



# City of San Antonio

## Agenda Memorandum

### File Number:

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**Agenda Item Number:** 32

**Agenda Date:** December 15, 2022

**In Control:** City Council A Session

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**DEPARTMENT:** Aviation Department

**DEPARTMENT HEAD:** Jesus H. Saenz Jr.

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Amendment to the Airline Operating Agreement and Terminal Building Lease for the San Antonio International Airport

**SUMMARY:**

This Ordinance authorizes an amendment to the Airline Operating Agreement and Terminal Building Lease, also known as the Airline Use and Lease Agreement (AULA), for the San Antonio International Airport, which governs the airport/airline business relationship (rates and charges) and specifies the terms and conditions for use of airfield and terminal facilities. The amendment will authorize an extension to the agreement, with revisions, for two years commencing on October 1, 2022.

**BACKGROUND INFORMATION:**

Airports and airlines typically enter into an airline lease and use agreement, which governs the airport/airline business relationship (rates and charges) and specifies the terms and conditions for use of airfield and terminal facilities. The AULA includes provisions governing rates and charges, performance guarantees, security, insurance, environmental compliance and indemnification for signatory airlines (Southwest Airlines, American Airlines, Delta Air Lines, United Airlines, Federal Express and United Parcel Service) operating at the Airport. Air

transportation companies that do not sign the AULA operate under the Airline Operating Permit. The current agreement was approved by City Council on September 3, 2020 for an initial term of one year with the option to extend for one-year and five-years.

With the completion of the Strategic Development Plan, approved by City Council in November 2021, the decision was made to not approve the second extension of a five-year period but to negotiate an amendment to the current agreement for a term of two years with revisions. During the negotiations on the amendment, the agreement continued under the holdover provision on a month-to-month basis. The two-year extension will allow the City and signatory airlines to negotiate a new AULA to supersede and replace the current agreement.

## **ISSUE:**

This amendment will extend the AULA for two years, commencing on October 1, 2022 through September 30, 2024 under the same terms of the agreement with the following revisions:

- Airline granted preferential use, but not exclusive use, of an assigned gate will follow the City's Gate Use Procedures.
- The City may waive or reduce any fees and charges pursuant to the City Council approved Air Service Incentive Plan for a period not to exceed two years. Signatory airlines may have an opportunity to review and comment on any proposed updates and/or revisions to the Air Service Incentive Program.
- The Federal Nondiscrimination Requirements (Title VI) are updated.
- The deferral of particular projects that impact the airlines' rents, fees and charges during the term of the agreement will be reduced from 24 months to 12 months.
- Projects identified below are not subject to the 12-month deferment of capital projects as long as the total costs of the projects do not exceed \$120 million:
  - Executive Program Manager
  - Program Management/Construction Management
  - Master Architect
  - Relocation of Employee Parking
  - Relocation of RON Aircraft Parking
  - Demolition of Hangar 4
  - Demolition and Relocation of Public Safety Offices
  - Demolition and Relocation of Badge and ID Offices
  - Terminal A Ground Load Facility

At least one signatory airline must sign the amendment for it to be executable, and the City has received more than one signed amendment. All major airlines and cargo carriers that operate under the AULA are required to sign the amendment to continue as signatory airlines for the San Antonio International Airport. For the airlines and cargo carriers that do not want to commit to the term of the Agreement, they can operate, or continue to operate, at the Airport under its Airline Operating Permit.

## **ALTERNATIVES:**

City Council could decide to not approve this item and extend the current agreement while another agreement is negotiated. However, the amendment provides necessary revisions to allow the

implementation of the Terminal Development Program to continue, and its two-year extension will allow the City and signatory airlines to negotiate a new agreement.

**FISCAL IMPACT:**

This Ordinance authorizes an amendment to the Airline Operating Agreement and Terminal Building Lease, also known as the Airline Use and Lease Agreement (AULA), for the San Antonio International Airport, which governs an airport/airline business relationship (rates and charges) and specifies the terms and conditions for use of airfield and terminal facilities. The amendment will authorize an extension to the agreement, with revisions, for two years commencing on October 1, 2022. It is estimated that aeronautical revenues from signatory and non-signatory airlines from the rents of terminal space, passenger loading bridges, apron fees and baggage handling will generate \$51,000,000.00 in FY 2023 which will be deposited into the Airport Operating and Maintenance Fund.

**RECOMMENDATION:**

Staff recommends the authorization of the amendment to the Airline Operating Agreement and Terminal Building Lease Agreement at the San Antonio International Airport.