San Antonio International Airport (SAT)
Air Service Incentive Program 2015-2018

PURPOSE:

The City of San Antonio Aviation Department ("City") has established a goal of increasing airline capacity and competition to better serve the region's customers, businesses and overall economic development. The City's objective is to use its resources to partner with stakeholders to recruit and support new entrant carriers, enhance competition by increasing air service capacity and increase the number of non-stop routes from the San Antonio International Airport ("SAT") to U.S. and international airports.

The San Antonio International Airport Incentive Program ("SAT Incentive Program") was authorized pursuant to Ordinance 2015-11-12-0947 dated November 12, 2015 to be effective on the date of City Council approval and ending September 30, 2018.

GENERAL PARTICIPATION REQUIREMENTS

a) The SAT Incentive Program will be available to all similarly situated air carriers whether operating at SAT as a signatory or non-signatory airline provided that the airline has signed or signs the City's *Airline-Airport Use and Lease Agreement* or *Airline-Airport Operating Permit.*

b) Any Air Carrier, including its affiliates that discontinued flights on a currently unserved route and is reinstating flights within 12 months of the stop date shall not qualify for incentives offered under the SAT Incentive Program for the same route. This provision shall apply to any Air Carrier that has purchased or merged with another air carrier that previously provided service on the unserved route and is reinstating flights within 12 months of the stop date.

c) Any Air Carrier wishing to participate in the SAT Incentive Program will be required to submit a fully and accurately completed and signed Application (ATTACHMENT I) to the City's Aviation Director prior to the Air Carrier starting the new air service. Once eligibility and levels of incentives are determined by Aviation Director, the SAT Incentive Agreement (ATTACHMENT II) will be transmitted and must be executed by the eligible Air Carrier. The effective date for all incentives will be contingent upon when the SAT Incentive Agreement is signed by the Air Carrier and Aviation Director. Marketing Incentives may become available before the start of air service provided the SAT Incentive Agreement is executed prior to the start of the eligible air service. Airport Facility Rents and Fees Waivers begin either with the start date of the eligible air service, or if signed after the air service start date, upon the date the SAT Incentive Agreement is signed by the City's Aviation Director. Should a SAT Incentive Agreement not be executed within three months of the start of new eligible service, the Air Carrier will be disqualified from participating in the SAT Incentive Program.

d) The Air Carrier must remain in compliance with the terms and conditions of the SAT Incentive Agreement during the term of the SAT Incentive Agreement to continue receiving incentives.

e) Air Carrier must not be in arrears on any City receivable account during the term of the SAT Incentive Agreement as a condition to receiving benefits under the SAT Incentive Program.

f) Questions concerning the SAT Incentive Program and submittal of the Application should be directed to:

Frank R. Miller, City of San Antonio Aviation Director
San Antonio International Airport
Aviation Department, Terminal A Mezzanine Floor
9800 Airport Blvd.
San Antonio, TX 78216
(O) 210-207-3464 or (F) 210-207-3500
Frank.Miller@sanantonio.gov

DEFINITIONS

a) **Air Carrier** – A commercial passenger airline.

b) **Airport or SAT** – San Antonio International Airport

c) **Airport Facility Rents and Fees** – SAT rents and fees for use of the airfield and apron areas, terminal building space and equipment as identified in the current SAT *Airline-Airport Use and Lease Agreement.*

d) **Application** – The written request to participate in the SAT Incentive Program submitted by a qualifying Air Carrier for eligible expansion of air service at SAT.

e) **Aviation Director** – City of San Antonio's designated administrator of the San Antonio International Airport (SAT) and the City's SAT Incentive Program.

f) **Based Aircraft Operation** – An Incumbent or New Entrant Air Carrier that bases aircraft and domiciles a minimum number of personnel in San Antonio for the purpose of adding "net" new air services at SAT according to the terms and conditions of Section E.

g) **Focus City Operation for Expansion of Air Services** – An Incumbent or New Entrant Air Carrier that expands non-stop air services at SAT using the Airport for a Focus City Operation and is eligible to receive incentives over a two-year period as a result of meeting the minimum criterion in Section F and additional terms and conditions of the SAT Incentive Program.

h) **Incumbent Air Carrier –** Any Air Carrier other than a New Entrant that currently operates scheduled air service into and out of SAT.

i) **Landing Fee -** The amount calculated per 1000 pounds of aircraft landed weight applicable to all commercial air carriers and established each fiscal year by the City. The Landing Fee is established at the beginning of each fiscal year (October 1) and may be adjusted during the year.

j) **Marketing** - is defined as advertising, receptions, promotions, banners, direct mail, familiarization trips, etc.

k) **Marketing Incentives** – City of San Antonio Aviation Department paid advertising and promotion of a particular route as set out in Sections A, B and D.

l) **Net New Capacity on Underserved Qualifying Routes** – Routes determined to be in need of added capacity relative to unmet demand and deemed to be underserved qualifying routes pursuant to the method described in Section C.

m) **New Entrant Air Carrier** – An Air Carrier enters the San Antonio market and neither it nor any of its subsidiaries has provided regularly scheduled service at SAT for the past 12 months. An Air Carrier that operates at SAT solely as an affiliate of an Incumbent Air Carrier is not eligible to participate in New Entrant Incentives detailed in Section D of the SAT Incentive Program. A New Entrant Air Carrier retains this status only during the first year after it enters the San Antonio market. After one year, the New Entrant Air Carrier is considered an Incumbent Air Carrier and no longer a new entrant.

