SUN VALLEY
AIR SERVICE BOARD

Air Service Board Agenda
March 12, 2014
2-4 pm
Ketchum City Hall

CALL TO ORDER

REMARKS from the Chair

REMARKS from the Board

OPEN SESSION FOR GENERAL PUBLIC COMMENTS (comments only on matters not pertaining to today's agenda)

CONSENT AGENDA

CA 2:10 pm Motion to approve Minutes of Air Service Board's February 13, 2014 meeting.....Tab 1

PUBLIC HEARING

PH 2:15 pm Consideration and adoption of limited-time contract with Fly Sun Valley Alliance for air service development services including maintaining and expanding commercial air service to the local area through the use of Minimum Revenue Guarantees or other inducements to providers and all ancillary costs which are associated with the ongoing effort to maintain and expand commercial air services (Two draft contracts and a Staff recommendation attached)..... .....Tab 2

PH 3:15 pm Consideration and adoption of limited-time contract with Sun Valley Marketing Alliance for promotion of existing for air service(s) and future service to ensure significant enplanements. (One draft contract and staff recommendation attached)..... .....Tab 3

OLD BUSINESS

None

ADJOURN

Sun Valley Air Service Board
Meeting Minutes
February 13, 2014
Hailey City Hall Meeting Room 2-4 pm

Present: Dewayne Briscoe – Mayor, City of Sun Valley
Fritz Haemmerle – Mayor, City of Hailey
Nina Jonas – Mayor, City of Ketchum
Larry Schoen – Blaine County Commissioner

Absent:

Staff Present: Ketchum – Lisa Horowitz
Sun Valley – Susan Robertson
Hailey – Heather Dawson

2:02:05 PM Chairman Briscoe opened the meeting.

No public comments

CONSENT AGENDA:

Schoen pulls the minutes. 2:04:07 PM Schoen wants to be shown as attending the last meeting. For comments on page 2 of 5 of the minutes, at 2:24 pm, Schoen would like to delete the first sentence and replace it with, "Larry Schoen expressed concern that the expense budget anticipates revenues that are not collected during the fiscal year in light of the fact that the Air Service Board begins with a zero balance."

And on last page of minutes at 4:00 pm, Schoen states that the board is named, "Community Drug Coalition."

2:04:53 PM **Haemmerle moves to approve min. as amended by Schoen, Jonas seconds. Motion passed unanimously.**

Chairman Briscoe introduces next Consent Agenda item Resolution 2014-01 Bylaws.

2:05:49 PM Schoen comments that he as a Blaine County Commissioner has a different viewpoint on the voting seats as he wishes to have a vote. He expressed this sentiment in the first meeting.

Chairman Briscoe comments that Schoen's remarks will be noted in the minutes. Briscoe asks for a motion on the Resolution.

2:05:55 PM **Haemmerle moves to approve Resolution 2014-01, Jonas seconds. Motion approved unanimously.**

PUBLIC HEARING:

PH 2:15 pm Consideration and adoption of proposed Air Service Board Budget for FY 2014, which is a limited budget for the expenditure of LOT revenues received by the ASB for taxes payable from the period 1/1/14 thru 9/30/14. .....Tab 3

2:06:34 PM Chairman Briscoe introduces the public hearing item for the Budget.

No public comments.

Haemmerle comments that this budget was presented in the last meeting, it is presented today under Public Hearing. Briscoe affirms.

2:07:13 PM Schoen reiterates his objection to the budget, because we are starting with a zero balance, and because some revenues listed on here are not received in the fiscal year, that the expense budget should not exceed the funds available in the fiscal year. The two organizations presenting today show revenue from the Air Service Board totaling, $1,565,000, which exceeds the projected revenue for the fiscal year end, September 30th.

Haemmerle believes the budget is in order. **Haemmerle moves to approve the budget as presented, seconded by Jonas, discussion ensued by board, motion passed unanimously.**

PH 2:35 pm Consideration and adoption of limited-time contract with Fly Sun Valley Alliance for air service development services including maintaining and expanding commercial air service to the local area through the use of Minimum Revenue Guarantees or other inducements to providers and all ancillary costs which are associated with the ongoing effort to maintain and expand commercial air services. Scope of Work and budget to be presented by FSVA .....Tab 4

No Public Comments offered, Chairman Briscoe introduced Carol Waller.

