

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM
AVIATION DEPARTMENT**

TO: Mayor and City Council

FROM: Kevin C. Dolliole, Aviation Director

THROUGH: Terry M. Brechtel, City Manager

COPIES: Christopher J. Brady, Budget, City Attorney's Office, Finance, File

SUBJECT: Air Service Development Incentive for Continental Airlines

DATE: April 24, 2003

SUMMARY & RECOMMENDATION

The San Antonio Air Service Development Incentive Program (Incentive Program), presented to City Council in B Session on October 25, 2001, was developed as part of the overall effort by the City to increase air service to the community. The proposed ordinance authorizes payment in an amount not to exceed \$25,000.00 to Continental Airlines for advertising expenses, as a result of the air carrier's initiation of new nonstop service to Cleveland, Ohio effective May 2, 2003. The Aviation Department's Fiscal Year 2003 budget included funds to implement the Incentive Program, which includes financial support for advertising to any air carrier introducing new daily nonstop flights to a currently unserved destination. Continental Airlines was the first air carrier to provide new nonstop service to Cleveland, Ohio, which makes it eligible to participate under the San Antonio Air Service Development Incentive Program. The service will be provided with a fast, quiet 50-passenger ExpressJet.

Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

Development of air service is one of four goals stipulated in the Aviation Industry Strategic Plan. To this end the City Council approved a contract on February 8, 2001 with Kiehl Hendrickson Group to analyze San Antonio's market and determine new air service opportunities, as well as assist the Aviation Department with community outreach and development of an air service incentive program. The resulting market analysis, list of destinations targeted for improved air service and the Incentive Program were presented to City Council in "B" Session on October 25, 2001.

With City Council's approval of the Aviation Department's Fiscal Year 2003 budget, \$200,000.00 was budgeted for implementation of the Air Service Development Incentive Program. Continental Airlines will initiate a once-daily nonstop flight to the formerly unserved

market of Cleveland, Ohio on May 2, 2003 using the 50-passenger ExpressJet. It is therefore recommended that City Council approve payment of \$25,000.00 to Continental Airlines for the new nonstop flight destination. The total of \$25,000.00 is to be spent locally in support of the Continental's advertising campaign and is to promote the new air service to Cleveland, Ohio.

POLICY ANALYSIS

This action is consistent with City Council's policy to encourage additional nonstop air service from San Antonio to unserved markets pursuant to the Incentive Program.

FISCAL IMPACT

The amount of \$200,000.00 was established as part of the FY 2002-03 Aviation Department budget for the Incentive Program. Payment to Continental Airlines not to exceed \$25,000.00 will be made from Airport funds.

SUPPLEMENTARY COMMENTS

To gain new or additional service, many U.S. communities and the airports have developed creative ways to improve the odds of their selection, including the use of incentives. The San Antonio Air Service Development Incentive Program offers incentives similar to those at other airports and includes some of the following eligibility elements:


- \$50,000 is available to the first air carrier that begins scheduled nonstop service to a new destination from San Antonio, providing at a minimum one (1) daily round-trip frequency, five (5) days per week, on a "mainline" jet aircraft (e.g., Boeing 737, MD-80, DC-9, etc. configured with a minimum of 80 seats or greater).
- Advertising support, up to a "maximum" of \$50,000, is available to the first air carrier providing at a "minimum" of two (2) new daily frequencies, five (5) days per week, on a regional jet aircraft (e.g., Canadair CRJ, F-27 or F-28-1000), usually configured with between 35 and 79 seats to a new destination from San Antonio. Under the same aircraft criterion, \$25,000 is available for a single new daily frequency to an unserved market.
- Under the paid advertising portion of the Program, the Airport will offer to advertise, on behalf of the carrier, in the local area over the course of a one-year period following the initiation of the new scheduled service. At the air carrier's option, this may take the form of matching funds for cooperative advertising or a reimbursement payment to the airline, all of which must be for San Antonio International Airport destination-specific advertising.
- The advertising incentive will be available to only the first airline to announce and initiate new scheduled jet service in the new destination market.

- The advertising incentive will be available to both signatory and non-signatory airlines provided that the airline has signed the City of San Antonio's signatory *Airline-Airport Use and Lease Agreement* or non-signatory *Airline-Airport Operating Permit Agreement*.

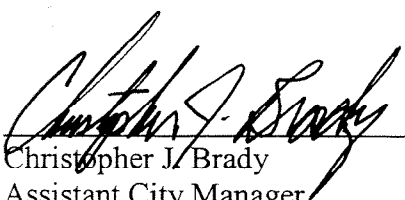
The Incentive Program also includes other direct marketing and promotions for new air service such as announcements via press releases; advertisements on the airport billboard, located at the corner of U.S. Highway 281 and South Terminal Drive; advertisements in the Flight Guide; and news articles in the *Flight Plan*.

The Ethics Disclosure form signed by Continental Airlines is attached.

SIGNATURES

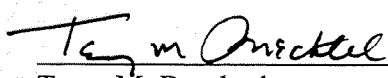


Kevin C. Dolliole
Aviation Director



Christopher J. Brady
Assistant City Manager

Approved:



Terry M. Brechtel
City Manager

City of San Antonio
Discretionary Contracts Disclosure*

*For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2
Attach additional sheets if space provided is not sufficient.
State "Not Applicable" for questions that do not apply.*

** This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.*

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any **individual** who would be a party to the discretionary contract:

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

Continental Airlines

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

and the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

- (3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

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Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Signature: 	Title: <i>Manager, Strategic Planning</i> Company: <i>Continental Airlines</i>	Date: <i>3-13-03</i>

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.