n) **Seasonal Service** – Air service that is initiated for short-term peak travel periods in any given year.

o) **Targeted Routes** – Unserved routes from SAT that demonstrate strong passenger demand and are deemed to be in need of non-stop flights.

p) **Underserved Qualifying Routes** – Domestic routes determined to be underserved based on an analysis of non-stop capacity levels on each served route relative to the total passenger market demand for the served route. Routes served on a non-stop basis that fall below the overall San Antonio market average of capacity relative to the unmet demand for a particular route from SAT may be deemed to be underserved. All international routes are considered underserved. An air carrier adding Net New Capacity on an Underserved Qualifying Route may be eligible for Landing Fee waivers as detailed in Section C of the SAT Incentive Program.

q) **Unserved Route** – Any domestic or international route that has not been served for more than 12 months from SAT on a nonstop basis by a commercial passenger air carrier.

r) **Waived Rents and Fees Budget** – A fiscal year annual budget for waived rents and fees will be during the budget process.

SAT Air Service Incentive Program

A. MARKETING INCENTIVES FOR NEW NON-STOP FLIGHTS INITIATED ON ALL UNSERVED U.S. DOMESTIC & INTERNATIONAL ROUTES

The SAT Incentive Program may offer to advertise and promote a new single non-stop flight initiated on any Unserved Route from SAT to U.S. domestic and international airports under the following conditions and levels of service:

a) $100,000 may be available to any Air Carrier that begins non-stop departures from SAT on an Unserved Route provided the service level is a minimum of 365 scheduled departures during the incentivized 12-month period.

b) $75,000 may be available to any Air Carrier that begins non-stop departures from SAT on an Unserved Route provided the service level is less than 365 scheduled departures but not less than a minimum total of 260 scheduled departures during the incentivized 12-month period.

c) $50,000 may be available to any Air Carrier that begins non-stop departures from SAT on an Unserved Route provided the service level is less than 260 scheduled departures but not less than a minimum total of 156 scheduled departures during the incentivized 12-month period.

d) $25,000 may be available to any Air Carrier that begins non-stop departures from SAT on an Unserved Route provided the service level is less than 156 scheduled departures but not less than a minimum total of 104 scheduled departures for the incentivized 12-month period.

B. MARKETING INCENTIVES FOR "TARGETED" UNSERVED ROUTES

The City's Aviation Department may offer to any Air Carrier initiating new non-stop departures from SAT on unserved U.S. domestic and international Targeted Routes up to **DOUBLE** the Marketing Incentives outlined above in Section A. The following table lists the City's U.S. domestic and international Targeted Routes:

DOMESTIC TARGETED ROUTES FROM SAT	
Albuquerque, NM (ABQ)	Orange County, CA (SNA)
Boston, MA (BOS)	Orlando Sanford, FL (SFB)
Cincinnati, OH (CVG)	Portland, OR (PDX)
Columbus, OH (CHM)	Punta Gorda, FL (PGD)
Ft. Lauderdale, FL (FLL)	Pittsburgh, PA (PIT)
Indianapolis, IN (IND)	Raleigh/Durham, NC (RDU)
Kansas City, MO (MCI)	Sacramento, CA (SMF)
Long Beach, CA (LGB)	San Jose, CA (SJC)
Mesa, AZ (AZA)	St. Petersburg, FL (PIE)
New York La Guardia, NY (LGA)	Washington, DC (DCA)
Oakland, CA (OAK)	

INTERNATIONAL TARGETED ROUTES FROM SAT	
Puerto Vallarta, Mexico (PVR)	Toronto, Canada (YYZ)
Los Cabos, Mexico (SJD)	Calgary, Canada (YYC)
Cancun, Mexico (CUN)	Querétaro, Mexico (QRO)
Leon, Mexico (BJX)	Panama City, Panama (PTY)
Vancouver, B.C., Canada (YVR)	All Unserved International Markets

In addition to the Targeted Routes listed above, any unserved international route shall be considered a Targeted Route. Based on market conditions and the San Antonio community's strategic interests, the Aviation Director may amend the list of Targeted Routes from time to time.

Marketing Incentives for Unserved and Targeted Routes may be offered on a "first-come-first-serve" basis. Once the Unserved and Targeted Routes are served, these routes are no longer eligible for Marketing Incentives. The exception would be non-stop flights provided on a seasonal basis; the Unserved and Targeted Routes would be available for Marketing Incentives to the first Air Carrier (including the current seasonal service provider) that initiates year-round service.

On a first-come-first service basis, seasonal non-stop service introduced by a Based Aircraft Operator or Focus City Operator on an Unserved Route may be eligible for a "one-time" Marketing Incentive in accordance with the criterion detailed in Sections A of the SAT Incentive Program. The seasonally served route must operate for a minimum of 24 flights during a 90-day period. This one-time Marketing Incentive would be in addition to minimum requirements that are unique to each New Entrant, Based Aircraft Operator or Focus City Operator Air Carrier and are described in Sections D, E and F of this SAT Incentive Program.

Marketing Incentives under Sections A and B shall be for a period of twelve (12) months.