2:13:27 PM Carol Waller announced that today will be a joint presentation by Fly Sun Valley Alliance (FSVA) and air service consultant Ron McNeill. Ron McNeill is a Senior Consultant with Mead & Hunt. Waller reviewed the mission of the Fly Sun Valley Alliance, recent successes, San Francisco service and Denver non-stop service during 2014 summer. Overall, in the past 6 months we have seen an increase in seat capacity to Sun Valley. Waller introduced Ron McNeill. McNeill presented a brief biography of his work experience as it relates to airlines. McNeill covered airline consolidation, 7 airlines no longer in business, and US Domestic

schedules for the last calendar year Feb 2013-feb 2014. Winter resort capacity change, industry is up 8%, Sun Valley up 29%. McNeill then reviewed Top Winter Destinations, - Sun Valley received 12%, Aspen 33%. Largest market behind Los Angeles is New York. San Francisco is a large connecting market for United Airlines. McNeill covers Summer 3 quarter resort capacity change and Visitor and local passengers, expect growth improvement into Sun Valley. Briscoe asks a question about the 1000 mile radius, airlines looking at penalties in summer flights. Penalties are the effects of heat and altitude, creating a situation for weight, causing airlines to remove passengers from flights.

2:38:22 PM Carol Waller picks up presentation and discusses the air service timeline, scope of work for air service development to secure and manage contract air service with Alaska Airlines and United Airlines. Delta is a new partner in this market, they are no longer working as a partner with Sky West Airlines. We will have 3 flights a day through the summer with Delta Airlines. Waller then displays the FY14 FSVA budget. Total anticipated funds from 1% for air LOT, $1.65 million, FSVA anticipates their $900,000 to go towards airline contracts.

Questions for Carol Waller.

2:46:01 PM Haemmerle asks clarifying question about FSVA budget Air Service Development is negotiations with airlines for Minimum Revenue Guarantees (MRG). Waller confirms that Air Service Development includes Air Service contracts, Air service consulting, local air service marketing and research.

2:47:21 PM Jonas asked about busing contracts, how do we improve experiences?

Waller discussed performance metrics, goal is to retain the service we have, secure non-stop flights from Denver through winter, minimize air service contract costs, and bring in more visitors.

2:54:19 PM Haemmerle asks if both entities have distinct functions, one does contract with airlines, one does marketing. Waller confirmed that FSVA will perform contracts with airlines and Sun Valley Marketing Alliance (SVMA) will perform marketing.

2:55:22 PM Schoen first directs his comments and praise to Ron McNeill and is glad to have him helping us through this process as he is well respected. Schoen asks about the $900,000 amount in the FSVA budget. Is the $900,000 a reflection of what you think it will cost the first year or is it a reflection of the amount of money available, and want to take advantage of the full amount? Waller responded, it is really the maximum exposure of the contract costs.

Haemmerle asks a question about transparency. Waller responds.

2:58:31 PM Schoen asks about performance metrics, what is costs per seat in each market, there is a maximum exposure in each contract.

2:59:38 PM Haemmerle asks in general terms about the contracts with the airlines. Waller responds to the question by stating that the Sun Valley resort has the contract with the airlines, FSVA has a contract with Sun Valley resort to give up to 50% of the paid amount.

3:01:20 PM Dick Fenton answers Haemmerle's question.

3:02:04 PM Haemmerle asks, how do we report back the success of this to the people who voted for this 1% LOT. Fenton answers the question.

3:03:13 PM Jonas asks a budget question, contracts go for a year, fiscal year end is sept 30.

3:04:17 PM Lisa Horowitz attempts to clarify, appropriations clause #14,

3:05:33 PM Dick Fenton speaks to the budget question – FSVA works on sept 30th fiscal year end, money accrues and received at a later date.

