



COUNTY OF HUMBOLDT

AGENDA ITEM NO.
C10

For the meeting of: February 27, 2018

Date: February 6, 2018
To: Board of Supervisors
From: Amy S. Nilsen, County Administrative Officer *AN*
Subject: Airline Minimum Revenue Guarantee Contract Extension

RECOMMENDATION(S):

That the Board of Supervisors

- 1) Extend the contract period from one year to 16 months for the commitment of \$250,000 from the Headwaters Community Investment Fund for a minimum revenue guarantee for additional airline service to Redwood Region Economic Development Commission for the California Redwood Coast- Humboldt County Airport, to coincide with the minimum revenue guarantee period in the Air Services Agreement between United Airlines, Inc. and Redwood Region Economic Development Commission; and
- 2) Authorize the Chair of the Board to sign the contract in the amount of \$250,000, effective March 1, 2018 through July 1, 2019, from the Headwaters Community Investment Fund for a minimum revenue guarantee for additional airline service to Redwood Region Economic Development Commission for the California Redwood Coast- Humboldt County Airport.

SOURCE OF FUNDING:

Headwaters Community Investment Fund: 3486-286-80800.

DISCUSSION:

Prepared by Cindy Harrington, Economic Development Coordinator

CAO Approval *[Signature]*

REVIEW:	Auditor <i>[Signature]</i>	County Counsel <i>JN</i>	Personnel _____	Risk Manager <i>KTB</i>	Other _____
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TYPE OF ITEM:

Consent

Departmental

Public Hearing

Other _____

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
 Upon motion of Supervisor *Wilson* Seconded by Supervisor *Bass*

Ayes *Bass, Fennell, Sundberg, Bohn, Wilson*
 Nays _____
 Abstain _____
 Absent _____

PREVIOUS ACTION/REFERRAL:

Board Order No. C-3a, H-1, C-12

Meeting of: 8-28-2012, 2-25-14, 12-8-15

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: *2/27/18*
By: *[Signature]*
Kathy Hayes, Clerk of the Board

On December 8, 2015, the Board of Supervisors (BOS) approved the Headwaters Fund Board's (HFB) recommendation to approve a \$250,000 Community Investment Fund (CIF) grant application (Attachment A) to Redwood Region Economic Development Commission (RREDC) for a minimum revenue guarantee related to airline recruitment efforts for the California Redwood Coast- Humboldt County Airport (ACV). As there was not a contract with an airline for additional service in place prior to the February 25, 2017, deadline, no grant contract was negotiated and the grant funds were not drawn.

On April 4, 2017, the Board of Supervisors approved the renewal of the commitment of \$250,000 for a one year period, effective immediately (Attachment B). Upon the execution of an Air Services Agreement between RREDC and the airline, the BOS Chair was to execute a one-year grant contract between the County/Headwaters Fund (HWF) and RREDC in the amount of \$250,000.

RREDC has executed an Air Services Agreement with United Airlines, Inc., effective January 5, 2018. In order to establish a line of credit, RREDC is requesting an initial sum of \$126,250 to be deposited into an escrow account at Redwood Capital Bank, along with community contributions, totaling \$536,450. Subsequent disbursements will be made upon presentation of an invoice per the Air Services Agreement and in consultation with Headwaters Fund staff. The minimum revenue guarantee period in the RREDC/United contract, runs from June 7, 2018 to June 6, 2019.

To ensure that the HWF minimum revenue commitment is available during this period, the HFB is making the recommendation to extend the County/HWF contract with RREDC from one year to 16 months (Attachment D). This will allow the initial deposit of \$126,250 upon contract execution and will cover the minimum revenue guarantee period of June 7, 2018 to June 6, 2019. The recommended contract term is March 1, 2018 through July 1, 2019.

One of the goals of the Community Investment Fund includes implementing the principles and strategies of the county's Comprehensive Economic Development Strategy (CEDS) that will develop the community and economy. The funding priorities of the Community Investment Fund include investing in infrastructure projects that will benefit industry. The commitment of \$250,000 from the Community Investment Fund, along with the local contribution and the Small Community Air Service Development Program grant, supports the CEDS Action Plan Strategy, E7, to expand air service capacity and destinations to meet market demand and connectivity to the national network.

FINANCIAL IMPACT:

The commitment grants \$250,000 from the CIF. This fund currently has no replenishment mechanism. The current balance of this fund is \$2,065,712. If the full amount of HWF contribution is drawn, the balance would be \$1,815,712.

This recommendation supports the Board's Strategic Framework, Core Roles by supporting business and workforce development.

OTHER AGENCY INVOLVEMENT:

Redwood Region Economic Development Commission

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Do not approve the renewal. This is not recommended as this would leave RREDC without sufficient funds to offer a minimum revenue guarantee to potential air service providers.

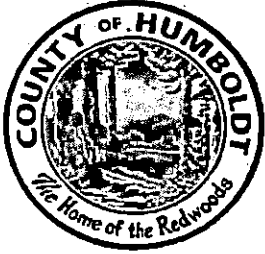
ATTACHMENTS:

Attachment A: Board Report December 8, 2015

Attachment B: Board Report April 4, 2017

Attachment C: Contract between the County of Humboldt, Headwaters Fund and Redwood Region Economic Development Commission

ATTACHMENT A:
BOARD REPORT OF DECEMBER 8, 2015



COUNTY OF HUMBOLDT

AGENDA ITEM NO.
C-12

For the meeting of: December 8, 2015

Date: November 3, 2015
To: Board of Supervisors
From: Phillip Smith-Hanes, County Administrative Officer *PSH*
Subject: Airline Revenue Guarantee

RECOMMENDATION(S):

That the Board of Supervisors

- 1) Reviews and renews the commitment of \$250,000 from the Headwaters Community Investment Fund for a minimum revenue guarantee for additional airline service to Redwood Region Economic Development Commission for the California Redwood Coast- Humboldt County Airport, effective immediately after the expiration of the moratorium on grant making from this fund, and with a duration of one year; and
- 2) Authorizes the Chair of the Board to sign a grant contract after matching funds are verified and a contract for additional airline service to the California Redwood Coast- Humboldt County Airport is executed.

SOURCE OF FUNDING:

Headwaters Fund: Community Investment Fund

Prepared by Nicole Morrow, Sr Administrative Analyst

CAO Approval: *Erin Hayes*

REVIEW:	<i>MM</i>	County Council _____	Human Resources _____	Other _____
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TYPE OF ITEM:

Consent

Departmental

Public Hearing

Other _____

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT

Upon motion of Supervisor *Lovelace* Seconded by Supervisor *Bass*

Ayes: *Sundberg, Lovelace, Fennell, Bohn, Bass*

Nays _____

Abstain _____

Absent _____

PREVIOUS ACTION/REFERRAL:

Board Order No. C-3a, H-1
Meeting of: 8-28-2012, 2-25-14

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: *Dec. 8, 2015*
By: *Kathy Hayes*
Kathy Hayes, Clerk of the Board

DISCUSSION:

On August 28, 2012 the Board of Supervisors approved the Headwaters Fund Board's (HFB) recommendation to approve a \$250,000 Community Investment Fund (CIF) grant application (Attachment A) to Redwood Region Economic Development Commission (RREDC) for a minimum revenue guarantee related to airline recruitment efforts for the California Redwood Coast- Humboldt County Airport (ACV).

In 2013, the expected Headwaters Fund (HF) contribution was reduced to \$125,000 to match the community donations at that time. In the July 15, 2014 HFB meeting, the HFB approved an extension (Attachment B) of the original commitment with the following parameters:

- Extend the original \$125,000 commitment that had already been matched by the community through July 1, 2015, and
- Extend and re-commit up to an additional \$125,000 through July 1, 2015. These funds must be matched with new community donations.
- The entire \$250,000 would be available over time, as stipulated in the terms of the contract, as a pro rata share of the amount owed to the airline, in the event the revenue guarantee is needed.

As there was not a contract with an airline for additional service in place prior to the July 1, 2015 deadline, no grant contract was negotiated and the grant funds were not drawn.

During the February 25, 2014 annual report from the HFB to the Board of Supervisors, a series of recommendations were approved to build the corpus and increase yield for the fund for the long term, including temporarily ceasing grant making from the CIF. This moratorium on grant making from the CIF expires on February 25, 2016.

In the September 15, 2015 HFB meeting, RREDC requested additional extension of the \$250,000 commitment (Attachment C), and followed up in the October 20, 2015 HFB meeting with a full economic impact presentation (Attachment D) and cross-industry support (Attachment E) for continuation of the HFB's support of airline recruitment efforts.

The CIF's goals include implementing the principles and strategies of the county's Comprehensive Economic Development Strategy (CEDS) that will develop the community and economy, with projects to improve infrastructure benefiting industry among the top priorities of the CIF.

The HFB recommends the renewal of the Headwaters pledge of \$250,000 toward the minimum revenue guarantee needed in order to recruit additional airline service to ACV. This recommendation is supported by the CEDS Action Plan Strategy E7 (expand air service capacity and destinations to meet market demand and connectivity to national network) and the cross-industry support provided in the HFB meeting on September 15, 2015 and the numerous support letters.

FINANCIAL IMPACT:

The potential impact of this commitment is the granting of \$250,000 from the CIF. This fund currently has a two year moratorium on grant making as approved by the BOS on February 24, 2014 as this fund has no replenishment mechanism.

The current balance of this fund is \$2,598,835. If the full amount of HF contribution is drawn, the potential balance would be \$2,348,835. The intent of the moratorium approved by your Board on February 25, 2014 was to build the CIF back up to \$5 million.

This recommendation supports the Board's Strategic Framework, Core Roles by supporting business and workforce development.

OTHER AGENCY INVOLVEMENT:

Redwood Region Economic Development Commission

ALTERNATIVES TO STAFF RECOMMENDATIONS:

- To make an exception to the moratorium and approve the renewal of the commitment effective immediately. This is not recommended as your Board approved the two year moratorium, expiring in February 2016, and the need of funds for this project will not be required until after the moratorium expires.
- To not approve the renewal. This is not recommended as this would leave RREDC without sufficient funds to offer a minimum revenue guarantee to potential air service providers.

ATTACHMENTS:

- A. Original Application
- B. Extension letter, 2014
- C. Request for Extension, 2015
- D. Report from RREDC
- E. Support letters

Headwaters Grant Fund Application Narrative Questions

Prepared by Redwood Region Economic Development Commission

May 10, 2012

1. Summary of Project/Grant request:

RREDC is requesting a grant of \$250,000, matched 431% by federal, private sector, and community funds, in order to prepare a Minimum Revenue Guarantee Agreement (MRG). The MRG will be used to recruit an airline that will provide reliable twice daily service from ACV to an air hub other than SFO and provide access to additional connecting flights, the goal of the MRG program is to build what would eventually be a self-supporting route.

2. Project Description with Project Goals:

The goal of this initiative is to create a more competitive and dependable air travel environment for the region through obtaining air service from ACV to a new air hub. SFO, the sole hub being serviced from ACV, will be in a runway construction project until 2015. SFO already has one of the lowest-performing on-time arrival rates of national hubs. It has an average on-time performance rate of 70.5 percent in 2011, well below the national rate of 79.2 percent. In addition to the economic impacts resulting from lost connections and delays, a lack of competition at ACV has led to fare increases on United flights to LAX of 40% since United became the sole carrier.

The federal government supports the MRG method as a means for recruiting airlines to rural, underserved airports. Developing a locally initiated MRG will allow the county to effectively negotiate with potential air service providers.

Previous attempts to respond to airline offers of service in return for an MRG based entirely on local funds encountered negotiation and public process time obstacles as well as confusion within the community as to the nature and value to the community of the MRG. An alternative approach - *using local funds to leverage substantial federal funds for a proactively developed MRG* - will alter the discussion. Fewer local funds will need to be committed, federal funding will underline that increased air service is a significant contributor to the local economy, significant indirect job creation occurs, and airlines will be able to commit to servicing our area without being involved in the public process.

In order to develop a competitive application for DOT funding, considerable local support will need to be demonstrated. Recently, only one in four applications for a Small Community Air Service Development Program Grant (SCASDP) were successful, and local funding and support were significant factors in the successful applications.

The Request for Proposals for a SCASDP Grant from the Department of Transportation is expected this week. A private air service consultant, Mead & Hunt, located in Peachtree, Georgia, will assist in preparation of the application on behalf of the Humboldt County Department of Public Works Aviation Division and the Redwood Region Economic Development Commission. The expected deadline for submitting the application is 30 days from the publication of the RFP.

A campaign will begin immediately to acquire commitments of funding from a variety of local entities. The specific groups to be contacted include Chambers of Commerce, the Humboldt County Convention & Visitors Bureau, the California Welcome Center, Humboldt State University, gaming tribes, medical facilities, and large and medium sized private businesses that depend on travel out of the area. Contacts will be made by RREDC staff and others committed to acquiring additional air service and will include speaking to boards, individuals and media. Financial and in-kind commitments will need to be in place prior to submitting the grant application.

Headwaters Funding is to be contingent on acquisition of an airline, not on obtaining all desired funds. Funds obtained will be held in a separate county account in RREDC's name. If there is no MRG in place within two years, all funds obtained for the purpose of creating an MRG, including any HWF monies, will be returned to their sources.

3. Economic Development Outcomes

While every base industry cluster uses air transportation, some sectors are especially aware of the competitive disadvantage they face in air transportation. Specialty agriculture, education & research, niche manufacturing, diversified health care, building & construction, and management & innovation services have included air service improvements as a key element in the industry cluster plans they developed as part of the Comprehensive Economic Development Strategy process.

In the past, Humboldt County has lost business and employers due in part to transportation difficulties including on location film & commercial opportunities, manufacturers, consulting firms and others. Increased air service would help to retain existing businesses and more fully integrate the Humboldt economy into the global economy, particularly in fields with higher wage jobs.

A major economic development impact from additional air service comes in the form of indirectly leveraged federal funds. This comes about as outlined below:

- New airline provides service for at least 30,000 new passengers per year

- Each ticket includes a \$4.50 Passenger Facility Charge which goes to county aviation for capital improvements - \$135,000 per year
- FAA funds capital improvements with a 5% local match, essentially creating a \$2,700,00 fund for capital improvements
- FAA requires that funds be spent with local vendors except where items or services are not available locally. In the past this has resulted in approximately 90% local contracting.
- These funds kept local contractors in business during the extremely difficult economic climate.
- Capital projects include a new hanger designated as a Freight Facility to facilitate larger planes transporting local products including flowers, live seafood, and other fresh specialty agricultural products. Package shipment companies such as FedEx and UPS could also relocate to a modern facility.

4. Job Creation

Jobs would be created directly from this project upon securing a new air service provider through a funded MRG. Job numbers are not exact but previous air carriers had approximately 20 employees servicing the ACV airport.

Jobs would also be created through the capital improvement program listed above. In the past four years at least \$7,000,000 was spent with local contractors, a high proportion going to labor costs, during a time of serious economic decline.

While very difficult to quantify, additional jobs potentially would be created or retained through local businesses retention and expansion, the ability to bring film and advertising work to the area, and potential relocation of business to this area.

5. Environmental Benefits

No appreciable environmental benefits would be achieved through this project.

6. Quality of Life Benefits

Additional air service will better utilize the existing airport facility, provide the community with improved transportation, and fits well with the image of the area as an emerging leader in the fields of knowledge based industry, sustainable agriculture, and innovative manufacturing, as well as a world class tourism destination.

Primarily, however, additional air service will contribute to Humboldt being a desirable place to live. Currently, many businesses such as health care and technical fields have difficulty attracting qualified personnel and their spouses because of the perceived isolation

of the area. By supporting existing businesses travel needs, and attracting qualified personnel to the area, residents will be able to enjoy the unparalleled beauty of the area and still earn a living wage.

7. Organizational Qualifications

County staff (Tom Mattson & Emily Jacobs) have expertise in negotiating contracts with air service providers and enabling the smooth integration of a new carrier into the airport facility.

RREDC (Don Ehnebuske & Suzanne Dockal) will be the fiscal agent for the MRG agreement and will also lead efforts to enlist support from the community, through extensive connections obtained by having board members from most elected bodies throughout the county.

Mead & Hunt (Joseph Pickering) have worked with RREDC and Humboldt County to obtain air service since 2006. Having a partner knowledgeable about the intricacies of the industry is invaluable.

8. Prior Work

Mead & Hunt prepared a similar application in 2011 which was unsuccessful. This year's effort will contain substantially more community support, a key component of successful efforts. Much of the supporting data is in place or needs only minor updating. The community has been made aware of this issue through past efforts at obtaining service and efforts at building support for this new effort has already begun with newspaper articles and talks to groups such as the Eureka Chamber of Commerce.

