

**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 Program Enhancement  
**DATE:** May 4, 2006

**SUMMARY & RECOMMENDATION**

An ordinance revising the City's Air Service Development Incentive Program to expand certain incentives for initiation of daily scheduled non-stop service to new domestic and international routes and to specifically offer a one-time incentive targeting the initiation of new low-fare jet service to Monterrey, Mexico, through the offer of reimbursement incentives for advertising and promotion of these flights.

Staff recommends approval of this ordinance.

**BACKGROUND INFORMATION**

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. The Air Service Development Incentive Program was developed as part of the overall effort by the City Council to increase non-stop flights to the community in order to grow San Antonio's business interests and the City as a convention and visitor destination. To further San Antonio's growing business interests with Mexico and City Council's desire to improve air service between San Antonio and Mexico destinations, in particular Monterrey, Mexico, revisions and expansion of the City's Air Service Development Incentive Program are recommended.

The current program is available to the first air carrier that provides new daily scheduled non-stop routes from the San Antonio to unserved markets. It currently provides various levels of reimbursement incentives for attracting new daily non-stop service without distinction between domestic and international routes. The proposed revision to this program contains three categories for air service incentive reimbursement to an air carrier for advertising new air service in the San Antonio market: domestic; international; and a one-time incentive to target low-fare jet service to the currently served Monterrey, Mexico.

San Antonio's Incentive Program currently offers advertising/promotional reimbursement for initiation of new service on routes from San Antonio to unserved destinations within the continental U. S. under a two-tiered program at \$50,000 and \$100,000 levels. The Incentive

Program is revised to offer a three-tiered program of advertising reimbursement incentives under the following conditions:

- a) For new mainline aircraft routes, a maximum of \$100,000 is available to the first air carrier that begins a new scheduled non-stop route providing at a minimum one (1) daily round-trip frequency, five (5) days per week, on aircraft configured with 80 seats or greater.
- b) To address the new generation of mid-size regional jets (RJs), a maximum of \$75,000 is available to the first air carrier that begins serving a new scheduled non-stop route providing a minimum of one (1) daily round-trip frequency, five (5) days per week, on a RJ configured with between 51 and 79 seats.
- c) For RJs with between 35 and 50 seats, a maximum of \$50,000 is available to the first air carrier providing non-stop flights on a new route with a minimum of one (1) new daily frequency, five (5) days per week. Alternatively, should an air carrier initiate two (2) frequencies within 120 days from the initiation date of the first new non-stop flight on the same route using a 35 to 50-seat regional jet, a maximum of \$100,000.00 is available for reimbursement of advertising that is in support of the new service.

In recognition of the growing importance of linking San Antonio with international markets, and further promoting our community as a global trade and tourism partner, the Incentive Program is revised to offer advertising/promotional reimbursement incentives for initiation of new international air service routes from San Antonio under the following conditions:

- a) A maximum of \$200,000 for a minimum of five (5) flights per week on a year-round basis with mainline jet aircraft (as defined in "paragraph a" above).
- b) A maximum of \$150,000 for a minimum of three (3) flights per week on a year-round basis using mainline jet aircraft (as configured in "paragraph a" above) or a minimum of one (1) daily round-trip frequency, five (5) days per week, on a regional jet (as configured in "paragraph b" above).
- c) A maximum of \$100,000 for a minimum of five (5) flights per week on a year-round basis using on a regional jet aircraft configured with between 35 and 50 seats.

San Antonio currently has non-stop service to Monterrey, Mexico on a 35-seat, turbo prop Saab aircraft. However, recognizing the growing trade and commerce between San Antonio and Monterrey, Mexico and the desire of the City Council to garner jet service to this highly valued Mexico market – San Antonio's Sister City, a special one-time incentive for reimbursing advertising expenses will be available to the first air carrier to initiate *low-fare non-stop flights using jet aircraft* under the criterion described above for international air service.

Continuation of the Air Service Development Incentive Program and the offer to reimburse air carriers for advertising expenses on new routes are contingent upon future budget approvals. Each award under the Incentive Program is subject to approval by City Council.

### **POLICY ANALYSIS**

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

### **FISCAL IMPACT**

There is no fiscal impact associated with consideration of this ordinance. Each award under the Incentive Program is subject to approval by City Council.

### **COORDINATION**

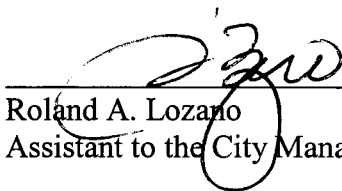
This request for ordinance has been coordinated with the following departments: Finance, Management & Budget, and the City Attorney's Office.

### **SUPPLEMENTARY COMMENTS**

The Ethics Disclosure form is not required for this ordinance.

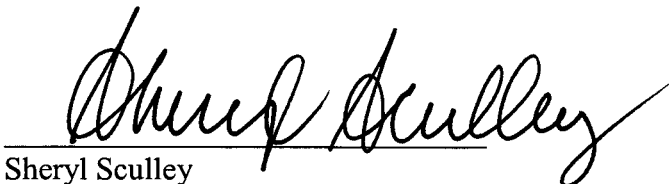


Mark H. Webb  
Interim Aviation Director



Roland A. Lozano  
Assistant to the City Manager

Approved for Council Consideration:



Sheryl Sculley  
City Manager