Horowitz states that a paragraph would need to be added to clause #14 to allow appropriation when it is collected for the next fiscal year.

3:08:46 PM Haemmerle asks, what happens if this appropriations clause is triggered by the Air Service Board stating we thought we were going to give you $900,000 but we are not. And Sun Valley resort goes ahead and makes a contract for MRGs. Haemmerle's understanding is that you will not be able to come back to the Air Service Board for the money that we promised that we would give you. Waller responds to Haemmerle's scenario by reading a section of the contract. Chairman Briscoe asks what section Waller is referring to. Lisa Horowitz answers, Termination section 7 of the FSVA contract, is the part of the contract that Waller wants to discuss.

Horowitz then implores to Chairman Briscoe and the Board that this conversation appears to be more of a working session, bear with staff while we work through the details of these contracts.

3:12:42 PM Susan Robertson recommends a payment schedule.

3:13:03 PM Dawson presents to the Board, a couple of points. Becky Stokes, Hailey City Treasurer performed analysis on the proposed Air Service budget. Dawson has Stokes hand out a document with her analysis. The board is anticipating $1.4 million in revenue and today you're reviewing contracts totaling $1.5 million - higher than what you've appropriated in the current period. If the revenues don't come in as strong, then the board needs protection. Regarding option b alluded to a few moments ago, Dawson states that this option not only limits the contract by retaining fund balance, it also limits the contract by not allowing the expenditures to exceed the percentage of revenue that that contract represents, and those percentages of revenue are 57% for FSVA and 42% for the Marketing Alliance. If you keep the cap in place you'll be able to assure yourself that you won't spend more that you'll receive on these contracts. Dawson recommends that the board put this safeguard in place.

Haemmerle comments that the language in the contract does not do what Dawson is suggesting. Horowitz agrees, no it would not do that.

3:15:15 PM Adam King suggests another change to keep a running reserve since the starting balance is zero, because it is not out of the realm of possibility that someone may challenge the constitutionality of the 1% LOT for Air Service. King agrees with Dawson's suggestions.

3:16:28 PM Haemmerle looks at scope of services under the contract, not clear what each organization does, exhibit A is a FSVA document, Horowitz interjected, that the FSVA document is a mistake.

Appropriations clause, - issues with the Sun valley air service board still is required to pay, Waller clarifies the intent of the language.

3:19:46 PM Schoen asks why are we jumping through hoops, for money that is not there at the end of the fiscal year. This board should not commit to spending money in another fiscal year. Schoen thinks it should only be in the fiscal year.

Jonas asks if Schoen would be comfortable in moving forward with contracts ending in the fiscal year. Schoen said yes.

Haemmerle agrees with Schoen. Jonas agrees with Schoen and Haemmerle. Jonas also believes that we are tasked with this being successful. Jonas feels they need more time to work to be successful.

3:24:39 PM Adam King, attorney comments. King suggests to contract percentages to these organizations instead of the dollar amounts. If you commit to percentages then you are not committing money that is not there.

Eric Seider of FSVA spoke to board 3:26:47 PM he believes a fiscal year end contract is doable. Do keep in mind that the economic anchor, you might be short in contract with the airlines. Haemmerle explains that we cannot accept the risk and go in debt. Sieder then comments they will need a contract going across the fiscal year.

3:29:31 PM Schoen comments that building reserves will help this situation in the future. People must adjust their expectations to the legal framework in which we operate.

3:30:43 PM Horowitz explains the intent on what the board is looking at, because of the contracts for air service and marketing we were attempting to make a 12 month commitment, knowing that we could only appropriate to the budget year. Horowitz recognizes that this intent was not made clear today through the language of the contract. Staff understands the legal

3:32:09 PM Haemmerle asks for a paragraph stating that this board cannot be held accountable to the (implied: air service or marketing) contracts, there are no third party beneficiaries to this contract.