C. LANDING FEE WAIVERS FOR NEW SERVICE

In addition to Marketing Incentives identified in Sections A and B for new non-stop service, the City may offer to waive Landing Fees for eligible additions of new air services at SAT. Subject to SAT's current fiscal year Waived Rents and Fees Budget, Landing Fee waivers apply to the following types of new air service:

a) **All New Non-Stop Flights to Unserved Routes Pursuant to Sections A and B of the SAT Incentive Program.**

b) **Adding Net New Capacity on Underserved Qualifying Routes.**

The process for determining underserved routes is described as follows:

1. United States Domestic Routes

   i. On an annual basis, the City will evaluate and determine which existing domestic markets with non-stop service at SAT are Underserved Qualifying Routes. The list of

Underserved Qualifying Routes for domestic destinations will be made available to all Incumbent and New Entrant Air Carriers.

ii. The addition of Net New Capacity on an Underserved Qualifying Route may result in a revision of the List of Underserved Qualifying Routes.

2. International Routes

i. All international routes will be considered underserved and may be eligible to receive a waiver of Landing Fees for added Net New Capacity on already served routes. For international routes, other factors such as bi-lateral agreements and whether the destination airport is slot controlled will also be considered.

c) **New Entrant, Based Aircraft Operation and Focus City Operation Air Carriers**

1. The eligible New Entrant Air Carrier may receive Landing Fee waivers for each non-stop route provided each route is operated at a minimum total of 104 schedule departures during the incentivized 12-month period.

2. During the first twelve (12) months (Year One) of the incentivized period, the eligible Based Aircraft Operation and Focus City Operation Air Carriers that remain in compliance with the Sections E and F minimum departure requirements and their SAT Incentive Agreement may receive Landing Fee Waivers for new non-stop service departures on unserved routes and on served routes pursuant to Net New Capacity on Underserved Qualifying Routes provisions in Section C. During months 13 through 24 (Year Two), eligible Air Carriers may receive up to 50% of landing fees waivers for those incentivized routes initiated in Year One.

D. NEW ENTRANT AIR CARRIER INCENTIVES

A New Entrant Air Carrier meeting the below Minimum Departures Requirement may be eligible for New Entrant Marketing Incentives and Airport Facility Rents and Fees Waivers beginning with the execution of the SAT Incentive Agreement or in the case of waivers with the commencement of the eligible incentivized air service provided the SAT Incentive Agreement has been executed prior to the start of scheduled non-stop departures from SAT.

Minimum Departures Requirement: A New Entrant Air Carrier that initiates and maintains round-trip scheduled non-stop departures from SAT must meet the Minimum Departures Requirement of providing service on at least one served or unserved route at a level of no less than a total of 104 departures during the incentivized 12-month period.

a) **New Entrant Marketing Incentives**

During the first year of service, the City may offer a New Entrant Air Carrier a one-time New Entrant Marketing Incentive to promote the routes that the Air Carrier is servicing from SAT. The one-time New Entrant Air Carrier Marketing Incentive will not exceed a total of $100,000.

In addition to the one-time Marketing Incentive described above, the New Entrant initiating non-stop service on an Unserved or Targeted Route may receive additional Marketing Incentives pursuant to Sections A and B of this Program. Other than the one-time New Entrant Marketing Incentive, no additional marketing dollars will be provided to promote already served markets.

New Entrant Marketing Incentives under this Section D shall apply for a period not to exceed twelve (12) months.

b) **Landing Fees and Airport Facility Rents and Fees Waivers**

Subject to SAT's current fiscal year Waived Rents and Fees Budget, the following Airport Facility Rents and Fees may be eligible for a one-year waiver:

1. Landing Fees as provisioned in Section C of the SAT Incentive Program.

2. Part or all rents and fees for use of ticket counters with adjoining queuing area, office space, hold room, terminal gate equipment, aircraft apron and Remain Over Night (RON) parking. Fee Waivers may also apply to Common Use Space as defined in the current Airline-Airport Lease and Operating Agreement. However, only the portion of the Common Use charge that is allocated on a per-enplanement or per-deplanement basis would be eligible for waivers and only those fees applicable to the incentivized routes.

3. For international arrivals, the Federal Inspection Station (FIS) fees (SAT charge per passenger processing through Customs).

All Airport Facility Rents & Fees Waivers will be subject to the Terms and Conditions of this Program. If New Entrant Air Carrier discontinues operations at SAT or fails to maintain the Minimum Departures Requirement during the incentivized 12-month period, it will be in default of the SAT Incentive Agreement and all incentives will be terminated.

E. AIR CARRIER BASES AIRCRAFT & DOMICILES PERSONNEL AT SAT FOR PURPOSE OF ADDING "NET" NEW AIR SERVICES

Pursuant to meeting the below Minimum Number of Domiciled Personnel, Based Aircraft, Addition of Air Service on Unserved Routes and Departure Requirements, an Incumbent or a New Entrant Air Carrier that bases aircraft and domiciles personnel in San Antonio for the purpose of adding new non-stop scheduled departures from SAT to served and unserved markets (defined as Based Aircraft Operation) may be eligible for incentives.

Minimum Number of Domiciled Personnel Based Aircraft, Addition of Air Service on Unserved Routes and Departure Requirements:

Eligibility to receive the Based Aircraft Operation incentives requires a commitment from the Air Carrier to domicile a minimum number of ten (10) personnel and base a minimum of one (1) aircraft for an initial 12-month period (Year One) of operation at SAT and to add a second Based Aircraft before commencement of a second 12-month period of operation (Year Two). The minimum

number of based aircraft requirement could be met in conjunction with the start of Based Aircraft Operations at SAT.

