

Council Bill: B 310-13

MOTION TO AMEND: _____

MADE BY: _____

SECONDED BY: _____

MOTION: I move that Council Bill B 310-13 be amended as set forth on this amendment sheet.

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Attachment A attached to this amendment sheet is substituted for the Attachment A attached to the original bill.

AIR SERVICE AGREEMENT AMENDMENT 1

This Amendment 1 to the Air Service Agreement (this "Amendment") is made and entered into as of October __, 2013 (the "Effective Date") by and between American Airlines Inc., a Delaware corporation with its principal offices at P. O. Box 619616, Dallas/Fort Worth International Airport, Texas 75261-9616 ("American"), and the City of Columbia, Missouri, a municipal corporation, with its principal offices at 701 East Broadway Columbia, Missouri 65201 ("Guarantor").

WHEREAS, on or about October 22, 2012, the parties entered into an Air Service Agreement ("Agreement") and the parties now desire to amend the terms of such Agreement to provide for new service provided by American as set forth herein;

NOW THEREFORE, the parties hereto agree to amend the Agreement as follows:

1. Section 1 of the Agreement shall be amended to read as follows:

1. Term.

This Agreement shall commence upon the Effective Date and, unless sooner terminated in the manner provided for herein, shall remain in full force and effect until February 16, 2016 (the "Term").

2. Section 2 of the Agreement shall be amended to read as follows:

2. Air Service.

- a. The "Air Service" is the flight service American agrees to provide under this agreement
- b. An "Air Service Flight" is one one-way flight performed by American under the "Air Service"
- c. The "Air Service Period" is the period for which American agrees to provide the "Air Service"

American agrees to schedule aircraft to perform the Air Service in accordance with Schedule 2 attached hereto between Dallas/Fort Worth International Airport ("DFW") and Columbia Regional Airport ("COU") in both directions, and Chicago O'Hare International Airport ("ORD") and Columbia Regional Airport ("COU") in both directions with effective dates of service as set forth in Schedule 2. American reserves the right to make all operational decisions regarding the Air Service, including, but not limited to, aircraft type and configuration, timing of arrival/departure, frequency of service, and continued operation of the Air Service. In exercising its discretion, American will act reasonably and in good faith in designating aircraft, flight times and fares. Guarantor acknowledges that due to operating conditions, American may be required to publish available seating levels that are below total aircraft seating capacity due to weather or other conditions.

3. Section 5 of the Agreement shall be amended to read as follows:

5. Revenue Reconciliation.

- a. American will reconcile the Total Revenue during each Settlement Period against the Minimum Revenue Requirement for such Settlement Period no later than the last business day of the calendar month following the end of the Settlement Period.
- b. If the Total Revenue is more than the Minimum Revenue Requirement for such Settlement Period, a "Revenue Excess" shall be deemed to have occurred. In such event, American will retain the Revenue Excess.
- c. If the Total Revenue is less than the Minimum Revenue Requirement for such Settlement Period, a "Revenue Shortfall" shall be deemed to have occurred. In such event, American will invoice Guarantor for the Revenue Shortfall. Guarantor's maximum liability for a Revenue Shortfall (i) for the Air Service Period from February 14, 2013 through February 16, 2015 will not exceed Three Million dollars (\$3,000,000), and (ii) for the Air Service Period from February 17, 2015 through February 16, 2016 will not exceed Five Hundred Thousand dollars (\$500,000).

4. Section 6 of the Agreement shall be amended to read as follows:

6. Other Incentives.

Guarantor agrees to provide American the following additional incentives:

- a. Waiver of landing fees and facility rents from February 14, 2013 through February 16, 2015 not to exceed Two Hundred Fifty Thousand dollars (\$250,000).
- b. Waiver of landing fees and facility rents from February 17, 2015 through February 16, 2016 not to exceed Seventy Thousand dollars (\$70,000).
- c. Advertising and Promotion assistance valued at Four Hundred Thousand dollars (\$400,000) from February 14, 2013 through February 16, 2015, to be used solely for American/American Eagle service.

5. Schedule 2 of the Agreement shall be amended to read as set forth in Exhibit A attached hereto.

6. Except as otherwise amended herein, all terms and conditions contained in the original Agreement between the parties shall remain in full force and effect.