3:32:58 PM **Haemmerle moves the contracts discussion for both organizations to a date certain, next meeting of the board., motion seconded by Jonas, motion passed unanimously.**

PH 3:15 pm Consideration and adoption of limited-time contract with Sun Valley Marketing Alliance for promotion of existing for air service(s) and future service to ensure significant enplanements. Scope of Work and budget to be presented by SVMA. .....Tab 5

The actual discussion on the Sun Valley Marketing Alliance (SVMA) was continued to the next board meeting. Although, Arlene Schieven does want to make a short presentation to the board today.

Marketing alliance
3:34:17 PM Arlene Schieven presented from SVMA. Schieven presents their draft budget, on marketing and media strategy for summer. Schieven points out that all of the 1% LOT funding is going towards air service and incremental advertising. Schieven then presents the Summer 2014 media plan, Seattle, Los Angeles, Denver, and San Francisco are also target markets for them. Schieven then discusses performance tracking, including click-through rates, website visits, emplanements occupancy/room nights sold, and number of visitors.

Board members will provide comments to Susan Robertson regarding the contracts and she will disseminate to the staff working team.

The Board discusses the next meeting date now. They decide on Wednesday March 12th, 2 pm, at Ketchum City Hall.

3:48:26 PM Rick Baird spoke to the board. Baird has heard more than 1 thousand times that air service is crucial to this valley. This is a great discussion. We need air service this summer and winter, we have to put plans in place and getting people in the seats.

3:50:57 PM Haemmerle responds that we must be responsible.

OB 3:50 pm Discussion and possible action regarding selection of ICRMP for the provision of insurance services. .....Tab 6

3:55:29 PM Jim McNall from Idaho Counties Risk Management Program (ICRMP) spoke to the board. McNall explaines that in response to the general questions and discussion tonight, they (ICRMP), cover damages for dollars.

3:56:33 PM Haemmerle asks a question, McNall replied that ICRMP would not cover it, because it was not physical damage to an item or person (implied).

McNall explains the contract is similar to that of the Cities and the County that each board member represents. Just because ICRMP would not cover the scenario Haemmerle posed, doesn't mean that the individuals would be responsible for defending themselves, each City and County would likely provide that defense if any board member were named in a lawsuit.

3:59:06 PM Schoen is comfortable with this policy, he believes it is appropriate.

4:01:32 PM **Haemmerle moves to approve the ICRMP contract, Jonas seconds, motion passed with roll call vote. Jonas, yes. Briscoe, yes. Haemmerle, yes.**

OB 4:00 pm Consideration of bids on web site design. (Bids will be brought to the meeting)

4:03:26 PM Horowitz gave information regarding website design recommend JML Publishing at an estimate of $150-$500. JML has more municipal experience than the other 4 responses from local website designers.

4:04:21 PM **Haemmerle moves to approve contract with JML Publishing, Mike Landis for web design, Jonas seconds, motion passed unanimously.**

Dick Fenton asks the board if he can speak to Susan Robertson regarding the contract, budgeting and timing, the board agrees.

4:06:27 PM **Motion by Haemmerle for next meeting on Wednesday March 12, at Ketchum City Hall, Jonas seconds, motion passed unanimously.**

No Executive Session is called.

4:06:45 PM Motion to adjourn meeting made by Jonas, Haemmerle seconds, motion passed unanimously.

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Dewayne Briscoe, Chairman

ATTEST:

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Nina Jonas, Secretary/Treasurer

SUN VALLEY
AIR SERVICE BOARD

March 10, 2014

TO: Air Service Board

FM: Lisa Horowitz, City of Ketchum, Heather Dawson, City of Hailey, Susan Robertson, City of Sun Valley

RE: Staff Recommendations, Contracts for Services

Board Members:

Attached in this packet you will find:

1. Recommended Sun Valley Marketing Alliance (SVMA) Contract with monthly payment schedule
2. Recommended Fly Sun Valley Alliance (FSVA) Contract with monthly payment schedule
3. FSVA Contract with payment by deliverables for discussion purposes.

