

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

TO: Sheryl Sculley, City Manager
FROM: Mark H. Webb, Interim Aviation Director
SUBJECT: Air Service Development Incentive for Southwest Airlines
DATE: February 16, 2006

SUMMARY & RECOMMENDATION

An ordinance authorizing payment from Airport Funds in accordance with the San Antonio Air Service Incentive Program in an amount not to exceed \$100,000.00 to Southwest Airlines for reimbursement of advertising and promotional expenses, as a result of the air carrier's initiation of a new non-stop route between San Antonio and San Diego, California on February 5, 2006.

Staff recommends approval of this ordinance.

BACKGROUND INFORMATION

The Aviation Department's Fiscal Year 2006 Budget includes 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 non-stop flights on a currently unserved route. The Incentive Program was first presented to City Council in B Session on October 25, 2001 with subsequent limited reimbursements for advertising expenses made to air carriers meeting specific criterion.

Development of air service is one of four goals stipulated in the Aviation Industry Strategic Plan as a facilitator of the City's overall goals for economic development and business expansion. Corporate meeting planners place a high priority on the in-flight services available to targeted destinations when selecting a possible convention/conference site. Ease of accessibility through non-stops flights can be a deciding factor when choosing or not choosing San Antonio as a convention/conference location. This Incentive Program was developed as part of the overall effort by the City Council to increase non-stop flights to the community and to grow San Antonio as a convention and visitor destination. Corporations with emphasis on travel consider easy access to their sales markets as a necessity to successfully facilitating and expanding their operations. Increasing non-stops flights to and from San Antonio will assist in attracting new businesses and growing existing businesses.

The Aviation Department has specifically targeted San Diego, CA in several presentations made to Southwest Airlines. San Diego is one of San Antonio's largest origination and destination (O&D) markets with over 93,000 O&D passengers annually. Southwest Airlines initiated the once-daily non-stop flight to the formerly unserved San Diego, CA on February 5, 2006 using a 137-seat Boeing 737-700. On February 5, 2006, Southwest Airlines also added additional service on existing served routes to Orlando, FL and Nashville, TN for a total of two daily nonstop flights to each of these destinations.

In addition to San Diego, Southwest Airlines provides non-stop service to 12 destinations and a total of 49 daily departures from San Antonio International Airport. For 2005, Southwest is projected to fly slightly over 2.5 million San Antonio passengers, which represents approximately 36 percent of the projected total of 7.5 million for that year. In rentals and fees, Southwest Airlines paid the City \$4.3 million during fiscal year 2004-2005. This is expected to increase in fiscal year 2005-2006 with additional flights scheduled to start during the first quarter.

For this fiscal year, City Council has awarded reimbursement to three airlines for three eligible new non-stop routes. Approval of this ordinance to reimburse Southwest Airlines for its initiation of new non-stop service to San Diego, CA on February 5, 2006 will bring the total awards for eligible incentive funds to four during Fiscal Year 2006. The Aviation Department anticipates bringing to City Council in early March an additional incentive package to reimburse United Airlines' for advertising and promotion of its proposed new non-stop flights on six unserved routes from San Antonio to Colorado Springs, CO, Albuquerque, NM, Oklahoma and Tulsa, OK, Omaha, NB and New Orleans, LA starting in late February and early March.

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 Aviation Department's Fiscal Year 2006 Budget includes funds to implement the Incentive Program, which includes reimbursement for advertising expenses to any air carrier introducing new daily non-stop flights on a currently unserved route. Payment to Southwest Airlines, not to exceed \$100,000.00, will be made from Airport self-generated funds. This sum will be recovered through additional airline rentals and fees, as well as parking revenues generated at the Airport.

COORDINATION

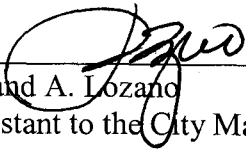
This request for ordinance has been coordinated with the following departments: Finance, Management and Budget and the City Attorney's Office.

SUPPLEMENTARY COMMENTS

The Ethics Disclosure form signed by Southwest Airlines is attached.



Mark H. Webb
Interim Aviation Director



Roland A. Lozano
Assistant to the City Manager

Approved for Council Consideration:



Sheryl Sculley
City Manager

(5) Political Contributions

List all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made 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 Box (1), (2), (3) or (4) above, or by the officers, owners of any business entity listed in Box (1), (2) or (3):

☒ No contributions made; If contributions made, list below:

By Whom Made:	To Whom Made:	Amount:	Date of Contribution:

(6) Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city must disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 2-43 of the City Code (Ethics Code), ("conflicts of interest") by participating in official action relating to the discretionary contract.

☒ Party not aware of facts which would raise a "conflicts-of-interest" issue under Section 2-43 of the City Code; or

Party aware of the following facts:

This form is required to be supplemented in the event there is any change in the information 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, whichever occurs first.

Signature: <i>Brooke Tubert</i>	Title: <i>Mktg Specialist</i> Company or D/B/A: <i>Southwest Airlines</i>	Date: <i>1/27/06</i>
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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.

City of San Antonio Discretionary Contracts Disclosure

*For use of this form, see Section 2-59 through 2-61 of the City Code (Ethics Code)
Attach additional sheets if space provided is not sufficient.*

(1) Identify any individual or business entity¹ that is a party to the discretionary contract.
Southwest Airlines Co. 2702 Love Field Drive Dallas, TX 75235

(2) Identify any individual or business entity which is a <i>partner, parent</i> or <i>subsidiary</i> business entity, of any individual or business entity identified above in Box (1):
X No partner, parent or subsidiary; or List partner, parent or subsidiary of each party to the contract and identify the corresponding party:

(3) Identify any individual or business entity that would be a <i>subcontractor</i> on the discretionary contract.
X No subcontractor(s); or List subcontractors:

(4) Identify any <i>lobbyist</i> or <i>public relations firm</i> employed by any party to the discretionary contract for purposes related to seeking the discretionary contract.
X No lobbyist or public relations firm employed; or List lobbyists or public relations firms:

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. A sole proprietor should list the name of the individual and the d/b/a, if any.