When applying for grants, there is no way to ensure success. However, because the funding requested from the Headwaters Fund is contingent on the success of the DoT application, the Headwaters Fund will not expend any funds on this project until an airline has agreed to provide services.

9. Outcomes of the Project

The projected outcomes of the project are:

- Twice daily air service from ACV to a hub airport other than SFO
- A self-supporting airline route at the end of the terms of the MRG
- Decreased airfare costs due to a newly competitive environment
- Increased competitiveness of businesses located in the area due to greater access to the global economy
- Increased tourism

- Enhanced ability to attract and retain qualified employees for a range of technical industries
- Multi million dollar construction work for local businesses

In the long term, the most important of these outcomes is that the route established with the MRG is sustainable without the support of a minimum revenue guarantee. This expected outcome is based on the experience of Horizon Airlines. Horizon had an excellent record of filling seats and only left the area due to a new company wide strategy in which airports such as ACV were deemphasized. The experience with Delta was due to a global economic crisis that substantially depressed domestic air travel and would likely have continued without that event.

Ticket cost history indicates that even were the MRG to fail to establish a self sustaining route, total financial benefit to the county would result because the lowered ticket prices would exceed the MRG cost by between \$35 and \$65 during the term of the service.

10. Expected Changes in the Community

Increased air service is one component in the establishment of a new picture of Humboldt. Humboldt County is developing a new identity as a center of sustainable development in a highly interconnected world. The image of "Behind the Redwood Curtain" is rapidly being replaced by a culture of innovation that is ready to be shared with a larger world.

Leadership in the areas of organic production of dairy products and beef, aquaculture, sustainable forestry, specialty agriculture of all types, expertise in fields as diverse as wildlife, fisheries, forest management, niche manufacturing, and the brewing of beer allow Humboldt County to export goods and services to other less fortunate areas. Without the connectivity provided by adequate air service, fiber lines and industry standard roadways, the vibrancy of the community would be considerably dampened as successful entrepreneurs relocate to areas with the amenities needed to support their passions. With robust connections throughout the world, Humboldt County will continue to thrive.

11. Risks and Challenges

A primary risk to the project comes from the possibility of poor communication regarding what is being proposed. Some in the community have characterized this effort as a proposal to guarantee profits to an out-of-area corporation, as opposed to paying for the establishment of a necessary service. In the same way that hiring an outside firm to build a bridge bypassing Confusion Hill benefits everyone, even those not driving it regularly, establishing ongoing air service both costs money and benefits all. With the experience of Delta Airlines taking the county revenue guarantee money offered and then ending service at the conclusion of the contract, there is an understandable distrust among some in the

community. However, the benefits to the community as a whole far outweigh the costs, even in the case of the Delta where ticket prices fell by an average of \$15 while the revenue guarantee cost around \$5 per ticket.

Another risk is that a new airline will repeat the experience of Delta and discontinue service after the term of the MRG expires. While this is indeed a possibility, experience demonstrates that there is sufficient demand for alternate routes to sustain the flights. Additionally, in the case of circumstances out of the control of the community or airline, the benefits of competition during the MRG period more than pay for the cost of the agreement in terms of reduced ticket prices and fewer delays.

12. Sustainability of Program

Sustainability of this program is based on the use of the air service in the period following the expiration of the MRG. Historical data and polling shows that there is a demand for the service, and cost data obtained from American Airlines during the negotiations in April 2012 showed a reasonable ridership requirement for profitability. However, the ACV market is an extremely small player in the large and highly complex world of air travel. Many factors beyond the control of the local community could play a part in the long term viability of the service. Nevertheless, the benefits far exceed the local costs in any conceivable scenario.

13. Project results without the participation of the HWF

Without the substantial participation of local funding sources, the grant application to the Department of Transportation would most likely be unsuccessful. The time and expense of applying and the good will developed through the community support gathering phase would be wasted. Attempts to develop a MRG to attract additional air service to the area will most likely be discontinued for a considerable period of time. Air travel from ACV, already a difficult proposition, will likely become considerably worse, especially during the three year SFO construction project.

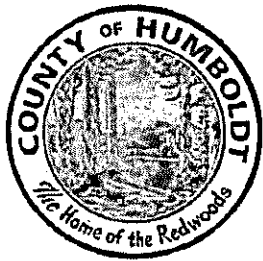
14. Disseminating Information and Acknowledging Headwaters Fund

Information about this project will be presented in the local media, which has displayed considerable interest in the past, as well as on the RREDC & Fly Humboldt websites and social media sites.

Institutional knowledge on this project has and will continue to be the most important source of information on the project. The work of Gregg Foster and others is well documented and continues to be an important resource in obtaining data on this complex topic.

15. Past Headwaters Fund Grants

RREDC has been involved in several large Headwaters Fund loan programs in the past, including the previous MRG for Delta Airlines. While disappointing that Delta discontinued service following the expiration of the agreement, the MRG resulted in a net benefit to the county as a whole by reducing ticket prices through competitive forces in a time of the highest fuel costs in history. Per ticket price of the MRG was approximately \$5.80, with reduced ticket prices in the range of \$15-\$35.



COUNTY ADMINISTRATIVE OFFICE
The Headwaters Fund
COUNTY OF HUMBOLDT

520 E Street, Eureka, CA 95501
Telephone (707) 445-7745 Fax (707) 445-7219
<http://www.theheadwatersfund.org/>

July 17, 2014

Don Ehnebuske
Executive Director
Redwood Region Economic Development Commission
520 E Street
Eureka, CA 95501

Dear Don,

As you know, the Headwaters Fund Board has approved an extension on the Community Investment Fund grant (10-CIF-36) for an airline revenue guarantee. This grant was initially awarded in May of 2012. The Board of Supervisors approved up to a \$250,000 commitment from the Headwaters Community Investment Fund for an airline revenue guarantee. Headwaters funds had to be matched by community funds and were to be augmented by federal grant funds. There was a two-year timeframe set for this effort. In the budgeting process in 2013, the expected Headwaters Fund contribution was reduced to \$125,000 to match the total of the community donations at that time. In April of 2014, you returned to the Headwaters Fund to request an extension for fundraising and for a re-commitment of the full \$250,000 toward a total revenue guarantee amount of \$1 million.

At the April, 2014 Headwaters Fund Board meeting, the Board moved to set a review in 3 months to determine if the \$125,000 match is sufficient and to have you present a plan and update on recruiting donors. Following your presentation at the July 15, 2014 meeting, the Headwaters Fund Board approved the following:

- 1) To extend the initial \$125,000 commitment which had already been matched by the community through July 1, 2015. If there was a viable contract with an airline by that date, the funds would become available over time as stipulated in the terms of that contract.
- 2) To extend and re-commit up to an additional \$125,000 through July 1, 2015. These funds must be matched by new community donations. There will be up to \$125,000 available, dependent upon the amount of the new community match. If there was a viable contract with an airline by that date, the funds would become available over time as stipulated in the terms of that contract.

Before these funds may be released we must have a signed grant contract, and before we can complete a contract we need documentation of the matching funds and a copy of the contract with the airline promising service in return for an airline guarantee. You have until July 1, 2015 to provide those documents. If you do not have the match or the airline contract in place by that time the grant will be cancelled.

Best wishes in your endeavors to pull all this together in the next year.

Dawn Elsbree
Executive Director
Headwaters Fund



Redwood Region
Economic Development
Commission

520 E Street Eureka • California 95501 • (707) 445-9651 • FAX (707) 445-9652

September 8, 2015

Nicole Morrow
Executive Director
Headwaters Fund
520 E Street
Eureka, CA 95501

Dear Nicole,

I am writing this letter to ask your board to consider a one-year extension for your Community Investment Fund grant (10-CIF-36) to support an airline minimum revenue guarantee.

On July 15, 2014, the Headwaters Fund Board approved the extension of the \$250,000 grant until July 1, 2015. The action stipulated that if there was a viable contract with an airline for new service by that date, the funds would become available over time as outlined in the terms of the contract with the airline.

As you know, there was not a contract in place by that time. Nevertheless, both RREDC and the County of Humboldt still actively recruit airlines for new service and we believe strongly that progress is being made. However, as history tells us, we cannot predict with certainty when an offer from an airline will be forthcoming. We learned this in 2012 when American Airlines agreed to provide flights to Los Angeles from Humboldt County. Unfortunately, we did not have the funds available to provide them with the minimum revenue guarantee they were seeking. Subsequently and as a result of this experience, we undertook a community wide effort to secure funds and pledges so that when an offer is proffered, we'd be able to respond in a timely fashion. To date, we have secured over \$1.5 million in donations and commitments from both public, private, and organizational sources.

We have increasing activity at our airport. Larger capacity and passenger volumes make our pitch for new service much stronger. We now have all-jet service to San Francisco and we have seen load factors (percentage of seats filled) of 85% to 90%. Representatives of the County and RREDC continue to be actively engaged with both our incumbent carrier and potential new airlines. Critical to our securing new service will be our ability to meet the terms of a mutually-beneficial agreement with an air carrier.

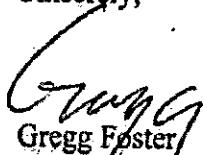
MEMBER AGENCIES

City of Arcata • City of Blue Lake • City of Eureka • City of Ferndale • City of Fortuna • City of Rio Dell • City of Trinidad
County of Humboldt • Humboldt Bay Harbor, Recreation and Conservation District • Humboldt Bay Municipal Water District
Humboldt Community Services District • Manila Community Services District • McKinleyville Community Services District
Orick Community Services District • Redwoods Community College District • Hoopa Valley Tribe
Willow Creek Community Services District • Orleans Community Services District • Redway Community Services District

The Headwaters Fund has been a valuable partner in this and other economic development efforts and I look forward to continuing that partnership. We recognize that the financial condition of the fund has changed since you made your initial commitment to this effort. We believe, that any new service contract would be structured in such a way that funds would not be needed until one year following the start-up of the new service. As a condition of this extension, we'd make the commitment to provide you with regular updates and presentations on our progress.

Thank you for your attention to this matter.

Sincerely,



Gregg Foster
Executive Director

cc: RREDC Board of Directors



Fly Humboldt!

More Flights/More Destinations

Headwaters Fund

October 20, 2015

Today's Presentation

1. What We're Asking

2. Why New Service Is A Good Investment

A. Consistency with Humboldt County's Economic Development Strategy

B. Direct Economic Impacts

C. Economic Development Impacts

3. Questions



What We're Asking



Key Features of Your Investment

- Renews Your Previous Commitment
- Leverages Federal Dollars 3:1
- No Investment Without New Service
- Investment a Minimum of 12 Months in the Future
- Investment Only Under Specific Circumstances



Why It's A Good Investment



Consistent with Your Charter

To use the values, principles and strategies of the County's Comprehensive Economic Development Strategy, currently known as Prosperity! The North Coast Strategy to support the growth of base industry clusters and increase the number of sustainable jobs that pay near or above the median income

“Prosperity 2012”

Calls for the expansion of “air passenger service capacity and destinations to meet market demand and connectivity to national networks”

Why? Because employers need it.

“Prosperity 2012”

Targets of Opportunity

- Healthcare
- Specialty Food Flowers and Beverages
- Building and Systems Construction
- Investment Support
- Management and Innovation Services
- Niche Manufacturing
- Forest Products
- Tourism
- Education
- Filming



Direct Economic Impact

Direct Economic Impact

- Increases Construction Spending
- Creates Employment At The Airlines
- Creates Employment At Support Services/Businesses
- Competition Can Reduce Airfares
- Increases Productivity

Construction Spending

- Departing passengers pay \$4.50 Passenger Facility Charge. Used for local projects.
- The Federal Government Matches 9:1.
- Funds Airport Improvement Projects at **ALL SIX** Humboldt County Airports.
- In 2010 – ACV had 100,735 passengers.
2014 – 52,137. This drop results in nearly **\$2.2 million** in reduced funding for construction *each year*.

An aerial photograph of an airport runway, showing the runway surface, taxiway, and surrounding landscape. The image is high-contrast and grainy. Overlaid on the image is text in a white, outlined font. The text reads: "Airport Improvement Project Spending", "2005 - 2015", and "\$37,491,344".

Airport Improvement Project Spending

2005 - 2015

\$37,491,344



Benefits to Local Contractors

- Alternative Design & Development
- Advanced Security Systems
- Bouchey Roofing
- Colburn Electric
- Communications Cable Systems
- Eureka Floor
- Eureka Glass
- FC Bickert
- James Carl Painting
- JM Cabinet Maker
- Kernen Construction
- Kurwitz Construction
- Mayan Construction
- Mercer Fraser
- Miller Farms
- Northwestern Tile Co.
- O & M Industries
- Public Phone
- Quality Acoustics
- Restif
- SHN
- Sholes Overhead Doors
- The Phone Guy
- Urfer Engineering
- Wayne Maples
- Wahland Construction
- Winzler & Kelly



Spending On the Drawing Board

2016 - 2020

\$22,218,244

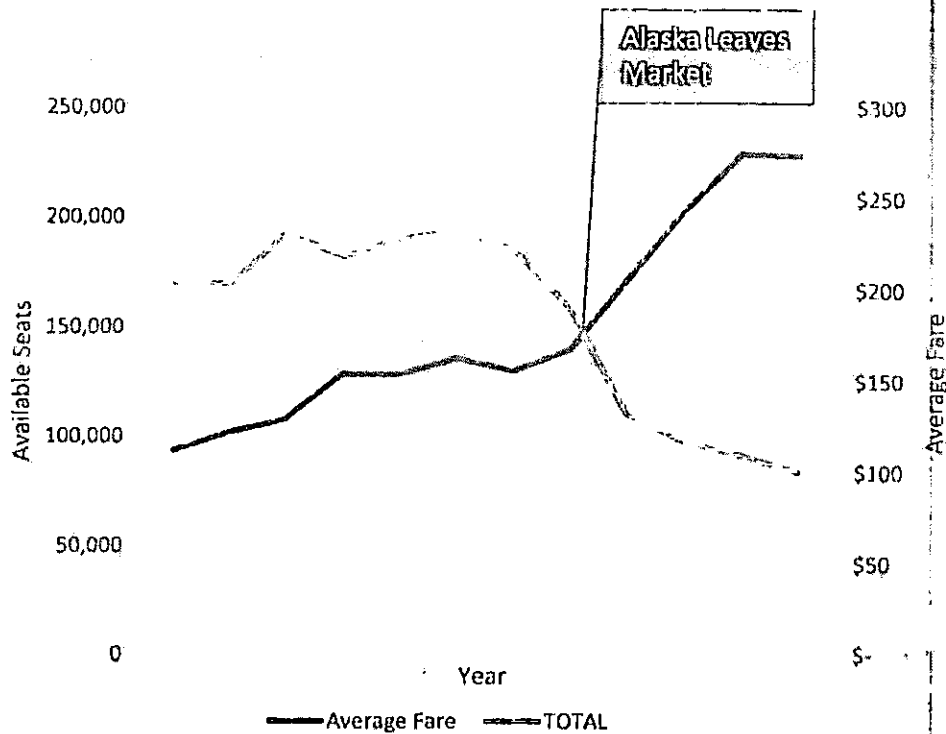
*Timing and amount largely depends on
passenger volumes.*

Other Direct Benefits

- Employment at the airlines.
 - 12 jobs lost with the departure of Alaska
- Employment at support businesses.
 - Jobs have been lost at gift shop and restaurant that remain closed.
- Other revenue lost
 - Parking, fuel sales to County of Humboldt
 - Revenue to hotels for crews.
 - Revenue to vendors, car rental companies.

Costs to the Citizens Of Humboldt

Available Seats and Average Fares
2003 -2014



2009	\$ 156	-4.29%	\$ (7)
2010	\$ 168	7.69%	\$ 12
2011	\$ 206	22.62%	\$ 38
2012	\$ 244	-18.45%	\$ -38
2013	\$ 275	12.70%	\$ 31
2014	\$ 274	-0.36%	\$ (1)

Average Fare has increased \$118 since 2009. A 76% increase!

For the 52,137 passengers in 2014, that translates to \$6.1 million per year.



