

## 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 \_\_\_\_\_

#### TYPE OF ITEM:

☒ Consent  
☐ Departmental  
☐ Public Hearing  
☐ Other \_\_\_\_\_

#### PREVIOUS ACTION/REFERRAL:

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

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

#### BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT

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

Ayes *Sundberg, Fennell, Bass, Wilson*

Nays

Abstain

Absent *Bass*

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.

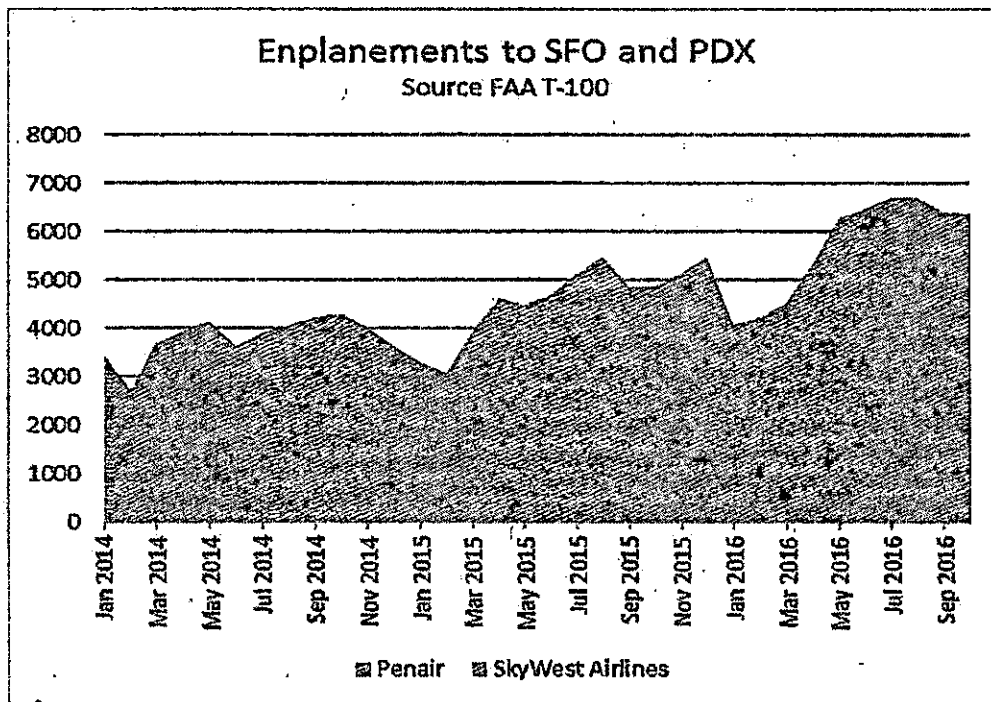
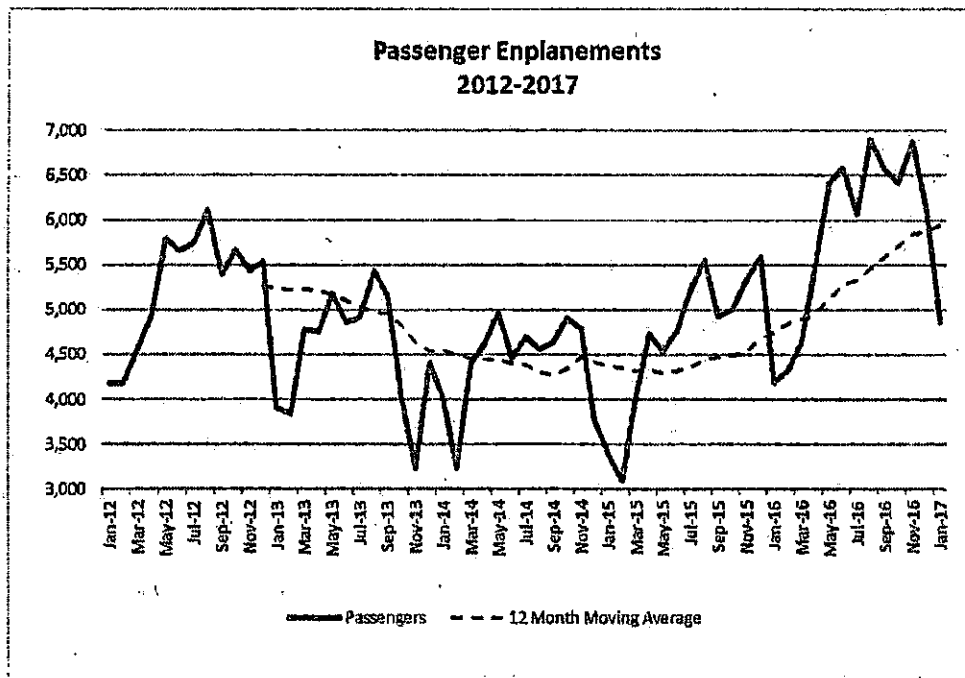
On July 15, 2014, the Headwaters Fund Board approved the extension of the \$250,000 grant until July 1, 2015. The action stipulated that if there was a viable contract with an airline for new service by that date, the funds would become available according to the terms of the contract with the airline. 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 2<sup>nd</sup> 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**

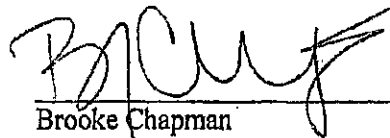
IN WITNESS WHEREOF, the DOT and the Sponsor have caused this Amendment No. 2 to be executed by their authorized representatives.

For the Department of Transportation:

Executed this 10<sup>th</sup> 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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AMENDMENT NO. 2, CONTINUED

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Executed this 10<sup>th</sup> 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", written in a cursive style.

Greg Atkin  
Managing Director, Market Development