Staff makes the following recommendations for both contracts:

1. Contracts run through FY 15 to allow for continuity in contractual provision of service for the startup period. Staff recommends that the contracts be synced up with the fiscal year. It would be impractical and inefficient to establish contracts for FY 14 in March that expire at the end ofSeptember 2014. Marketing and air service negotiations both require significantly longer lead times in the marketplace and with airline carrier negotiations to operate effectively. Staff does not recommend such short contracts for the reasons stated. If desired, the Board would have the opportunity to advertise these contracts for services, in FY 15, which would allow for the advertising of a two-year contract.

2. The contracts only allow for appropriation within each Fiscal year. Therefore, available funds for FY 14 are appropriated through these contracts, per the budget adopted by the Air Service Board at their last meeting. Consistent with Idaho law, no appropriation is made for FY 15. Section 5 of the contracts stipulates that the contracts will be amended during the FY 15 budget process, at which time funds can be allocated based on the FY 15 budget adopted by the Board. Section 14 of the contract further clarifies that no commitment of public funds will be made outside of the current fiscal year, and that contractors cannot in any way compel Air Service Board component members to levy or pay tax money to the contractor.

3. Staff recommends a monthly payment schedule for both contracts based on Exhibit B. The merits of this recommendation are discussed further below.

Staff has provided two alternate contracts for FSVA to allow for Board discussion. However, staff recommends the contract with the monthly payment plan for these reasons:

The monthly payment schedule gives the greatest protection for confidentiality of MRG payments. MRG payments are privately negotiated contracts between airlines and community sponsors (in this case, Sun Valley Company) with nondisclosure confidentiality clauses. Breaches of these confidentiality clauses could jeopardize air service with the affected carrier.

1. Current FY14 Air Service contracts cover 2 air carriers, Alaska and United, with service to 4 cities (LAX, SFO andSEA). The United SFO and the Alaska contracts are full year – winter 2013/14 and summer 2014. There is an additonal United DEN contract for summer 2014 only. (Note that the Denver flight MRG is currently funded by a grant, and is not part of the FY 2014 contract with the Air Service Board.) With only two carriers, confidentiality will be impossible due to simple math if the contract with the Air Service Board required payment based on invoices.

2. The Board is protected for matters of transparency by Section 6.B of the contract, which allows the Board to call for an audit. This clause creates transparency for taxpayer dollars. The portions of the audit related to MRG would be reviewed by the Board in Executive Session to protect the confidentiality agreements called for in the MRG contracts.
3. The monthly payment system is a practical structure that follows cash flow. The staff team has worked over the last month to perfect Exhibit B in the contracts. Exhibit B, which is the same for both FSVA and SVMA contracts, creates both a Legal Services Reserve and a Fund Balance for the Air Service Board. The Exhibit then apportions percentages of available revenue on a monthly basis to each of the contractors. This approach ensures that expenditures will never exceed revenues and creates a fund balance to facilitate cash flow.

SUN VALLEY
AIR SERVICE BOARD

CONTRACT FOR SERVICES
BETWEEN THE
SUN VALLEY AIR SERVICE BOARD
AND
FSVA

THIS CONTRACT FOR SERVICES, (hereinafter referred to as "Contract") made and entered into this 12th day of March, 2014, by and between the Sun Valley Air Service Board, an Idaho Joint Powers Authority (hereinafter referred to as the "ASB") and the Fly Sun Valley Alliance, Inc., an Idaho nonprofit corporation with an IRC 501(c)(6) designation (hereinafter referred to as "FSVA").

RECITALS

1. The ASB is a duly organized and existing Joint Powers Authority organized as a separate legal entity under Idaho Code §§ 67-2328 *et seq.* The ASB is made up of the following entities (hereinafter referred to as "Component Members"):

a. The City of Sun Valley, Idaho
b. The City of Ketchum, Idaho
c. The City of Hailey, Idaho
d. Blaine County, Idaho [non-voting]

2. FSVA is an Idaho non-profit corporation with an IRC 501(c)(6) designation engaged in the business of air service development for Blaine County as further described in **Exhibit "A"**.

3. Pursuant to Idaho Code §§ 67-2328, 50-301 and 50-302, the ASB is empowered to enter into contracts and take such steps as are reasonably necessary to maintain the peace, good government and welfare of the Component Members and their trade, commerce and industry. Accordingly, the ASB has the power as conferred by the State of Idaho, to provide directly for certain promotional activities to enhance the trade, commerce, industry, and economic well-being of the Component Members.

