



CITY COUNCIL STAFF REPORT

DATE: September 19, 2012

CONSENT AGENDA

SUBJECT: AIR SERVICE INCENTIVE PROGRAM FUNDING IN THE AMOUNT OF UP TO \$100,000 TO ALLEGIANT AIRLINES FOR NEW OAKLAND AND EUGENE AIR SERVICE

FROM: David H. Ready, City Manager

BY: Department of Aviation

SUMMARY

This action would allocate a maximum of \$50,000 in Air Service Incentive funding to Allegiant Airlines for each of the two new cities being served from Palm Springs International Airport, (Oakland, California and Eugene, Oregon) beginning November 15, 2012.

RECOMMENDATION:

1. Approve Air Service Incentive funding for two new nonstop flights provided by Allegiant Airlines from the Eugene Airport and Oakland International Airport to Palm Springs International (PSP) in an amount of a Not-To-Exceed \$50,000 for each route, \$100,000 in total.
2. Adopt Resolution No. _____, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET FOR THE 2012-13 FISCAL YEAR TO PROVIDE FUNDING FOR AIR INCENTIVE PROGRAM."
3. Authorize City Manager to execute all the necessary documents.

STAFF ANALYSIS

To promote the growth of commercial airline service at Palm Springs International Airport, an Air Service Incentive Program was developed by staff in accordance with Federal Aviation Administration guidelines and then approved by the Airport Commission and City Council in 2010. The intent of the program was to provide marketing funds to new and existing PSP airlines that elect to operate new or expanded air service. The City Council has approved to date over \$600,000 of an original \$1,000,000 allocation that has since funded nine (9) new or expanded routes into PSP by six different airlines. These new and expanded services have contributed greatly to PSP's record growth in passengers and visitors to the entire Valley. The airport has

ITEM NO. 2.I.

experienced already seven (7) consecutive all time record months during its peak season from November 2011 through May 2012. Passenger traffic is up through August Year To Date of over 17%.

Allegiant Airline's air service model is focused on linking travelers (often in small cities) to world-class destinations, and Palm Springs fits that model. Evidence of that success is the longstanding Bellingham-PSP service which has continued to grow into a solid city pair for PSP based on total passengers. The Eugene service will be new to the PSP market and is a city that Allegiant also serves to several other cities in California. Allegiant considers Oakland as another option in the San Francisco Bay region. Service to both of these new cities will be provided weekly on Thursdays and Sundays beginning on November 15, 2012.

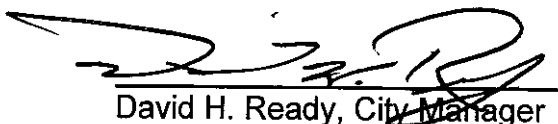
The level of funding eligibility to the airline, based on the airline's current schedule, will be \$50,000 for each new city route. As has been the case with all the other airlines that have received incentive funding, funds will only be provided to the airline as they implement their marketing plan over the course of the eligible service's duration. If Allegiant Airline extends the duration of these routes beyond what is currently published at this time, or increases the weekly frequencies of the flights, they could be eligible for more funding and this would be brought back to Council for further action. The primary purpose of the incentive program funding is to assist the airline in bolstering its marketing for the new PSP service and make the routes successful. The Airport Commission voted in full support of funds to these new routes.

FISCAL:

The expenditure for this promotional support is a maximum, not to exceed amount of \$100,000 and requires a Budget Resolution from the Airport Fund Balance Account 415-29301 to transfer into Airline Incentive Program Account 415-6002-45521. Marketing and promotional funds offered through this incentive program are intended to increase passenger traffic and generate a direct benefit to the airport's revenue equation and create an indirect economic benefit to the Valley's tourism industry. Added passenger traffic can create additional FAA AIP funding, Passenger Facility Charges (PFC's), food and gift concessions, car rental concessions, vehicle parking fees, aircraft landing fees, fuel flowage fees and other revenues.



Thomas Nolan, Executive Director, Airport



David H. Ready, City Manager

Attachment: Budget Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AMENDING THE BUDGET FOR FISCAL YEAR 2012-13 TO PROVIDE FUNDING FOR THE AIR INCENTIVE PROGRAM.

WHEREAS, Resolution No. _____ approving the budget for the Fiscal Year 2012-13 was adopted on June 1, 2012; 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 2012-13 budget is hereby amended as follows:

SECTION 1. ADDITIONS

Fund	Activity	Account	Amount
415	Air Service Incentive Program	415-6002-45521	\$100,000

Purpose: Establish funding for Airline Incentive Program

SECTION 2. SOURCE

Fund	Activity	Account	Amount
415	Restricted Air Service	415-29301	\$100,000

ADOPTED THIS ____ DAY OF _____, 2012.

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