



Airport

DATE: February 13, 2024

FROM: Greg Haug, Airport Director

ITEM: Incentive Package for Allegiant Air's Route Between Bismarck Airport and St. Petersburg/Clearwater Airport

REQUEST:

Approve incentive package recommendation for Allegiant Air's new route between Bismarck Airport and St. Petersburg/Clearwater Airport.

BACKGROUND INFORMATION:

Since 2004, the Airport has had an airline incentive program designed to help airlines offset initial startup costs and create awareness when starting a new route at Bismarck. For a route to be eligible for incentives, the route must be non-stop service and be a top 20 destination for the airport. Eligible routes may be offered incentives in the form of fee waivers and marketing assistance. Marketing incentives can be used for up to 24 months. Airport staff reviews each request and considers the appropriate incentives based on the specifics of the route including whether the new route is seasonal or yearly, how often per week it is flown and whether it is already being served. The current program was approved by the City Commission in 2011 and is included at Enclosure 1.

The approved Airport incentive program has been utilized several times in the past 10 years for new service.

- 2013 – Seasonal twice weekly Allegiant service to Orlando/Sanford received \$50,000 in marketing and one year of fee waivers
- 2014 – Daily American service to Dallas/Ft. Worth and Chicago O'Hare received \$50,000 marketing and two years of fee waivers per route.
- 2020 – Seasonal daily American Service to Phoenix Sky Harbor received \$25,000 in marketing assistance and one year of fee waivers.

In November, Allegiant Airlines announced new twice weekly service between St. Petersburg/Clearwater Airport and Bismarck Airport starting May 15, 2024. Allegiant inquired if the route was eligible for any incentives under the Airport's current incentive program. Upon review, Airport Staff found that St. Petersburg/Clearwater Airport is a market within the top 20 destinations for the airport, is non-stop service and therefore is eligible for an incentive package. Based on past incentives, Airport Staff is recommending approval of \$50,000 in

marketing and one year of fee waivers worth approximately \$101,000 for a combined total incentive package of \$151,000, Enclosure 2.

The marketing assistance would be available for 24 months starting February 15, 2024. The fee waiver would be in effect from May 15, 2024 through May 14, 2025. The marketing funds would be used by Allegiant for marketing the new route on multiple mediums including digital, social media, billboard, radio, TV and the inaugural flight promotion at the airport on May 15, 2024. Enclosure 3 includes the forms Allegiant has requested we complete and sign approving the incentive program.

The Airport reserves \$50,000 of its advertising and promotions budget every year for new route marketing incentives. Waived fees are not calculated into the airport's revenue projection in any budget year, so the fee waiver does not influence the airport's annual budget. In fact, the additional passengers from the new route will increase revenue from our concessionaires through increased parking and restaurant usage as well as increase Airport passenger facility charge collections.

RECOMMENDED CITY COMMISSION ACTION:

Approve Airport Staff's recommended incentive program for Allegiant Air's new route between Bismarck Airport and St. Petersburg/Clearwater Airport and authorize staff to execute the necessary paperwork with Allegiant to authorize the incentive program.

STAFF CONTACT INFORMATION:

Tim Thorsen, Assistant Airport Director, 701-355-1806, tthorsen@bismarcknd.gov

ATTACHMENTS:

1. AIR - 1



**BISMARCK AIRPORT
CITY OF BISMARCK, ND
AIR SERVICE DEVELOPMENT INCENTIVE PROGRAM**

The purpose of the Air Service Development Incentive Program ("incentive program") is to encourage new, non-stop air service and competition at the Bismarck Airport by providing temporary assistance to an airline beginning new, nonstop service to a destination within the Bismarck Airport's "Top 20 O & D passenger markets".

1. Incentive program will be offered to all airlines on a reasonable, non-discriminatory basis who meet the above requirement subject to funding availability. If funds allocated for the incentive program in any fiscal year have been depleted, no further incentives may be available until the following year.
2. Incentive program will be offered for an agreed upon start up period not to exceed 24 consecutive calendar months and in conjunction with all applicable Federal, State, and Local laws.
3. Financial incentives for qualifying routes include:
 - a. Waiver of specific fees (i.e. landing fees, terminal use charges, and jet bridge charges)
 - b. Marketing/advertising initiatives not to exceed \$50,000 in 24 consecutive calendar months in accordance with Federal, State, and Local laws (subject to Airport's approval).
4. Air carriers who increase the frequency of flights per week to a Top 20 O & D passenger market on a route they currently fly would not be eligible for the incentive program. However, this excludes a carrier that is currently receiving an incentive from Bismarck Airport under this program during the agreed upon incentive period.
5. An air carrier may not qualify for the incentive program if it has previously flown the proposed route within the last 12 months and took the incentive program offered, but cancelled the service and is proposing to fly the route again.