7. This Amendment shall be construed in accordance with, and shall be governed by, the laws of the State of Texas without regard to any conflict of law rules.

8. This Amendment shall be effective as of the date first written above.

9. This Amendment may be executed in one or more counterparts, each of which will be an original but all of which will constitute one instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their duly authorized representatives as of the date first above written.

City of Columbia

American Airlines, Inc.

By: _____

Name: Mike Matthes

Title: City Manager

Date:

By: _____

Name: Charles Schubert

Title: Vice President, Network
Planning

Date:

ATTEST:

Sheela Amin, City Clerk

APPROVED AS TO FORM:

Nancy Thompson, City Counselor

CERTIFICATION: I hereby certify that this contract is within the purpose of the appropriation to which it is to be charged, Account No. _____, and that there is an unencumbered balance to the credit of such appropriation sufficient to pay therefor.

John Blattel, Director of Finance

**SCHEDULE 2
TO AIR SERVICE AGREEMENT
BETWEEN AMERICAN AIRLINES, INC. AND
GUARANTOR
AIR SERVICE BETWEEN COU AND ORD/DFW**

PROPOSED FLIGHT SCHEDULE*

February 14, 2013 – March 31, 2014

Origin	Destination	Days of Operation	Flight Times*
COU	ORD	1x Daily	14:20 – 15:25
ORD	COU	1x Daily	16:00 – 17:20
COU	DFW	2x Daily	06:45 – 08:25, 17:50 – 19:30
DFW	COU	2x Daily	12:30 – 13:50, 18:45 – 20:10

April 1, 2014 – February 16, 2015

Origin	Destination	Days of Operation	Flight Times*
COU	ORD	2x Daily	06:00 – 07:05, 13:15 – 14:25
ORD	COU	2x Daily	11:40 – 12:50, 17:25 – 18:40
COU	DFW	2x Daily	06:55 – 08:35, 13:40 – 15:20
DFW	COU	2x Daily	11:45 – 13:15, 18:50 – 20:20

February 17, 2015 – February 16, 2016

Origin	Destination	Days of Operation	Flight Times*
COU	ORD	1x Daily	13:15 – 14:25
ORD	COU	1x Daily	17:25 – 18:40

Equipment: ERJ**

Present Configuration: 50 seats**

DFW One-Way Flight Charge: Five Thousand, Twelve Dollars (\$5,012) per one-way Air Service Flight.

ORD One-Way Flight Charge: Four Thousand, Four Hundred Three Dollars (\$4,403) per one-way Air Service Flight.

or

Equipment: ERJ**

Present Configuration: 44 seats**

DFW One-Way Flight Charge: Four Thousand, Four Hundred Fifty Dollars (\$4,450) per one-way Air Service Flight.

ORD One-Way Flight Charge: Three Thousand, Eight Hundred Sixty-Nine Dollars (\$3,869) per one-way Air Service Flight.

Deduction none or 0.0%

*Exact operating times are subject to change from time to time by American at its sole discretion.

**Subject to Section 2.

Introduced by _____

First Reading _____

Second Reading _____

Ordinance No. _____

Council Bill No. B 310-13

AN ORDINANCE

authorizing Amendment No. 1 to the Air Service Agreement with American Airlines, Inc.; and fixing the time when this ordinance shall become effective.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF COLUMBIA, MISSOURI, AS FOLLOWS:

SECTION 1. The City Manager is hereby authorized to execute Amendment No. 1 to the Air Service Agreement with American Airlines, Inc.. The form and content of the agreement shall be substantially in the same form as set forth in "Attachment A" attached hereto.

SECTION 2. This ordinance shall be in full force and effect from and after its passage.

PASSED this _____ day of _____, 2013.

ATTEST:

City Clerk

Mayor and Presiding Officer

APPROVED AS TO FORM:

City Counselor

AIR SERVICE AGREEMENT AMENDMENT No. 1

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WHEREAS, on or about October 22, 2012, the parties entered into an Air Service Agreement ("Agreement") and the parties now desire to amend the terms of such Agreement to provide for new service provided by American as set forth herein.

NOW THEREFORE, the parties hereto agree to amend the Agreement as follows:

1. Section 1 of the Agreement shall be amended to read as follows:

"1. Term.

This Agreement shall commence upon the Effective Date and, unless sooner terminated in the manner provided for herein, shall remain in full force and effect until February 16, 2016 (the "Term")."

