



Source: Public Works *Jahn*

Agenda Item No: REP 25-14

To: **City Council**  
From: **City Manager and Staff** *MM*

Council Meeting Date: Mar 17, 2014

Re: American Airlines Air Service Year End Report

**EXECUTIVE SUMMARY:**

Staff has prepared for Council consideration a report providing year end data relating to air service provided by American Airlines to Columbia Regional Airport, as well as a look back as to the excellent working relationship between the City of Columbia and American Airlines.

**DISCUSSION:**

Since February 14, 2013, American Airlines has offered two daily flights between Columbia Regional Airport (COU) and Dallas/Fort Worth International Airport, and one daily flight between COU and Chicago O'Hare International Airport. Additionally, Council passed Ordinance 21875 on November 4, 2013 to expand services by adding a second daily flight to Chicago O'Hare International Airport beginning April 1, 2014. The attached spreadsheet includes enplanement and deplanement data since February of 2013.

The City has the support of both public and private community partners in securing the revenue guarantee under the Air Service Agreement, and has created the Central Missouri Air Service Fund for such purpose. As long as American Airlines is providing the defined service levels, the maximum liability for revenue shortfall is \$3,000,000. To date, the Fund has exceeded the required revenue guarantee except for the month of February 2013, when \$22,562 was paid out to American Airlines. This shortfall was incurred during the first two weeks of operations and was related to arriving passenger loads (deplanements). Once the route systems were populated with passengers originating from COU, no additional minimum revenue guarantees have been required, and the Fund continues to accrue interest since it was created in 2012 (see attached Fund statement).

Columbia and two other airports launched service with American Airlines on February 14, 2013, with all three entering into a revenue guarantee agreement. At some point during the year, all three communities used revenue guarantee funds with payouts between \$22,500 and \$800,000. Additionally, COU ranks #1 in load and yield factors in the American Eagle network.

When American Airlines began air service at COU, the airline also became a community partner. Two weeks after air service began in 2013, American representatives attended the annual Columbia Chamber of Commerce Business Showcase engaging attendees in conversations about what they wanted from an air service provider. Believing COU and central Missouri was an emerging market, American Airlines has donated numerous roundtrip airline tickets to our marketing partner, Zimmer Radio and Marketing Group, to be used for special promotions; as well as to Mizzou Sports Network, for special marketing promotions with the University of Missouri Athletics Department.

American has committed additional marketing ticket donations in 2014, including renewal of Mizzou Sports Properties marketing events during Mizzou's football, basketball, and baseball seasons; 2014 Columbia Chamber of Commerce Showcase; and promotions offered by Zimmer Radio. They also continue to work with the Roots N Blues N BBQ Festival and the True/False Film Festival to offer attractive rates to attendees. American has demonstrated that they are a true community partner with the assistance they have provided with discounts and free airline tickets provided for marketing/promotional and good will events (see attached spreadsheet). Recently, they donated a pair of airline tickets to be used to raise money for the annual Children's Miracle Network Radiothon. During a two hour period (4:00-6:00 PM) \$20,000 was raised compared to just \$6,000 for the same two-hour period, without the airline ticket donation, the previous year.

Additionally, representatives from American engage our customers via social media, and follows COU on both Facebook and Twitter. Just this past month during a winter weather event, customers were pleased to

hear from both COU as well as the air service provider concerning delays. According to a March 3, 2014 CNN report, the number of flights canceled or delayed since December 1, 2013, topped one million. There were 100,000 cancellations in the same period, up 100% from the same three months a year ago. Staff is pleased to report that only one flight was canceled at Columbia Regional Airport this year due to runway conditions. All other cancellations were due to Dallas or Chicago weather conditions.

**FISCAL IMPACT:**

See attached spreadsheet.

**VISION IMPACT:**

<http://www.gocolumbiamo.com/Council/Meetings/visionimpact.php>

Columbia and central Missouri, a growing urban community, will have a modern transportation system.

