

**CITY OF SAN ANTONIO
AVIATION DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Mayor and City Council

FROM: Kevin C. Dolliole, Aviation Director

SUBJECT: Air Service Development Incentive for United Airlines

DATE: March 10, 2005

SUMMARY & RECOMMENDATION

This ordinance authorizes payment in an amount not to exceed \$50,000.00 to United Airlines for advertising and promotional expenses, as a result of the air carrier's initiation of new nonstop service to San Francisco, CA effective April 3, 2005. The Aviation Department's Fiscal Year 2005 Budget included funds to implement the San Antonio Air Service Incentive Program (Incentive Program), which includes financial support for advertising to any air carrier introducing new daily nonstop flights on a currently unserved route. United Airlines was the first air carrier to provide new nonstop service to San Francisco, CA, which makes it eligible to participate under the Incentive Program.

Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

The Incentive Program was first presented to City Council in B Session on October 25, 2001. It was developed as part of the overall effort by the City to increase air service to the community. 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 listed destinations targeted for improved air service and San Francisco, CA was included.

United Airlines will initiate the once-daily nonstop flight to the formerly unserved market of San Francisco (SFO) International Airport on April 3, 2005 using the 66-passenger United Express carrier SkyWest Airlines. The air carrier will also on that date start nonstop flights to the already served Los Angeles (LAX) International Airport.

It is therefore recommended that City Council approve payment of \$50,000.00 to United Airlines for the new nonstop flight destination. The total of \$50,000.00 is to be spent locally in support of the United's advertising and promotional campaign for the new air service to San Francisco, CA.

With City Council's approval of the Incentive Program, the Aviation Department's subsequent and current fiscal year budgets have included \$200,000.00 for implementation of the Incentive Program.

POLICY ANALYSIS

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

FISCAL IMPACT

The amount of \$200,000.00 was established as part of the FY 2004-05 Aviation Department budget for the Incentive Program. Payment to United Airlines not to exceed \$50,000.00 will be made from Airport funds.

SUPPLEMENTARY COMMENTS

To gain new or additional service, many U.S. communities and 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:

- \$100,000 is available to the first air carrier that begins a new scheduled nonstop route to a U.S. or international 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 a new route with a "minimum" one (1) new daily frequencies, five (5) days per week, on a regional jet (RJ) aircraft (e.g., Canadair CRJ, F-27 or Embraer ERJ, Fairchild FRJ, etc.), usually configured with between 35 and 79 seats to a new destination from San Antonio. Alternatively, should an air carrier initiate two (2) frequencies on the same route using a regional jet, a maximum of \$100,000 is available for advertising support of the new service. The two daily frequencies must commence "simultaneously" in order to equate to a single mainline new nonstop flight and be eligible for the \$100,000 in advertising support.
- Under the paid advertising portion of the Incentive Program, the funds may be expended 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.

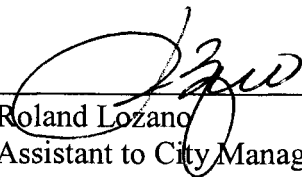
- The paid advertising incentive is available to only the first airline to announce and initiate new scheduled jet service on the unserved route.
- The advertising incentive is available to both signatory and non-signatory airlines provided that the airline has signed the City of San Antonio's signatory *Airline-Airport Use and Lease Agreement* or non-signatory *Airline-Airport Operating Permit Agreement*.

The Aviation Department also includes in the Incentive Program other direct marketing and promotions for new air service such as announcements via press releases; assistance with inaugural celebrations; 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 United Airlines is attached.



Kevin C. Dolliole
Aviation Director



Roland Lozano
Assistant to City Manager



J. Rolando Bono
Interim 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:

NOT APPLICABLE

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

United Airlines

and the name of:

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

NOT APPLICABLE

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;

NOT APPLICABLE

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.

NOT APPLICABLE

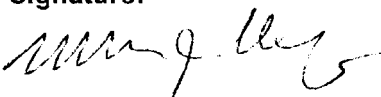
Political Contributions

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:
NOT APPLICABLE		

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.

NOT APPLICABLE		
Signature: 	Title: <i>MD Marketing Planning</i> Company: <i>United Artists, Inc.</i>	Date: <i>3/4/05</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.