



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 21

Agenda Date: October 21, 2021

In Control: City Council A Session

DEPARTMENT: Aviation Department

DEPARTMENT HEAD: Jesus H. Saenz Jr.

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Amendment to the Professional Services Agreement with PAVLOV Advertising, LLC for the San Antonio Airport System

SUMMARY:

This Ordinance will authorize an amendment to a professional services agreement with PAVLOV Advertising, LLC (PAVLOV) to increase the contract capacity for on-call advertising and marketing services for the San Antonio Airport System (SAAS) in the amount not to exceed \$1,970,321.00. This action will increase the total contract capacity to an amount not to exceed \$5,970,321.00 through November 28, 2022. The initial contract capacity of \$4,000,000, which was approved by City Council in 2017, is nearly exhausted. The contract capacity does not guarantee a volume of work.

The services provided under this agreement support several programs focused on attracting new and expanding current air service to San Antonio International Airport. Through the Air Service Incentive Program, airlines are guaranteed marketing incentives dollars when they announce qualifying scheduled passenger service for one to two years (pending the service); the airlines can utilize PAVLOV's services to market the new route/destination to potential travelers. Attracting new air service to San Antonio supports the region's economy as a new daily route to an unserved market is anticipated to have an annual impact of over \$20 million to the San

Antonio region.

The contract requires additional capacity as the airport system has experienced the initiation of several new markets and new air carriers to San Antonio since 2017, exhausting the previous capacity. Since the PAVLOV agreement commenced, the San Antonio International Airport has welcomed new carriers including Breeze, VivaAerobus, Sun Country, Alligiant and JetBlue. These carriers brought new markets while current carriers introduced new markets such as Colorado Springs, Cancun and Fort Lauderdale. Additionally, the cost of media buys has increased since the contract value was initially set in 2016.

Additionally, the concessionaires at the San Antonio International Airport contribute to a fund for marketing services provided under this agreement to increase customers to the concessionaires and non-airline revenues for SAAS. Although this funding is provided by the concessionaires, contract capacity must be sufficient to allow for PAVLOV to execute this marketing.

PAVLOV also provides marketing services to promote the SAAS' parking program and customer enhancement programs and events to more passengers to fly out of San Antonio International Airport.

The Aviation Department would like to increase the contract capacity to continue supporting these programs, including the guaranteed marketing incentives approved with new air service that began in 2021 or is scheduled to begin in 2022, and provide event management services for programs and events that promote these programs. This contract capacity allows the SAAS to be ready to support any new air service that may be announced in 2022.

BACKGROUND INFORMATION:

In November 2017, City Council awarded the professional services agreement with PAVLOV through Ordinance 2017-11-02-0851 for on-call advertising and marketing services to support the Air Service Incentives Program, Airport Concession Marketing campaign, and other marketing campaigns the Aviation Department may require marketing the airport System. These services include included:

- media program evaluation and purchases across various domestic and international media markets and types
- creative concept development
- design and production
- strategic planning and project management
- online, website and social media marketing strategies
- Public relations activities
- and, other related tasks to support the specified campaigns the Aviation Department may require to support the marketing of the airport system.

Air Service Incentive Program/General Air Service Marketing

As part of the Air Service Incentive Program, last approved by City Council in December 2019, new or current airlines receive marketing support for initiating new or expanded service at San

Antonio International Airport in amounts ranging from \$100,000.00 to \$500,000.00 in the first year to \$75,000.00 to \$250,000.00 in the second year pending the type of service and whether or not the air carrier is new to the San Antonio market. These services help establish the new market or new carrier and are a common airport practice in the United States. Through the Incentive Program or a general air service campaign, PAVLOV's services range media buys to event planning for new service launches to social media support.

Airport Concession Marketing Campaign

Concessionaires provide annual funding in the amount of \$250,000.00 to attract additional customers and raise awareness of the wide selection of food, beverage and retail options at the airport. PAVLOV provides marketing services from participation through a national rewards program to an online job application and hiring tool for airport concessionaires to use to hire new employees.

Parking Program and General Marketing Support

The Parking Division of the SAAS provides \$120,000.00 in annual funding for marketing services. PAVLOV has used these funds to promote several parking initiatives. PAVLOV also developed a new marketing program for SAAS, Fly Easier. Fly San Antonio, which included the overhaul of the SAAS' website to provide a cohesive marketing message. PAVLOV also provides event management support for several customer experience events including new elevator wraps to support local artists in the Long Term Parking Garage and the Roll of Excellence event held on October 8, 2021.

ISSUE:

This amendment will increase the contract capacity to the professional services agreement with PAVLOV to continue their services through November 22, 2022 to support on-call marketing and advertising efforts, including event management services.

The increase in capacity will ensure expectations are met for:

- Concessions & Parking Marketing, IT/Web Support, Passenger & Customer Experience Events, Air Service Incentive Marketing (\$681,000)
- Air Service Programs, including media buys for air service incentive programs (\$680,000)
- Event Management Service, including Routes America Conference 2022 (\$610,000)

The City plans on releasing a solicitation for these services in FY 2022. Projects assigned under this agreement through an on-call task order basis allow flexibility to the Aviation Department staff, airlines and concessionaires to address their marketing and advertising needs. The contract capacity does not guarantee a volume of work.

ALTERNATIVES:

Should this agreement not be approved, the Aviation Department would need to pause its contractual obligations under the Air Service Incentive Program and Airport Concession

Marketing Programs as the current contract capacity under the current agreement with PAVLOV is insufficient. The Department would need to solicit for a new on-call advertising and marketing vendor to provide these services, delaying support to the Air Service Incentive Program, Airport Concession Marketing Campaign and other planned marketing campaigns to support the airport system. This action would provide inconsistency in the efforts to support expanding current and attracting new air service as well as increasing revenue opportunities to our concessionaires and airport system.

FISCAL IMPACT:

This amendment shall have a value not to exceed \$1,970,321.00. Funding is available and appropriated in the FY 2022 Airport Operating and Maintenance Fund. The City will make no minimum guarantee pertaining to the volume of work which may be expected from the consultant.

RECOMMENDATION:

Staff recommends approval of the amendment to the professional services agreement with PAVLOV for the San Antonio Airport System.