

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date</b>	January 26, 2009
	<b>Agenda Item No.</b> <b>58</b> <b>Roll Call No.</b> <b><u>09-</u></b> <b>Communication No.</b> <b><u>09-018</u></b> <b>Submitted by: Craig Smith, Aviation Director</b>	

**AGENDA HEADING:**

Public Hearing to approve Signatory Airline Operating Agreement with American Eagle Airlines, Inc., regarding airline operations at the Des Moines International Airport through June 30, 2013.

**SYNOPSIS:**

Conduct Public Hearing for approval of new five-year airline operating agreement with American Eagle Airlines, Inc., an airline currently providing scheduled service at the Des Moines International Airport.

**FISCAL IMPACT:**

Amount: The proposed Signatory Agreement continues the established rates and charges which are consistent with, and in support of, the Airport Board's responsibility to maintain a positive cash balance in the Airport Enterprise Fund. They also reflect certain rates which may be periodically adjusted through the Des Moines International Airport Regulations. Aviation Department Operating and Capital Improvement Plan Budgets have been developed and approved based on these established rates and charges. For FY2009, revenue from all Signatory Airlines is expected to total \$11,394,959, which amounts to 44.2% of Aviation Department revenue. Based on current operations levels, American Eagle is expected to contribute approximately \$1,925,000, which would represent 16.8% of all expected airline revenue.

Funding Source: Revenue received under this agreement will be invoiced and credited to the Aviation Department Enterprise Operating Fund (EN002).

**ADDITIONAL INFORMATION:**

The "Scheduled Airline Operating Agreement and Terminal Lease" and "Cargo Airline Operating Agreements" (together referred to as the "Signatory Agreements") expired on September 30, 2008. For the past two years Aviation Department Staff has worked diligently

with the negotiating committee from the incumbent air service carriers and, although the negotiation process took longer than expected, both sides ultimately reached agreement on all terms for a new, 5-year agreement.

On October 27, 2008, the City Council approved Signatory Agreements with eight of the airlines providing regularly-scheduled service to DSM. Terms of the agreements were summarized to the Council at that time, but essentially the negotiated terms continued in large part the established rates and charges formula as outlined in the previous agreements, as established in the Board-approved FY2009 Operating Budget, and as reflected in the Des Moines International Airport Regulations.

At the time of Council approval of the new agreements, two airlines opted not to sign the proposed agreement. Those airlines (American Eagle Airlines, Inc., and ExpressJet Airlines, Inc.) continued normal airline operations as "non-signatory carriers" since that time. Per Airport Regulations, all such non-signatory carriers are required to pay a 40% higher landing fee and do not participate in the revenue-sharing component of the agreement whereby they are given back a portion of DSM net income. As a non-signatory carrier, they are also not at risk for any year-end shortfalls in revenues. The primary cause cited by those airlines for not signing the Signatory Agreement was a general uncertainty in the industry which led to their reluctance to commit to their Des Moines-based operation.

While ExpressJet (doing business as Continental Airlines in Des Moines) continues to encounter internal transition and is satisfied with its non-signatory status at DSM, American Eagle recently decided to execute the Signatory Agreement and is requesting to be granted signatory status at this time. Should the Council choose to approve the agreement following the public hearing, American Eagle Airlines, Inc., would be granted signatory status as of the effective date of this agreement, which is July 1, 2008. While this proposed new agreement will be retroactive to the beginning of the fiscal year for purposes of determining the airline's status related to cost and net-income-sharing, all non-signatory landing fee payments received as a result of the period in which American Eagle had non-signatory status are not subject to refund.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: January 5, 2009

Roll Call Numbers: 09-016

Action: On Signatory Airline Operating Agreement with American Eagle Airlines, Inc, regarding airline operations at the Des Moines International Airport, through June 30, 2013, (1-26-09). (Council Communication No. 09-008) Moved by Vlassis to adopt. Motion Carried 7-0.

Date: October 27, 2008

Roll Call Numbers: 08-1889, 08-1891, and 08-1893 to 08-1898

Action: Approving Signatory Agreements until June 30, 2013, for Allegiant Air LLC; Comair Airlines, Inc.; Midwest Airlines, Inc.; Northwest Airlines, Inc.; United Air Lines, Inc.; Mesa

Airlines, Inc.; United Parcel Service Co.; ABX Air, Inc., and Federal Express Corporation  
Moved by Ms. Hensley to adopt. Motion carried 7-0

Date: July 28, 2008

Roll Call Numbers: 08-1352 to 08-1360

Action: Extending Signatory Agreements until September 30, 2008, for Allegiant Air LLC; American Eagle Airlines, Inc.; Comair Airlines, Inc.; ExpressJet Airlines, Inc.; Midwest Airlines, Inc.; Northwest Airlines, Inc.; United Air Lines, Inc.; Mesa Airlines, Inc.; United Parcel Service Co.; ABX Air, Inc., and Federal Express Corporation Moved by Ms. Hensley to adopt. Motion carried 7-0

Date: April 23, 2007

Roll Call Number: 07-816

Action: On Amendment to current Operating Agreement with American Eagle Airlines Inc., extending their scheduled Airline Operating Agreement and Terminal Building lease at the Des Moines International Airport until June 30, 2008. (Council Communication No. 07-238) Moved by Hensley to adopt. Motion Carried 7-0.

**PREVIOUS BOARD/COMMISSION ACTION(S):**

Date: October 7, 2008

Resolution Numbers: A08-210 through 219

Action: Recommending Approval to City Council of Amendments to Scheduled Airline Operating Agreements (and Terminal Leases where applicable) with

- a) Allegiant Air LLC;
- b) American Eagle Airlines, Inc.;
- c) Delta Air Lines, Inc.;
- d) ExpressJet Airlines, Inc.;
- e) Midwest Airlines, Inc.;
- f) Northwest Airlines, Inc.;
- g) United Air Lines, Inc.;
- h) US Airways, Inc.;
- i) United Parcel Service Co; and,
- j) Federal Express Corporation

Moved by Mr. Gentry to adopt. Motion carried: 7-0

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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