In addition to basing two aircraft at SAT, eligibility to receive Based Aircraft Operation incentives requires the addition of new non-stop scheduled departures from SAT on a minimum of two (2) Unserved Routes with a minimum total of 104 scheduled departures for each route being served during the initial 12-month incentivized period.

Use of SAT facilities and eligibility to receive Airport Facility Rents and Fees Waivers will be contingent upon the Air Carrier executing either the SAT *Airline-Airport Use and Lease Agreement* or the *Airline-Airport Operating Permit.*

Maintaining the above Minimum Number of Domiciled Personnel, Based Aircraft, Addition of Air Service on Unserved Routes and Departure Requirements for scheduled air services initiated during the initial 12-month period (Year One) may result in the Air Carrier receiving additional Year Two incentives described below.

a) **Marketing Incentives**

An Air Carrier initiating new air services on Unserved Routes as a Based Aircraft Operation in Year One may be eligible for Marketing Incentives under Sections A and B of the SAT Incentive Program. Contingent upon the Air Carrier maintaining the required Number of Ten Domiciled Personnel, Two Based Aircraft, Air Service on Two Unserved Routes and Minimum Departures for each incentivized route, additional marketing support not to exceed 50% of Year One's Marketing Incentives, as established in the executed SAT Incentive Agreement, may be available in Year Two. The incentivized period is extended but will not exceed a maximum of 24 months.

b) **Landing Fee and Airport Facility Rents and Fees Waivers**

Subject to the SAT fiscal year Waived Rents and Fees Budget, all or a portion of the following SAT rentals and fees may be waived in the initial 12-month incentivized period:

1. Landing Fee Waivers as provisioned in Section C of this SAT Incentive Program.

2. Airport Facility Rents & Fees Waivers, as provisioned under Section D.b of this SAT Incentive Program.

   i. An Incumbent Air Carriers may be eligible for Airport Facility Rents and Fees Waivers for the incremental space utilized in association with its Based Aircraft Operation.

   ii. Contingent upon the Air Carrier maintaining the required Number of Ten Domiciled Personnel, Two Based Aircraft, Air Service on Two Unserved Routes and Minimum Departures for each incentivized route, 50% of eligible Landing Fees and Airport Facility Rents and Fees Waivers, as established in the executed SAT Incentive Agreement, may be available in Year Two of Based Aircraft Operations. The incentivized period for waivers is extended but will not exceed a maximum of 24 months.

If the Air Carrier discontinues its Based Aircraft Operation at SAT within the initial 24 months (the incentivized period), it will be in default of SAT Incentive Agreement and all incentives will be terminated.

c) **Based Aircraft Operation Eligibility Criterion**

The Aviation Director will consider an Air Carrier's proposed plan for the Based Aircraft Operation after receiving its Application (ATTACHMENT I). Eligibility criterion that may be considered by the City's Aviation Director is as follows:

1. The Air Carrier offers regularly scheduled round trip service at SAT to a minimum of two new Unserved Routes. The minimum number of annual scheduled departures must be agreed to in advance of starting a Based Aircraft Operation at SAT.

2. With prior agreement by both the Aviation Director and the Air Carrier, a portion of other regularly scheduled service may operate on a seasonal basis as long as the Air Carrier maintains the minimum number of domiciled personnel, based aircraft, flight departures, and operates year-round service on the required two new Unserved Routes initiated with the establishment of a Based Aircraft Operation at SAT.

3. Incentives shall NOT apply to operations of non-based aircraft at SAT.

4. A flight crew based and domiciled in San Antonio for purposes of operating a Based Aircraft Operation at SAT shall be defined in accordance with industry and/or the airline industry's generally accepted practices for operation of a flight crew base and/or domicile as enumerated in agreements and/or contracts with its flight crews and personnel and/or the duly designated representatives of these work groups in dealings with the airline.

5. For purposes of Section E, flight crews shall include pilots and flight attendants employed by the Air Carrier for the purpose of supporting regularly scheduled commercial air service as defined by the U.S. Department of Transportation.

6. The Air Carrier establishing a Based Aircraft Operation at SAT shall employ a minimum of ten (10) personnel to be based and/or domiciled for a minimum of twenty-four (24) months in San Antonio. A minimum of ten (10) domiciled personnel may be comprised of a combination of crew members, airline station staff, crew base staff and contractors directly related to support of the Based Aircraft Operations that are assigned to the SAT base and/or domicile.

    i. This criterion does not apply to instances where an airline recognizes SAT as a co-terminal of a crew base or domicile (i.e., LAX as the base with ONT, SNA, BUR as co-terminals).

7. Based Aircraft Operation incentives will apply to only inbound or outbound aircraft segments that are revenue flight operations associated with serving scheduled destination departures from SAT.

8. All incentives for a Based Aircraft Operation are subject to the same stipulations and provisions of the overall SAT Incentive Program.

9. The SAT Incentive Agreement (sample ATTACHMENT II) must be executed by the eligible Air Carrier and SAT Aviation Director before incentives become available.

F. AIR CARRIER ESTABLISHES A SAN ANTONIO FOCUS CITY OPERATION FOR PURPOSE OF ADDING "NET" NEW AIR SERVICES

An Air Carrier proposing to operate a Focus City Operation for the purpose of adding new non-stop air services at SAT pursuant to the below Minimum Number of Served and Unserved Routes and Departure Requirements may be eligible for Marketing Incentives and Airport Facility Rents and Fees Waivers. Waivers may be available from the start date of the new scheduled air service conditioned upon the prior execution of the SAT Incentive Agreement.