4. The following ordinances have been adopted by certain Component Members (except Blaine County) for the purposes of a) maintaining and increasing commercial air service to Friedman Memorial Airport through the use of Minimum Revenue Guarantees ("MRG's") or other inducements to providers; b) promoting and marketing the existing service and any future service to increase passengers; c) for all ancillary costs which are associated with the ongoing effort to maintain and increase commercial air service, including reasonable program management costs

and busing due to flight diversion(s); and d) direct costs to collect and enforce the tax, including administrative and legal fees:

a. Sun Valley Ordinance No. 456.
b. Ketchum Ordinance No. 1108.
c. Hailey Ordinance No. 1133.

5. The primary reason for the ASB to enter this Contract is to effectuate the purposes of the local option taxes and Component Member ordinances recited above.

6. FSVA's mission is to retain, develop and improve air service to the Friedman Memorial Airport (SUN) in Blaine County.

7. The organizational goals of FSVA are consistent with the purposes and findings of the ordinances recited above.

8. It is the intention of the ASB to contract with FSVA to provide such services for consideration as hereinafter provided subject to the tracking and reporting requirements described herein.

9. FSVA desires to enter into a contract with the ASB to retain, develop and improve air service as hereinafter provided.

10. ASB and FSVA intend to dedicate local option taxes to the payment of MRG's, bussing costs for airline passengers due to weather related flight diversions and start-up costs ("Air Service Contract Costs"). Sun Valley Company has entered into two contracts with United Airlines (providing air service to and from San Francisco) and Alaska Airlines (providing air service to and from Los Angeles and Seattle) which require the payment of Air Service Contract Costs. The contracts between Sun Valley Company and United Airlines and Alaska Airlines contain confidentiality provisions. FSVA and Sun Valley Company have agreed that Sun Valley Company shall pay all of the Air Service Contract Costs under the contracts with United Airlines and Alaska Airlines but be reimbursed by FSVA in an amount not to exceed Eight Hundred Sixty Thousand and no/100's Dollars ($860,000.00) for 50% of the Air Service Contract Costs from funds received by FSVA from ASB.

11. ASB and FSVA intend to honor the confidentiality provisions in the United Airlines and Alaska Airlines contracts but verify the amount of the MRG's and bussing expenses by examining the invoices for Air Service Contract Costs in executive session.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, it is agreed by and between the ASB and FSVA as follows:

1. All Recitals above are incorporated herein by reference.

2. Services. FSVA agrees to retain, develop and improve air service consisting of securing and managing air service into Friedman Memorial Airport; providing other air service support; pursuing new and/or expanded air service; and other air service development related tasks ("Air Services Development") as more particularly set forth in **Exhibit "A"** which is incorporated herein by reference, and to pay no more than 50% of the Air Service Contract Costs.

3. Expenses. FSVA agrees that it shall provide, at its sole expense, all costs of labor, materials, supplies, business overhead and financial expenses, liability insurance, fidelity bonds, and all necessary equipment and facilities required to provide the services as set for in this Contract.

4. Term. The term of this Contract shall commence upon the day of its execution and shall terminate September 30, 2015. This contract may be amended to increase the length of the term if so determined by the parties.

5. Consideration.

   A. Air Service Contract Costs and Air Service Development Reimbursement. During the term of this Contract, ASB shall pay FSVA, as reimbursement for Air Service Contract Costs and as payment for Air Services Development, a maximum sum not to exceed Nine Hundred Thousand Dollars ($900,000.00), for the present fiscal year ending September 30, 2014 ("FY 14"), payable on a monthly basis. The maximum payment for Air Service Contract Costs shall not exceed Eight Hundred Sixty Thousand and no/100's Dollars ($860,000.00), while the maximum payment for Air Service Development shall not exceed Forty Thousand and no/100's Dollars ($40,000.00). Each monthly payment shall be calculated by multiplying the percentage under "% of Available Funds" for FSVA as set forth in the Payment Schedule attached hereto as **Exhibit "B"** by the actual amount of local option taxes received by the ASB, less direct costs, administrative expenses, legal reserves and fund balance, which is described as "Funds Available for Contracts", as depicted in the Payment Schedule attached hereto as **Exhibit "B"**. In the event the monthly payments derived during FY 14 would

