



STAFF REPORT

DATE: January 19, 2021

TO: Kent Cagle, City Manager

FROM: Mike Wilson, Executive Director of Aviation

SUBJECT: Approval of Addendum No. 6 with American and United Airlines

BACKGROUND AND FINDINGS:

Airline lease agreements for Killeen-Fort Hood Regional Airport (KFHRA) were originally approved by Council in May 2004 and have either been extended for various term lengths or have been regenerated as new agreements due to airline mergers and restructuring. The agreements with American Airlines, Inc. and United Airlines, Inc. were last extended in 2018 and expired on September 30, 2020.

Due to the impacts of COVID-19 to the airline industry, both of our local airline tenants, American Airlines and United Airlines, contacted staff to discuss options for reducing their operational costs at the KFHRA, including lowering their rent fees.

After several months of negotiations, the airline tenants have agreed to Addendum No.6, that will extend their current lease, keeping the existing rent and fee structure, for one additional year with the understanding that the accumulated deferred rent payments for May, June and July 2020, as described in Addendum No. 5, Article VI, Rental Fees, and Accounting Records, will be waived. Addendum No. 6 also provides for the lease agreements to be extended by one year at the rates and fees approved by the City Council.

Due to the extended negotiations and delayed responses, both lease addendums will be back dated to October 1, 2020, and run through September 30, 2021.

THE ALTERNATIVES CONSIDERED:

Alternatives considered were: (1) do not extend lease agreement with the airlines, or (2) extend the agreements with the airlines.

Which alternative is recommended? Why?

Staff recommends alternative 2. Aviation staff has negotiated terms which are beneficial to both the airlines and the City which will provide for continued commercial air service to our community.

CONFORMITY TO CITY POLICY:

Yes

FINANCIAL IMPACT:

The lease agreement extensions provide the tenants will pay annual rental fees totaling \$96,347.64, plus various monthly security, telephone, and information technology fees within the lease. The revenue lost from waiving May, June and July's rent, in the amount of \$24,087, is offset by the CARES Act Airport grant funds.

What is the amount of the expenditure in the current fiscal year? For future years?

N/A

Is this a one-time or recurring expenditure?

N/A

Is this expenditure budgeted?

N/A

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

N/A

RECOMMENDATION:

City Council approve lease Addendum No. 6 with American and United Airlines and authorize the City Manager or designee to execute same as well as all addendums and lease actions to the agreement, including termination, to the extent allowed by state and local law.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Addendums