**SUGGESTED COUNCIL ACTIONS:**

For information only.

| <b>FISCAL and VISION NOTES:</b>                   |        |                                                   |    |                                               |     |
|---------------------------------------------------|--------|---------------------------------------------------|----|-----------------------------------------------|-----|
| <b>City Fiscal Impact</b><br>Enter all that apply |        | <b>Program Impact</b>                             |    | <b>Mandates</b>                               |     |
| City's current net FY cost                        | \$0.00 | New Program/ Agency?                              | No | Federal or State mandated?                    | No  |
| Amount of funds already appropriated              | \$0.00 | Duplicates/Expands an existing program?           | No | <b>Vision Implementation impact</b>           |     |
| Amount of budget amendment needed                 | \$0.00 | Fiscal Impact on any local political subdivision? | No | Enter all that apply:<br>Refer to Web site    |     |
| Estimated 2 year net costs:                       |        | <b>Resources Required</b>                         |    | Vision Impact?                                | Yes |
| One Time                                          | \$0.00 | Requires add'l FTE Personnel?                     | No | Primary Vision, Strategy and/or Goal Item #   | 13  |
| Operating/ Ongoing                                | \$0.00 | Requires add'l facilities?                        | No | Secondary Vision, Strategy and/or Goal Item # |     |
|                                                   |        | Requires add'l capital equipment?                 | No | Fiscal year implementation Task #             |     |

# AMERICAN AIRLINES

## COU ENPLANEMENTS & DEPLANEMENTS February 14, 2013 through February 28, 2014

| ENPLANEMENTS |        |       |
|--------------|--------|-------|
| MONTH        | 2013   | 2014  |
| JANUARY      |        | 3,176 |
| FEBRUARY     | 3,202  | 3,267 |
| MARCH        | 4,848  |       |
| APRIL        | 4,382  |       |
| MAY          | 3,481  |       |
| JUNE         | 3,464  |       |
| JULY         | 3,519  |       |
| AUGUST       | 3,312  |       |
| SEPTEMBER    | 3,329  |       |
| OCTOBER      | 3,647  |       |
| NOVEMBER     | 3,344  |       |
| DECEMBER     | 3,377  |       |
| TOTAL        | 39,905 | 6,443 |

| DEPLANEMENTS |        |       |
|--------------|--------|-------|
| MONTH        | 2013   | 2014  |
| JANUARY      |        | 3,403 |
| FEBRUARY     | 2,920  | 3,305 |
| MARCH        | 4,790  |       |
| APRIL        | 4,363  |       |
| MAY          | 3,438  |       |
| JUNE         | 3,553  |       |
| JULY         | 3,592  |       |
| AUGUST       | 3,612  |       |
| SEPTEMBER    | 3,431  |       |
| OCTOBER      | 3,769  |       |
| NOVEMBER     | 3,479  |       |
| DECEMBER     | 3,093  |       |
| TOTAL        | 40,040 | 6,708 |

CITY OF COLUMBIA / AMERICAN AIRLINES PARTNERSHIP

| Event                                 | Ticket/Promo Investment |
|---------------------------------------|-------------------------|
| Zimmer Radio- Cubs/Cards Promo        | \$1,500                 |
| Zimmer Radio- Justin Timberlake Promo | \$1,500                 |
| True False 2013                       | \$4,750                 |
| True False 2014                       | \$24,750                |
| Roots N Blues                         | *                       |
| Mizzou Maneater Campus Promo          | \$1,500                 |
| Columbia College Fly Away Promo       | \$1,500                 |
| Zimmer Radio George Strait Promo      | \$1,500                 |
| COU Chamber Biz Expos                 | \$3,000                 |
| COU Chamber Airport Meeting           | \$1,500                 |
| Mizzou Sports Properties              | \$13,500                |
| Missouri Contemporary Ballet          | \$3,000                 |
| Zimmer Radio Lady Gaga Concert        | \$1,500                 |
| Zimmer Radio KTGR Happy Flight        | \$1,500                 |
| <b>TOTAL</b>                          | <b>\$61,000</b>         |

\*Unable to determine the investment value due to promotion codes were provided by American to discount ticket prices, and it's difficult to determine the number of people that used the code and the total ticket price paid.



City of Columbia, Missouri

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Finance Department  
Accounting Division

Date: March 10, 2014

Subject: Central Missouri Air Service Fund Statement for Period Ending January 31, 2014

|                                                  |                       |
|--------------------------------------------------|-----------------------|
| Contribution Total                               | \$3,000,000.00        |
| Interest-to-date                                 | 78,148.52             |
| Sub-total                                        | \$3,078,148.52        |
| Less:                                            |                       |
| Payment(s) to American Airlines:                 | (22,562.00)           |
| <b>Central Missouri Air Service Fund Balance</b> |                       |
| <b>January 31, 2014</b>                          | <b>\$3,055,586.52</b> |