



CITY OF MODESTO
COUNCIL AGENDA REPORT

COUNCIL MEETING:
May 13, 2008

Date: April 24, 2008

TO: Mayor and City Council

FROM: Nicholas Pinhey, Public Works Director

SUBJECT: SkyWest Airlines - Lease Agreement

CONTACT: Jerome Thiele, Airport Manager, jthiele@modestogov.com , 577-5319

RECOMMENDED COUNCIL ACTION:

Adopt a resolution approving an Airport/Airline Lease Agreement with SkyWest Airlines, Inc., a Utah Corporation, for continued use of airport facilities to operate passenger services at Modesto City-County Airport, and authorizing the Interim City Manager, or his designee, to execute the Agreement.

BACKGROUND:

On May 26, 1998, the City Council, by Resolution No. 98-290, approved a lease agreement with SkyWest Airlines, Inc. (SkyWest) for scheduled air carrier service at Modesto City-County Airport and leased space in the Airport passenger terminal. On January 26, 1999, Council, by Resolution 99-40, approved an Amendment to the Agreement revising the square footage that was being leased to SkyWest. The original 1998 Agreement expired on December 31, 2003, and has been carried forward on a month-to-month basis. SkyWest Airlines operates flights to San Francisco and Los Angeles from Modesto City-County Airport at this time; however, Sky West has proposed discontinuing the four flights per day to Los Angeles as of June 28, 2008 due to rising fuel costs. The proposed discontinuance of Los Angeles service will not impact the five flights per day to San Francisco; therefore, Sky West has need of airport facilities to operate passenger services. This new Airport/Airline Lease Agreement will be effective through December 31, 2009.

REASONS FOR RECOMMENDATION:

SkyWest's previous lease has expired, and the company have agreed to the provisions in the new Airport/Airline Lease Agreement. The new lease provides assurances to SkyWest that space will be available for continued use of airport facilities to operate passenger services at Modesto City-County Airport. The Airport will benefit by implementing the increased rates and fees, updated from the previous hold-over lease.

EXISTING POLICY / RELATIONSHIP TO STRATEGIC PLAN:

Providing the community with a safe and efficiently operated airport is consistent with the City Council's *Strategic Plan* goal to have infrastructure that is "modern, efficient, effective, attractive, and cost competitive".

POLICY ALTERNATIVES:

Council could elect not to approve the Airport/Airline Lease Agreement with SkyWest Airlines, Inc for continued use of airport facilities to operate passenger services at Modesto City-County Airport.

FISCAL IMPACTS:

The Airport Enterprise Fund (Revenue Account No. 6310-440-5412-4413) will receive \$31,163.88 annually for the lease of airport facilities, an increase of \$9,827.88 per year over the previous lease terms.

INTERDEPARTMENTAL COORDINATION:

This item has been coordinated with the City Attorney's Office.

PUBLIC PARTICIPATION (where applicable):

The public will be afforded the opportunity for comment during the Council process.

COMMITTEE ACTIONS (where applicable):

This item was not reviewed by a committee.

ENVIRONMENTAL REVIEW (where applicable):

This is not a project and does not require environmental review.

STEPS FOLLOWING APPROVAL:

Upon Council approval the Airport/Airline Lease Agreement will be executed by the Interim City Manager and transmitted to SkyWest Airlines, Inc.

Prepared By:

Jerome Thiele, Airport Manager, jthiele@modestogocv.com, 577-5319

Reviewed By:

Dennis Turner, Acting Deputy Director, Transportation Services

Approved By

Nicholas Pinhey, Public Works Director

Reviewed By:

James E. Niskanen, Interim City Manager

Attachments: Airport/Airline Lease Agreement
Resolution