



Michael J. Garcia, Mayor

DATE: August 26, 2026

TO: Public Works & Utilities, Finance Committee, Governing Body

FROM: John Dickinson, Airport Director

VIA: Kelly Bynon, Administrative Manager

ITEM AND ISSUE:

Request for Approval of a Budget Adjustment Resolution (BAR) in the Total Amount of \$800,000 to increase the Airport Fund using Lodgers Tax.

BACKGROUND AND SUMMARY:

The City of Santa Fe entered into a Minimum Revenue Guarantee (MRG) contract with American Airlines for \$1,800,000 in October 2025. The contract was awarded to American Airlines under RFP #25161 for the purpose of operating a new commercial flight between LAX and SAF. A portion of the total financial commitment of the contract was supported by a Rural Air Service Assistance grant from New Mexico Department of Transportation Aviation Division that totaled \$1,000,000.

Under the terms of this contract, American Airlines was required to offer a daily flight to and from LAX for the period of October 6, 2025 – October 4, 2026. The Airport was responsible for payments to American Airlines in the event of a revenue shortfall which would be invoiced by American Airlines to the Airport quarterly. The amount the Airport was responsible to pay to American was not to exceed \$1,800,000. The Airport received 3 invoices from American airlines on March 11 for \$709,901, June 22 for \$771,027, and August 3 for \$319,072. The first two invoices totaling \$1,480,928 have been paid to American Airlines using the \$1,000,000 grant funding and \$480,928 of Airport Funds.

However, we have recently been made aware that under FAA Grant Assurance #25, the Airport strictly prohibited from using airport revenues to fund an MRG. Therefore, in order to maintain our compliance with the FAA while still upholding the contract entered with American, we are requesting to use Lodgers Tax to pay the amount of \$800,000 to American

City Council

Alma G. Castro, District 1
Patricia Feghali, District 1

Elizabeth "Liz" Barrett, District 2
Paul C. Bustamante, District 2

Lee Garcia, Mayor Pro Tem, District 3
Pilar F.H. Faulkner, District 3

Jamie Cassutt, District 4
Amanda Chavez, District 4

Airlines . This has been determined an appropriate use of Lodger's Tax Revenues as it helps to promote overnight visitor traffic to the Cit of Santa Fe.

ACTION:

Approval of a Budget Amendment Resolution (BAR) in the Total Amount of \$800,000 to increase the Airport Fund using Lodgers Tax.

COMMITTEE REVIEW:

Public Works & Utilities: 08/31/26

Finance Committee: 09/08/26

Governing Body: 09/09/26

Log # {Finance use <u>only</u> }:	
Journal # {Finance use <u>only</u> }:	

City of Santa Fe, New Mexico

BUDGET ADJUSTMENT REQUEST (BAR)

DEPARTMENT / DIVISION NAME Airport				DATE 7/31/2026	
ITEM DESCRIPTION	ORG	OBJECT	PROJECT	INCREASE	DECREASE
<u>EXPENDITURES</u>				<i>{enter as positive #}</i>	<i>{enter as negative #}</i>
Airport - Grants & Services	5456050	510400		800,000	
Lodgers Tax - Transfer to Airport Fund	2130001	750545		800,000	
<u>REVENUES</u>				<i>{enter as negative #}</i>	<i>{enter as positive #}</i>
Airport Fund - Transfer from Lodgers Tax	5456050	650213		(800,000)	
JUSTIFICATION: <i>(use additional page if needed)</i> --Attach supporting documentation/memo				\$ 800,000	\$ -

Transfer of funds from Lodgers Tax to Airport Fund to pay a minimum revenue guarantee contract to American Airlines		<i>{Complete section below if BAR results in a net change to ANY Fund}</i>	
		Fund(s) Affected 213	Fund Balance Increase/(Decrease) (800,000)
TOTAL:		(800,000)	

Kelly Bynon Prepared By {print name}		<i>{Use this form for Finance Committee/ City Council agenda items ONLY}</i>		Budget Officer	
		CITY COUNCIL APPROVAL			
Division Director Signature {optional}	Date	City Council Approval Date		Finance Director {≤ \$5,000}	Date
Department Director Signature	Date	Agenda Item #:		City Manager {≤ \$60,000}	Date