion determines how much non-airline revenue is

shared with the airlines to apply towards the airline rates.

4. Term flexibility.

Airport has set a term and option period structure that allows flexibility for the airport to modify or renegotiate the agreement if a new entrant's incentives expire and a different methodology needs to be considered.

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

ALTERNATIVES:

No viable alternatives exist at this time.

OTHER CONSIDERATIONS:

Not Applicable

EMERGENCY / NON-EMERGENCY:

Non-Emergency

DEPARTMENTAL CLEARANCES:

Legal, Finance, Budget and Strategic Management

FINANCIAL IMPACT:

☐ Operating ☒ Revenue ☐ Capital ☐ Not applicable

Fiscal Year: 2017-2018	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget		\$848,548		\$848,548
Encumbered / Expended Amount				
This item (<i>additional revenue</i>)		\$337,468		\$337,468
BALANCE		\$1,186,016		\$1,186,016

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 – Original Lease Agreements