



Legislation Text

File #: 2021-0170, **Version:** 1

To: Board of Supervisors

Department or Agency Name(s): Transportation and Public Works

Staff Name and Phone Number: Johannes J. Hoevertsz 707-565-2231

Vote Requirement: 4/5th

Supervisory District(s): Countywide

Title:

Airline Agreement - TEM Enterprises dba Avelo Airlines.

Recommended Action:

Authorize the Chair to:

- A) Execute a Signatory Airline Operator Agreement with TEM Enterprises dba Avelo Airlines for commercial passenger service at the Charles M. Schulz - Sonoma County Airport for a term of one year with a one year renewal option.
- B) Authorize the Director of Transportation and Public Works to approve additional documents required to fully execute this agreement. These documents include, but are not limited to, the Department of Transportation Disability Accommodation Statement and the Affiliate Operator Agreement.

(4/5th Vote Required)

Executive Summary:

As the largest commercial airport serving the North Bay, the Sonoma County Airport has been approached by Avelo Airlines to establish once-daily service to Burbank, California. The proposed service would utilize a Boeing 737 jet. The proposed Agreement is for a term of one year with a one-year extension option.

Discussion:

TEM Enterprises dba Avelo Airlines

Avelo Airlines (formerly Xtra Airways) a Nevada Corporation, based in Nevada, is a subsidiary of Houston Air Holdings, Inc. based in Houston, Texas. The airline is certified by the United States Federal Aviation Administration (FAA) to conduct domestic and international operations.

The proposed agreement utilizes the same template drafted by County Counsel in conjunction with outside legal counsel for Alaska, American, Sun Country and United Airlines. Included in the Airline Operating Agreement template is an industry standard that allows either party to cancel the Agreement with a ninety (90) day written notice without cause.

If approved, Avelo Airlines will begin service to the Sonoma County Airport on April 28, 2021 with a daily flight, utilizing a Boeing 737 with 189 seats. The proposed Agreement with Avelo Airlines will have a term of one year, expiring in March 2022, with a one-year renewal option. The term is set to match the expiration date of the agreements in place with the other airlines at the Airport to ensure consistent language in the airline

operating agreement template.

The agreement allocates up to two departures per day Air Transportation Element and requires \$500,000,000 in liability insurance coverage. The Agreement includes Airport incentives similar to those found in previous agreements, which waive landing fees, terminal rents, aircraft parking fees, and joint use fees for 12 months from the start of service for one flight per day and extending to 24 months if Avelo Airlines offers two flights per day. The waiver of airport fees is a commonly offered incentive from airports and per FAA guidelines can only be offered for up to 24 months in duration.

As part of the approval of this agreement, it is requested that the Director of Transportation and Public Works (TPW) be authorized to execute other documents associated with this Agreement, most notably the approval of the United States Department of Transportation required Disability Accommodation Statement and the Affiliate Operator Agreement in accordance with the terms of this proposed Agreement.

In addition to providing Sonoma County Residents improved air service, Avelo Airline's operations will also increase Airport revenue through the collection of passenger facility charges as well as an increase in Airport-related activities such as vehicle parking, on-premises car rental, and fuel flowage fees. After completing 12 months of service, Avelo Airlines will be subject to all applicable Airport fees outlined in the Airport Fee Schedule approved by the Board of Supervisors on May 14, 2019. The anticipated calendar year income from Avelo Airlines is approximately \$200,000 with an addition \$150,000 if a second daily flight is offered.

Airport Master Plan and Air Transportation Element

The agreement for Avelo Airlines is in compliance with the current Master Plan for the Airport and the Air Transportation Element of the Sonoma County General Plan approved by the Board on January 24, 2012. The aforementioned plans allow for additional flights to be added in response to passenger demand, as long as the total number of commercial passenger departures does not exceed 21 per day, which level of air traffic was analyzed in the Programmatic Environmental Impact Report completed pursuant to the California Environmental Quality Act in connection with the adoption of the Master Plan. The proposed aircraft for this service meets the noise restriction requirements of the Air Transportation Element required of the County's 2020 General Plan prepared by the Permit and Resources Management Department. With the approval of the Agreement the Airport will have allocated 21 of its 21 daily departures. The allocations are as follows: thirteen to Alaska Airlines, three to American Airlines, three to United Airlines, and two to Avelo Airlines. Sun Country's agreement has ended due to flight limitations related to COVID-19 pandemic effects on air transportation at the end of 2020, and their allocation is being used by Avelo Airlines. Current airline destinations from STS include Portland, Seattle, Phoenix, Los Angeles, San Diego, and Dallas. Future destinations have not been confirmed at this time.

Legal Authority

The Airline Operator Agreement includes terms for the lease of certain space in the terminal for ticket counters, gate counters and operational areas at the Airport for the airlines' operational needs. The Board of Supervisors has authority under California Government Code section 25536 to enter into a lease of County property for airport purposes for a term of less than 45 years without compliance with the procedural processes of Government Code sections 25520 et seq. upon a 4/5 vote.

Therefore, it is requested that the Chair execute the agreement with Avelo Airlines to continue and enhance commercial airline service at the Airport.

Prior Board Actions:

August 22, 2017: Airline Agreement and Lease - Sun Country Airlines

June 6, 2017: Airline Agreement and Lease - United Airlines

February 21, 2017: Airline Agreement and Lease - Alaska Airlines and American Airlines

January 24, 2012: Adopt resolutions certifying the Final Environmental Impact Report, General Plan Amendments and approving the updated Airport Master Plan.

FISCAL SUMMARY

Expenditures	FY 20-21 Adopted	FY21-22 Projected	FY 22-23 Projected
Budgeted Expenses	\$50,000		
Additional Appropriation Requested			
Total Expenditures	\$50,000		
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other	\$50,000		
Use of Fund Balance			
Contingencies			
Total Sources	\$50,000		

Narrative Explanation of Fiscal Impacts:

There will be an initial expense of \$50,000 in advertising assistance made available to Avelo Airlines per the agreement. The advertising assistance as well as the fee waivers mentioned earlier are incentives used to help attract Avelo Airlines to the Airport. The advertising will benefit both the Airport and Avelo Airlines. These funds are already present in the Airport's advertising budget. The estimated associated Airport revenues resulting from increased passenger activities in increased parking and concession revenues during the fee waiver period are \$560,000 per year. The fees being waived for Avelo Airlines as noted above are the same fees that have been waived for the other commercial airlines at the Airport in response to COVID to help reduce the impact to the airlines serving our Airport.

These revenue estimates are based upon an average number of anticipated passengers flying a reduced number of days using the concession and other vendor services of which the Airport receives a percentage, trip charges and passenger facility charge fees. Once the waiver period ends, this agreement will result in additional direct annual revenues of \$200,000.

Staffing Impacts:

Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

None

Related Items “On File” with the Clerk of the Board:

TEM Enterprises dba Avelo Airlines Operating and Lease Agreement with Exhibits A - L.