2. Section 2 of the Agreement shall be amended to read as follows:

"2. Air Service.

- a. The "Air Service" is the flight service American agrees to provide under this agreement.
- b. An "Air Service Flight" is one one-way flight performed by American under the "Air Service."
- c. The "Air Service Period" is the period for which American agrees to provide the "Air Service."

American agrees to schedule an aircraft to perform the Air Service in accordance with Schedule 2 attached hereto between Dallas/Fort Worth International Airport ("DFW") and Columbia Regional Airport ("COU") in both directions, and Chicago O'Hare International Airport ("ORD") and Columbia Regional Airport ("COU") in both directions with effective dates of service as set forth in Schedule 2. American reserves the right to make all operational decisions regarding the Air Service, including, but not limited to, aircraft type and configuration, timing of arrival/departure,

frequency of service, and continued operation of the Air Service. In exercising its discretion, American will act reasonably and in good faith in designating aircraft, flight times and fares. Guarantor acknowledges that due to operating conditions, American may be required to publish available seating levels that are below total aircraft seating capacity due to weather or other conditions.”

3. Section 5 of the Agreement shall be amended to read as follows:

“5. Revenue Reconciliation.

- a. American will reconcile the Total Revenue during each Settlement Period against the Minimum Revenue Requirement for such Settlement Period no later than the last business day of the calendar month following the end of the Settlement Period.
- b. If the Total Revenue is more than the Minimum Revenue Requirement for such Settlement Period, a “Revenue Excess” shall be deemed to have occurred. In such event, American will retain the Revenue Excess.
- c. If the Total Revenue is less than the Minimum Revenue Requirement for such Settlement Period, a “Revenue Shortfall” shall be deemed to have occurred. In such event, American will invoice Guarantor for the Revenue Shortfall. Guarantor’s maximum liability for a Revenue Shortfall for the Air Service Period from February 15, 2013 through February 16, 2015 for both the Original Flight Schedule and the Supplemental Flight Schedule set forth in Schedule 2 will not exceed Three Million Dollars (\$3,000,000). Guarantor’s maximum liability for a Revenue Shortfall for the Air Service Period from February 17, 2015 through February 16, 2016 for the Supplemental Flight Schedule set forth in Schedule 2 will not exceed Five Hundred Thousand Dollars (\$500,000).”

4. Section 6 of the Agreement shall be amended to read as follows:

“6. Other Incentives.

Guarantor agrees to provide American the following additional incentives:

- a. Waiver of two (2) years of landing fees and facility rents on the Original Flight Schedule set forth in Schedule 2 not to exceed Two Hundred Fifty Thousand Dollars (\$250,000).

- b. Waiver of two (2) years of landing fees and facility rents on the Supplemental Flight Schedule set forth in Schedule 2 not to exceed Seventy Thousand Dollars (\$70,000).
 - c. Advertising and Promotion assistance valued at Four Hundred Thousand Dollars (\$400,000) over the two (2) year term of the Agreement, to be used solely for American/American Eagle service.”
- 5. Schedule 2 of the Agreement shall be amended to read as set forth in Exhibit A attached hereto.
- 6. Except as otherwise amended herein, all terms and conditions contained in the original Agreement between the parties shall remain in full force and effect.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their duly authorized representatives as of the date first above written.

AMERICAN AIRLINES, INC.

By: _____
Charles Schubert
Vice President, Network Planning

Date: _____

CITY OF COLUMBIA, MISSOURI

By: _____
Mike Matthes, City Manager

Date: _____

ATTEST:

Sheela Amin, City Clerk

APPROVED AS TO FORM:

Nancy Thompson, City Counselor

CERTIFICATION: I hereby certify that this contract is within the purpose of the appropriation to which it is to be charged, Account No. _____, and that there is an unencumbered balance to the credit of such appropriation sufficient to pay therefor.