Supports Economic Development

Economic Development Benefits

Journal of Rural Studies, July 2009

The Economic Impact of Airports in High-Amenity Rural Areas

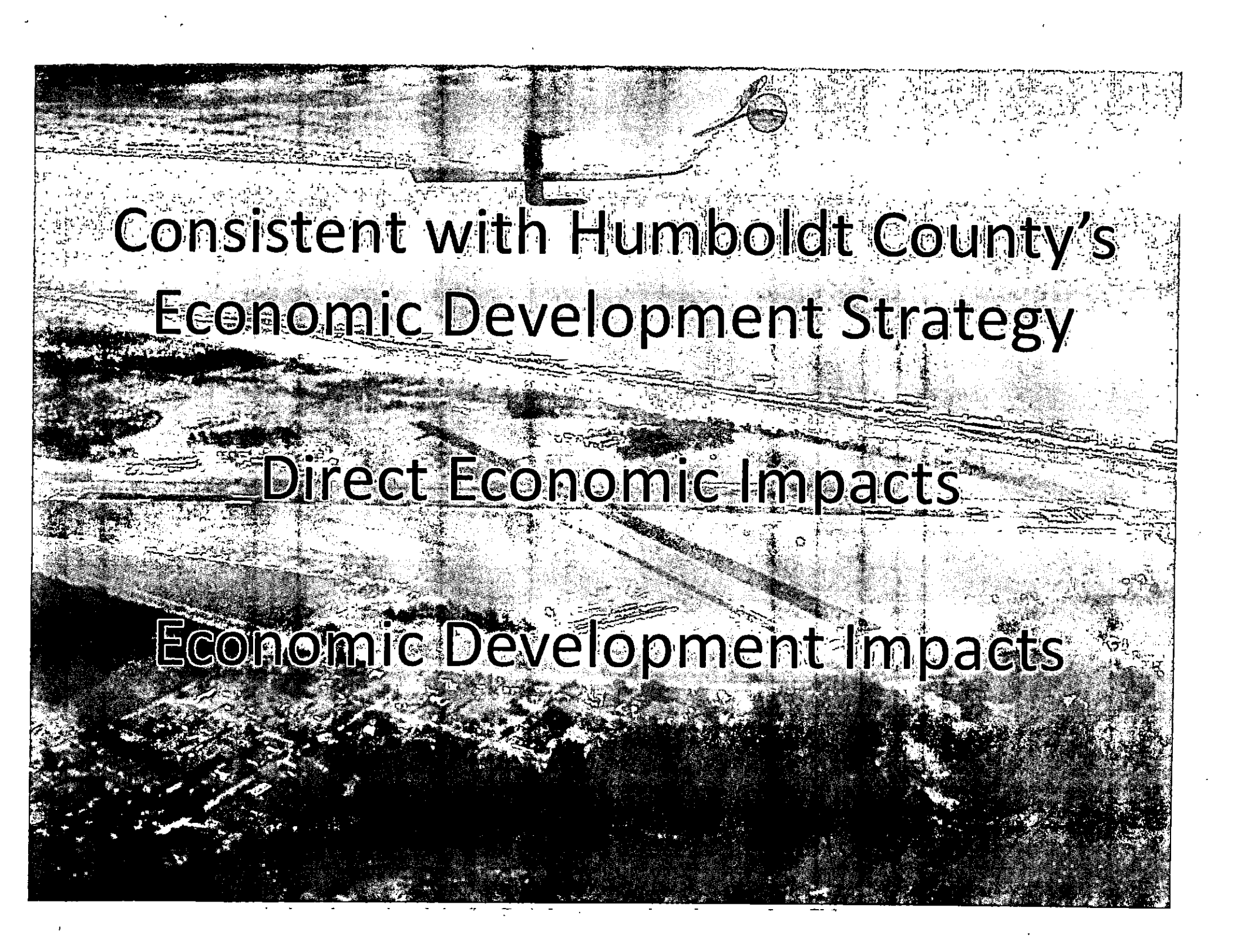
- ***"...per capita income tends to drop with increasing distance from airports."***
- ***"...access to markets via air travel is important for economic development.*** A long drive time to the nearest airport means a higher likelihood of lower earnings per job and per capita income, a more specialized economy, and less of a service-based economy."
- ***"...the easier it is to access and airport with daily commercial service to major cities, the more the rural area become transformed into an economy that behaves like a metropolitan area, including the attraction of knowledge-based workers."***

Economic Development Benefits

Richard Florida, Charlotta Mellander and Thomas
Holgersson March 2012

Up in the Air: The Role of Airports for Regional Economic Development.

...we find that airports play a significant role in regional economic development. The scale of their effect is similar to that of Human Capital, a factor which the literature identifies as a key contributor to regional development, and greater than High-Tech Industry, which many also think of as an important driver of regional development. ***We also find that it is not just having an airport but that its size and scale of activities matter to regional development.***

An aerial photograph of a coastal area, likely Humboldt County, showing a pier extending into the water and several buildings along the shore. The image is high-contrast and grainy.

Consistent with Humboldt County's
Economic Development Strategy

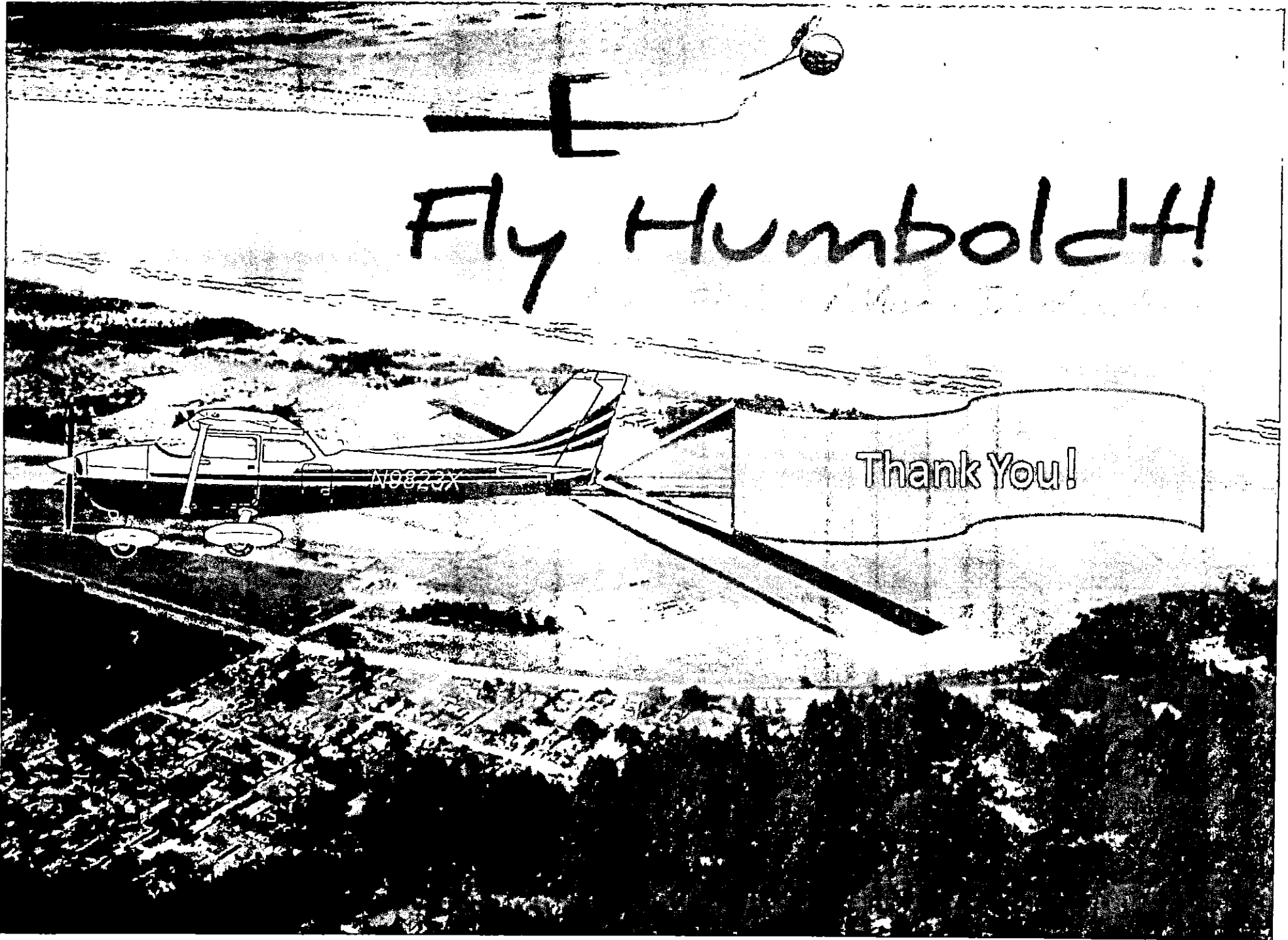
Direct Economic Impacts

Economic Development Impacts

Fly Humboldt!

Thank You!

N9823X



Damiano, Debbie

From: Ken Musante <kenm@eurekapayments.com>
Sent: Monday, September 14, 2015 4:57 PM
To: Morrow, Nicole
Subject: Request for continued funding of RREDC

Nicole, I am sending this email in support of RREDC. As a business owner in Humboldt County, economic activity within the region is critical to the success of my business. Attracting another carrier or expanding our current carrier is one of many steps we can take for the benefit of our Community.

My business has made a pledge of direct support as well.

Your continued support of RREDC to attract another carrier further helps Humboldt County's business community and individuals.

Thank you for your consideration.

Ken Musante
Kenm@eurekapayments.com Eureka: 515 J St., Suite C, Eureka, CA 95501
Cell: 707 601 7656 Medford: 33 N Central Ave, Suite 415, Medford, OR 97501
Office: 707 476 0573 Fax: 707 476 0574
www.eurekapayments.com

Oct. 19, 2015

Fatima Giacomini
1994 Elmwood Place
McKinleyville, Ca 95519

Dear Ms Morrow,

I am writing this letter to express my support for the Redwood Region Economic Development Commission's request to renew the Headwaters Fund's commitment for a revenue guarantee for new commercial air service.

Affordable and reliable air service is a critical piece of our regional transportation infrastructure. This was recognized in the County of Humboldt's "Prosperity 2012" economic development plan, which calls for the expansion of "air passenger service capacity and destinations to meet market demand and connectivity to national networks"

Increased air service also contributes directly to the local economy. In addition to jobs at airport businesses, increased passenger volumes result in increased federal investment in airport facilities. For example, a modest increase of 10,000 passengers would result in an additional \$450,000 in construction spending at Humboldt County's six airports. Recapturing the approximately 50,000 passengers lost since 2010 would translate into over \$2 million in direct spending each year.

Competition can also reduce the cost of flying for the citizens, businesses, and organizations of Humboldt County. Since the departure of Alaska Airlines in 2011, average one-way airfares have increased significantly. Average fares in 2014 were 67% higher than in 2010.

For me personally, my family has to drive to the bay area to fly out of other airports due to the limited flights and cost of using the airport in our own community. I have a daughter that is getting married in April 2016 and 20 of us have to drive so that we can fly out of San Francisco.

It is my understanding that the Headwaters Fund commitment will only be used once a new service is initiated. I believe that this is a valuable and relatively low-risk way for the fund to invest in our transportation future. I urge your support.

Sincerely,

A handwritten signature in black ink, appearing to be 'Fatima Giacomini', with a long horizontal line extending to the right.



October 14, 2015

RECEIVED
OCT 16 2015
ECONOMIC DEVELOPMENT

Nicole Morrow
Executive Director
The Headwaters Fund
520 E Street
Eureka, CA 95501

Dear Ms. Morrow

I am writing this letter to express my support for the Redwood Region Economic Development Commission's request to renew the Headwaters Fund's commitment for a revenue guarantee for new commercial air service.

Affordable and reliable air service is a critical piece of our regional transportation infrastructure. This was recognized in the County of Humboldt's "Prosperity 2012" economic development plan, which calls for the expansion of "air passenger service capacity and destinations to meet market demand and connectivity to national networks"

Increased air service also contributes directly to the local economy. In addition to jobs at airport businesses, increased passenger volumes result in increased federal investment in airport facilities. For example, a modest increase of 10,000 passengers would result in an additional \$450,000 in construction spending at Humboldt County's six airports. Recapturing the approximately 50,000 passengers lost since 2010 would translate into over \$2 million in direct spending each year.

Competition can also reduce the cost of flying for the citizens, businesses, and organizations of Humboldt County. Since the departure of Alaska Airlines in 2011, average one-way airfares have increased significantly. Average fares in 2014 were 67% higher than in 2010.

The availability and affordability of commercial air service in Humboldt County impacts the decision of potential home buyers considering relocation to our area, as well as realtors looking to expand their businesses into the area.

It is my understanding that the Headwaters Fund commitment will only be used once a new service is initiated. I believe that this is a valuable and relatively low-risk way for the fund to invest in our transportation future. On behalf of the Humboldt Association of Realtors® I urge your support.

Sincerely,

Jeremy Stanfield
Board President

- PRESIDENT
Jeremy Stanfield
- PRESIDENT-ELECT
Brenda Lockhart
- SECRETARY/TREASURER
Kathi Ray
- PAST PRESIDENT
Victoria Copeland
- MULTIPLE LISTING CHAIR
Robin Ronay
- AFFILIATE LIAISON
Kim Preston
- DIRECTORS AT LARGE
Steve Brodhag
Kevin Dreyer
Marci Ebert
Victoria Foersterling
Kristi Machado
Joe Matteoli
Andy Parker
Marci Pigg
Kim Quintal
Dean Wilson
Joyce West
- EXECUTIVE OFFICER
Ida Heinen





Humboldt-Del Norte Film Commission

520 E Street, Eureka, CA 95501

707.443.4488 office | 707.502.0018 mobile

info@filmhumboltdelnorte.org | filmhumboltdelnorte.org

October 15, 2015

Nicole Morrow
Executive Director
The Headwaters Fund
520 E Street
Eureka, CA 95501

Dear Ms. Morrow

I am writing this letter to express my support for the Redwood Region Economic Development Commission's request to renew the Headwaters Fund's commitment for a revenue guarantee for new commercial air service.

As the Film Commissioner of Humboldt County, I know how important it is for our region to have reliable, affordable and accommodating air services. Most of the productions that film in our area come from Los Angeles. More service options that would allow them to travel with ease would increase our chances of being selected as the film destination for their project. When film productions (feature films, commercials, print ad, etc.) shoot in our neck of the woods, we benefit economically. Without increased air service, productions are less likely to select us if they have a similar location that has better travel options. I have had projects (specifically commercials) let me know that they did not select our location due to the current airline service conditions. It is my hope, that we increase our services to allow us to be the premiere location for film projects.

It is my understanding that the Headwaters Fund commitment will only be used once a new service is initiated. I believe that this is a valuable and relatively low-risk way for the fund to invest in our transportation future. I urge your support.

Best wishes,

A handwritten signature in cursive script that reads "Cassandra Hesseltn".

Cassandra Hesseltn
Film Commissioner

Kōkatat®

made in arcata, ca

October 14, 2015

Nicole Morrow
Executive Director
The Headwaters Fund
520 E Street
Eureka, CA 95501

Dear Ms. Morrow

This letter expresses my support for the Redwood Region Economic Development Commission's request to renew the Headwaters Fund's commitment for a revenue guarantee for new commercial air service.

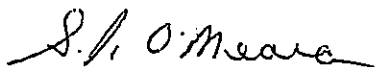
Affordable and reliable air service is a critical piece of our regional transportation infrastructure. This was recognized in the County of Humboldt's "Prosperity 2012" economic development plan, which calls for the expansion of "air passenger service capacity and destinations to meet market demand and connectivity to national networks"

Competition can also reduce the cost of flying for the citizens, businesses, and organizations of Humboldt County. Since the departure of Alaska Airlines in 2011, average one-way airfares have increased significantly. Average fares in 2014 were 67% higher than in 2010.

My business Kokatat relies on air transportation to conduct our business from Humboldt County. Since almost 100% of our business is done out of the county we need affordable and reliable air transportation to reach our customers. The government side of our business requires multiple meetings in Arcata with various agencies. The higher cost of travel to Arcata is putting a burden on these agencies travel budgets. This leads to lesser attendance and fewer meetings affecting the timing of projects.

It is my understanding that the Headwaters Fund commitment will only be used once a new service is initiated. I believe that this is a valuable and relatively low-risk way for the fund to invest in our transportation future. I urge your support.

Sincerely,



Steve O'Meara
President

Kokatat, Inc.

5350 ericson way • arcata, ca 95521
t + 707.822.7621 • 800.225.9749 • f+ 707.822.8481
www.kokatat.com



McBain Associates
APPLIED RIVER SCIENCES

980 7th Street, Arcata, CA 95521 · PO Box 663, Arcata, CA 95518 · ph (707) 826-7794 · fax (707)826-7795

October 13, 2015

Nicole Morrow
Executive Director, The Headwaters Fund
520 E Street
Eureka, CA 95501

RECEIVED

OCT 14 2015

ECONOMIC DEVELOPMENT

Dear Ms. Morrow

I am writing this letter to express my support for the Redwood Region Economic Development Commission's request to renew the Headwaters Fund's commitment for a revenue guarantee for new commercial air service.

As a small business owner whose primary work is out of the area, the cost and flexibility of air service to Humboldt County is critical to our business, as we bring substantial economic benefits into the Humboldt County economy from outside the area. The loss of Horizon Air and subsequent increased prices and reduction in service from United Express has severely hampered our business, to the point where we are contemplating relocating our business. I have spoken to many other business owners and professionals that are considering moving out of the area, or have already done so.