Minimum Number of Served and Unserved Routes and Departures Requirements: An Air Carrier establishing a Focus City Operation at SAT must commit to initiating and serving a minimum of five new (5) non-stop routes with scheduled departures from SAT over a 24-month period. The service can include a combination of served and Unserved Routes, as long as at least one (1) of the five new routes includes service on an Unserved Route and departures on the Unserved Route continue over a 24-month period. The Focus City Operation must serve each route with a minimum total of 104 scheduled departures during the 24-month incentivized period. One (1) of the served routes may be added on a seasonal basis, requiring a minimum of 24 non-stop flights during a continuous 90-day period.

a) Focus City Marketing Incentives

In accordance with Sections A and B of this SAT Incentive Program, an Air Carrier initiating new air services under the terms of a Focus City Operation may be eligible for Marketing Incentives. Contingent upon the Air Carrier maintaining the Minimum Number of Served and Unserved Routes and Departure Requirements detailed above, additional marketing support not to exceed 50% of Year One's Marketing Incentives, as established in the executed SAT Incentive Agreement, may be available in Year Two. The incentivized period is extended but will not exceed a maximum of 24 months.

b) Landing Fees and Airport Facility Rents and Fees Waivers

Subject to SAT's annual fiscal year Waived Rents and Fees Budget, all or a portion of the following SAT rentals and fees may be waived:

1. Landing Fee Waivers as provisioned in Section C of this SAT Incentive Program.

2. Airport Facility Rents & Fees Waivers as provisioned under Section D.b of this SAT Incentive Program.

   i. An Incumbent Air Carriers may be eligible for Airport Facility Rents and Fees Waivers for the incremental space utilized in association with its Focus City Operation.

ii. Contingent upon the Focus City Operation Air Carrier maintaining the Minimum Number of Served & Unserved Routes and Departures Requirements, 50% of eligible Landing Fees and Airport Facility Rents and Fees Waivers, as established in the executed SAT Incentive Agreement, may be available in Year Two. The incentivized period is extended but will not exceed a maximum of 24 months.

If the Air Carrier discontinues its Focus City Operation at SAT within the 24 months (the incentivized period), it will be in default of SAT Incentive Agreement and all incentives will be terminated.

c) **Focus City Operation Eligibility Criterion**

The Aviation Director will consider an Air Carrier's proposed plan for a Focus City Operation after receiving notice (ATTACHMENT I) from the Air Carrier. Eligibility criterion that may be considered by the City's Aviation Director includes:

1. An Air Carrier advises that it plans to establish a Focus City Operation at SAT and commits to initiating and serving a minimum of five new (5) non-stop routes with scheduled departures from SAT over a 24-month period. The service can include a combination of served and Unserved Routes, as long as at least one (1) of the five new routes includes service on an Unserved Route and departures on the Unserved Route continue over a 24-month period. The Focus City Operation must serve each route with a minimum of 104 scheduled departures for each route during the 24-month incentivized period. One (1) of the served routes may be added on a seasonal basis, requiring a minimum of 24 non-stop flights during a continuous 90-day period.

2. The Focus City non-stop service must result in new capacity at SAT as measured by total seat departures compared to the carrier's service at SAT in the 12 months before commencement of the Focus City Operation services. In cases where the airline reduces existing services[1] (pre Focus City Operation services) at SAT to accommodate the launch of the Focus City Operation, the carrier will cease to be eligible for incentives under Section F of this SAT Incentive Program.

3. The Focus City Operation Air Carrier that is a party to the SAT Incentive Agreement cannot have served any of the Focus City Operation airport routes on a non-stop basis within the prior 18 months from the date that the SAT non-stop service commences.

4. All incentives for the Focus City Operation are subject to the same stipulations and provisions of the overall SAT Incentive Program.

5. A SAT Incentive Agreement (sample ATTACHMENT II) must be executed by the eligible Air Carrier and SAT Aviation Director before incentives become available.

[1] Capacity is defined as total seat departures.

SUMMARY OF SAT INCENTIVE PROGRAM FOR QUALIFYING AIR SERVICES (*)

