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Legislation Details (With Text)

File #: 15-0477 **Version:** 1 **Name:** Transportation service agreement - Wichita
Type: Resolution **Status:** Passed
File created: 6/30/2015 **In control:** Board of Sedgwick County Commissioners
On agenda: 7/8/2015 **Final action:** 7/8/2015
Title: TRANSPORTATION SERVICES AGREEMENT WITH THE CITY OF WICHITA.
Presented by: Chris Chronis, Chief Financial Officer.

RECOMMENDED ACTION: Approve the agreement and authorize the Chairman to sign and execute.

Sponsors:

Indexes:

Code sections:

Attachments: 1. '15 - '16 southwest - county funding agreement.pdf, 2. City-County air faires '15-'16 Transportation Funding Agreement 7-1-15.pdf

Date	Ver.	Action By	Action	Result
7/8/2015	1	Board of Sedgwick County Commissioners	Approved	Pass

TRANSPORTATION SERVICES AGREEMENT WITH THE CITY OF WICHITA.

Presented by: Chris Chronis, Chief Financial Officer.

RECOMMENDED ACTION: Approve the agreement and authorize the Chairman to sign and execute.

Since 2002, first the City of Wichita and then Sedgwick County have entered into annual revenue guarantee agreements with AirTran Airways and its successor, Southwest Airlines, that have resulted in hundreds of millions of dollars in cost savings to businesses and individuals flying in and out of Wichita Mid-Continent Airport.

On April 18, 2006, Governor Sebelius signed into law legislation that provides state funding in the amount of up to \$5 million per year to support efforts to ensure affordable airfares in Kansas. In 2012, the Legislature amended the law to change the procedures for award and administration of the funding, but retained the same funding level. The state funding requires a local match.

State funding in the amount of \$4.75 million has been awarded to Sedgwick County to defray most of the cost of the Southwest revenue guarantees for the 12 month period starting July 1, 2015.

On July 15, 2015, the Sedgwick County Board of County Commissioners is considering a new contract with Southwest Airlines for air service to Dallas, Chicago, and Las Vegas with a revenue guarantee capped at \$6.5 million for the period from July 1, 2015 through June 30, 2016. The revenue guarantee is based on stated costs of operating air service between Wichita and the three destinations, plus 5%. The County's commitment is to pay Southwest the difference between these cost calculations and Southwest's customer revenue for these flights. Whenever Southwest collects revenue in amounts greater than costs, the excess revenue is used to defray County revenue

guarantees in subsequent reporting periods. The agreement also provides that Southwest can add service to other cities, and apply the County's revenue guarantee to those flights.

The state funding of \$4.75 million leaves \$1.75 million to be provided from local sources. The proposed contract between the City and County will provide up to \$875,000 of City funding to offset half of the County's contractual obligation not funded by the state. The City Council is scheduled to consider it at their meeting of July 14, 2016. The proposed agreement between Wichita and Sedgwick County is the same as an agreement entered into one year ago.

Alternatives: The agreement could be rejected, but the County's obligations to Southwest would remain in effect if the County proceeded with the proposed revenue guarantee agreement. Thus, the County would be required to fund the entire commitment in excess of the state funds from County revenues or to exercise an early termination provision contained in the Southwest contract.

Financial Considerations: The County has appropriated \$1,750,000.00 in the current fiscal year to fulfill a portion of the funding obligation. Assuming approval of this agreement with Wichita, the County will only need to spend \$875,000 of County funding to provide its share of the Affordable Airfares program. The balance of the County's obligation will be provided using funds provided by Wichita.

Legal Considerations: The authority for this action is K.S.A. 19-101. A simple majority vote is required.

Policy Considerations: N/A

Outside Attendees: N/A

Multimedia Presentation: N/A