



**REPORT TO: CITY COUNCIL**

**MEETING DATE: JANUARY 24, 2022**

<b>Agenda Item:</b>	7b. CC-21-04
<b>Background / Issue:</b>	<ul style="list-style-type: none"><li>• American Airlines has operated at the Stillwater Regional Airport since August of 2016 offering commercial air service connectivity to all over the world through one of the nation’s largest hubs, Dallas-Fort Worth International Airport.</li><li>• The Stillwater Regional Airport catchment area accounts for a service area of approximately 190,000 people and there have been over 225,000 ticketed passengers since 2017.</li><li>• As a regional air service market, our primary customers are business travelers, which have helped our market thrive but also have been slow to return due to the ongoing COVID-19 impacts.</li> <li>• Due to the severe impact of the COVID-19 pandemic on air travel across the nation, especially our community, American Airlines has requested financial support in order to continue air service throughout the recovery period of the pandemic.</li><li>• Airlines are facing increased operational costs due to unusually high fuel prices and lower ridership. In addition to this, airlines are seeing an unprecedented pilot and other staffing shortage, forcing the airlines to prioritize what markets to keep and what markets in which to end service.</li><li>• Regional markets are being hit among the hardest as many of the pilots are being moved to larger aircraft to support more substantial routes. This has resulted in regional service cuts across the nation with many remaining regional markets having to enter into agreements to provide revenue guarantees to ensure airlines don’t suffer additional revenue shortfalls during the recovery period.</li></ul>
<b>Proposal/Solution:</b>	<ul style="list-style-type: none"><li>• The City of Stillwater, in partnership with Oklahoma State University, has worked with American Airlines to</li></ul>

	<p>draft an Air Service Agreement for Council consideration.</p> <ul style="list-style-type: none"> <li>• The agreement would provide for a Minimum Revenue Guarantee to be capped at \$2 million per fiscal year with the following structure: <ul style="list-style-type: none"> <li>○ Up to \$1 million from Jan 1-Jun 30, 2022</li> <li>○ Up to \$2 million from Jul 1, 2022-Jun 30, 2023</li> <li>○ Up to \$1 million from Jul 1-Dec 31, 2023</li> </ul> </li> <li>• A budget amendment allocating \$1 million for revenue shortfall for the first period ending June 30, 2022 is attached.</li> <li>• Subsequent MRG payments for fiscal years 2023 and 2024 will be dependent on allocation of funding through the normal fiscal year budget processes of City of Stillwater and Oklahoma State University.</li> </ul>
<b>Financial Impact/Funding Source(s):</b>	<ul style="list-style-type: none"> <li>• The City of Stillwater and Oklahoma State University have entered into a Memorandum of Understanding whereas the total MRG obligations are split equally between the two entities.</li> </ul>
<b>Related Strategic Priority:</b>	<p>#1 Effective Services &amp; Accountable Government: To provide effective services and accountable government for all residents by practicing fiscal responsibility, transparency and outstanding customer service.</p> <p>#5 Unique Culture: To cultivate partnerships that enhance the unique culture of Stillwater with equal access to services and amenities, strong and connected neighborhoods, and a thriving economy and business atmosphere.</p>
<b>Recommended Action/Motion:</b>	<p>Motion to approve the Air Service Agreement with American Airlines and the associated budget amendment appropriating \$1 million for revenue shortfall for the first period ending June 30, 2022.</p>
<b>Prepared By:</b>	<p>Paul Priegel, Airport Director</p>
<b>Reviewed By:</b>	<p>Melissa Reames, Deputy City Manager Patti Osmus, Assistant to the City Manager</p>
<b>Submitted By:</b>	<p>Norman McNickle, City Manager</p>
<b>Attachment(s):</b>	<p>Air Service Agreement Budget Amendment</p>