Therefore, given the economic importance of diverse and reasonably priced air service to Humboldt County and the objectives of the Headwaters Fund, I urge continued Headwaters Fund commitment once a new service is initiated (and not to subsidize the limited existing United Express service to San Francisco). Thank you for your consideration.

Sincerely,

Scott McBain
CEO, McBain Associates



October 16, 2015

Nicole Morrow
Executive Director
The Headwaters Fund
520 E Street
Eureka, CA 95501

Dear Ms. Morrow

On behalf of the McKinleyville Chamber of Commerce, members and board of directors, I am writing this letter to express our support for the Redwood Region Economic Development Commission's request to renew the Headwaters Fund's commitment for a revenue guarantee for new commercial air service.

Affordable and reliable air service is a critical piece of our regional transportation infrastructure. This was recognized in the County of Humboldt's "Prosperity 2012" economic development plan, which calls for the expansion of "air passenger service capacity and destinations to meet market demand and connectivity to national networks"

Increased air service also contributes directly to the local economy. In addition to jobs at airport businesses, increased passenger volumes result in increased federal investment in airport facilities. For example, a modest increase of 10,000 passengers would result in an additional \$450,000 in construction spending at Humboldt County's six airports. Recapturing the approximately 50,000 passengers lost since 2010 would translate into over \$2 million in direct spending each year.

Competition can also reduce the cost of flying for the citizens, businesses, and organizations of Humboldt County. Since the departure of Alaska Airlines in 2011, average one-way airfares have increased significantly. Average fares in 2014 were 67% higher than in 2010.

The McKinleyville Chamber of Commerce encourages you to support the continued growth of our local economy.

It is our understanding that the Headwaters Fund commitment will only be used once a new service is initiated. We believe that this is a valuable and relatively low-risk way for the fund to invest in our transportation future. We urge your support.

Sincerely,

Heather Viña
President CEO
McKinleyville Chamber of Commerce
P.O. Box 2144
McKinleyville, CA 95519

PHYSICAL ADDRESS:

1656 SUTTER ROAD
McKINLEYVILLE, CA 95519

MAILING ADDRESS:

P.O. BOX 2037
McKINLEYVILLE, CA 95519



MAIN OFFICE:

PHONE: (707) 839-3251
FAX: (707) 839-8458

PARKS & RECREATION OFFICE:

PHONE: (707) 839-9003
FAX: (707) 839-5964

October 21, 2015

Nicole Morrow
Executive Director
The Headwaters Fund
520 E Street
Eureka, CA 95501

RECEIVED
OCT 23 2015
ECONOMIC DEVELOPMENT

Dear Ms. Morrow,

I am writing this letter to express my support for the Redwood Region Economic Development Commission's request to renew the Headwaters Fund's commitment for a revenue guarantee for new commercial air service.

Affordable and reliable air service is a critical piece of our regional transportation infrastructure. This was recognized in the County of Humboldt's "Prosperity 2012" economic development plan, which calls for the expansion of "air passenger service capacity and destinations to meet market demand and connectivity to national networks."

Increased air service also contributes directly to the local economy. In addition to jobs at airport businesses, increased passenger volumes result in increased federal investment in airport facilities. For example, a modest increase of 10,000 passengers would result in an additional \$450,000 in construction spending at Humboldt County's six airports. Recapturing the approximately 50,000 passengers lost since 2010 would translate into over \$2 million in direct spending each year.

Competition can also reduce the cost of flying for the citizens, businesses, and organizations of Humboldt County. Since the departure of Alaska Airlines in 2011, average one-way airfares have increased significantly. Average fares in 2014 were 67% higher than in 2010.

McKinleyville Community Services District Board of Directors and Staff have very active roles as lobbyists or serve as Board members for agencies such as the California Special Districts Association, the State Water Board and the Association of California Water Agencies. These agencies meet all over the state but are based in Sacramento, primarily. Webinars are not always an option. The frequency to which travel is required would be greatly enhanced by the return of more frequent flights with additional airport choices beyond San Francisco. This works the other direction as well. The ability for other agencies to come to our area more easily might also increase the frequency to which they come and also bring commerce to our area.

It is my understanding that the Headwaters Fund commitment will only be used once a new service is initiated. I believe that this is a valuable and relatively low-risk way for the fund to invest in our transportation future. I urge your support.

Sincerely,

Gregory Orsini,
General Manager

Damiano, Debbie

From: McNulty, Denise <mcnultyd@nationalcar.com>
Sent: Wednesday, October 14, 2015 8:19 AM
To: Morrow, Nicole
Subject: Support Fly Humboldt! III

Importance: High

Good morning,

I support Fly Humboldt since it is very apparent that Humboldt County needs more air service to more destinations now.

This winter we are likely have severe rains which drastically hampers the flights in and out of San Francisco International. When that happens, the whole County suffers as people cancel their plans to visit, especially when they only have three days, and it takes them two days to get here.

United needs to add the Sacramento flights back into our schedule as well. Another route that customers are demanding to have is the Southern California route. There are many, many doctors flying in and out of LA who work at our local hospitals. Some of them have decided not to return here as it has been made very difficult to fly to the Arcata Airport through San Francisco.

More air service to the Arcata Airport will enhance tourism, health care services to our area, parents and students at HSU and visitors in general.

We have the runway, the airport, the personnel. Now we just need another airline. This will be made possible with help from The Headwaters Fund with regard to the required MRG.

Thank you for your consideration concerning this most important matter.

Respectfully yours,

Denise D. McNulty (Mrs.)
Licensee
National Car Rental and Alamo Rent A Car
Arcata/Eureka Airport

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received this e-mail in error, any review, use, dissemination, distribution, or copying of the e-mail is strictly prohibited. Please notify the sender immediately by return e-mail and delete all copies from your system.

PLANWEST
PARTNERS, INC. 

TO: Nicole Morrow
Executive Director
The Headwaters Fund
520 E Street
Eureka, CA 95501

October 16, 2015

Dear Ms. Morrow

I am writing this letter to express my support for the Redwood Region Economic Development Commission's request to renew the Headwaters Fund's commitment for a revenue guarantee for new commercial air service.

Affordable and reliable air service is a critical piece of our regional transportation infrastructure. This was recognized in the County of Humboldt's "Prosperity 2012" economic development plan, which calls for the expansion of "air passenger service capacity and destinations to meet market demand and connectivity to national networks"

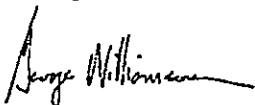
Increased air service also contributes directly to the local economy. In addition to jobs at airport businesses, increased passenger volumes result in increased federal investment in airport facilities. For example, a modest increase of 10,000 passengers would result in an additional \$450,000 in construction spending at Humboldt County's six airports. Recapturing the approximately 50,000 passengers lost since 2010 would translate into over \$2 million in direct spending each year.

Competition can also reduce the cost of flying for the citizens, businesses, and organizations of Humboldt County. Since the departure of Alaska Airlines in 2011, average one-way fares have increased significantly. Average fares in 2014 were 67% higher than in 2010.

For our business we need to have reliable and affordable air services to the San Francisco Bay Area, Sacramento, and Los Angeles California and beyond.

It is my understanding that the Headwaters Fund commitment will only be used once a new service is initiated. I believe that this is a valuable and relatively low-risk way for the fund to invest in our transportation future. I urge your support.

Sincerely,



George Williamson AICP
Principal Planner
Planwest Partners Inc.

TEL: (707) 825-8260
FAX: (707) 825-9181

P.O. Box 4581
Arcata, CA 95518

planners@planwestpartners.com
www.planwestpartners.com



Executive Offices • Republic Centre Suite 2000 • 633 Chestnut Street • Chattanooga • Tennessee • 37450 • 423.756.2771

October 19, 2015

Ms. Nicole Morrow
Executive Director
The Headwaters Fund
520 E Street
Eureka, CA 95501

Dear Ms. Morrow,

I am writing this letter to express my support for the Redwood Region Economic Development Commission's request to renew the Headwaters Fund's commitment for a revenue guarantee for new commercial air service.

Republic Parking System has contributed funds for air service development and matching funds for grant support in the past. We are willing to contribute another \$1500 to that end.

Affordable and reliable air service is a critical piece of our regional transportation infrastructure. This was recognized in the County of Humboldt's "Prosperity 2012" economic development plan, which calls for the expansion of "air passenger service capacity and destinations to meet market demand and connectivity to national networks"

For our business, affordable and convenient air service makes it easier for our executive and support staff to get to Eureka and stay in town for longer periods of time. Additionally, it enables us to employ more people in the area. This additional spend helps the local business community as well.

It is my understanding that the Headwaters Fund commitment will only be used once a new service is initiated. I believe that this is a valuable and relatively low-risk way for the fund to invest in our transportation future. I urge your support.

If you have any questions or I can be of any service, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Bob Linehart".

Bob Linehart
Chief Operating Officer
Airport Division

Damiano, Debbie

From: Rollin C. Richmond <Rollin.Richmond@humboldt.edu>
Sent: Tuesday, October 13, 2015 12:35 PM
To: Morrow, Nicole
Subject: Support Fly Humboldt! I

Dear Ms. Morrow: I have long worried about the loss of good air service for our county. The Fly Humboldt group, which I have helped, is working to recruit other airlines for our airport. This is critical for the future of our region and its economy. Since 90% of HSU's students come from outside of Humboldt County, many of them and their families fly here. If airline service continues to decay, not only will it be bad for the university, but also for our regional economy. We estimated several years ago that HSU students contribute more than \$65 million annually to our region.

In addition to jobs at airport businesses, increased passenger volumes result in increased federal investment in airport facilities. For example, a modest increase of 10,000 passengers would result in an additional \$450,000 in construction spending at Humboldt County's six airports. Recapturing the approximately 50,000 passengers lost since 2010 would translate into over \$2 million in direct spending each year.

Competition can also reduce the cost of flying for the citizens, businesses, and organizations of Humboldt County. Since the departure of Alaska Airlines in 2011, average one-way airfares have increased significantly. Average fares in 2014 were 67% higher than in 2010.

So please encourage your colleagues on the Headwaters Fund to renew its revenue guarantee for new commercial air service. These funds would not be used until new service in place.

Thank you for your consideration, and let me know if there is something more I could do to help. Rollin

Rollin C. Richmond, President Emeritus

Humboldt State University

Email: rollinr@humboldt.edu

Cell: 707-599-6699

Humboldt State University: Learning to Make a Difference. Visit us on the Web at www.humboldt.edu

Damiano, Debbie

From: Erin Rowe <erowemediate@yahoo.com>
Sent: Saturday, October 17, 2015 11:36 AM
To: Morrow, Nicole
Subject: Support Fly Humboldt!

Dear Ms. Morrow

I am writing this letter to express my support for the Redwood Region Economic Development Commission's request to renew the Headwaters Fund's commitment for a revenue guarantee for new commercial air service.

Affordable and reliable air service is a critical piece of our regional transportation infrastructure. This was recognized in the County of Humboldt's "Prosperity 2012" economic development plan, which calls for the expansion of "air passenger service capacity and destinations to meet market demand and connectivity to national networks"

If there were real financial competition, it would reduce the cost of flying to Humboldt County.

It is my understanding that the Headwaters Fund commitment will only be used once a new service is initiated. I believe that this is a valuable and relatively low-risk way for the fund to invest in our transportation future. I urge your support.

Sincerely,
Erin Rowe
845-4033

Damiano, Debbie

From: Erin Rowe <erowemediate@yahoo.com>
Sent: Tuesday, October 13, 2015 1:06 PM
To: Morrow, Nicole
Subject: Support Fly Humboldt! II

Nicole Morrow
Executive Director
The Headwaters Fund
520 E Street
Eureka, CA 95501

Dear Ms. Morrow

I am writing this letter to express my support for the Redwood Region Economic Development Commission's request to renew the Headwaters Fund's commitment for a revenue guarantee for new commercial air service.

Affordable and reliable air service is a critical piece of our regional transportation infrastructure. This was recognized in the County of Humboldt's "Prosperity 2012" economic development plan, which calls for the expansion of "air passenger service capacity and destinations to meet market demand and connectivity to national networks"

Increased air service also contributes directly to the local economy. In addition to jobs at airport businesses, increased passenger volumes result in increased federal investment in airport facilities. For example, a modest increase of 10,000 passengers would result in an additional \$450,000 in construction spending at Humboldt County's six airports. Recapturing the approximately 50,000 passengers lost since 2010 would translate into over \$2 million in direct spending each year.

Competition can also reduce the cost of flying for the citizens, businesses, and organizations of Humboldt County. Since the departure of Alaska Airlines in 2011, average one-way fares have increased significantly. Average fares in 2014 were 67% higher than in 2010.

It is my understanding that the Headwaters Fund commitment will only be used once a new service is initiated. I believe that this is a valuable and relatively low-risk way for the fund to invest in our transportation future. I urge your support.

Sincerely,

Erin Rowe

Damiano, Debbie

From: Shirley Santino <shirley@rredc.com>
Sent: Monday, October 19, 2015 11:04 AM
To: Morrow, Nicole
Cc: shirlsantino@gmail.com
Subject: Support Fly Humboldt! HC Author Festival

Nicole Morrow
Executive Director
The Headwaters Fund
520 E Street
Eureka, CA 95501

Dear Ms. Morrow

I am writing this letter to express my support for the Redwood Region Economic Development Commission's request to renew the Headwaters Fund's commitment for a revenue guarantee for new commercial air service.

Affordable and reliable air service is absolutely critical to the successful running of the non-profit Humboldt County Children's Author Festival. Every two years I have the daunting task of booking flights for 25 published authors from around the country, to arrive the same mid-October Wednesday and depart the following Saturday afternoon. The challenge of extremely limited flights in and out of Humboldt make this nearly impossible. This year we had to pay an extra night's hotel accommodations in Eureka for all of them as there were zero flights out on Saturday afternoon/evening. The tickets being exceptionally expensive this time, we had to convince seven of the authors to fly into Crescent City instead, to offset the expense; we then sent drivers from here to pick them up.

Our Festival started 40 years ago, and contributes directly to the local economy, and needless to say the quality of life for hundreds of our local children, and a boost to the educational systems all over Humboldt County. This year we were awarded a Proclamation by the County Supervisors.

It pains us that our authors are often stranded due to the one flight in or out being cancelled, or delayed, causing them to miss their connections. When they don't get here in time, they also miss their school visits and other events.

It is my understanding that the Headwaters Fund commitment will only be used once a new service is initiated. I believe that this is a valuable and relatively low-risk way for the fund to invest in our transportation future and the ability of non-profits such as ours to continue their valuable work. I urge your support.

Sincerely,

Shirley Santino
Travel Chair since 2001
Humboldt County Children's Author Festival

October 20, 2015

Nicole Morrow, ED
The Headwaters Fund
520 E Street
Eureka, CA 95501

Dear Nicole,

I wanted to take this opportunity to express my support for the Redwood Region Economic Development Commission's request to renew the Headwaters Fund's commitment for a revenue guarantee for new commercial air service.

With Humboldt County being isolated and behind the "Redwood Curtain", I believe we critically need air service.

For our business at Sequoia Personnel recruiting folks into the County is becoming more and more difficult due to our isolation and few options to get in and out of here in a timely manner. I have been recruiting talent into the County for over 35 years and it is becoming challenging.

Even the recruitment process is hampered by the cost of flying candidates here for interviews, repeat interviews, etc.

Physician recruitment has been challenging for some time now and not having this basic infrastructure is hurting our citizens in the availability of healthcare and most especially when they need specialty service providers.

Other professionals are also becoming more difficult to recruit as well. Candidates always mention the lack of transportation options when they visit our area.

For the future of our community and our future economic development, I urge your support.

Sincerely,

Liana Simpson, President
Sequoia Personnel Services, Inc.


Damiano, Debbie

From: Darus Trutna <darus@realhumboldt.com>
Sent: Tuesday, October 13, 2015 11:48 AM
To: Morrow, Nicole
Subject: Support Fly Humboldt!

Sorry for slamming your inbox!

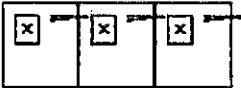
I'm a supporter of renewing contracts with airlines to improve the volume of air service to our area.

Thank you!

Darus K. Trutna 
Property Manager
Direct Phone 707.361.4359



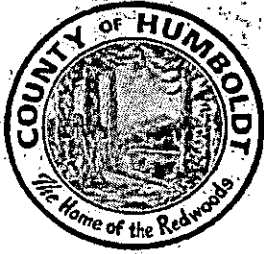
How did I do?



Click on a face to provide feedback on my performance!