John Blattel, Director of Finance

**SCHEDULE 2
TO AIR SERVICE AGREEMENT
BETWEEN AMERICAN AIRLINES, INC. AND
GUARANTOR
AIR SERVICE BETWEEN COU AND ORD/DFW**

PROPOSED FLIGHT SCHEDULE*

**Original Flight Schedule
February 14, 2013 – February 16, 2015**

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COU	ORD	1x Daily	14:20 – 15:25
ORD	COU	1x Daily	16:00 – 17:20
COU	DFW	2x Daily	06:45 – 08:25, 17:50 – 19:30
DFW	COU	2x Daily	12:30 – 13:50, 18:45 – 20:10

**Supplemental Flight Schedule
April 1, 2014 – February 16, 2016**

Origin	Destination	Days of Operation	Flight Times*
COU	ORD	1x Daily	_____
ORD	COU	1x Daily	_____

Equipment: ERJ**

Present Configuration: 50 seats**

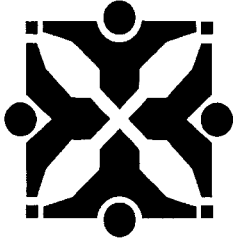
DFW One-Way Flight Charge: Five Thousand, Twelve Dollars (\$5012) per one-way Air Service Flight.

ORD One-Way Flight Charge: Four Thousand, Four Hundred Three Dollars (\$4403) per one-way Air Service Flight.

Deduction none or 0.0%

*Exact operating times are subject to change from time to time by American at its sole discretion.

**Subject to Section 0.



Source: Public Works *Jah*

Agenda Item No:

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

Council Meeting Date: Oct 21, 2013

Re: Amending Air Service Agreement with American Airlines

EXECUTIVE SUMMARY:

Staff has prepared for Council consideration an ordinance authorizing an amendment to the air service agreement with American Airlines to add a second flight per day between Columbia Regional Airport and Chicago O'Hare International Airport. The initial air service agreement with American Airlines was passed by by Council on October 15, 2012.

DISCUSSION:

American Airlines currently offers two flights per day between Columbia Regional Airport and Dallas/Fort Worth International Airport and one flight per day between Columbia and Chicago O'Hare Internal Airport. American desires to expand services by adding a second daily flight to Chicago O'Hare International Airport beginning April 1, 2014. The amendment to the Air Service Agreement will provide a revenue guarantee and fee waivers for the new service under the same terms and conditions, proportionately, as the existing service.

The specific amendments to the agreement are as follows:

The effective date of the agreement is extended through 2/16/2016 (formerly expired on 2/16/2015).

American Airlines will commit to provide the original three flights through 2/16/2015 and provide the new service through 2/16/2016, subject to operational discretion.

As long as American Airlines is providing the defined service levels, the maximum liability for revenue short fall will increase from \$2,500,000 to \$3,000,000 to include the additional flight for the air service period from 2/15/13 through 2/16/2015. The new flight to Chicago will also carry an additional year of revenue guarantee in the amount of up to \$500,000 for the period 2/17/015 through 2/16/2016.

Landing fees and facility rents for the new flight will be waived for two years of service in an amount up to \$70,000. These fees are in addition to the existing waiver of fees for the current three flights in the amount of 250,000.

The advertising commitment of the City in the amount of \$400,000 has not changed in scope from the original agreement.

FISCAL IMPACT:

The City has the support of both public and private community partners in securing the original revenue guarantee under the Air Service Agreement and has created the Central Missouri Air Service Fund for such purpose. The Fund has been accruing interest since it was created in 2012. To date, the Fund has only paid out \$23,000 to American Airlines and that amount was payable from the accrued interest. This shortfall was incurred during the first two weeks of operations and was related to arriving passenger loads (deplanement). Once the route systems were populated with passengers originating from COU, no additional minimum revenue guarantees have been required. Depending of the success of American Airline's air service in the future, the City Could be required to pay any revenue shortfall out of the Fund.

The amendment to the agreement will require the City to ensure an additional \$500,000 is added into the Central Missouri Air Service Fund and that the Fund has the appropriate balances through 2/16/2016. The City will continue to reach out to its community partners to participate in the Fund; however, the burden will be upon the City to meet any shortfalls due to lack of participation.

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:

Pass the ordinance authorizing the amendment to the Air Service agreement with American Airlines for an additional daily flight to Chicago O'Hare International Airport.

FISCAL and VISION NOTES:					
City Fiscal Impact Enter all that apply		Program Impact		Mandates	
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?	Yes	Vision Implementation impact	
Amount of budget amendment needed	\$0.00	Fiscal Impact on any local political subdivision?	No	Enter all that apply: Refer to Web site	
Estimated 2 year net costs:		Resources Required		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 #	