



CITY COUNCIL STAFF REPORT

DATE: September 21, 2011 CONSENT AGENDA
SUBJECT: AIR SERVICE INCENTIVE PROGRAM FUNDING
FROM: David H. Ready, City Manager
BY: DEPARTMENT OF AVIATION

SUMMARY

This action would allocate Air Service Incentive Program funding to a number of airlines that are scheduled to provide new or expanded air service at Palm Springs International Airport this season.

RECOMMENDATION:

1. Approve Air Service Incentive funding for West Jet, United, Allegiant and Frontier Airlines in an amount of \$357,500.
2. Adopt Resolution No. _____, a resolution of the City Council of The City of Palm Springs, California, amending the airport budget for Fiscal Year 2011-12.
3. Authorize City Manager to execute all necessary documents.

STAFF ANALYSIS

In an effort to promote the growth of commercial airline service at Palm Springs International Airport, an Air Service Incentive Program was developed by staff and approved by City Council. Up to \$1 million was set aside from the unrestricted airport enterprise fund account to provide promotional financial support to any new air carriers or current air carriers that elect to offer new air service.

The City Council previously approved \$30,000 from this allocation to support the first Calgary summer service by WestJet in 2010 and \$100,000 to support the launch of nonstop WestJet flights to Toronto that began in February 2011. Both of those routes were considered successful by WestJet as evidenced by the two routes returning for a second season.

Additional air service routes have been announced at PSP Airport for the 2011-2012 season and these are also eligible for some level of Air Service Incentive Program funding. As shown in the list below, PSP is now scheduled for service by Frontier Airlines; three new nonstop routes to Winnipeg, Houston, and Stockton by existing

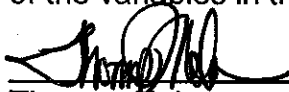
Item No. 2.0.

carriers; and additional frequency to Calgary, all which qualify for some level of funding support. All incentive program amounts will be predicated upon criteria that are unique to each route, including how many months of service will be provided this season, and these variations can change the apportionment eligibility. Subsequently, staff has bundled all of these eligible services and calculated a total amount of \$357,500. The Airport staff will be managing this program very closely and will only authorize airline marketing support payments based on the strict parameters and merits of the approved program.

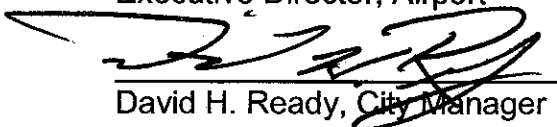
Category	Airline	Route	Aircraft	Peak Weekly	Weekly Seats	PSP Incentive	Start Date
New Airline	Frontier	Denver	319/E90	3	300	\$60,000	Nov. 17
New Routes	WestJet	Winnipeg	737-700	2	272	\$50,000	Dec. 15
	Allegiant	Stockton	MD-80	2	300	\$50,000	Oct. 28
	United	Houston	CRJ-700	14	924	\$150,000	Nov. 6
Add Capacity	WestJet	Calgary	737-700	5	680	\$47,500	Dec. 15
Totals - Net Additions				26	2,476	\$357,500	

FISCAL:

The expenditure for this promotional support totals \$357,500. A Budget Resolution from the Airport Fund Balance to the Airline Incentive Program Account 415-6002-45521 is required to appropriate the funds; an amount of \$400,000 provides flexibility in the event of additional services in these markets. From a revenue generation standpoint, the increased passenger traffic will undoubtedly create additional revenues through the Passenger Facility Charges (PFC's), food and gift concessions, car rental concessions, vehicle parking fees, aircraft landing fees, fuel flowage fees and other sources. Because of the variables in this equation, estimates are too difficult to formulate.



 Thomas Nolan,
 Executive Director, Airport



 David H. Ready, City Manager

Attachments: Budget Amendment Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET
FOR THE 2011-12 FISCAL YEAR.

WHEREAS, Resolution No. _____ approving the budget for the Fiscal Year 2011-12 was adopted on June 1, 2011; and

WHEREAS, the City Manager has recommended, and the City Council desires to approve, certain amendments to said budget.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF PALM SPRINGS DOES HEREBY RESOLVE, that the Director of Finance is authorized to record inter-fund cash transfers as required in accordance with this Resolution, and that Resolution No. _____, adopting the Fiscal Year 2011-12 budget is hereby amended as follows:

SECTION 1. ADDITIONS

Fund	Activity	Account	Amount
415	Airline Incentive Program	415-6002-45521	\$400,000

Purpose: Establish funding for Airline Incentive Program

SECTION 2. SOURCE

Fund	Activity	Account	Amount
415	Restricted Air Service		\$400,000

ADOPTED THIS _____ DAY OF _____, 2011.

David H. Ready, City Manager

ATTEST:

James Thompson, City Clerk

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Resolution No. _____ is a full, true and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Springs on _____, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California