Tell Our CEO about me! [Customer Satisfaction Survey](#)

ATTACHMENT B:
BOARD REPORT OF APRIL 4, 2017



COUNTY OF HUMBOLDT

AGENDA ITEM NO.
C-7

For the meeting of: April 4, 2017

Date: March 14, 2017
To: Board of Supervisors
From: Amy S. Nilsen, County Administrative Officer *AN*
Subject: Airline Minimum Revenue Guarantee

RECOMMENDATION(S):

That the Board of Supervisors

- 1) Review and renew the commitment of \$250,000 from the Headwaters Community Investment Fund for a minimum revenue guarantee for additional airline service to Redwood Region Economic Development Commission for the California Redwood Coast-Humboldt County Airport, effective immediately and with a duration of one year; and
- 2) Authorize the Chair of the Board to execute a one-year grant contract, once a new air service contract is executed, in the amount of \$250,000 from the Headwaters Community Investment Fund for a minimum revenue guarantee for additional airline service to Redwood Region Economic Development Commission for the California Redwood Coast-Humboldt County Airport.

SOURCE OF FUNDING:

Headwaters Community Investment Fund

Prepared by Karen Meynell, Headwaters Fund Director CAO Approval *[Signature]*

REVIEW:	Auditor _____	County Counsel _____	Personnel _____	Risk Manager _____	Other _____
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TYPE OF ITEM:

Consent

Departmental

Public Hearing

Other _____

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT

Upon motion of Supervisor *Wilson* Seconded by Supervisor *Fennell*

Ayes *Sundberg, Fennell, Bass, Wilson*

Nays _____

Abstain _____

Absent *Bass*

PREVIOUS ACTION/REFERRAL:

Board Order No. C-3a, H-1, C-12

Meeting of: 8-28-2012, 2-25-14, 12-8-15

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: Apr. 4, 2017

By: *[Signature]*

Kathy Hayes, Clerk of the Board

DISCUSSION:

On December 8, 2015, the Board of Supervisors approved the Headwaters Fund Board's (HFB) recommendation to approve a \$250,000 Community Investment Fund (CIF) grant application to Redwood Region Economic Development Commission (RREDC) for a minimum revenue guarantee related to airline recruitment efforts for the California Redwood Coast- Humboldt County Airport (ACV). As there was not a contract with an airline for additional service in place prior to the February 25, 2017, deadline, no grant contract was negotiated and the grant funds were not drawn.

On February 21, 2017, at the HFB meeting, RREDC requested an extension of the \$250,000 commitment (Attachment A). The \$250,000 is matched by local contributions from individuals, businesses and organizations. Furthermore, on January 10, 2017, the County of Humboldt received an extension of the \$750,000 Small Community Air Service Development Program grant to January 18, 2018 (Attachment B). With the extension of the grant, the California Redwood Coast - Humboldt County Airport is able to significantly leverage Headwaters Funds and provide meaningful incentives for new service.

One of the goals of the CIF includes implementing the principles and strategies of the county's Comprehensive Economic Development Strategy (CEDS) that will develop the community and economy. The funding priorities of the CIF include investing in infrastructure projects that will benefit industry. The commitment of \$250,000 from the CIF, along with the local contribution and the Small Community Air Service Development Program grant, will provide incentives for recruiting additional airline service, securing an alternative hub to the San Francisco International Airport and/or restoring service to the Southern California market.

The HFB recommends the renewal of the Headwaters pledge of \$250,000 toward the minimum revenue guarantee needed in order to recruit additional airline service to the California Redwood Coast – Humboldt County Airport. This recommendation is supported by the CEDS Action Plan Strategy, E7, to expand air service capacity and destinations to meet market demand and connectivity to the national network.

In addition, CIF grant funds in conjunction with local match funds from RREDC will be used to attract additional airline service to the California Redwood Coast- Humboldt County Airport.

FINANCIAL IMPACT:

The potential impact of this commitment is the granting of \$250,000 from the CIF. This fund currently has no replenishment mechanism. The current balance of this fund is \$2,075,284. If the full amount of the Headwaters Fund contribution is drawn, the balance would be \$1,825,284.

This recommendation supports the Board's Strategic Framework, Core Roles by supporting business and workforce development.

OTHER AGENCY INVOLVEMENT:

Redwood Region Economic Development Commission

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose not to approve the renewal. This is not recommended, as this would leave RREDC without sufficient funds to offer a minimum revenue guarantee to potential air service providers.

ATTACHMENTS:

Attachment A: Request for Extension, 2017

Attachment B: Amendment No. 2 of Grant Agreement for the Small Community Air Service Development Program

ATTACHMENT A
REQUEST FOR EXTENSION, 2017

February 13, 2017

Karen Meynell
County of Humboldt Headwaters Fund
520 E Street
Eureka, CA 95501

Dear Karen,

I am writing this letter to ask your board to consider a one-year extension for your Community Investment Fund grant (10-CIF-36) to support an airline minimum revenue guarantee. This CIF grant was approved in 2012 and augmented a \$750,000 grant from the Small Community Air Service Development Program and local contributions from individuals, businesses and organizations.

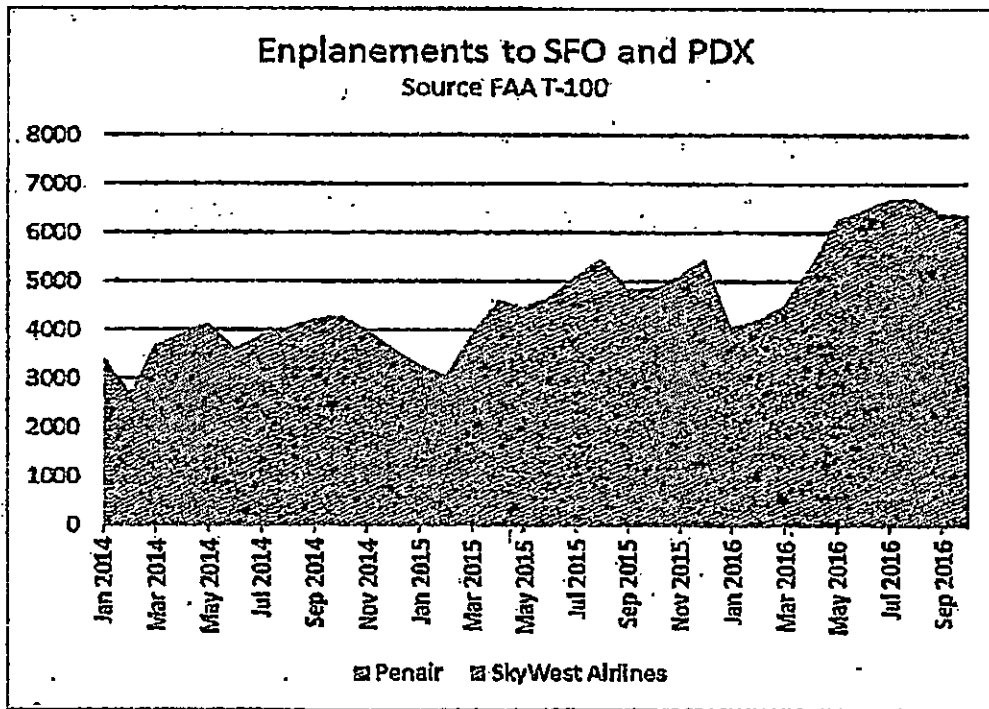
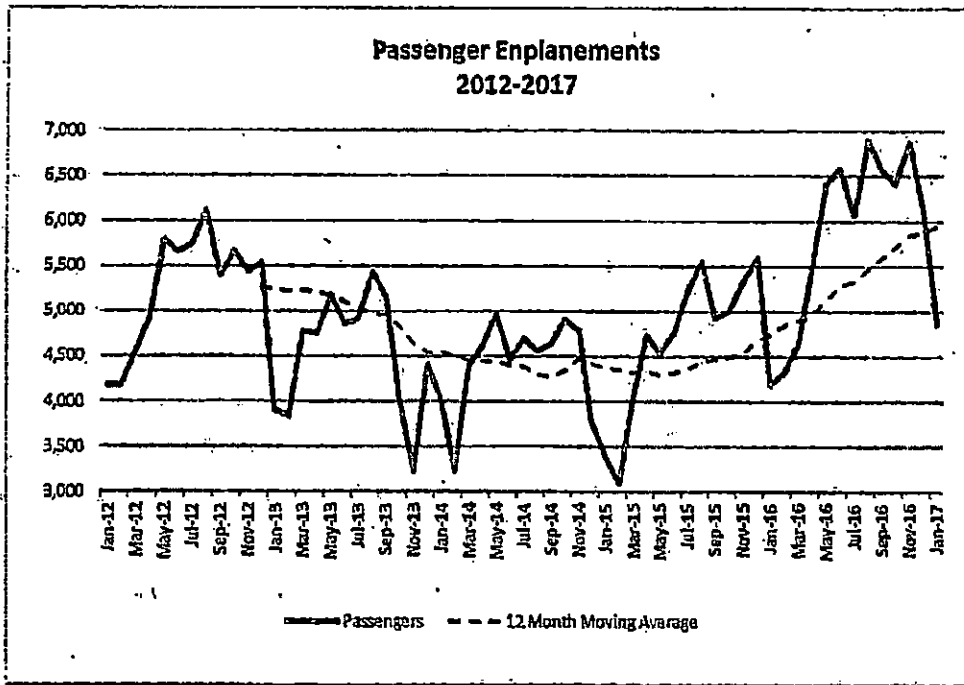
On July 15, 2014, the Headwaters Fund Board approved the extension of the \$250,000 grant until July 1, 2015. The action stipulated that if there was a viable contract with an airline for new service by that date, the funds would become available according to the terms of the contract with the airline. As you are aware, there was not a contract in place by the original.

Recognizing this, the Headwaters Fund Board voted on September 15, 2015 to recommend to the Board of Supervisors that the MRG commitment be extended to February 25, 2017. On December 8, 2015, the Board of Supervisors unanimously approved the recommendation.

RREDC and the County of Humboldt remain actively engaged in the recruitment of new service. These recruitment efforts focus on both securing an alternative hub to the San Francisco International airport and restoring service to the Southern California market.

In addition, we identify and pursue other opportunities as they arise. For example, when PenAir decided to bid on the Essential Air Service contract in Crescent City, Airport Program Coordinator Emily Jacobs pursued the airline to encourage them to establish service. As a result, PenAir established new service to Portland International Airport on April 21, 2016. While the County was able to offer temporary fee waivers to the airline, no direct support was required to start the service.

Total passenger enplanements increased by 26% in 2016, from 56,123 to 70,616. The increase results from both increased volumes on United Airlines and new enplanements on PenAir. This not only supports the airlines and local airport-related businesses, but also results in a direct increase in revenue to the County of Humboldt through Passenger Facilities Charges and other revenues such as parking fees, fuel flowage and sales, and revenue from airport vendors.



However, despite the fact that this is the highest number of enplanements since 2011, it is still significantly below the record numbers of 2005 – 2009, when enplanements exceeded 100,000 each year. It was during this period when we enjoyed service to both LAX and Salt Lake City (2008-2009). We believe that the 30,000 to 40,000 passengers are a potential market opportunity for new service.

As noted above, a key to our recruitment efforts was a Small Community Air Service Development Grant from the Department of Transportation. On January 10, 2017, the County of Humboldt received word that this grant has been extended to January 18, 2018. As a result, we will be able to significantly leverage Headwaters funds and provide meaningful incentives for new service.

The Headwaters Fund has been a valuable partner in this and other economic development efforts and I look forward to continuing that partnership. As a condition of this extension, we'd make the commitment to provide you with regular updates and presentations on our progress.

Thank you for your attention to this matter.

Sincerely,

Gregg Foster
Executive Director

Attachments:

1. SCASDP Grant Extension Letter
2. SkyWest Letter of Support for SCASDP
3. County of Humboldt Board Report – November 3, 2015
4. Letter from RREDC Requesting Extension – September 8, 2015



U.S. Department of
Transportation
Office of the Secretary
of Transportation

1200 New Jersey Ave, SE
Washington, DC 20590

January 10, 2017

Ms. Emily Jacobs
County of Humboldt
Department of Public Works
Division of Aviation
1106 2nd Street
Eureka, California 95501-0579

Dear Ms. Jacobs:

This is in response to your request for an extension of the September 13, 2012, Grant Agreement (the Agreement) between Humboldt County, acting on behalf of the communities of Arcata and Eureka, California, and the U.S. Department of Transportation (the Department) under the Small Community Air Service Development Program (SCASDP). The Department awarded the grant to Humboldt County in order to provide a revenue guarantee and associated marketing costs to recruit, initiate and support new non-stop air service from Arcata/Eureka Airport (ACV) to Denver International Airport or, alternatively, to Salt Lake City International Airport, Phoenix Sky Harbor International Airport, or Dallas Fort Worth International Airport. The Department agreed to provide \$750,000 toward these efforts and the local communities agreed to provide \$287,020 in cash, and \$111,345 in in-kind contributions. Pursuant to Section B.4 of the Agreement, as amended, the Agreement expires on January 13, 2017.

You have requested an extension of the term of the Agreement for an additional year. In support of this request, you state that, ACV has experienced a 60 percent increase in capacity due to an upgrade in fleet size of the existing SkyWest Airlines aircraft as well as the commencement of additional service by Peninsula Airways. You indicate that these flights are operating at very high load factors, but combined, the capacity and enplanements at ACV are still below half of what they were in 2008. With only 6 flights per day out of ACV, passengers' connecting options are limited. You also state that your negotiations have continued with various airlines and many have expressed interest in starting service at ACV. In support, you submit a letter of support for your request from SkyWest Airlines.

We believe that providing the community additional time to achieve its grant project objective is warranted and is consistent with the public interest and the overall goals of SCASDP. With this in mind, we have decided to extend the term of the Agreement, through January 12, 2018. Please note that Humboldt County must continue to submit quarterly reports as required by the Agreement.

The request requires a formal amendment to the Agreement as detailed in the enclosed Amendment Number 2. Except for the provisions of the original Agreement modified in the enclosed amendment, all other provisions of the Agreement remain unchanged. In this regard, we are enclosing two original counterpart versions of Amendment Number 2 for countersignature.

You should keep one signed counterpart for your records and return the other to my attention at:

U.S. Department of Transportation
W86-307
1200 New Jersey Ave., SE
Washington, D.C. 20590

Please keep us apprised of your progress. If you have any questions, please contact Vince Corsaro at (202) 366-1842 or me at (202) 366-0577.

Sincerely,



Brooke Chapman
Associate Director
Small Community Air Service Development Program

Enclosures

**GRANT AGREEMENT BETWEEN THE U.S. DEPARTMENT OF TRANSPORTATION
AND HUMBOLDT COUNTY, ACTING ON BEHALF OF THE COMMUNITIES OF
ARCATA AND EUREKA, CALIFORNIA, UNDER THE SMALL COMMUNITY AIR
SERVICE DEVELOPMENT PROGRAM**

AMENDMENT NO. 2

This Amendment No. 2 to the Grant Agreement dated as of September 13, 2012, between the U.S. Department of Transportation (DOT) and Humboldt County (Sponsor), acting on behalf of the communities of Arcata and Eureka, California, under the Small Community Air Service Development Program (Grant Agreement) is entered into by and between the DOT and the Sponsor and is effective as of January 13, 2017.

The DOT and the Sponsor hereby agree to amend the Grant Agreement as follows:

- (1) Extension of the Grant Term. Section B.4 of the Grant Agreement is hereby amended to read as follows: Subject to the terms set forth in this Grant Agreement, and unless otherwise agreed between the Sponsor and the DOT, this Grant Agreement will expire January 12, 2018.
- (2) No Other Modifications. Except for the amendment to Section B.4; described above this Amendment No. 2 makes no other modifications to the Grant Agreement and all terms and conditions of the Grant Agreement will continue in full force and effect.
- (3) Counterpart Signature Pages. This Amendment No. 2 may be executed and delivered in counterparts, each of which will be deemed an original.

**GRANT AGREEMENT BETWEEN THE U.S. DEPARTMENT OF TRANSPORTATION
AND HUMBOLDT COUNTY, ACTING ON BEHALF OF THE COMMUNITIES OF
ARCATA AND EUREKA, CALIFORNIA, UNDER THE SMALL COMMUNITY AIR
SERVICE DEVELOPMENT PROGRAM.**

AMENDMENT NO. 2, CONTINUED

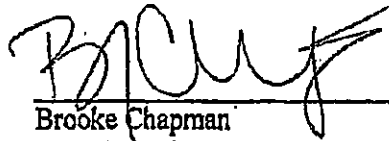
IN WITNESS WHEREOF, the DOT and the Sponsor have caused this Amendment No. 2 to be executed by their authorized representatives.

For the Department of Transportation:

Executed this 10th day of January, 2017.