Enclosure

2024 Allegiant St. Petersburg/Clearwater Airport Service Incentives

Allegiant Costs Est.

Total Cost Per Flight

DEPARTURE LOUNGE AREA %	\$	119.12
LANDING FEES	\$	172.98
SECURITY CHARGES %	\$	404.31
ARFF CHARGES %	\$	237.11
LOADING BRIDGE (JETWAY)	\$	25.33
MISC. FEES & CHARGES	\$	12.36
Total	\$	971.20

Fee Waiver Calculation

Allegiant's Cost Per Flight	\$	971.20
Number of Flight per week		2
Total Cost per week	\$	1,942.40
Number of Weeks		52
Total Fee Waiver For 1 Year (EST.)	\$	<u>101,004.95</u>

Marketing Incentive 2024/2025

Allegiant Marketing		\$45,000
Airport Inaugural Promotional Event		<u>\$5,000</u>
Total Marketing Incentive		<u>\$50,000</u>

Total Incentive 1 year waiver	\$	151,004.95
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Enclosure 2



Airport Incentive for New Route Summary

Thank you for your support. Please take a few moments to fill out the following form to ensure we appropriately capture the Airport Incentives available for this new route.

Airport Name:	Bismarck Airport (KBIS)
New Route being served by Allegiant:	St. Petersburg/Clearwater International Airport
Announced Date:	November 16, 2023
First Flight:	May 15, 2024
Seasonality:	Unsure at this time
Primary Schedule:	Wednesday and Saturday
Is this route currently served by another carrier? - If yes, who?	No.
Does this new route qualify for an Airport incentive?	Yes.
If yes, please provide details: (Attach airport Incentive Plan, if preferred.)	\$50,000 in marketing funding to promote the new route. \$100,000 (estimate) in operational fee waivers for the route. Fees include landing fees, ARFF fees, terminal usage fees.
What is valid term for the Airport Incentives?	Marketing 24 months February 15, 2024 – February 14, 2026 Operational Fee Waivers 12 Months May 15, 2024 – May 14, 2025
What is the estimated value of the Incentives?	\$150,000
Comments:	For the marketing incentive, Allegiant will receive \$45,000 to market the route using their marketing firm and the airport will retain \$5,000 for an inaugural promotional event to held at the airport on May 15, 2024.

Date: _____
Airport Representative

Date: _____
Allegiant Representative

Enclosure 3



Co-op Marketing Fund Summary

Thank you for your support. Please take a few moments to fill out the following form to ensure we appropriately utilize the available marketing funds to the fullest extent.

Airport Name: Bismarck Airport

Airport Marketing Contact (who will approve use of funds?): Greg Haug

Billing Contact (if different): Matthew Remyse

Billing Address: P.O. Box 991 Bismarck, ND 58502

Total amount of funds available: \$50,000.00 (\$45,000 advertising and marketing + \$5,000.00 for Airport Inaugural event)

(When are funds available to start? February 15, 2024

When do these funds expire? May 31, 2025

Deadline for to receive final invoice: June 15, 2025

End of Fiscal Year?: December 31.

Is there a specific route the funds must be used for?: Bismarck to St. Petersburg/Clearwater

What is the percentage of reimbursement (Dollar for dollar match 50/50 or 100% without match)? 100% no match required.

In order to effectively message with a price point call to action as well as save on placement fees, Allegiant prefers to make the media placements and bill you for these costs with appropriate documentation. If this is not permitted, please explain why:

How are funds required to be processed? An invoice must be sent to the billing contact each month from the ad agency.

Please specify any media outlets or geographic areas that these funds may not be applied to? Fargo, ND region.

Is a logo required? [X] Yes or [] No

Allegiant works diligently to ensure co-op funds are utilized with great efficiency and that its brand is represented accurately and consistently. We will work with you to ensure that you have the opportunity to review all media plans utilizing co-op funds and all creative utilizing your logos. We ask that in return we have the opportunity to review any placements you may make on our behalf. We also require that we have an opportunity to review and approve any use of our name or logo in your advertising/marketing efforts.

Thank you again for your support.

Date: _____
Airport Representative

Date: _____
Allegiant Representative