

ORDINANCE 2019-12-12-1056

AUTHORIZING THE SAN ANTONIO INTERNATIONAL AIRPORT AIR SERVICE INCENTIVE PROGRAM TO INCREASE NONSTOP SCHEDULED AIR SERVICE AND PASSENGER TRAFFIC AND TO SUSTAIN THIS SERVICE, FUNDED FROM THE AIRPORT OPERATING AND MAINTENANCE FUND.

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WHEREAS, the current Air Service Incentive Program for the San Antonio International Airport was approved by City Council in November 2015 and updated in May 2016; and

WHEREAS, the Aviation Department has revised the program to increase competitiveness and streamline the program language; **NOW THEREFORE**,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:


SECTION 1. The revised San Antonio International Airport Air Service Incentive Program and Agreement are approved and authorized to be implemented as written, copies of which are set out in **EXHIBITS 1 and 2.**

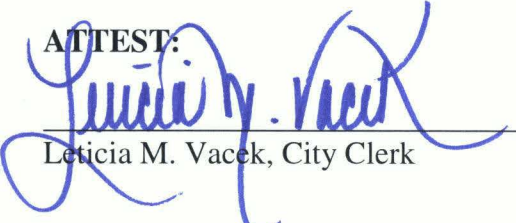
SECTION 2. Funding in the amount of \$800,000.00 for this ordinance is available in Fund 51001000, Cost Center 3305010004, and General Ledger 5201040 as part of the Fiscal Year 2020 budget.

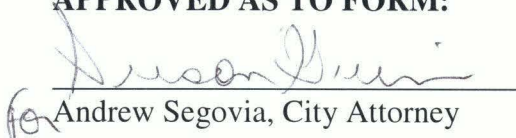
SECTION 3. The financial allocations in this Ordinance are subject to approval by the Deputy Chief Financial Officer, City of San Antonio. The Deputy Chief Financial Officer may, subject to concurrence by the City Manager or the City Manager's designee, correct allocations to specific Cost Centers, WBS Elements, Internal Orders, General Ledger Accounts, and Fund Numbers as necessary to carry out the purpose of this Ordinance.

SECTION 4. This Ordinance is effective immediately upon the receipt of eight affirmative votes; otherwise, it is effective ten days after passage.

PASSED and APPROVED this 12th day of December, 2019.


M A Y O R
Ron Nirenberg

ATTEST:

Leticia M. Vacek, City Clerk

APPROVED AS TO FORM:

for Andrew Segovia, City Attorney

Agenda Item:	29 (in consent vote: 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18A, 18B, 18C, 18D, 18E, 19, 20, 21, 22, 23, 24, 25, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 39, 41A, 41B, 42A, 42B, 42C, 42D, 43, Z-1)						
Date:	12/12/2019						
Time:	09:40:36 AM						
Vote Type:	Motion to Approve						
Description:	Ordinance approving the Air Service Incentive Program for the San Antonio International Airport to increase nonstop scheduled air service and passenger traffic and to sustain this service. This program is funded from the Airport Operating and Maintenance Fund. [Carlos Contreras, Assistant City Manager; Russell Handy, Director, Aviation]						
Result:	Passed						
Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Ron Nirenberg	Mayor		x				
Roberto C. Treviño	District 1		x				x
Jada Andrews-Sullivan	District 2		x			x	
Rebecca Viagran	District 3		x				
Adriana Rocha Garcia	District 4		x				
Shirley Gonzales	District 5		x				
Melissa Cabello Havrda	District 6		x				
Ana E. Sandoval	District 7		x				
Manny Pelaez	District 8		x				
John Courage	District 9		x				
Clayton H. Perry	District 10		x				

MAT
12/12/19
Item No. 29

EXHIBIT 1
SAN ANTONIO INTERNATIONAL AIRPORT AIR SERVICE INCENTIVE PROGRAM



Air Service Incentive Program San Antonio Airport System

Goal:

To increase nonstop scheduled air service and passenger traffic at San Antonio International Airport, and to sustain this service over the long-term.