United States Department of Transportation

(SEAL)



Brooke Chapman
Associate Director
Small Community Air Service Development Program

For the Sponsor:

Executed this _____ day of _____, 2017.

Humboldt County
Arcata and Eureka, California

(SEAL)

Signature of Sponsor's Designated Official Representative

Printed Name

Title.

ATTACHMENT B

Amendment No. 2 of Grant Agreement for the Small Community Air Service Development
Program

**GRANT AGREEMENT BETWEEN THE U.S. DEPARTMENT OF TRANSPORTATION
AND HUMBOLDT COUNTY, ACTING ON BEHALF OF THE COMMUNITIES OF
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**GRANT AGREEMENT BETWEEN THE U.S. DEPARTMENT OF TRANSPORTATION
AND HUMBOLDT COUNTY, ACTING ON BEHALF OF THE COMMUNITIES OF
ARCATA AND EUREKA, CALIFORNIA, UNDER THE SMALL COMMUNITY AIR
SERVICE DEVELOPMENT PROGRAM.**

AMENDMENT NO. 2, CONTINUED


IN WITNESS WHEREOF, the DOT and the Sponsor have caused this Amendment No. 2 to be executed by their authorized representatives.

For the Department of Transportation:

Executed this 10th day of January, 2017.

United States Department of Transportation

(SEAL)



Brooke Chapman
Associate Director
Small Community Air Service Development Program

For the Sponsor:

Executed this _____ day of _____, 2017.

Humboldt County
Arcata and Eureka, California

(SEAL)

Signature of Sponsor's Designated Official Representative

Printed Name

Title



September 21, 2016

Brooke Chapman
Associate Director
U.S. Department of Transportation
Office of the Secretary
1200 New Jersey Avenue, SE
Washington, DC 20590

**Subject: Request for Grant Extension for the Arcata/Eureka Airport In Humboldt County, CA
Small Community Air Service Development Program**

Dear Ms. Chapman:

SkyWest Airlines is requesting an extension of the existing Small Community Air Service Development Program (SCASDP) grant for the Arcata/Eureka Airport (ACV). SkyWest remains interested in expanding service in the Arcata/Eureka market. The SCASDP grant is a significant factor in our interest in initiating service into Arcata/Eureka, CA.

SCASDP grant funds are important given the challenges facing the U.S. domestic airlines resulting from costs associated with new market development.

Please feel free to contact me at 435-634-3540 should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Atkin". The signature is fluid and cursive, written over a white background.

Greg Atkin
Managing Director, Market Development

ATTACHMENT C:
CONTRACT BETWEEN THE COUNTY OF HUMBOLDT/HEADWATERS FUND
AND
REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

**GRANT AGREEMENT
BETWEEN THE COUNTY OF HUMBOLDT, HEADWATERS FUND
AND
REDWOOD REGIONAL ECONOMIC DEVELOPMENT COMMISSION**

Contract #17-CIF-38

This Agreement is made and entered into this 1st day of March, 2018 by and between the County of Humboldt, Headwaters Fund, a political subdivision of the State of California (hereinafter called "the County") and the Redwood Regional Economic Development Commission, a joint powers authority located in Humboldt County, California (hereinafter called "the Grantee"), together referred to as "the Parties".

WHEREAS, the Grantee has applied for funding through the Headwaters Community Investment Fund award process; and

WHEREAS, the Grantee's proposed project supports the Headwaters Community Investment Fund's mission and funding priorities of facilitating economic development for Humboldt County; and

WHEREAS, on February 21, 2017 the Headwaters Fund Board ("HFB") recommended an extension of the Grantee's proposed project for Headwaters Community Investment Fund Infrastructure funding; and

WHEREAS, on April 4, 2017, the Humboldt County Board of Supervisors ("Board") approved the extension of the Grantee's proposed project for Headwaters Community Investment Fund Infrastructure funding; and

WHEREAS, on January 5, 2018, Grantee entered into an Air Services Agreement with United Airlines to provide an airline minimum revenue guarantee in the event that United Airlines fails to achieve certain revenue targets as specified in the Air Services Agreement during United Airline's first year of service beginning on June 7, 2018; and

WHEREAS, HFB and Board are willing to fund the project on the terms and conditions set forth herein.

NOW, THEREFORE, the parties hereto mutually agree as follows:

- I. PROJECT DESCRIPTION
 - A. Grantee shall utilize the grant funds for one-to-one funding match for airline minimum revenue guarantee (the "Project"). The specific tasks to be carried out are set forth in Exhibit A- Scope of Work (to include activities, objectives and deliverables) and Exhibit B (Grantee's grant proposal), both of which are attached hereto and incorporated in full herein.

II. AWARD AMOUNT AND DISBURSEMENT

- A. County agrees to pay Grantee from the Headwaters Community Investment Fund a sum not to exceed Two Hundred Fifty Thousand Dollars (\$250,000) to cover Grantee's commitment in carrying out this Project. Costs for labor and materials shall be as set forth in the Project Budget attached hereto as Exhibit C and incorporated herein full by reference. Grantee shall bear the responsibility for any Project costs in excess of \$250,000.
- B. Grantee will establish an escrow account for the disbursement of payments. Grantee is responsible for any and all fees and/or costs associated with maintaining said escrow account.
- C. County will deposit an initial lump sum of One Hundred Twenty Six Thousand Two Hundred Fifty dollars (\$126,250) into the said escrow account within thirty (30) days after execution of this Agreement.
- D. The County's pro-rata share of the airline minimum revenue guarantee will be based on the following formula: County's contribution of \$250,000 divided by the total amount of matching fund plus County's contribution. For purposes of example only, if Donor A contributes \$150,000, Donor B contributes \$200,000, and County contributes \$250,000, then County's pro-rata share of the airline minimum revenue guarantee for the period listed below is 42 percent (\$250,000 divided by \$600,000).
- E. Grantee will submit an itemized invoice at the end of each period listed below to the County itemizing all work completed and a calculation of County's pro-rata share of the airline minimum revenue guarantee for the invoice period, costs incurred if applicable as of the invoice date, a copy of United Airlines' invoice for Guaranty Payment, and copies of all escrow account statements during each period:
 - Period 1: June 7, 2018 to August 31, 2018
 - Period 2: September 1, 2018 to November 30, 2018
 - Period 3: December 1, 2018 to February 28, 2019
 - Period 4: March 1, 2019 to June 6, 2019Eligible expenses include Project costs beginning on the Agreement date listed above and ending at the termination date of this Agreement. The invoice will utilize Funds Request Form (Exhibit D) and reference relevant sections and categories of Project Budget (Exhibit C).
- F. Payment for work performed will first be deducted from the initial lump sum deposit and the remaining invoice balance will be paid within thirty (30) days after receipt of the invoice. Although payment will customarily be made in arrears, Grantee may request prospective payment. Prospective payments must be approved in writing by the Humboldt County Auditor (or his/her designee), and shall be supported by written justification.
- G. Ten percent (10%) of the total grant amount specified in Section II-A above will not be released to Grantee until Grantee submits the Final Report (*see* Section V(A)(3)) for the Project.
- H. No later than forty-five (45) days after expenditure of all grant funds, or completion of the Project, whichever is sooner, Grantee shall submit adequate written documentation summarizing all costs incurred in connection with performance of services under this Agreement.

- I. Any unspent funds shall be returned to the County within thirty (30) days of contract expiration, with no negative consequences for future grant applications as long as all reasonable efforts were made to execute the Project within the Project Budget (Exhibit C).
- J. Matching Funds
 - 1. Grantee has documented that required grant matching funds (outlined in Project Budget, Exhibit C) have been received for the Project.
 - 2. If Grantee determines that Project funding from other source(s) can no longer be used, County's funding may be reduced, suspended, or terminated. Grantee must contact Headwaters Fund Executive Director immediately under such conditions.
- K. If Grantee deviates by more than six months from the Project timeline dates outlined in Exhibit A, the Headwaters Fund Board shall have the discretion to modify, terminate, or disencumber unspent funds from the grant.

III. GRANT MODIFICATIONS

- A. Deviations of any single category proposed in the line item budget must receive written approval of the County at the following levels of approval:
 - 1. Headwaters Fund Executive Director may adjust changes in grant timelines, activities, and partners that are consistent with original Project goals, target populations, and geographical focus. Headwaters Fund Executive Director may approve budget changes under \$10,000.
 - 2. The Headwaters Fund Board must approve changes in Project goals, target population, and geographic focus. Budget changes of \$10,000 or more require Headwaters Fund Board approval.
- B. If additional time beyond the timeline provided by the Grantee (listed in Exhibit A) is required and exceptional circumstances warrant, a formal request must be submitted to the Headwaters Fund Executive Director. The request must be submitted at least forty-five (45) days prior to the expiration date of the grant. The request must explain the need for the extension and include an estimate of the unobligated funds remaining and a plan for their use. Unobligated funds remaining at the expiration of the grant is not sufficient justification for an extension. The plan must adhere to the previously approved objectives of the Project.

IV. GRANT REPORTING AND AUDITING

- A. Reporting
 - 1. Grantee will submit Quarterly Reports to Headwaters Staff. Each of these reports covers three months of the calendar year and is due thirty days after the end of the quarter (April 30, July 31, October 31, January 31). Reporting will begin after the first full quarter after the start date of the contract (i.e. if the contract start date is February 1, the first Quarterly Report is not due until July 31). Quarterly reports will utilize the format in Exhibit E and shall include:
 - i. Documentation of activities contracted and completed with grant funds;
 - ii. Financial accountings of grant funds. Grant funds should be tracked separately. Receipts documenting purchases may be requested;
 - iii. Subcontracts signed and/or completed;

- iv. Narrative of accomplishments to date and schedule of activities and expected completion date;
 - v. Progress on meeting match requirements and fundraising activity report; and
 - vi. Requests for revisions of timeline, budget, and other Project items.
2. County Staff may review any records or documents pertinent to the Project at any time. Such records include information about the Grantee's organization and budget.
 3. A Final Report, describing the work accomplished during the entire period of the Agreement, shall be submitted to County no later than the thirtieth (30th) day of the month following the Agreement's termination date. The Final Report will follow the format of Quarterly Reports (Exhibit E) and also include a Grant Evaluation (*see* Section VI and Exhibit F). County may require Grantee to report on other Project activities, processes, and outcomes as needed in the Final Report.
 4. County will send a Grant Closeout letter to Grantee after the Final Report. When Grantee returns the letter, the grant is considered closed.

B. Auditing

1. Grantee shall retain, and County Staff shall have access to, any pertinent books, documents, papers and records of the Grantee organization (and of the performing organization, if different) to make audits, examinations, excerpts and transcripts for up to four (4) years after grant termination date. County Staff and its representatives may conduct periodic site visits to review the effectiveness of the grant.
2. Grantee agrees to timely prepare and maintain accurate and complete financial and performance records for a minimum of four (4) years from the date of final payment under this Agreement or until all pending County, State, and Federal audits are completed, whichever is later. The books and records shall be original entry books with a general ledger itemizing all debits and credits for the work.
3. Grantee shall maintain detailed payroll records. Grantee agrees to maintain such records locally and make them available for inspection by County Staff and representatives, during normal business hours, upon one (1) working day notice.
4. Grantee will permit the County to audit all books, account or records relating to this Agreement for the purpose of compliance with applicable audit requirements relative to this Agreement. Grantee shall provide the County with any relevant information required and shall permit access to its premises during normal business hours upon five (5) days' notice.
5. In the event of an audit exception or exceptions, the party responsible for not meeting the program requirement or requirements shall be responsible for the deficiency and for the cost of the audit. If Grantee is the party responsible for the deficiency, the cost of the audit and the deficiency shall be paid by Grantee within thirty (30) days of notice.
6. Grantee assures that it maintains appropriate internal financial controls over grant funds received and disbursed, including procedures for authorizing disbursements, tracking grant expenditures, and reporting grant revenue and expenditures.
7. The County's rights and obligations under this provision shall continue after termination of the Agreement until December 31, 2019. In the event the term of this grant is

extended under Paragraph III of this Agreement, the County's rights and obligations under this provision shall be extended for the same period of time.

V. GRANT EVALUATION

- A. At the completion of the Project, Grantee will complete a self-evaluation for the Project using the Project Evaluation Form (Exhibit F). The self-evaluation will be part of the Project's Final Report, and due no later than the thirtieth (30th) day of the month following the Agreement's termination date. County may require Grantee to present Project overview, results, and evaluation to the Headwaters Fund Board. County representatives may also conduct site visits to the Grantee and its Project for the purpose of grant evaluation. County may modify Project evaluation requirements as needed during the Project.
- B. Grantee shall submit quarterly reports and a Final Report to County as specified in Section V(A).
- C. In connection with the Headwaters Fund's mission to facilitate economic development for Humboldt County, Headwaters Fund Staff may conduct follow-up interviews with Grantee after the grant has been closed and/or the termination of this Agreement in order to evaluate the Project's long-term results, outcomes, and effectiveness in supporting the Headwaters Fund's purpose. Grantee agrees to be interviewed and shall cooperate and respond to any requests for information from Headwaters Fund Staff.

VI. FUNDER RECOGNITION AND MEDIA RELEASE

- A. Grantee shall identify The Headwaters Fund as a support organization on all published material relating to the subject matter of the award.
- B. Grantee shall provide information in a timely manner and otherwise cooperate with the County in completing Headwaters Fund reports on grants and other documents related to grants. This cooperation may include Grantee attendance at events publicizing Headwaters Fund grants.
- C. All press releases and informational material related to this Agreement shall receive approval from the County prior to being released to the media (television, radio, newspapers, Internet). In addition, Grantee shall inform the County of requests for interviews by media related to this Agreement prior to such interviews taking place. The County reserves the right to have a representative present at such interviews.
- D. Grantee must abide by the specific requirements in the Headwaters Fund Recognition Policy attached as Exhibit G.

VII. INSURANCE REQUIREMENTS:

- A. This Contract shall not be executed by County and the Grantee is not entitled to any rights, unless certificates of insurances (or other sufficient proof that the following provisions have been complied with) and such certificate(s) are filed with the Clerk of the Humboldt County Board of Supervisors.
- B. Without limiting Grantee's indemnification obligations provided for herein, Grantee shall take out and maintain and shall require any of its subcontractors to take out and maintain, throughout the period of this Agreement and any extended term thereof, the following policies of insurance placed with insurers authorized to do business in California and with a current A.M. Best rating of no less than A:VII or its equivalent against injury/death to

persons or damage to property which may arise from or in connection with the activities hereunder of Grantee, its agents, officers, directors employees, licensees, invitees, assignees or subcontractors:

1. Comprehensive or Commercial General Liability Insurance at least as broad as Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001), in an amount of Two Million Dollars (\$2,000,000) per occurrence for any one incident, including, personal injury, death and property damage. If a general aggregate limit is used, either the general aggregate limit shall apply separately to this Project or the general aggregate shall be twice the required occurrence limit.
2. As stated in Exhibit A – Scope of Services, CONTRACTOR will not drive an automobile in the performance of services for COUNTY. If that changes, CONTRACTOR will take out and maintain Automobile/Motor Liability Insurance with a limit of liability not less than One Million Dollars (\$1,000,000.00) combined single limit coverage. Such insurance shall include coverage of all owned, hired and non-owned vehicles. Said coverage shall be at least as broad as Insurance Service Offices Form Code 1 (any auto).
3. Workers Compensation and Employers Liability Insurance providing workers' compensation benefits as required by the Labor Code of the State of California. Said policy shall contain or be endorsed to contain a waiver of subrogation against County, its officers, agents, employees, and volunteers. In all cases, the above insurance shall include Employers Liability coverage with limits of not less than One Million Dollars (\$1,000,000) per accident for bodily injury and disease.
4. Professional Liability Insurance/Errors and Omission Coverage including coverage in an amount no less than Two Million Dollars (\$2,000,000) for each occurrence (Four Million Dollars (\$4,000,000) general aggregate). Said insurance shall be maintained for the statutory period during which the professional may be exposed to liability. Contractor shall require that the aforementioned professional liability insurance coverage language be incorporated into its contract with any other entity with which it contracts for professional services.
5. Insurance Notices:

County of Humboldt
Economic Development Division
Attn: Headwaters
520 E Street,
Eureka, CA 95501
(707)445-7745
ddamiano@co.humboldt.ca.us

C. Special Insurance Requirements. Said policies shall unless otherwise specified herein be endorsed with, the following provisions:

1. The Comprehensive General Liability Policy shall provide that the County, its officers, officials, employees, agents and volunteers, are covered as additional insured for liability arising out of the operations performed by or on behalf of Grantee. The coverage shall contain no special limitations on the scope of protection afforded to the County, its

officers, officials, employees, agents and volunteers. Said policy shall also contain a provision stating that such coverage:

- i. Includes contractual liability
 - ii. Does not contain exclusions as to loss or damage to property caused by explosion or resulting from collapse of buildings or structures or damage to property underground, commonly referred to "XCU Hazards"
 - iii. Is primary insurance with regards to County of Humboldt
 - iv. Does not contain a pro-rata, excess only, and/or escape clause
 - v. Contains a cross liability, severability of interest or separation of insureds clause
2. The policies shall not be canceled, non-renewed or materially reduced in coverage without thirty (30) days prior written notice being provided to County and in accordance with the Notice provisions set forth under Section XI. It is further understood that Grantee shall not terminate such coverage until it provides County with proof satisfactory to County that equal or better insurance has been secured and is in place.
 3. The inclusion of more than one insured shall not operate to impair the rights of one insured against another insured, and the coverage afforded shall apply as though separate policies had been issued to each insured, but the inclusion of more than one insured shall not operate to increase the limits of the insurer's liability.
 4. For claims related to this Project, the Grantee's insurance is primary coverage to the County, and any insurance or self-insurance programs maintained by the County are excess to Grantee's insurance and will not be called upon to contribute with it.
 5. Any failure to comply with reporting or other provisions of the Parties, including breach of warranties, shall not affect coverage provided to County, its officers, officials, employees, agents and volunteers.
 6. Grantee shall furnish County with certificates and original endorsements affecting the required coverage prior to execution of this Agreement by County. The endorsements shall be on forms as approved by the County's Risk Manager or County Counsel. Any deductible or self-insured retention over One Hundred Thousand Dollars (\$100,000) shall be disclosed to and approved by County. If Grantee does not keep all required policies in full force and effect, County may, in addition to other remedies under this Agreement, take out the necessary insurance, and Grantee agrees to pay the cost of said insurance. County is also hereby authorized with the discretion to deduct the cost thereof from the monies owed to Grantee under this Contract.
 7. County is to be notified immediately if twenty-five percent (25%) or more of any required insurance aggregate limit is encumbered and Grantee shall be required to purchase additional coverage to meet the aggregate limits set forth above.

