



REQUEST FOR ACTION

Rochester International Airport Air Service Development

MEETING DATE:

May 20, 2024

ORIGINATING DEPT:

City Administration

AGENDA SECTION:

Reports and Recommendations

PRESENTER:

Alison Zelms

Action Requested:

Authorizing up to \$1,500,000 as a minimum revenue guarantee to facilitate air service development at Rochester International Airport (RST), funded through \$1,169,776 in Holistic Budget Stability Funds and \$330,224 from General Fund Balance within the General Fund.

Report Narrative:

At the March 13, 2024, City Council Study Session, the Council had the opportunity for discussion and dialogue about continuing to deliver on a vision for Rochester International Airport to be self-sustaining long-term while providing exceptional service and direct connections to and from additional destinations around the US and the world. Retaining and growing commercial service is critical to the financial success of the airport.

Enplanements are the metric for how \$1 Million in annual Federal Aviation Administration operating funds are ensured for Airport Operations, and commercial service is the backbone for continuing millions of dollars of infrastructure investment funded primarily by the State and Federal government, which also service Cargo and General Aviation activities that benefit our region. Growing the destinations where RST flies to and from benefits the general community as a lower cost, easier access, transportation opportunity for business, leisure, or when family or friends are visiting Rochester.

Rochester has supported Minimum Revenue Guarantees to encourage additional routes, supported a fly-local approach for City business travel, and has other organizational partners with fly-local policies. The focus is actively seeking low-cost leisure airline partners to expand direct route service to locations (Phoenix and Orlando) where our community has proven they will fly, want to fly, and direct service can be financially viable and a positive value for those who travel to these locations. This aligns with the Council's commitment to Economic Growth and Vibrancy by creating viable travel options and sustaining airport operations through additional activity. It also supports quality and affordable living with low cost, easy access to direct service, and lower fares for community members to access travel when needed or wanted. Further, service to/from Orlando and Phoenix has a positive direct economic impact to Rochester. There was a significant inbound effect based on data from when these direct routes were flown to and from Rochester. Total new visitor spending for the Orlando route is estimated at \$2.17 M and total new visitor spending for Phoenix is estimated at \$3.58M

Air service meetings are occurring in late May and early June and this fund will support our ability to be competitive in achieving direct routes that will start sooner. Finally, the sooner we regain capacity at the

Rochester Airport, the better we can navigate the headwinds the Airline industry faces and more quickly bring in additional visitor spending to the community, rather than losing opportunities to other communities that can incentivize low-cost carriers and with whom we cannot compete without this fund.

Priorities & Foundational Principles:

Economic Vibrancy & Growth Management

Fiscal Responsibility & Sustainability

Policy Considerations & DEI Impact:

The Council considered the following policy questions during its May 13, 2024, City Council Study Session:

1. Is continued investment in air service and direct flight options valuable to the quality of life, economic vibrancy, and growth management?
2. Does support for a Minimum Revenue Guarantee to gain additional direct service on a low-cost commercial carrier align with financial and quality of life goals?
3. Is the long-term financial health of the airport and ease of travel access a current priority for the Community?

Prior Legislative Actions & Community Engagement:

May 13, 2024: Council Study Session - Outlining Rochester International Airport Air Service Development

Past City Council minimum revenue guarantee approvals

Fiscal & Resource Impact:

The goal is to establish a fund to support air service development through minimum revenue guarantees. Funds are made available to support the air service development but only spent if the revenue targets are unmet. Initially, it is hoped that we can allocate \$1,500,000 to incentivize 2 direct routes. \$1,169,776 is proposed to come from remaining Holistic Budget Stability Fund dollars, and \$330,224 would come from the General Fund balance. At the end of 2022, the audited General Fund balance is \$45,334,500 or 47% of annual expenditures, in excess of our minimum fund balance policy of 43%. These funds should not be used lightly; however, as a one-time expense intended to mitigate future subsidy to the airport, this is a reasonable expense to apply against excess fund balance.

Finally, Federal Aviation Administration (FAA) rules do not allow airport revenue to be used to incentivize air service. Hence, these funding sources must be utilized to spur additional flights, which will then create additional airport revenue, insulating the local property tax from future airport subsidies. We will also continue to approach potential partners to commit to fly local policies for travel and/or commit to additional air service development funds.

Alternative Action(s):

1. Allocate \$2,000,000 for air service development with \$1,169,776 is from remaining Holistic Budget Stability Fund dollars and \$830,224 would come from the General Fund balance.

Prepared By:

Alison Zelms

Attachments:

[May 13, 2024 Presentation - RST Air Service Development](#)