Program Details:

- Promotional benefits offered to any air carrier announcing qualifying scheduled passenger service during a one-year period commencing on October 1.
- The amount of available Incentive funds are subject to the approval of the Aviation Department budget each fiscal year and may expire at any time during the course of the one-year period
- The program will be renewed annually each fiscal year through the approval of the Aviation Department budget.

Promotional Period:

The Promotional Period is defined as the first consecutive 12 or 24 months immediately following the initiation of eligible new service.

Qualifying Criteria:

- Carrier must offer nonstop scheduled passenger service from San Antonio International Airport to the eligible market; if service is less than daily, the marketing incentive benefit will be tiered as outlined in the table (fee waivers are not prorated as they are based on actuals)
- The carrier must provide the service for 12 or 24 consecutive months; seasonal service is also eligible; if service is seasonal the marketing incentive benefit will be prorated accordingly as detailed in the table (fee waivers are not prorated as they are based on actuals)
 - The 12-month period applies to new nonstop domestic markets and new entrant domestic carriers that are serving currently served domestic markets
 - The 24-month period applies to targeted domestic markets, all international markets and focus city qualified operations
 - Seasonal service, both domestic and international, must be maintained for a minimum of three consecutive months
- Charter operations, including operators under Parts 121, 135 and 380, are not eligible
- All conditions for receiving the benefits will be documented in an executed application between the San Antonio International Airport and the qualifying carrier which is subject to final approval by the appropriate officials at the Airport

Promotional Incentive

The Promotional Incentive includes an operational incentive and a marketing incentive; incentive amounts are outlined in Exhibit A. As part of the Aviation Department budget process each fiscal year, air service division will review and potentially modify the air service incentive prerequisites, marketing incentive levels and fee waivers to ensure the levels reflect the air service goals and available budget funds for that fiscal year.

Operational Incentive:

The Aviation Department will administer the operational incentives.

- Operational incentives are administered through credits
- Operational incentive available to carriers:
 - Waived landing fees based on actual operations
 - Waived rental fees based on either a per turn basis, or total if leased
 - Waived Federal Inspection Station (FIS) fees, if applicable

Marketing Incentive:

The Aviation Department will administer the marketing incentives.

The carrier will develop a marketing plan that will be approved by the Aviation Department Director.

The marketing plan will promote public and industry awareness of the new services offered by the carrier at San Antonio International Airport, and will promote travel to/from San Antonio International Airport

The Aviation Department is responsible for executing the marketing plan in cooperation with the carrier, when appropriate

An initial draft of the marketing plan must be submitted to the Aviation Department within 60 business days of airline's notification to the Aviation Department that the carrier intends to take the marketing incentive; if the carrier does not provide a draft marketing plan within 60 business days, the Aviation Department reserves the right to cancel the incentive

Eligible Markets

Domestic: Both targeted unserved and unserved

TARGETED MARKETS	
Washington, DC – Reagan National (DCA)	San Jose, CA (SJC)
New York LaGuardia (LGA)	Cincinnati (CVG)
Boston (BOS)	Cleveland (CLE)
Raleigh-Durham (RDU)	Columbus, OH (CMH)
Sacramento (SMF)	Pittsburgh (PIT)
Orange County (SNA)	San Juan, PR (SJU)
Indianapolis (IND)	Hawaii (all airports)

Domestic markets without scheduled or charter passenger service are eligible (unserved by scheduled or charter service as of Oct. 1 of the fiscal year).

Domestic markets that are unserved from San Antonio but had nonstop scheduled service from San Antonio within the one year prior by the same carrier announcing new service are not eligible

Domestic markets that fall under the federally subsidized Essential Air Service (EAS) program are not eligible

A new carrier (new entrant) can receive a marketing incentive even if the service they are providing is to a market that is currently served nonstop from San Antonio; note that the new carrier incentive, if it is to a market that is currently served, is only eligible for an incentive for a period of one year (12 months).

Each fiscal year as part of the annual budget process, the Aviation Department will review and update the list of targeted markets as needed.

International

All unserved international markets are eligible for an incentive for a period of two years (24 months)

The carrier adding new service must not have operated service to the market over the preceding 12-month period

Minimum Service Level

The carrier may adjust its frequency of service during the term of the agreement; however, the carrier shall not decrease the frequency of service to less than fifty percent (50%) of the initial amount of initially published service, the calculation of which will be averaged over the course of a year. If the level of service falls below 100% of the initially published schedule, but above 50%, the incentives will be adjusted to the appropriate tier in the incentive table. If the level of service falls below 50%, the incentive program will be terminated by the Airport.

