



City of Austin

Recommendation for Action

File #: 25-1700, **Agenda Item #:**

8/28/2025

Posting Language

Authorize negotiation and execution of Signatory Airline Use and Lease Agreements and Signatory Cargo Agreements with the commercial passenger airlines and commercial cargo carriers or companies for use of the Austin-Bergstrom International Airport, for an initial term starting January 1, 2026, and ending September 30, 2035, with a two-year extension option; and authorize negotiation and execution of Non-Signatory Airline Agreements and Non-Signatory Cargo Agreements for a month-to-month term with those carriers or companies that choose not to become signatories under the new signatory agreements.

Funding: There is no revenue impact for Fiscal Year 2024-2025 for the Aviation Department's Operating Budget due to the proposed January 1, 2026, effective date for the Agreements.

Lead Department

Aviation

Fiscal Note

There is no revenue impact for Fiscal Year 2024-2025 for the Aviation Department's Operating Budget. This item will generate sufficient revenues to meet operations and maintenance needs and debt service requirements during the proposed term of the Agreements from Fiscal Years 2026 to 2035. Alongside non-airline revenues, airline revenues generated from the Agreements will be utilized to fulfill debt service coverage requirements, fund operations and maintenance expenses, and provide funds for the airport's capital improvement program and the Airport Expansion and Development Program over the proposed term of the Agreements.

For More Information:

Inquiries should be directed to Tracy Thompson, Airport Chief Officer - Business & External Affairs at tracy.thompson@flyaustin.com, <<mailto:tracy.thompson@flyaustin.com>> 512-530-5023 or Ghizlane Badawi, Chief Executive Officer at ghizlane.badawi@flyaustin.com <<mailto:Ghizlane.badawi@flyaustin.com>>, 512-530-8846.

Council Committee, Boards and Commission Action:

To be reviewed by the Airport Advisory Commission on August 13, 2025.

Additional Backup Information:

The Department of Aviation seeks to enter into the various agreements which will serve as the primary operating and lease agreements for the passenger and cargo carriers and companies serving the Austin-Bergstrom International Airport (AUS) that choose to operate at the AUS during the term of the agreements, (collectively the Agreements). Rates, fees and charges for all airlines and cargo carriers and companies operating from AUS are adjusted every fiscal year and such rates fees and charges are reflected in the Department of Aviation's published schedule of Rates, Fees, and Charges.

Signatory Agreements: These agreements establish the commitment to support the construction of the Airport Expansion and Development Program (AEDP) and include commitments to lease and use future

premises to be constructed as part of the AEDP. The proposed primary terms of the agreements include:

- **Term:** Initial term starting January 1, 2026, and ending September 30, 2035. The Agreement for passenger signatory airlines includes an extension option that could extend the term until September 30, 2037. If the option is exercised, the extension option will also be made available to the cargo carriers and companies.
- **Effective Date:** January 1, 2026, or if not executed by that date, the date on which the agreement is signed by both parties.
- **Expiration:** September 30, 2035, subject to a two-year extension option for a term ending on September 30, 2037.
- **Premises:** The agreements will include the lease and assignment of premises and space at AUS including but not limited to premises and space for exclusive, preferential, and common use.
- **Rates and Charges Commitment for Passenger Signatory Airlines:** Included in the Signatory Airline Use and Lease Agreement rates, fees and, charges that are assessed to passenger airlines for use of the airfield areas (runways and taxiways), the terminal areas (ticketing, gates, baggage areas, operational space and offices), and the apron areas (passenger boarding bridges, aircraft parking positions, equipment storage) is the commitment of each signatory airline for payment of a minimum annual guarantee (MAG) of revenues to be paid each fiscal year by such signatory airline. The MAG is established as a percentage of the total allrents, fees, and charges payable by passenger carriers pursuant to the agreement. The actual rates, fees and charges paid by an airline each fiscal year will offset the obligation of the MAG for such airline.
- **Rates and Charges Commitment for Signatory Cargo Carriers and Companies:** Included in the signatory cargo agreement landing fee rate that is assessed to cargo carrier companies for use of the airfield areas (runways and taxiways), is the commitment of each signatory cargo carrier or company for payment of a MAG of revenues to be paid each fiscal year by such signatory cargo carrier or company. The MAG is established as a percentage of the total cost associated with the airfield area. The landing fees paid by a cargo carrier or company each fiscal year will offset the obligation of the MAG for such cargo carrier or company.

Non-Signatory Agreements:

- **Term:** Month-to-month.
- **Non-Signatory Airline and Cargo Carrier and Company Rate Premium:** Passenger airlines operating at AUS under a Non-Signatory Airline Use and Lease Agreement will be subject to rates, fees, and charges that are 15% higher than those payable by signatory airlines. Non-signatory airlines will not have a MAG. Cargo carriers and companies operating at AUS under a Non-Signatory Cargo Carrier Agreement will be subject to landing fees that are 15% higher than those payable by signatory cargo carriers and companies. Non-signatory cargo carriers and companies will not have a MAG.

The Agreements are the mechanisms by which the City can accomplish the funding and operation goals for the expansion of AUS and the provision of an enhanced passenger experience not only for the citizens of Austin, but also for the Central Texas service area. Immediately following the COVID-19 pandemic, AUS experienced a record-breaking recovery earning the title of the fastest growing mid-size airport in the country. In 2023, AUS had its busiest year on record with over 22 million passengers. It is now classified as a large hub airport by the Federal Aviation Administration (FAA) due to the dramatic increase in passenger volume which is expected to remain steady. This extraordinary growth spurred the prioritization of delivering near-term and long-term airport improvements through the AEDP. The AEDP will meet the current and future needs of our growing region while elevating the passenger journey with an authentic Austin and Central Texas experience.

The AEDP will not only enhance the infrastructure of Central Texas's largest airport but also play a significant role in driving the growth of local businesses. No local Austin tax dollars will be used in these improvements as AUS is self-sustaining by generating its own revenue and by using FAA grants, future revenue bond proceeds and airport cash reserves to fund the AEDP.

By the early 2030s, the AEDP will deliver a new 20+ Gate Concourse B, a new Arrivals and Departures Hall, improved and realigned airport roadways and terminal curbsides, new airfield infrastructure and the required utilities to support, making this the largest expansion and modernization effort in the history of AUS.