Air Service Incentive Prerequisites	Marketing Incentive Levels	SAT's Marketing Incentives per Sections A thru F of Program				Based on Fiscal Year Fee Waiver Budgets	Eligible Period
		2x Week	3x/4x Week	5x/6x Week	7x Week		
Incentives for Initiation of Air Service on ANY New Domestic or International Unserved Route Other Than a Targeted Route	Per Section A of SAT Incentive Program, Any Airport Not Served from SAT Within Most Recent 12-Month Period by Eligible Air Carrier	$25,000	$50,000	$75,000	$100,000	Landing Fees for ALL Flights Flown by Air Carrier on an Unserved Route	12 Months @ 100%
Incentives for Initiation of Air Service on an Unserved TARGETED U.S. or International Route	Per Section B of SAT Incentive Program, Marketing for EACH New Unserved Targeted Route Not Previously Served Within a 12 Month Period by Eligible Air Carrier	$50,000	$100,000	$150,000	$200,000	Landing Fees for ALL Flights Flown by Airline on an Unserved Targeted Route	12 Months @ 100%
New Entrant Air Carriers: One-Time Marketing Incentive to Promote Services offered by New Entrant Air Carrier with a Minimum of 104 Departures for each Scheduled Route	Per Section D of Program, New Entrant Air Carrier Marketing for 12-Month Incentivized Period	$100,000	$100,000	$100,000	$100,000	Landing Fees for all Flights Flown by New Entrant and Eligible Terminal Rents owed to SAT	12 Months @ 100%
New Entrant and Incumbent Air Carrier Landing Fee waivers for Net New Capacity added on Qualifying Routes Determined to be Underserved	As defined in SAT Incentive Program – Section C, Air Carriers Adding "Net New Capacity" on Already Served Routes if Included on the List of Underserved Qualifying Routes for 12-Month Period					Landing Fees for Net New Capacity on Eligible Underserved Qualifying Routes	12 Months @ 100%
Based Aircraft Operation: Based Aircraft Air Carrier Begins Service in SAT Market w/Basing of 2 Aircraft During 24 Consecutive Months and Provides Non-stop Scheduled Service at No Less than a Minimum of 104 Non-stop Departures per Route	Per Sections A, B and E of SAT Incentive Program, a Based Aircraft Operator may be Eligible for Marketing Incentives with Service on Required 2 Unserved Markets for up to 24 Months (Incentivized Period)					Year One: Waiver of Landing Fees and Eligible Terminal Rents owed to SAT Year Two: 50% of Year One Marketing, Landing Fees and Eligible Terminal Rents	12 Months @ 100% Added 12 Months @ 50%
Focus City Operation: 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	Per Sections A, B and F of SAT Incentive Program, a Focus City Operation by an Air Carrier may be Eligible for Marketing Incentives for up to 24 Months (Incentivized Period)					Year One: Waiver of Landing Fees and Eligible Terminal Rents owed to SAT Year Two: 50% of Marketing, Landing Fees and Eligible Terminal Rents	12 Months @ 100% Added 12 Months @ 50%

*The above is a summary briefly describing available incentives by category of Air Carrier operation at SAT. The full program and all terms and conditions are set out in the SAT Incentive Program and will control and take precedence over the above summary.

G. TERMS AND CONDITIONS

The Program's terms and conditions may be carried over after September 30, 2018 to cover any existing SAT Incentive Agreements executed prior to September 30, 2018. All SAT Incentive Agreements will not exceed a 24-month period for each qualifying Air Carrier.

Funding dedicated for Marketing Incentives, Landing Fees and Airport Rents and Fees Waivers will be created annually as part of the Aviation Department's annual budget process. Once a fiscal year's budgeted incentive funds are fully encumbered for all eligible Applications and incentives, the SAT Incentive Program will be suspended unless and until funds become available.

The costs associated with the SAT Incentive Program will not be included in the rate base for airlines operating at SAT.

To be eligible to participate in and receive any incentives under the SAT Incentive Program, an Air Carrier will need to submit a fully completed Air Service Incentive Program Application (ATTACHMENT I) and subsequently execute the SAT Air Service Incentive Agreement (ATTACHMENT II).

a) Marketing Incentives

Pursuant to Sections A and B of the SAT Incentive Program, the maximum Marketing Incentive dollar amount available to any Air Carrier starting new non-stop flights on Unserved Routes will be based on the number of departures from SAT that are scheduled to occur during the incentivized 12-month period.

Marketing Incentives for Unserved and Targeted Routes may be offered on a "first-come-first-serve" basis. Once the Unserved and Targeted Routes are served, these routes are no longer eligible for Marketing Incentives. The exception would be non-stop flights provided on a seasonal basis. The Unserved and Targeted Routes would be available for Marketing Incentives to the first Air Carrier (including the current seasonal service provider) that initiates year-round service.

On a first-come-first service basis, seasonal non-stop service introduced by a New Entrant, Based Aircraft Operator or Focus City Operator on an Unserved Route may be eligible for a "one-time" Marketing Incentive in accordance with the criterion detailed in Sections A of the SAT Incentive Program. The seasonally served route must operate for a minimum of 24 flights during a 90-day period. This one-time Marketing Incentive would be in addition to minimum requirements that are unique to each New Entrant, Based Aircraft Operator or Focus City Operator Air Carrier and are described in Sections D, E and F of this SAT Incentive Program.

In the event that two or more Air Carriers announce the start of service on the same Unserved or Targeted Route, Marketing Incentives under this Program may be offered to the first Air Carrier that starts air service on the Unserved or Targeted Route, provided that the first Air Carrier has submitted an Application. Should two Air Carriers start new service on the same date, the first Air Carrier to submit an Application may be eligible for the applicable eligible Marketing Incentives.

Should the Air Carrier increase the frequencies on the incentivized route during the initial 12-month period, additional marketing incentive funds will not be made available. If the Air Carrier leaves the market prematurely or discontinues serving the new non-stop route during the incentivized period, such Air Carrier shall be in default and all remaining incentives will terminate. SAT shall be under no obligation to make any payments or provide any incentives to an Air Carrier in default even if such services were provided before the event of default occurred.

In order for marketing and/or promotional materials to qualify for reimbursement pursuant to this SAT Incentive Program, such material must meet the following conditions:

1. All marketing materials must specifically promote the San Antonio International Airport, the eligible air carrier's brand and the new route between San Antonio and the new non-stop destination. The primary emphasis of all marketing and promotional materials must be the air service that is the subject of the applicable incentive.

2. All marketing and promotional materials must mention SAT in the copy, in a manner consistent with SAT's current marketing strategy, as determined by the Aviation Director or his designee. The content of all SAT Incentive Program eligible marketing materials, to include radio, is subject to the prior written approval of the Aviation Director or his designee. Notwithstanding the foregoing, SAT shall exercise no control over nor exercise any approval of airline pricing data included in such marketing and promotional materials.