Primary Carrier

The primary carrier is defined as the marketing carrier for the new service.

The Aviation Department will enter into incentive agreements with only the primary carrier.

Notice of Intent to Enter into Incentive Agreement

A carrier eligible for an incentive must notify the Aviation Department in writing within 60 days of service announcement of the intention to take advantage of the incentive.

Signed Agreement Requirement

A carrier eligible for an incentive must sign the agreement within 45 business days of receipt from the Aviation Department. If the carrier does not sign the agreement within 45 business days, the Airport reserves the right to end negotiations.

Exhibit 1

	Air Service Incentive Prerequisites	Marketing Incentive Levels	Marketing Incentives		Based on Fiscal Year Fee Waiver Budgets	Eligible Period	Seasonality
			2-4x Week	5-7x Week			
Domestic	Incentives for Initiation of Air Service on ANY New U.S. Domestic Unserved Route Other Than a Targeted Route	Marketing for EACH New Unserved Route Not Previously Served Within a 12-Month Period by Eligible Air Carrier	Year one: \$100,000	Year one: \$150,000	Landing Fees for ALL Flights Flown by Air Carrier on an Unserved Route	Year one: 100%	Domestic seasonal service (minimum 90-day service period) is applicable under Unserved Destination, One Year only
	Incentives for Initiation of Air Service on an Unserved TARGETED U.S. Domestic Route	Marketing for EACH New Unserved Targeted Route Not Previously Served Within a 12-Month Period by Eligible Air Carrier	Year one: \$150,000 Year two: \$75,000	Year one: \$300,000 Year two: \$150,000	Landing Fees for ALL Flights Flown by Air Carrier on a Targeted Unserved Route	Year one: 100% Year two: 50%	
International: Europe, South America, Asia, Middle East and Africa	Incentives for Initiation of Air Service on an Unserved International Route	Marketing for EACH New Unserved International Route Not Previously Served Within a 12-Month Period by Eligible Air Carrier	Year one: \$300,000 Year two: \$150,000	Year one: \$500,000 Year two: \$250,000	Year One: 100% Waiver of Landing & FIS Fees Year Two: 50% of Marketing, Landing Fees & FIS Fees	Year one: 100% Year two: 50%	International seasonal service (minimum 90-day service period) is applicable under Unserved Destination both Years one and two
International: North and Central America and Caribbean	Incentives for Initiation of Air Service on an Unserved International Route	Marketing for EACH New Unserved International Route Not Previously Served Within a 12-Month Period by Eligible Air Carrier	Year one: \$200,000 Year two: \$100,000	Year one: \$300,000 Year two: \$150,000	Year One: 100% Waiver of Landing & FIS Fees Year Two: 50% of Marketing, Landing Fees & FIS Fees	Year one: 100% Year two: 50%	
New Entrant Carrier	One-Time Marketing Incentive to Promote Services offered by New Entrant Air Carrier with a Minimum of 104 Departures for each Scheduled Route	New Entrant Air Carrier Marketing for 12-Month Incentivized Period	Year one: \$100,000		Landing Fees and FIS Fees for all Flights Flown by New Entrant and Eligible Terminal Rents owed to SAT	Year one: 100%	See above
Focus City	LARGE: Focus City Air Carrier Operator Serving a Minimum of 10 Served & Unserved Routes of which one Route must be Scheduled Service on an Unserved Route with 104 Annual Departures	A Large Focus City Operation by an Air Carrier may be Eligible for Marketing Incentives for up to 24 Months (Incentivized Period)	New Entrant Carrier One-Time Marketing Incentive: \$200,000		Landing Fees and FIS Fees for all Flights Flown by New Entrant and Eligible Terminal Rents owed to SAT	Year one: 100% Year two: 75%	See above
	SMALL: Focus City Air Carrier Operator Serving a Minimum of 5 Served & Unserved Routes of which one Route must be Scheduled Service on an Unserved Route with 104 Annual Departures	A Small Focus City Operation by an Air Carrier may be Eligible for Marketing Incentives for up to 24 Months (Incentivized Period)			Landing Fees and FIS Fees for all Flights Flown by New Entrant and Eligible Terminal Rents owed to SAT	Year one: 100% Year two: 50%	