exceed $900,000, the last monthly payment(s) shall be reduced to ensure only a payment of $900,000. In the event the monthly payments derived during FY 14 are less than $900,000, FSVA shall not be entitled to the difference between the total of the monthly payments and $900,000. FSVA shall reimburse Sun Valley Company for Air Service Contract Costs a maximum of 50% of the actual payment for MRG's, 50% of the actual payment for bussing and 50% of start-up costs required under each of the United and Alaska Airlines contracts described in Recital 10, above.

B. Limitation of Funds. Funds paid by ASB to FSVA shall only be used for the purposes set forth in this Contract, and for no other purpose. In the event FSVA pays Sun Valley Company pursuant to the contracts described in Recital 10, above, less than the maximum amount of Eight Hundred Sixty Thousand Dollars ($860,000.00) described in Paragraph 5(A), above, the difference may be retained by FSVA but such amount shall only be used for reimbursement of Air Service Contract Costs, if approved by ASB, under other airline contracts, subject to the same limitations set forth in this Contract.

6. Reporting Requirements. In consideration and as part of this Contract, FSVA agrees to provide to the ASB:

A. Written and in-person presentations and reports in November and May during the term of this Contract or as otherwise scheduled by the parties outlining program results and plans for the upcoming season and explaining annual performance based on the metrics specified in attached **Exhibit "A"**. Semi-annual reports will be based on the government fiscal year of October 1st to September 30th;

B. An independent audit. The ASB has at all times the right to request an independent audit, at the sole cost of FSVA, under the provisions herein, and such audit obligation and cost on the part of FSVA shall survive any termination.

C. Invoices and supporting documents from United Airlines and Alaska Airlines for the Air Service Contract Costs to be paid by Sun Valley Company. Submittal of such invoices and documents is a condition precedent to the payment of the amount by FSVA to Sun Valley Company under Paragraph 5(A), above. Such invoices shall be presented to the ASB by FSVA in executive session.

7. Termination. The ASB may, at its sole discretion, terminate this Contract upon 90 days written notice to FSVA with or without cause. The ASB recognizes that the FSVA has made significant financial commitments (*e.g.*, vendor contracts) on behalf of the ASB and will need time to adjust its obligations. In the event of such termination, the ASB shall have no further responsibility to make any payment to FSVA under this Contract at the end of the 90 day period.

8. Equal Employment Opportunity. FSVA covenants that it shall not discriminate against any employee or applicant for employment because of race, religion, color, sex or national origin.

9. Independent Contractor Status. The parties acknowledge and agree that FSVA shall provide its services for the fee specified herein in the status of independent contractor, and not as an employee of the ASB. FSVA shall create, direct and control its own means and methods of performing this Contract. FSVA and its agents, members, employees and volunteers shall not accrue leave, retirement, insurance, bonding or any other benefit afforded to employees of the ASB. The sole interest and responsibility of the ASB under this Contract is to assure itself that the services covered by this Agreement shall be performed and rendered by FSVA in a competent, efficient and satisfactory manner.

10. Hold Harmless Agreement. FSVA hereby covenants and agrees to indemnify, defend and hold the ASB and the Component Members, and their officials, officers, employees and agents harmless from and against any and all claims, demands, causes of action, suits, losses, liabilities, damages, costs and expenses, including attorney fees, that may accrue, directly or indirectly, by reason of non-disclosure of information pursuant to Paragraph 6(D) of this Contract or by reason of any wrongful act or omission on the part of FSVA, its agents, employees, assigns or subcontractors, related to damages or bodily injury, property damage and personal injury that arise out of FSVA's actions or omissions associated with the services or obligations described in this Contract. FSVA shall have the duty to appear and defend any such demand, claim, suit or action on behalf of the ASB and the Component Members, or tender the defense without cost or expense to ASB and the Component Members.

