



Revenue Guarantee Program City of Chico – 2021

April 30, 2021

Goal – The goal of this program, called the Revenue Guarantee Fund or Minimum Revenue Guarantee Fund (MRG), is to assure that a commercial airline contracting with the City of Chico for provision of commercial air service is guaranteed at least break-even revenue for an initial start-up period of two years commencing with the initiation of service. The intent is that until air service is fully established in Chico, the airline is assured of at least break-even and perhaps minimally profitable revenue on flights that do not achieve sufficient passenger occupancy revenue to cover the expenses of that flight. To achieve a level of interest by an airline, our goal will be to reach ~\$1 Million per year. JetChico and the Airport Manger believe that the population of the catchment area is sufficient to reach this goal.

Funding Sources – This important aspect of Chico's airline incentive package will receive its funding from three sources.

- Direct funding of the MRG by donations from businesses or individuals who are interested in supporting the economic development of the community and helping to establish commercial air service to our area.
- City funding in the form of fee waivers and/or reduced rents and paid airline marketing and advertising.
- Grants – The Department of Transportation Small Community Air Service Development (SCASD) Grant received by the City in 2020. Unlike the FAA Airport Improvement Program (AIP) funds identified for airport capital improvement projects, the SCASD grant can be used for our MRG as a subsidy as well as, advertising, marketing, studies and other startup costs associated with initiating Commercial Air Service.

How it Works – Once an airline begins service, the start-up period of 2 years begins. As long any individual flight, to or from Chico, sells sufficient seats for the airline to at least cover its costs in operating that flight, the city does not become involved. Should any such flight not reach sales revenue sufficient to cover its costs, the flight becomes eligible for financial assistance from the City's MRG fund. This reimbursement would cover the airline's costs for that flight. It is envisioned that the airline would submit an invoice summarizing a total of such flights and the



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revenue shortfall on a quarterly basis. This would be submitted to the Airport Administration for review and subsequent compensation. Conditions for this payment could possibly include the following and are subject to negotiation between the City and the carrier:

- Airline cost summary for each flight
- Total ticket revenue for each flight
- Occupancy shortfall for each flight
- Revenue shortfall for each flight
- Total revenue shortfall
- Proposals for operational changes that might mitigate ongoing issues, if any.

Such a guarantee would allow the airline to cover its start up costs for the first two years of service.

Fund Escrow – All funds received for the Minimum Revenue Guarantee fund from any source (business or private) will be held in an Escrow account by a local bank (TBD) in the name of the City of Chico. These funds will be administered by the Airport Administration and can only be distributed to the airline partner in the program and only upon receipt of a valid quarterly invoice from that airline.

Fund residual – There are two parts to this residual. First; should the City fail to secure airline service by X months after the program initiation, the funds will be returned to the participants in full. Second; at the end of the 2-year start-up period, if air service is initiated and becomes self-sustainable, any residual unused funds in the MRG program, including accrued interest on these funds, will be returned to the participants in proportion to the original participation percentage.

Questions can be referred to the Airport Manager (City of Chico) – 530-896-7216