



City of San Antonio

Agenda Memorandum

File Number:19-6019

Agenda Item Number: 15.

Agenda Date: 9/19/2019

In Control: City Council A Session

DEPARTMENT: Aviation

DEPARTMENT HEAD: Russell J. Handy

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Lease Agreements with Ground Handling Firms at the San Antonio International Airport

SUMMARY:

City Council consideration of three ordinances for lease agreements with ground handling firms for space in Terminal A at the San Antonio International Airport:

- A. Authorization of a lease agreement with Flight Services & Systems, LLC (FSS) for 154 square feet of office space. The agreement will give FSS office space to provide airline customer service support for Frontier Airlines and Sun Country over a five-year term. The agreement will generate \$15,443.12 in annual revenue during the first year.
- B. Authorization of a lease agreement with ABM Aviation, Inc. (ABM) for 141 square feet of office space. The agreement will give ABM office space to provide airline customer service support for Southwest Airlines, Interjet Airlines and Sun Country over a five-year term. The agreement will generate \$14,139.48 in annual revenue during the first year.
- C. Authorization of a lease agreement with DAL Global Services, LLC (DGS) for 184 square feet of office space. The agreement will give DGS office space to provide airline customer service support for Alaska Airlines, Interjet Airlines and Volaris Airlines over a five-year term. The agreement will generate \$18,451.52 in annual revenue during the first year.

The rental rate of \$100.28 per square foot was developed through the Airport's rates and charges model that is established each year. The revenues generated by each lease agreement will be deposited in the Airport Operating and Maintenance Fund.

BACKGROUND INFORMATION:

FSS, ABM, and DGS are all ground handling firms for various airlines at the San Antonio International Airport providing tasks ranging from baggage handling, crew transportation, janitorial, cabin appearance services oversized baggage service and wheelchair services for customers. These firms are contracted by various Terminal A airlines, including Southwest Airlines, Interjet Airlines, Volaris, Airlines, Alaska Airlines, Frontier Airlines and Sun Country.

ISSUE:

The three firms require office space for administrative services such as office and dispatch functions in Terminal A. FSS requires 154 square feet and provides services for Frontier Airlines and Sun Country. ABM requires 141 square feet and provides services for Southwest Airlines, Interjet Airlines and Sun Country. DGS requires 184 and provides services for Alaska Airlines, Interjet Airlines and Volaris Airlines. The 2019 fiscal year rates and charges model for non-airline rental rate has determined the rental rate of \$100.28 per square foot. Each year the airport's rates and model is adjusted and will establish the rental rate for the lease agreement.

ALTERNATIVES:

City Council could elect to not approve the lease agreement with FSS, ABM, and DGS. However, that would result in the firms having to identify office space away from the terminals, which would negatively impact airline passengers.

FISCAL IMPACT:

This ordinance approves three 5-year lease agreements with ground handling firms at the San Antonio International Airport. The three firms will pay \$100.28 per square foot during the first year of the lease agreement. This rental rate was determined by the 2019 airport's rates and charges model. Revenues generated by each agreement will be deposited into the Airport Operating and Maintenance Fund.

	<u>Area per</u> <u>square foot</u>	<u>Annual Rate per</u> <u>square foot</u> (For First Year)	<u>Annual Rent</u> (For First Year)
Office Space for FSS	154	\$100.28	\$15,443.12
Office Space for ABM	141	\$100.28	\$14,139.48
Office Space for DGS	184	\$100.28	\$18,451.52
			\$48,034.12

The rental rate will be adjusted annually based on the Airport's rates and charges model.

RECOMMENDATION:

Staff recommends approval of the three lease agreements with FSS, ABM and DGS for a five-year term at the

San Antonio International Airport.