



Date: Tuesday, May 28, 2019
To: Honorable Mayor and City Council
From: William Carberry, Airport Manager

ACTION ITEM

Request:

ACTION ITEM: Request to utilize Airport reserve funds for a \$7,500 contract with Sixel Consulting to develop a U.S. DOT Small Community Air Service Grant Proposal.

Time Estimate:

This item will take approximately 10-15 minutes with additional time for questions

Background:

The Strategic Plan for the City of Twin Falls includes the following:

Objective AC3.2.2: The City will develop strategies to expand passenger air service through both frequency and destinations.

The Small Community Air Service Development Program (SCASPD) was first developed in 2001 to assist communities with small non-hub airports like Magic Valley Regional to improve their air service. The major objective of the Small Community Program is to help communities secure enhancements through grant funding that will be responsive to their air transportation/air fare needs on a long-term basis after the financial support of the grant has ended. One of the most effective uses of these grants is through the use of short term revenue guarantees assisting an airline to expand or develop new service combined with a marketing initiative.

Recent Discussions with SkyWest

During this past April, Mayor Shawn Barigar, Dan Olmstead, ID Power Representative and Nathan Murray, City of Twin Falls Economic Development Director, and myself, met with SkyWest officials including Greg Atkin, V.P. of Market Development. The group had a very productive meeting discussing the state of the national air service industry and the challenges airlines and communities face. Our local leaders were able to shed some light on our community, particularly our growth in the business sector.

At our meeting, SkyWest informed us that they felt our community might be ready to begin a new United Airlines route to their hub in Denver, CO. The idea of our community applying for a Small Community Air Service Development Grant was discussed, with the airline stating they would write a letter of support to include with our grant application. The working idea is to utilize grant funds for an airline revenue guarantee, local airline station improvements, and a marketing plan to support the initial stages of establishing a new United Airlines route to Denver International Airport.

The Grant Application

The Dept. of Transportation has set a tight timeline for grant applications. The announcement came out on May 6th with applications due by July 15th. Due to the tight time frame, I have asked for a proposal from the air service consultant we have been working with to develop planning studies recently, Mark Sixel (Sixel LLC), to help prepare the application.

The Dept of Transportation generally considers these priorities when looking to award a grant:

The law states that the Department will give priority to communities (1) experiencing higher than average air fares, (2) where a portion of the cost of the project in the proposal is provided from local, non-airport revenue sources, (3) the community/consortium has or will establish a public private partnership to facilitate air service to the public, and (4) the grant will provide material benefits to a broad segment of the traveling public, including businesses, educational institutions and other enterprises whose access to the national air transportation system is limited.

Twin Falls is a perfect example of a community these grants are intended for.

A Public/Private Partnership & Local Cash Match Contribution

Of these priority considerations, the primary one would be the public/ private partnership approach to utilizing a grant. With this grant process now having some history to draw on, a partnership's financial support of a percentage of the grant amount, typically around 15%, is critical to an applications consideration. Although there is no stated amount of grant match, the higher the match contribution from a community, the higher the consideration given to the grant request.

We are seeking a grant of \$900,000 to support our air service plan. The amount we are requesting would be helpful in "seeing the plan through" before funding is potentially exhausted. Historically, grant requests have been funded from \$20,000 to \$1.6 million. The plan would include: a revenue guarantee program with the airline, funds for a marketing plan, and assist with airline station startup costs such as IT infrastructure. The exact dollar amount for the various components remain to be determined at this time.

With the last air service grant we received in 2012 for \$500,000, to enable additional frequency to Salt Lake with Delta/SkyWest, the local cash match was \$65,000 for a total project fund of \$565,000. Members of the business community have been discussing a plan to help support the local cash match for the new grant application for Denver service, and will seek to partner with local government on the initiative in the near future.

Support Letters for the Grant

Letters of support from the businesses and public entities involved in the Partnership are a critical ingredient for a strong application and one of the criteria the Dept. of Transportation will be looking for. Looking back to the 2012 Air Service Grant, the DOT cited the numerous letters of support from members of the business community, local government, educational institutions, and others as a significant factor in our award.

Approval Process:

A majority vote of the City Council is needed to approve the request.

Budget Impact:

The cost for the consultant agreement to develop and submit the application by the July 15th deadline is \$7,500. I am recommending utilizing Airport Reserves to fund the contract because this service was not anticipated and included in the current airport budget. The Airport fund has approximately \$1.5 million in reserves.

Regulatory Impact:

There are particular federal regulations disallowing the use of airport revenue to underwrite subsidies to an airline. However, airport revenues are allowed for the professional services related to the grant application. The airport also has the ability to use airport revenue to market air service available at the airport.

History:

N/A

Analysis:

N/A

Conclusion:

The potential for this effort may help provide opportunity for our community. Both economic and personal growth comes with our ability to travel and for others to travel to us. This Small Community Grant Application is an excellent strategy in the City's pursuit to improve air service to the community as outlined in the City Strategic Plan.

In conclusion, I would recommend the Council approve the use of \$7,500 from Airport Reserve Funds in order to move ahead with the contract with Sixel Consulting to develop a Small Community Air Service grant proposal.

Attachments:

1. Sixel - TWF SCASD Proposal MAY 2019
2. 2019-scasdp-order-request-proposals-rfp