VIII. HOLD HARMLESS AND INDEMNIFICATION

- A. Grantee shall hold harmless, defend and indemnify the County and its officers, officials, employees, agents and volunteers from and against any and all liability, loss, damage, expense, costs (including without limitation costs and fees of litigation) of every nature arising out of or in connection with Grantee's performance of work hereunder or its failure to

comply with any of its obligations contained in the Agreement, except such loss or damage which was caused by the sole negligence or willful misconduct of the County.

- B. Acceptance of insurance required by this Agreement does not relieve Grantee from liability under this indemnification clause. This indemnification clause shall apply to all damages or claims for damages suffered by Grantee's operations regardless if any insurance is applicable or not.

IX. TERMINATION FOR CAUSE

- A. The County, in its sole discretion, may terminate this Agreement immediately upon notice if, in the opinion of the County, Grantee fails to perform the services required under this Agreement within the time limits specified herein, or otherwise fails to comply with the terms of this Agreement, or violates any ordinance, regulation, or other law which applies to its performance herein. In such event, the County may exercise any of its rights under this Agreement or available to it under the law.

X. NOTICES

- A. Notices shall be given to the County at the following address:

Headwaters Fund Director
Economic Development Division
County of Humboldt
520 E Street, Eureka, CA 95501
(707) 445-7745
headwaters@co.humboldt.ca.us

- B. Notices shall be given to Grantee at the following address:

Gregg Foster
Executive Director
RREDC
520 E Street, Eureka, CA 95501

- C. Any and all notice(s) required to be given pursuant to the terms of this Agreement shall be in writing and either served personally or sent by certified mail, return receipt requested, to the respective addresses set forth above. Notice shall be effective upon actual receipt or refusal as shown on the receipt obtained pursuant to the forgoing.

XI. MISCELLANEOUS

- A. Grantee Status: Grantee certifies that it is a non-profit corporation or tax-exempt governmental unit located in Humboldt County, California.
- B. Restrictions, Limitations or Conditions: This Agreement is subject to any additional restrictions, limitations, or conditions enacted by the Federal and/or State Governments that may affect the provision, terms or funding of this Agreement.
- C. Relationship of Parties: Grantee shall perform all work and services as described herein as an independent contractor. No person performing any of the work or services described herein shall be considered an officer, agent, servant or employee of the County nor shall any

such person be entitled to any benefits available or granted to employees of the County. Grantee shall be solely responsible for the acts or omissions of its officers, agents, employees, and subcontractors. Nothing herein shall be construed as creating a partnership or joint venture between the County and Grantee.

- D. Assignment: Neither Party shall assign its obligations under this Agreement without the prior written consent of the other. Any assignment by Grantee in violation of this provision shall be void, and shall be cause for immediate termination of the Agreement.
- E. Subcontracting: Grantee shall not subcontract any portion of the work required by the Agreement without prior written approval of the County.
- F. Licensing: If Grantee is required to be licensed by the State of California, Grantee shall maintain the appropriate licenses throughout the life of this Agreement.
- G. Nuclear Free Humboldt County Ordinance Compliance: Grantee certifies by its signature below that Grantee is not knowingly or intentionally engaged in the research, development, production, or testing of nuclear warheads, nuclear weapons systems, or nuclear weapons components as defined by the Nuclear Free Humboldt County Ordinance. Grantee agrees to notify County immediately if it becomes a nuclear weapons contractor, as defined above. County may immediately terminate this Agreement if it determines that the forgoing certification is false or if Grantee becomes a nuclear weapons contractor.
- H. Title to Information and Documents: It is understood that any and all documents, information, and reports concerning this Project prepared by and/or submitted by Grantee shall become the property of the County. Grantee may retain copies for its own records. In the event of termination of this Agreement, for any reason whatsoever, Grantee shall promptly turn over all information, writings and documents to the County without exception or reservation.
- I. Nondiscrimination Clause Compliance (Employment And Services): In connection with the execution of this Agreement, Grantee shall not discriminate in the provision of services or against any employee or applicant for employment because of race, religious creed, color, national origin, ancestry, physical or mental disability (including HIV status and AIDS), medical condition (including cancer and genetic characteristics), marital status, political affiliation, sex (including gender identity and expression, pregnancy, childbirth and related medical conditions), age (over 40 years of age), sexual orientation (including heterosexuality, homosexuality and bisexuality), military service, or any other classifications protected by local, state and federal laws and regulations. Nothing herein shall be construed to require the employment of unqualified persons.

Grantee further assures that it shall abide by the provisions of Title VI and Title VII of the Civil Rights Act of 1974, Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975, United States Executive Order 11246, as amended by United States Executive Order 11375 and as supplemented in 45 CFR, Part 60, and other applicable federal, state, and local laws and regulations to ensure that employment practices and the delivery of services are non-discriminatory. Practices in hiring, compensation, benefits and firing are among the employment practices subject to this requirement.

- J. Entirety of Contract: This Agreement shall constitute the entire Agreement between the parties relating to the subject matter of this Agreement, and shall supersede any previous agreements, promises, representation, understanding and negotiation, whether oral or written, concerning the same subject matter. Any and all acts, which may have already been

consummated pursuant to the terms, which are embodied in this Agreement, are hereby ratified.

- K. Amendment: No addition to, or alteration of, the terms of this Agreement shall be valid unless made in writing and signed by the parties hereto.
- L. Compliance with Applicable Laws: Grantee shall comply with any and all applicable federal, state and local laws.
- M. Jurisdiction and Venue: This Agreement shall be construed in accordance with the laws of the State of California. Any dispute arising hereunder or relating to this Agreement shall be litigated in the State of California and venue shall lie in the County of Humboldt, unless transferred by court order pursuant to California Code of Civil Procedure §§ 394 or 395.
- N. Severability: If any provision of this Agreement, or any portion thereof, is found by any court of competent jurisdiction to be unenforceable or invalid for any reason, such provision shall be severable and shall not in any way impair the enforceability of any other provision of this Agreement.
- O. No Waiver: The waiver by either party of any breach or violation of any requirement of this Agreement shall not be deemed to be a waiver of any such breach in the future, or of the breach of any other provision of this Agreement. In no event shall any payment by County constitute a waiver of any breach of this Agreement or any default which may then exist on the part of Grantee. Nor shall such payment impair or prejudice any remedy available to County with respect to any breach of default. County shall have the right to demand repayment of, and Grantee shall promptly refund, any funds disbursed to Grantee, which in the judgment of County were not expended in accordance with the terms of this Agreement.
- P. Confidential Information: In the performance of this Agreement, Grantee may receive information which is confidential information under state or federal law. Grantee agrees to comply with all laws regarding confidentiality and shall advise and require all subcontractors to comply with the laws of confidentiality.
- Q. Public Works: To the extent the Project, or any part thereof, constitutes a public work under the California Labor Code and/or the Public Contract Code, Grantee will abide by the prevailing wage laws and the contracting requirements of the respective codes. Grantee's indemnification and insurance obligations in favor of County under this Agreement specifically extend to these obligations.
- R. Authority to Execute: Each person executing this Agreement represents and warrants that he or she is duly authorized and has legal authority to execute and deliver this Agreement for or on behalf of the parties to this Agreement. Each party represents and warrants to the other that the execution and delivery of the Agreement and the performance of such party's obligations hereunder have been duly authorized.

[SIGNATURE PAGE FOLLOWS]


IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first herein above written.

(SEAL)

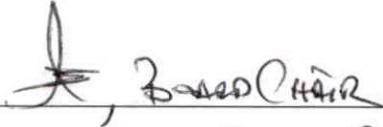
COUNTY OF HUMBOLDT

ATTEST:
CLERK OF THE BOARD

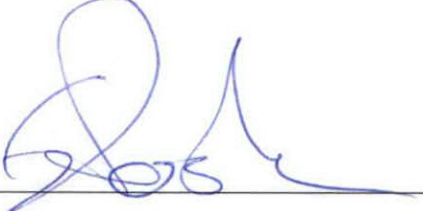

DEPUTY Ryan Sharp

BY: 
CHAIR, BOARD OF SUPERVISORS
COUNTY OF HUMBOLDT Ryan Sundberg
STATE OF CALIFORNIA

GRANTEE

BY: 
(Signature)

TITLE: Board Chair: Economic Development Commission
(Print Title)

BY: 
(Signature)

TITLE: Executive Director
(Print Title)

APPROVED FOR INSURANCE
REQUIREMENTS


BY: 
Kacy Green
Risk Management

EXHIBIT A
Project Description, Activities, Objectives, Deliverables and Timeline

Project Description

The goal of this project is to create more competitive and dependable air travel for the region through obtaining air service from ACV to a new air hub.

The project is for one-to-one financial match for an airline minimum revenue guarantee up to \$250,000. The \$250,000 will be matched by local contributions from individuals, businesses and organizations.

Activities

Secure airline service to the Southern California market.

Objectives

Economic Impacts:

- Remove the competitive disadvantage nearly every base industry cluster experiences due to limited air transportation.
- Create jobs through local businesses retention and expansion, the ability to bring film and advertising work to the area, and potential relocation of business to this area, not to mention airline related jobs.

Quality of Life Impacts:

- Additional air service will contribute to Humboldt being a desirable place to live. Currently, many businesses such as health care and technical fields have difficulty attracting qualified personnel and their spouses because of the perceived isolation of the area. By supporting existing businesses travel needs, and attracting qualified personnel to the area, residents will be able to enjoy the unparalleled beauty of the area and still earn a living wage.

Deliverables

Secure airline service to the Southern California market.

Timeline

March 2018 to July 2019

EXHIBIT B
Project Application

[FOLLOWS ON NEXT PAGE]

The Headwaters Fund
2011-12 Grant Fund Application
COVERSHEET

Date of application: May 10, 2012
Organization Name: Redwood Region Economic Development Commission
Address: 520 E Street, Eureka, CA 95501

Telephone number: 707-445-9651 Fax number: 707-445-9652 Don

Director/CEO: Don Ehnebuske

Organization Type: Gov't type: JPA

Total current year organizational budget: \$360,000 # of FTE employees: 3

Summarize the organization's mission (in the space provided): Economic development loans and project coordination.

Project title: Airline Recruitment

Amount requested: \$250,000 Total project cost: \$1,329,380
Period covered: 4/2012 to 3/2014

Total match amount: \$1,079,380 Match amount as % of project budget 81 %
(Required 50% match for implementation, 25% for planning or technical assistance)

Cash match: \$1,060,290 In-kind match \$19,090
Cash match as % of project budget 81 %
(Required: 25% for implementation, 12% for planning or technical assistance)

Type of project (specify planning/technical assistance or implementation):
Implementation

Geographic focus of project: Humboldt County - ACV

Contact person name and title: Don Ehnebuske, Executive Director

Contact phone: 707-445-0550 Contact email: don@rredc.com
Contact address (if different from above): _____

Headwaters Grant Fund Application Narrative Questions

Prepared by Redwood Region Economic Development Commission

May 10, 2012

1. Summary of Project/Grant request:

RREDC is requesting a grant of \$250,000, matched 431% by federal, private sector, and community funds, in order to prepare a Minimum Revenue Guarantee Agreement (MRG). The MRG will be used to recruit an airline that will provide reliable twice daily service from ACV to an air hub other than SFO and provide access to additional connecting flights, the goal of the MRG program is to build what would eventually be a self-supporting route.

2. Project Description with Project Goals:

The goal of this initiative is to create a more competitive and dependable air travel environment for the region through obtaining air service from ACV to a new air hub. SFO, the sole hub being serviced from ACV, will be in a runway construction project until 2015. SFO already has one of the lowest-performing on-time arrival rates of national hubs. It has an average on-time performance rate of 70.5 percent in 2011, well below the national rate of 79.2 percent. In addition to the economic impacts resulting from lost connections and delays, a lack of competition at ACV has led to fare increases on United flights to LAX of 40% since United became the sole carrier.

The federal government supports the MRG method as a means for recruiting airlines to rural, underserved airports. Developing a locally initiated MRG will allow the county to effectively negotiate with potential air service providers.

Previous attempts to respond to airline offers of service in return for an MRG based entirely on local funds encountered negotiation and public process time obstacles as well as confusion within the community as to the nature and value to the community of the MRG. An alternative approach - *using local funds to leverage substantial federal funds for a proactively developed MRG* - will alter the discussion. Fewer local funds will need to be committed, federal funding will underline that increased air service is a significant contributor to the local economy, significant indirect job creation occurs, and airlines will be able to commit to servicing our area without being involved in the public process.

In order to develop a competitive application for DOT funding, considerable local support will need to be demonstrated. Recently, only one in four applications for a Small Community Air Service Development Program Grant (SCASDP) were successful, and local funding and support were significant factors in the successful applications.

The Request for Proposals for a SCASDP Grant from the Department of Transportation is expected this week. A private air service consultant, Mead & Hunt, located in Peachtree, Georgia, will assist in preparation of the application on behalf of the Humboldt County Department of Public Works Aviation Division and the Redwood Region Economic Development Commission. The expected deadline for submitting the application is 30 days from the publication of the RFP.

A campaign will begin immediately to acquire commitments of funding from a variety of local entities. The specific groups to be contacted include Chambers of Commerce, the Humboldt County Convention & Visitors Bureau, the California Welcome Center, Humboldt State University, gaming

tribes, medical facilities, and large and medium sized private businesses that depend on travel out of the area. Contacts will be made by RREDC staff and others committed to acquiring additional air service and will include speaking to boards, individuals and media. Financial and in-kind commitments will need to be in place prior to submitting the grant application.

Headwaters Funding is to be contingent on acquisition of an airline, not on obtaining all desired funds. Funds obtained will be held in a separate county account in RREDC's name. If there is no MRG in place within two years, all funds obtained for the purpose of creating an MRG, including any HWF monies, will be returned to their sources.

3. Economic Development Outcomes

While every base industry cluster uses air transportation, some sectors are especially aware of the competitive disadvantage they face in air transportation. Specialty agriculture, education & research, niche manufacturing, diversified health care, building & construction, and management & innovation services have included air service improvements as a key element in the industry cluster plans they developed as part of the Comprehensive Economic Development Strategy process. In the past, Humboldt County has lost business and employers due in part to transportation difficulties including on location film & commercial opportunities, manufacturers, consulting firms and others. Increased air service would help to retain existing businesses and more fully integrate the Humboldt economy into the global economy, particularly in fields with higher wage jobs. A major economic development impact from additional air service comes in the form of indirectly leveraged federal funds. This comes about as outlined below:

- New airline provides service for at least 30,000 new passengers per year
- Each ticket includes a \$4.50 Passenger Facility Charge which goes to county aviation for capital improvements - \$135,000 per year
- FAA funds capital improvements with a 5% local match, essentially creating a \$2,700,00 fund for capital improvements
- FAA requires that funds be spent with local vendors except where items or services are not available locally. In the past this has resulted in approximately 90% local contracting.
- These funds kept local contractors in business during the extremely difficult economic climate.
- Capital projects include a new hanger designated as a Freight Facility to facilitate larger planes transporting local products including flowers, live seafood, and other fresh specialty agricultural products. Package shipment companies such as FedEx and UPS could also relocate to a modern facility.