3. All marketing and promotional materials (with the exception of radio promotions) must prominently display the SAT logo.

4. Approved marketing efforts will be funded up to a not-to-exceed amount specified in this SAT Incentive Program and the SAT Incentive Agreement.

5. The Aviation Director or his designee must review and approve all marketing materials, promotions and expenditures before they will be qualified for payment under this SAT Incentive Program.

SAT shall make payment for eligible Marketing Incentives in one of the three methods set out below so long as the marketing efforts meet SAT requirements.

1. <u>Alternative A:</u>

   The eligible Air Carrier taking advantage of the SAT Incentive Program's Marketing Incentives may develop a customized marketing plan in collaboration with the City's marketing firm and the Aviation Department. The marketing firm will assist the Air Carrier and the Aviation Department in developing the marketing plan, provide design services, as needed, and make media purchases not to exceed a specified dollar amount, which will be detailed in the signed SAT Air Service Incentive Agreement.

2. Alternative B:

The eligible Air Carrier may develop a "cooperative" marketing plan and product in collaboration with the Aviation Department using another advertising agency, media outlet or entity of its choosing for purposes of developing the creative product. The creative services and media purchases may be invoiced to and "paid directly" by the Aviation Department to the advertising agency, media outlet or entity providing the services. All supporting documentation, third party invoices, etc. will need to be provided with each invoice sent to the Aviation Department.

3. Alternative C:

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.

Alternatives B and C MUST be approved by the Aviation Director prior to the Air Carrier accumulating any expenses toward development of the marketing product or receiving reimbursement payment. All parties receiving payments from the City of San Antonio must complete the necessary process to become a registered vendor with the City prior to submitting any invoice to the City. All third party invoices for creative services and media purchases under Alternatives B and C must be billed to:

City of San Antonio Aviation Department
Attention: Marketing & Community Relations Director
9800 Airport Blvd., Terminal A, Mezzanine
San Antonio, TX 78216

b) **Types of Air Services Eligible for Landing Fee Waivers**

Subject to SAT's fiscal year Waived Rents and Fees Budget, all or a portion of the following SAT fees may be waived:

1. Unserved Routes:

In accordance with Section C of this SAT Incentive Program, the Landing Fees that may be eligible for a 12-month waiver on Unserved and Targeted Routes (eligibility criterion pursuant to Sections A and B of this SAT Incentive Program) will be those applicable to particular routes flown during the incentivized period commencing on the first day of service. For example, if service begins October 7, 2015, the Landing Fee waivers are eligible to begin October 7, 2015 and end October 6, 2016.

Air Carriers initiating service on an incentivized Unserved or Targeted Route will need to provide the Aviation Department separate monthly landing reports during the incentivized 12-month period, as well as the monthly statistical report that includes all services provided at SAT.

2. New Entrant

All services flown on served or Unserved Routes by a New Entrant Air Carrier may receive Landing Fee Waivers during the 12-month incentivized period.

3. Underserved Qualifying Routes with Net New Capacity

It is the intent of the SAT Incentive Program to add capacity on Underserved Qualifying Routes, as measured by landed weight being provided at SAT at the time of the introduction of additional service on predetermined Underserved Qualifying Routes. Net New Capacity is described as:

i. An Air Carrier up-gauging aircraft flown on an Underserved Qualifying Route may qualify for "Net New Capacity" and based on landed weight is eligible for a proportional Landing Fee waiver so long as the Air Carrier demonstrated an increase in service above and beyond the baseline set by the market targeted. Once the incentive period expires, upgauging aircraft as a means of offering new service cannot again be incentivized. The program does not allow incentivizing perpetual up gauging of aircraft.

ii. Added frequencies flown on an Underserved Qualifying Route may qualify as "Net New Capacity" and be eligible for a proportional Landing Fee waiver. However, flights existing on the date that new capacity is added on the Underserved Qualifying Route would not be eligible for "Net New Capacity" Landing Fee waivers.

1) Incumbent Air Carriers

a. For Incumbent Air Carriers, the Aviation Department will determine the "Net New Capacity" by calculating the year-over-year change in total monthly landed weight for <u>all</u> operations of the air carrier, including the Underserved Qualifying Route(s).

b. In order to meet the definition of "Net New Capacity", the year-over-year change in total landed weight must be greater than the landed weight reported for the new services on the Underserved Qualifying Route(s). Waivers will be applied based on the <u>"net" new landed weight</u> of the Incumbent Air Carrier. Waivers shall be applied for landed weight up to the proportional increase reported for the Underserved Qualifying Route(s).

c. The Incumbent Air Carrier initiating service on a Underserved Qualifying Route will need to provide the Aviation Department separate monthly landing reports for the incentivized route, or reporting as necessary to calculate potential waivers and other requested documentation, during the incentivized 12-month period. All

statistical reports that include all services provided at SAT will need to be provided.

2) Based Aircraft Operation & Focus City Operation Air Carriers

   a. Landing Fee waivers may be applied if the destination is included on the List of Underserved Qualifying Routes.

   b. The waiver will be calculated by summing the landed weights as reported by the Air Carrier for each eligible Underserved Qualifying Route flown during the incentivized period.

   c. All Air Carriers initiating service on an Underserved Qualifying Route will need to provide the Aviation Department separate monthly landing reports for the incentivized route, as well as the monthly statistical reports that include all services provided at SAT.

c) **Airport Facility Rents and Fees Waivers**

In addition to Landing Fee Waivers, Air Carriers operating at SAT and meeting eligibility requirements under Sections D, E and F for New Entrant, Based Aircraft Operations and Focus City Operations may receive Airport Facility Rents and Fees Waivers.

