



# CITY COUNCIL STAFF REPORT

DATE: February 5, 2014

CONSENT AGENDA

SUBJECT: AIR SERVICE INCENTIVE PROGRAM FUNDING AWARD TO AMERICAN AIRLINES.

FROM: David H. Ready, City Manager

BY: AIRPORT

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## SUMMARY

This action seeks approval for an allocation of Air Service Incentive funding to American Airlines for expanded service between Chicago and Palm Springs International Airport.

## RECOMMENDATION:

1. Approve Air Service Incentive funding for American Airlines in an amount not to exceed \$30,000.
2. Authorize City Manager to execute all necessary documents.

## STAFF ANALYSIS:

To promote the growth of commercial airline service at Palm Springs International Airport, an Air Service Incentive Program was approved by the City Council in 2010. The intent of the program was to provide marketing assistance to both new and existing PSP air carriers that elect to operate new or expanded air service. To date, the City Council has approved funds to support fifteen (15) new or expanded routes into PSP by eight different airlines including WestJet, Virgin America, Frontier, United, Allegiant, Alaska, Delta, and Sun Country.

These new and expanded services, funded in part by the incentive program, have been a contributing factor to PSP Airport's record growth in passengers and visitors to the entire Coachella Valley. For example, 2012 was already a record passenger activity and airline capacity year, and 2013 now proves to be an all-time record year with total passengers' counts up 1.5% (1,752,180).

Recently American Airlines announced it is increasing the frequency of its flights to/from Chicago during the upcoming peak activity months of February through April 2014 by

ITEM NO. 2M

adding a second daily round-trip departing at around 8:15 in the morning. It has requested participation in PSP's Air Service Marketing Incentive Program. The amount under consideration today is in accordance with the program's eligibility. The airline has served the greater Palm Springs market for many years with seasonal Chicago flights and year-round service to its hub at Dallas-Ft. Worth. Based on 2013 data, American is the third largest of PSP's ten airline brands, and its merger with US Airways has been approved.

Chicago is one of PSP's highest service markets with about 60,000 residents and visitors annually flying to or from this Midwest city which is the nation's second busiest airport. Also, the Palm Springs Convention and Visitors Bureau has identified Chicago as one of the most anticipated potential market opportunities for increased conventions and visitors business for the entire Valley. The added capacity by American Airlines will allow for growth in origination and destination passenger travel, and provide enhanced connections to domestic and international cities.

The Airport Commission voted to recommend this award at its January meeting.


FISCAL IMPACT:

The incentive support amount is a not-to-exceed obligation of \$30,000. Funding for this expenditure is available in the Airline Incentive Fund account 415-6002-45521 which has an approximate \$300,000 balance.

Increased airport revenues from Passenger Facility Charges (PFC's), food and gift sales, car rentals, vehicle parking fees, aircraft landing fees, fuel flowage fees, and other sources can be expected from increased passenger traffic. Additionally, other direct and indirect economic benefits will accrue to the airport, City and Coachella Valley's tourism industry.



Thomas Nolan  
Executive Director, Airport

  
David H. Ready, City Manager