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Item No. 29

EXHIBIT 2
SAN ANTONIO INTERNATIONAL AIRPORT AIR SERVICE INCENTIVE AGREEMENT

SAN ANTONIO INTERNATIONAL AIRPORT AIR SERVICE INCENTIVE AGREEMENT

This Air Service Incentive Agreement (Agreement) is entered into by and between the City of San Antonio (City), acting by and through its Aviation Director, and _____ (Air Carrier or Airline) organized and existing under the laws of the state of _____. This Agreement is entered pursuant to the terms of the San Antonio International Airport Air Service Incentive Program (SAT Incentive Program), approved by City Council on _____, a copy of which is attached hereto and incorporated herein as Attachment A. All capitalized terms not defined herein shall have the meaning given to them in the SAT Incentive Program

1. Applicable Incentive Program

Based on the Air Carrier's services being offered at the San Antonio International Airport (Airport) and the terms and conditions set out in the SAT Incentive Program, Air Carrier is currently eligible for the following incentive(s):

1.1 Marketing Incentives - The Air Carrier is a new entrant to the SAT market, offering _____ flights weekly to _____ beginning _____. Pursuant to Section E.(a) of this Agreement, the new entrant Air Carrier is eligible, in accordance with the terms and conditions of the SAT Incentive Program, for Marketing Incentives in an amount not to exceed \$_____ in the first year beginning _____.

1.2 The Airline agrees that all Marketing Incentive funds shall be utilized solely for the purpose of promoting the new San Antonio routes in marketing campaigns. The eligible Air Carrier may develop the marketing product with the Aviation Director's approval using its resources for graphic design; procurement of production and media buys; miscellaneous associated costs; and invoicing the Aviation Department with sufficient documentation clearly detailing any and all expenditures to be reimbursed hereunder. Prior to receiving approval by the Aviation Director, the Air Carrier MUST satisfactorily demonstrate that it will provide all necessary supporting documentation, third-party invoices, correspondence, etc. as needed to satisfy an FAA review of all transactions associated with the marketing product that is being reimbursed under this SAT Incentive Program.

1.3 Landing Fee and Terminal Rent Waivers - Landing fees and terminal rents owed to the Airport for the qualifying flights will be waived on a monthly basis in accordance with provisions of the SAT Incentive Program as follows. For a period of 12 or 24 months beginning _____ and ending _____, ___% of the landing fees and terminal rents owed to the Airport will be waived.

1.4 The term of the Agreement for Air Service Incentives shall be 12 or 24 months starting _____ and ending _____. At the end of the incentivized period, the Agreement is not subject to extension, but shall terminate automatically.

2. General Provisions

2.1. Air Carrier acknowledges and agrees that the incentives offered by City pursuant to this Agreement are subject to Air Carrier's strict compliance with all of the terms and conditions of the SAT Incentive Program. Violation of any provision of the SAT Incentive Program beyond applicable notice and cure periods is a default under this Agreement and will result in termination of all incentives hereunder.

2.2. To be eligible to participate in the SAT Incentive Program, Air Carrier must:

- 2.2.1. Have a fully executed Airline-Airport Use and Lease Agreement or Airline-Airport Operating Permit Agreement, and
- 2.2.2. Must be current in its financial or other obligations with and to City.

2.3. Air Carrier must continue to be current in all its financial and other obligations with and to the City to remain eligible for any and all incentives under this Agreement and the SAT Incentive Program.

2.4. Incentives under the SAT Incentive Program may not be transferred or assigned to another air carrier, except a carrier that succeeds to substantially all of Air Carrier's assets by merger, consolidation, or acquisition, or a carrier that is a wholly owned subsidiary or an affiliate of Air Carrier.

2.5. City shall have the right, at any time during reasonable business hours, to audit all funds paid by City to third parties and reports submitted by Air Carrier as part of Air Carrier's SAT Incentive Program pursuant to this Agreement. Airline agrees to cooperate with City and its representatives in the performance of this audit, and to make all of the relevant books, correspondence, and records available to City.

