



REPORT TO THE CITY COUNCIL

07 FEB 20 AM 9:03

CITY OF FRESNO AIRPORTS DEPARTMENT

AGENDA ITEM NO.	
COUNCIL MEETING	02/27/2007
APPROVED BY	
DEPARTMENT DIRECTOR	<i>[Signature]</i>
CITY MANAGER	<i>[Signature]</i>

February 27, 2007

FROM: RUSSELL C. WIDMAR, AAE
Director of Aviation

SUBJECT: APPROVE DOCUMENTS TO FACILITATE NEW FLIGHTS AT FRESNO YOSEMITE INTERNATIONAL AIRPORT BY EXPRESSJET AIRLINES

KEY RESULT AREA
One Fresno

RECOMMENDATION

That the Council approve (1) acceptance of Allegiant Airlines' surrender of a portion of their exclusively leased premises and their sharing of another portion of their premises in the passenger terminal at the Fresno Yosemite International Airport (FYI); and (2) the letting and sharing, respectively, of the same premises, and of additional premises in another location of the terminal, under the standard FYI Airport Operations Agreement, to ExpressJet Airlines, Inc., to facilitate ExpressJet's start of non-stop jet flights to/from Ontario CA and San Diego CA, on April 30 and May 14, 2007 respectively; and (3) execution of a Letter Agreement with ExpressJet under which rent will be waived for a period of 120 days beginning April 30 and landing fees and certain other user charges will be waived for 120 days from the start of each flight pursuant to the City's Incentives Program for Scheduled Domestic Air Services.

EXECUTIVE SUMMARY

ExpressJet Airlines, Inc; intends to begin regularly scheduled, non stop flights with 50 seat Embraer 145 regional jets (RJs) twice daily from FYI to Ontario, CA on April 30, 2007 and twice daily to San Diego, CA on May 14, 2007. To support these operations, ExpressJet needs check-in ticket counters with an associated "bag room" where checked baggage can be inspected and collected for transport to and loading on departing aircraft, plus a small office in the same area to secure ticket stock and other valuable stores. Allegiant has more ticket counter space than they need and agreed to surrender one-half of their total. Further, they have agreed to surrender a small office in their bag room and to share use of their bag room. The surrendered spaces will be leased to ExpressJet effective April 30, 2007 and Allegiant's bag room will be shared by ExpressJet (ExpressJet's bag room usage will not conflict with Allegiant's once-per-day use). The Airport's Department will either relocate Allegiant's personal property directly or reimburse ExpressJet for such relocation.

ExpressJet also needs an aircraft gate with nearby management offices/operations spaces. Accordingly, vacant Gate 16 and rooms 175 and 183 will also be leased to ExpressJet. The lease document will be the standard Airport Operations Agreement which has been signed by all the other passenger airlines regularly doing business at FYI and covers, among other things, the baggage claiming facility and other space and facilities used in common by all the airlines. This Agreement extends to June 30, 2010, but any party may terminate on sixty days' notice. The rents, fees and charges are prescribed in the City's Master Fee Schedule.

To take advantage of the Incentives Program for Scheduled Domestic Airlines adopted by the Council at their meeting on January 23, 2007, ExpressJet will enter a Letter Agreement under which rent will be waived for 120

days from April 30, 2007 and landing fees and certain other user charges will be waived for the first 120 days that each of the new flights is operated. The flights to Ontario and San Diego are "qualifying flights" under the Incentives Program.

Since the Airports Department operates as a self-supporting Enterprise, there will be no impact to the General Fund from this action.

KEY OBJECTIVE BALANCE

As mentioned when recommending the Incentives Program for Scheduled Domestic Airlines, non-stop flights to new destinations from FYI serve the convenience of FYI's customers (Customer Satisfaction); boost the local economy, thereby creating jobs (Employee Satisfaction); and broaden the Airports Department's customer base and revenue stream (Financial Management).

BACKGROUND

Heretofore, ExpressJet has operated a large fleet of RJs on behalf of Continental Airlines, Inc. as "Continental Express". SkyWest Airlines, FYI's biggest airline in terms of flights and passengers, similarly operates RJs here on behalf of Delta Airlines (as "Delta Connection") and RJs and 30 passenger prop-jets on behalf of United Airlines (as "United Express"). In fact, ExpressJet is operating two Continental Express RJ flights per day from Bakersfield to Houston Intercontinental Airport.

Recently Continental contracted with an ExpressJet competitor to provide some of the Continental Express flights formerly provided by ExpressJet – with the result that 69 of ExpressJet's RJs were put out of work, together with their flight crews (ExpressJet still flies 205 RJs for Continental and remains the largest Continental Express operator). ExpressJet decided to fly 44 of these idled se RJs in ExpressJet's own name – between and among 24 US airports – on non-stop routes that are not currently being served – routes that are not in competition with Continental – routes like Fresno to Ontario and Fresno to San Diego. Four of the cities, including Ontario, will be "focus cities", which is ExpressJet's new term for what might be called mini-hubs where connections may be made to flights serving some additional cities.

FISCAL IMPACT

There will be no impact to the General Fund from this action

CITY COUNCIL AGENDA TRANSMITTAL
DEPARTMENT OF AIRPORTS

COUNCIL MEETING DATE: February 27, 2006

1. TITLE OF REPORT: APPROVE DOCUMENTS TO FACILITATE NEW FLIGHTS AT
FRESNO YOSEMITE INTERNATIONAL AIRPORT BY
EXPRESSJET AIRLINES

2. AGENDA PLACEMENT:

_____ Time Schedule Hearings and Matters
_____ Schedule Time for Public Notice: _____
_____ Schedule Time for Citizen Convenience: _____
 General Consent Calendar (1A)
_____ Consent Calendar - Bills for Introduction
_____ Consent Calendar - Bills for Adoption (1C)
_____ General Administration (3)
_____ City Council (5)
_____ City/County Intergovernmental Relations (6)
_____ Executive Session (7)

3. CONTACT PERSON FOR QUESTIONS: Brendan Carmody Ext. 4634
Ext.

4. SPECIAL CONDITIONS:

_____ Critical that item be placed on agenda this date.
_____ Controversial item - may have persons appearing to discuss with Council.
_____ Item requires special interdepartmental coordination.
_____ Requires more than quorum majority for passage.

5. APPROVAL REQUIRED AND/OR BACKUP MATERIAL SECURED BY:

_____ City Attorney's Office
_____ Ordinance _____ Resolution _____ Contract Agreement _____ Lease
Submitted for approval on _____
_____ Budget and Management Studies Division
_____ Human Resources Division

6. NOTES TO CITY MANAGER

7. NOTES FROM CITY MANAGER

ITEM SUBJECT TO MAYOR VETO OR RECONSIDERATION