Airport Facility Rents & Fees Waivers will be applicable for eligible Air Carrier's use of ticket counters with adjoining queuing area, office space, hold room, terminal gate equipment, aircraft apron and Remain Over Night (RON) parking. Fee Waivers may also apply to Common Use Space as defined in the current Airline-Airport Lease and Operating Agreement. However, only the portion of the Common Use charge that is allocated on a per-enplanement or per-deplanement basis would be eligible for waivers and only those fees applicable to the incentivized routes. For international arrivals, the Federal Inspection Station (FIS) fees may be waived.

As determined by the City's Aviation Director, rents and fees waivers applicable to an Air Carrier's use of SAT facilities as a New Entrant or for a Based Aircraft Operation or Focus City Operation will be commensurate with its level of operations at SAT. As an example, the processing capacity/throughput of a ticket counter position per hour and per-gate-turn per day will be a consideration in allocating use of terminal space.

Additional facilities that are requested to operate all or part of the Air Carrier's operations shall be subject to review and approval by the City's Aviation Director following receipt of a written request from the Air Carrier. The additional leased facilities may or may not be eligible for waivers. The Air Carrier's SAT status as an Incumbent or New Entrant may have a proportional bearing on what airport facilities are eligible for incentives under Sections E and F. For an Incumbent Air Carrier, Airport Facility Rents and Fees Waivers will be limited to the incremental increase in space leased by the Air Carrier in association with its Based Aircraft and Focus City Operations.

For purposes of the SAT Incentive Program, only the SAT-operated facilities at which the Air Carrier operates and is under the day-to-day management and direction of the Aviation Director (does not include off-airport City-owned or any other governmental entity-owned facilities) may be eligible for incentives.

Expressly excluded from the Airport Facility Rents and Fees Waiver incentive are PFCs, fees for employee parking cards and security identification badges, fees charged by the airline consortium, other government or third party fees (e.g., amounts paid to another Air Carrier operating at SAT for use or sublease of equipment, airport premises or facilities leased by SAT to such Air Carrier operating at SAT), and other charges or taxes that an airline may incur as a result of operating at SAT. Also, expressly excluded in the Airport Facility Fees and Rents Waiver incentive are any other fees payable by an Air Carrier on account of its operations at SAT, including but not limited to fees for use of telecommunications trunk equipment.

ATTACHMENT I

SAN ANTONIO INTERNATIONAL AIRPORT
AIR SERVICE INCENTIVE PROGRAM APPLICATION

Air Carrier: _____ **Date:** _____

Individual Submitting Application: _____ **Title:** _____
(Print Name)

Phone Number: _____ **Email:** _____

Mailing Address: _____ **City/State/Zip:** _____

Authorizing Signature: _____

Incentives Requested: _____

Effective Date of Service*	Aircraft Type & Landed Weight	Number of Seats per Aircraft	Weekly Frequencies	Arrival Flight # & Time	Projected Enplanements	Projected Deplanements

*Only Flights Meeting the Terms of the SAT Incentive Program

FOR SAT USE

Evaluated By: _____ Date: _____

Comments: _____

Approved: _____ Rejected: _____

Signed By: _____ Date: _____
Aviation Director

ATTACHMENT II
SAMPLE
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) 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 November 12, 2015, a copy of which is attached hereto and incorporated herein.

1. **Applicable Incentive Program**

Based on the Air Carrier's services being offered 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 new non-stop service that Air Carrier is offering between the San Antonio International Airport and _____is eligible for marketing incentives in the not to exceed amount of $_____.

The Airline agrees that all marketing incentive funds shall be utilized solely for the purpose of promoting the new San Antonio route in marketing campaigns. All marketing materials and/or promotions funded by the SAT Incentive Program shall be pre-approved in writing by the City's Aviation Director prior to publication. Airline logos, marks or other intellectual property used in all marketing materials to be paid for by City shall be subject to the airline's review and final approval.

1.2 Landing Fee Waivers - Landing fees owed to the Airport for the qualifying flight(s) listed below will be waived on a monthly basis in accordance with provisions of the SAT Incentive Program for a period of _____ from initiation of service for the periods indicated:

_____

_____

_____

1.3 Airport Facility Rents and Fees Waivers - The following SAT facility rentals and fees will be waived on a monthly basis from the date of service initiation for the periods indicated:

_____

_____

_____

1.4 New Entrant Air Carrier Marketing Incentive - Air Carrier is eligible for New Entrant Marketing Incentives in the not to exceed amount of $100,000.00 during the first twelve months of services.

1.5 Federal Inspection Station Fee Waivers - Federal Inspection Station fees owed to the Airport will be waived on a monthly basis in accordance with provisions of the SAT Incentive Program for a period of _____months from initiation of service.

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 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 or acquisition.

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 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, 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, cessation of flight operations at SAT sooner than one year after commencement.

2.7.3. For a Based Aircraft Operator, failure to maintain the requisite number of based aircraft and/or personnel at SAT for twenty-four (24) months.

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, 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 the San Antonio International Airport (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.

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 the _____ day of _____.

_____