2.6. Air Carrier's failure to i) cure any deficiencies in its financial obligations with and to City within thirty (30) days after written notice of such failure, or ii) satisfy the eligibility requirements set forth in the SAT Incentive Program or otherwise fully comply with all the terms, conditions, and requirements of the SAT Incentive Program within ten (10) days after written notice of such failure, will result in the termination of this Agreement. Upon termination of this Agreement for Air Carrier's failure, Air Carrier shall not receive any further incentives.

2.7. Each of the following shall be a default by Air Carrier and a material breach of the Agreement:

- 2.7.1. Failure of Air Carrier to operate the minimum number of departures required per the SAT Incentive Program for a particular incentivized route.
- 2.7.2. For a New Entrant Air Carrier (as defined in Attachment A), cessation of flight operations at SAT sooner than one year after commencement.
- 2.7.4. Failure to timely initiate service on a new route.
- 2.7.5. Failure to keep, perform, or observe any term or condition of the SAT Incentive Program, and failure to cure such failure within ten (10) days after receipt of written notice from the Aviation Department specifying the failure.

2.8. In the event of default by Air Carrier under the terms of this Agreement, Air Carrier participation in the SAT Incentive Program and all incentives under the SAT Incentive Program shall terminate. Termination of incentives arising out of cessation of air services, failure to operate a new or required number of routes, or failure to maintain the requisite based aircraft and/or personnel shall be effective as of the date the Air Carrier first ceased flight operations at SAT, first ceased to operate the new route or required number of routes, or failed to maintain the requisite based aircraft and/or personnel at SAT, as applicable.

2.9. Air Carrier understands that the SAT Incentive Program is subject and subordinate to all applicable laws, statutes, rules and regulations (including, but not limited to Federal Aviation Regulations set forth in Title 14 United States Code of Federal Regulations), and the provisions of any agreement between the City and the United States concerning all existing and future agreements between the City and the United States of America relative to the operation, maintenance, or development of SAT, the execution of which may be required as a condition precedent to the expenditure of funds for the development of the Airport, or any part thereof. The Air Carrier further understands that, in the event the Federal Aviation Administration or its successor requires modifications or changes in the SAT Incentive Program or to this Agreement, the Air Carrier consents to any and all such modifications and changes as may be required; and the Air Carrier agrees to execute an amendment to this Agreement with the City reflecting such modifications or changes.

2.10. This Agreement shall be governed by and construed in accordance with the laws and court decisions of the State of Texas. The obligations of the parties to this Agreement shall be performable in San Antonio, Bexar County, Texas, and if legal action, such as civil litigation, is necessary in connection therewith, exclusive venue shall lie in Bexar County, Texas.

2.11. Air Carrier understands and agrees to comply with the *Non-Discrimination Policy* of the City of San Antonio contained in Chapter 2, Article X of the City Code and further, shall not discriminate on the basis of race, color, religion, national origin, sex, sexual orientation, gender identity, veteran status, age or disability, unless exempted by state or federal law, or as otherwise established herein. Air Carrier further agrees to comply with the Title VI List of Pertinent Nondiscrimination Statutes and Authorities, as they may be amended from time to time, which are herein incorporated by reference and made a part of this contract.

2.12. Amendments. Except as specifically provided herein, amendments to this Agreement require written agreement of the Parties. Notwithstanding the foregoing, if a Governmental Entity requires modifications or changes to this Agreement as a condition precedent to the granting of funds for the improvement of the Airport, Operator shall agree to make such amendments, modifications, revisions, supplements or deletions of any of the terms, conditions or requirements of this Agreement as may be reasonably required. The City Manager, or designee, is authorized to execute amendments to this Agreement on behalf of SAAS, without further City Council action.

The effective date of this Agreement shall be _____.

IN WITNESS WHEREOF, the City of San Antonio and the Air Carrier have caused this Memorandum of Agreement to be executed by their duly authorized officers, as of 2020.

City of San Antonio

Airlines

Russell J. Handy
Aviation Director

Signature

Printed Name

ATTACHMENT A
San Antonio International Airport (SAT)
Air Service Incentive Program 2020-2024