4. Job Creation

Jobs would be created directly from this project upon securing a new air service provider through a funded MRG. Job numbers are not exact but previous air carriers had approximately 20 employees servicing the ACV airport.

Jobs would also be created through the capital improvement program listed above. In the past four years at least \$7,000,000 was spent with local contractors, a high proportion going to labor costs, during a time of serious economic decline.

While very difficult to quantify, additional jobs potentially would be created or retained through local businesses retention and expansion, the ability to bring film and advertising work to the area, and potential relocation of business to this area.

5. Environmental Benefits

No appreciable environmental benefits would be achieved through this project.

6. Quality of Life Benefits

Additional air service will better utilize the existing airport facility, provide the community with improved transportation, and fits well with the image of the area as an emerging leader in the fields of knowledge based industry, sustainable agriculture, and innovative manufacturing, as well as a world class tourism destination.

Primarily, however, additional air service will contribute to Humboldt being a desirable place to live. Currently, many businesses such as health care and technical fields have difficulty attracting qualified personnel and their spouses because of the perceived isolation of the area. By supporting existing businesses travel needs, and attracting qualified personnel to the area, residents will be able to enjoy the unparalleled beauty of the area and still earn a living wage.

7. Organizational Qualifications

County staff(Tom Mattson & Emily Jacobs) have expertise in negotiating contracts with air service providers and enabling the smooth integration of a new carrier into the airport facility.

RREDC (Don Ehnebuske & Suzanne Dockal) will be the fiscal agent for the MRG agreement and will also lead efforts to enlist support from the community, through extensive connections obtained by having board members from most elected bodies throughout the county.

Mead & Hunt (Joseph Pickering) have worked with RREDC and HumboldtCounty to obtain air service since 2006. Having a partner knowledgeable about the intricacies of the industry is invaluable.

8. Prior Work

Mead & Hunt prepared a similar application in 2011 which was unsuccessful. This year's effort will contain substantially more community support, a key component of successful efforts. Much of the supporting data is in place or needs only minor updating. The community has been made aware of this issue through past efforts at obtaining service and efforts at building support for this new effort has already begun with newspaper articles and talks to groups such as the Eureka Chamber of Commerce.

When applying for grants, there is no way to ensure success. However, because the funding requested from the Headwaters Fund is contingent on the success of the DoT application, the Headwaters Fund will not expend any funds on this project until an airline has agreed to provide services.

9. Outcomes of the Project

The projected outcomes of the project are:

- Twice daily air service from ACV to a hub airport other than SFO
- A self-supporting airline route at the end of the terms of the MRG
- Decreased airfare costs due to a newly competitive environment

- Increased competitiveness of businesses located in the area due to greater access to the global economy
- Increased tourism
- Enhanced ability to attract and retain qualified employees for a range of technical industries
- Multi-million dollar construction work for local businesses

In the long term, the most important of these outcomes is that the route established with the MRG is sustainable without the support of a minimum revenue guarantee. This expected outcome is based on the experience of Horizon Airlines. Horizon had an excellent record of filling seats and only left the area due to a new company wide strategy in which airports such as ACV were deemphasized. The experience with Delta was due to a global economic crisis that substantially depressed domestic air travel and would likely have continued without that event.

Ticket cost history indicates that even were the MRG to fail to establish a self-sustaining route, total financial benefit to the county would result because the lowered ticket prices would exceed the MRG cost by between \$35 and \$65 during the term of the service.

10. Expected Changes in the Community

Increased air service is one component in the establishment of a new picture of Humboldt. Humboldt County is developing a new identity as a center of sustainable development in a highly interconnected world. The image of “Behind the Redwood Curtain” is rapidly being replaced by a culture of innovation that is ready to be shared with a larger world. Leadership in the areas of organic production of dairy products and beef, aquaculture, sustainable forestry, specialty agriculture of all types, expertise in fields as diverse as wildlife, fisheries, forest management, niche manufacturing, and the brewing of beer allow Humboldt County to export goods and services to other less fortunate areas. Without the connectivity provided by adequate air service, fiber lines and industry standard roadways, the vibrancy of the community would be considerably dampened as successful entrepreneurs relocate to areas with the amenities needed to support their passions. With robust connections throughout the world, Humboldt County will continue to thrive.

11. Risks and Challenges

A primary risk to the project comes from the possibility of poor communication regarding what is being proposed. Some in the community have characterized this effort as a proposal to guarantee profits to an out-of-area corporation, as opposed to paying for the establishment of a necessary service. In the same way that hiring an outside firm to build a bridge bypassing Confusion Hill benefits everyone, even those not driving it regularly, establishing ongoing air service both costs money and benefits all. With the experience of Delta Airlines taking the county revenue guarantee money offered and then ending service at the conclusion of the contract, there is an understandable distrust among some in the community. However, the benefits to the community as a whole far outweigh the costs, even in the case of the Delta where ticket prices fell by an average of \$15 while the revenue guarantee cost around \$5 per ticket.

Another risk is that a new airline will repeat the experience of Delta and discontinue service after the term of the MRG expires. While this is indeed a possibility, experience demonstrates that there is sufficient demand for alternate routes to sustain the flights. Additionally, in the case of circumstances out of the control of the community or airline, the benefits of competition during the MRG period more than pay for the cost of the agreement in terms of reduced ticket prices and fewer delays.

12. Sustainability of Program

Sustainability of this program is based on the use of the air service in the period following the expiration of the MRG. Historical data and polling shows that there is a demand for the service, and cost data obtained from American Airlines during the negotiations in April 2012 showed a reasonable ridership requirement for profitability. However, the ACV market is an extremely small player in the large and highly complex world of air travel. Many factors beyond the control of the local community could play a part in the long term viability of the service. Nevertheless, the benefits far exceed the local costs in any conceivable scenario.

13. Project results without the participation of the HWF

Without the substantial participation of local funding sources, the grant application to the Department of Transportation would most likely be unsuccessful. The time and expense of applying and the good will developed through the community support gathering phase would be wasted. Attempts to develop a MRG to attract additional air service to the area will most likely be discontinued for a considerable period of time. Air travel from ACV, already a difficult proposition, will likely become considerably worse, especially during the three year SFO construction project.

14. Disseminating Information and Acknowledging Headwaters Fund

Information about this project will be presented in the local media, which has displayed considerable interest in the past, as well as on the RREDC & Fly Humboldt websites and social media sites. Institutional knowledge on this project has and will continue to be the most important source of information on the project. The work of Gregg Foster and others is well documented and continues to be an important resource in obtaining data on this complex topic.

15. Past Headwaters Fund Grants

RREDC has been involved in several large Headwaters Fund loan programs in the past, including the previous MRG for Delta Airlines. While disappointing that Delta discontinued service following the expiration of the agreement, the MRG resulted in a net benefit to the county as a whole by reducing ticket prices through competitive forces in a time of the highest fuel costs in history. Per ticket price of the MRG was approximately \$5.80, with reduced ticket prices in the range of \$15-\$35.

EXHIBIT C
Project Budget

Fly Humboldt Minimum Revenue Guarantee Program		
Revenues	Amount	Source
Headwaters Fund Contribution	\$126,250	
RREDC Contribution	\$140,000	Community Donations Collected 2012 - 2015
Eureka-Humboldt Visitors Bureau	\$126,250	
Humboldt Lodging Alliance - Arcata	\$ 80,000	
Humboldt Lodging Alliance - Fortuna	\$ 20,000	
Community Donations - 2018	\$ 43,950	Various businesses, organizations, and individuals.
Contingency Reserve (HWF)	\$123,750	These funds would be reserved for only minimum revenue guarantee upon further approval from the Headwaters Fund Board after receipt of invoice.
Total	\$ 660,200	
Expenses	Amount	Source
LAX MRG Per Agreement with United Airlines	\$505,000	
Overhead	\$ -	
Contingency Reserve (Non-HWF)	\$ 30,450	These funds would be available for refund to contributors proportionate to their contribution amount upon completion of the United LAX contract.
Total	\$ 535,450	

EXHIBIT D Funds Request Form

Exhibit C
Headwaters Funds Request Form

Grantee: _____ Preparer: _____ Grant No.: _____
 Address: _____ Title: _____ Grant Start Date: _____
 _____ Phone: _____ Grant End Date: _____
 E-Mail Address: _____

Request Number:		Report Period: From:			To:			
Contract Activities	Budget Category	HWF Budgeted Amount	HWF Requested in Prior Periods	HW Funds Requested in This Period	HW Funds Remaining	Matching Funds Budgeted	Matching Funds Spent to Date	% HW Funds Spent to Date
					0.00			
					0.00			
					0.00			
					0.00			
					0.00			
					0.00			
					0.00			
					0.00			
					0.00			
Sub-total		0.00	0.00	0.00	0.00	0.00	0.00	
10% Retention				0.00				
Total Payment				0.00				

Grantee Certification:
 I certify to the best of my knowledge that this report is true in all respects, that the reported amounts agree with the official accounting records, and that all disbursements have been made for the purposes and conditions of this grant.

Name: _____
 Signature: _____ Date: _____

EXHIBIT E
Quarterly Report Form

The Headwaters Grant Fund
Quarterly Report

The purpose of the Quarterly Report is to keep the Headwaters Fund staff and Board up-to-date on grantee projects. A Quarterly Report is due every 90 days: April 30, July 31, Oct 31, Jan 31. Please complete the following form.

Date: _____ Project Title: Humboldt Business Challenge
Organization: _____ Preparer: _____ Grant No.: _____
Address: _____ Title: _____ Grant Start Date: _____
_____ Phone: _____ Grant End Date: _____
Phone: _____ email: _____

Please respond to the following, using as much space as necessary:

1. Describe your successes on the project to date.
2. Are grant activities proceeding according to planned timeline and budget? If not, state and explain any request for change:
 - Delayed/over budgeted activities
 - Revised timeline/budget
 - Impact of delay/over budget on project
3. Discuss any problems or unforeseen circumstances in implementing the grant project. Address how these problems/circumstances will be overcome, if appropriate and if there is anything Headwaters Fund staff can do to assist you.
4. Is there anything else that the Headwaters Fund staff and Board should know about regarding your project?

I, the undersigned, certify that the information reported in this document is complete and accurate to the best of my knowledge.

Name (print): _____

Title: _____

Signature: _____

Date: _____

EXHIBIT F
Project Evaluation Form- Final Report



HUMBOLDT COUNTY

Headwaters Fund

Grantee Self-Evaluation Final Report

The information requested on this form will allow the Headwaters Fund to better understand its funding and report to the public. Please return this form within 30 days of your project completion. Headwaters Fund staff may contact you with further questions about your project.

Today's Date: Project Start Date: Project End Date:

Organization Name: RREDC

Project Title: Airline Minimum Revenue Guarantee

Please answer the following questions, using as much space as necessary on separate pages:

1. What was your plan for improving the local economy?
2. Were you successful in filling the need or solving the problem that you set out to solve?
3. How many jobs did you create?
4. How many jobs did you retain that would otherwise be eliminated?
5. What were the challenges you encountered and how did you overcome them?
6. Which industries and businesses did you work with? Please provide any testimonials or quotes from those businesses related to the impact of your project on them.
7. Based on your identified strategy to promote economic development, what were your measurable objectives and did you achieve those?
8. If your project leveraged outside funds, how much additional funding was brought into the area?
9. Did your project develop knowledge or a product that can be sold outside the area? If so, describe that knowledge or product and its potential market.
10. What are the lasting benefits of the project (provide quantitative and qualitative benefits)?
11. How will you continue the work started by this project?
12. What, if any, are your comments about working with the Headwaters Fund and its staff?
13. Do you have any other comments?
14. Please attach any press releases, stories, or other materials that have been published regarding the project funded by the Headwaters Fund grant, or let us know how you have recognized the Fund for the support.

I, the undersigned, certify that the information reported in this document is complete and accurate to the best of my knowledge. I understand that as a community fund, it is important that the Headwaters Fund is able to report concrete results. Because of this, staff may be contacting me in future years to follow up on project outcomes over time. Please include this signed cover page with your report.

Name (print): _____

Title: _____

Signature: _____

EXHIBIT G
Headwaters Fund Recognition Policy

Purpose

The Headwaters Fund is a public fund of the County of Humboldt. Because of this, it is especially important that our community be made aware of the projects and events we are sponsoring. We request that you honor this need and recognize the Headwaters Fund appropriately on materials and in public announcements which are connected with projects funded by the Headwaters Fund.

Policy

The Headwaters Fund requires that grantees include the fund name and/or logo whenever publicizing events or projects which have been supported by Headwaters grant funds. This is to acknowledge funding and to promote the purpose of the Headwaters Fund.

Implementation

Logo Use

The Headwaters Fund logo should be included on all posters, flyers, invitations, websites and announcements for events sponsored by the Headwaters Fund. Headwaters Fund logo size should be equal to that of other sponsors who have contributed a similar amount of funding. If there is a sponsor section on your website or any associated social media sites, the Headwaters Fund logo should be posted. If possible, the logo should also be a link to the Headwaters Fund website. Contact staff with any questions about appropriate placement or use of the Headwaters Fund logo. Include copies of any materials on which you placed the logo with your Quarterly Grant report.

Press Releases

Press releases related to projects or events sponsored by the Headwaters Fund should mention the Headwaters Fund as a sponsor and should be reviewed and approved by Headwaters Fund staff in advance of being sent.

Public Events

For openings, ribbon cuttings, open houses, or other ceremonial events related to projects funded by the Headwaters Fund, formal mention of the Headwaters Fund's contribution should be included as part of the program. If appropriate, a Headwaters Fund Board member or member of the Board of Supervisors could be asked to comment. Staff can help make these arrangements.

Research

When research or other work generated under the sponsorship of the Headwaters Fund is published or released the contribution should be recognized. (For example: Support provided by the Headwaters Fund.) It is not necessary to include the Headwaters Fund logo unless other sponsor's logos are being included.

Contact

Please contact the fund at headwaters@co.humboldt.ca.us or 707-445-7745 with any questions or for assistance in implementing this policy.

MEMBER'S CERTIFICATE OF COVERAGE

Issue Date
7/1/2017

Provider Special District Risk Management Authority
1112 'I' Street, Suite 300
Sacramento, California 95814
800.537.7790 www.sdrma.org



Member Redwood Region Economic Development Commission
520 E Street
Eureka, California 95501

Member Number: 7110

This is to certify that coverages listed below have been issued to the Member named above for the period indicated. This certificate is not an insurance policy or an agreement of coverage and does not amend, extend or alter the coverage afforded by the agreements listed herein. Notwithstanding any requirement, term, or condition of any contract or other document with respect to which this certificate may be issued or may pertain, the coverage described herein is subject to all the terms, exclusions, and conditions of the specific coverage document. This certificate of coverage evidences the limits of liability in effect at the inception of the agreements shown; limits shown may have been reduced by paid claims. This certificate is issued as a matter of information only and confers no rights upon the certificate holder.

Type of Coverage	Policy Number	Effective Date	Expiration Date	Limits
Property	Pepip 017471590/04	7/1/2017	7/1/2018	Per Occurrence
Property				\$ 1,000,000,000
Boiler & Machinery				\$ 100,000,000
Pollution	PPC-SDRMA-201718			\$ 2,000,000
Cyber	PH1733938			Limits on File
				Replacement cost for Scheduled Property
General Liability	LCA-SDRMA-201718	7/1/2017	7/1/2018	Per Occurrence
Bodily Injury				\$ 2,500,000
Property Damage				\$ 2,500,000
Public Officials Personal				\$ 500,000
Employment Benefits				\$ 2,500,000
Employee/Public Officials E & O				\$ 2,500,000
Employment Practices Liability				\$ 2,500,000
Employee/Public Officials Dishonesty	EDC-SDRMA-201718			\$ 1,000,000
Auto Liability	LCA-SDRMA-201718	7/1/2017	7/1/2018	Per Occurrence
Auto Bodily Injury				\$ 2,500,000
Auto Property Damage				\$ 2,500,000
Uninsured Motorist	UMI-SDRMA-201718			Limits on File
Workers' Compensation	WCP-SDRMA-201718	7/1/2017	7/1/2018	Per Occurrence
Employers Liability				\$ 5,000,000
Workers' Compensation				Statutory

RECEIVED
FEB 13 2018
ECONOMIC DEVELOPMENT

Gregory S. Hall - Chief Executive Officer

Description: All listed coverage is in effect only for the time period specified.