11. Non-Assignment. This Contract may not be assigned by or transferred by FSVA, in whole or in part, without the prior written consent of the ASB.

12. Mediation/Arbitration. In the event of any controversy, claim or dispute between the parties concerning this Contract or the breach of this Contract,

including questions concerning the scope and applicability of this dispute resolution provision, the parties agree to participate in good faith in a mediation of any such dispute in Blaine County, Idaho. If mediation is unsuccessful, then the dispute shall be finally settled through litigation in the District Court, Blaine County Idaho The court shall have no power to award punitive or exemplary damages.

13. Attorney's Fees. In the event of any dispute with regard to the interpretation or enforcement of this Contract, the prevailing party shall be entitled to recover its reasonable costs and attorneys' fees incurred therein, whether or not a lawsuit is actually filed, and on any appeals, and in any bankruptcy proceeding.

14. Appropriations. No commitment of public funds will be made prior to the approval of this Contract nor are any public funds committed beyond the current fiscal year. The terms of this Contract are contingent upon sufficient appropriations being made each fiscal year by the ASB for the performance of this Contract. If sufficient appropriations are not made, this Contract shall terminate subject to the conditions subsequent concerning notice. Termination pursuant to the terms of this Contract shall not result in any claim for payment or damages by FSVA. ASB's decision as to whether sufficient appropriations are available shall be accepted by FSVA and shall be final. FSVA HAS NO RIGHT TO COMPEL COMPONENT MEMBERS TO LEVY OR COLLECT TAXES TO MAKE ANY PAYMENTS REQUIRED HEREUNDER, OR TO EXPEND FUNDS BEYOND THE AMOUNT PROVIDED FOR IN THE THEN CURRENT FISCAL YEAR. In the event that this provision conflicts with any other provision in the Agreement, this provision shall prevail.

15. Miscellaneous Provisions.

    a. Paragraph Headings. The headings in this Contract are inserted for convenience and identification only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Contract or any of the provisions of the Contract.

    b. Provisions Severable. Every provision of this Contract is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the Contract.

    c. Rights and Remedies are Cumulative. The rights and remedies provided by this Contract are cumulative and the use of any one right

or remedy by any party shall not preclude nor waive its rights to use any or all other remedies. Any rights provided to the parties under this Contract are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

d. Successor and Assigns. This Contract and the terms and provision hereof shall inure to the benefit of and be binding upon the heirs, personal representatives, successors and assigns of the parties hereto.

e. Entire Contract. This Contract contains the entire agreement between the parties respecting the matters herein set forth and supersedes all prior agreements between the parties hereto respecting such matters.

f. Governing Law. This Contract shall be construed in accordance with the laws of the State of Idaho.

g. Preparation of Contract. No presumption shall exist in favor of or against any party to this Contract as a result of the drafting and preparation of the document.

h. No Waiver. No waiver of any breach by either party of the terms of this Contract shall be deemed a waiver of any subsequent breach of the Contract.

i. Amendment. No amendment of this Contract shall be effective unless the amendment is in writing, signed by each of the parties.

j. Notices. Notices hereunder shall be by personal delivery or US Mail Certified/Return Receipt and shall be deemed effective upon such personal delivery or two (2) business days after mailing, whichever is later. Notices shall be provided as follows:

a. ASB: P.O. Box 3801 Ketchum, ID 83340

b. FSVA: P.O. Box 6316 Ketchum, ID 83340

k. Fiscal Year. For the purpose of this Contract, the fiscal year is considered a government fiscal year between October 1 and September 30 of the following year.

SUN VALLEY
AIR SERVICE BOARD

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the date first set forth above.

Signatures:

Dated: _____	The Sun Valley Air Services Board, an Idaho Joint Powers Authority By: _____ Its: _____
Dated: _____	FSVA, an Idaho Non-Profit Corporation By: _____ Its: President

MISSION

Retain, develop and improve air service access to the Wood River Valley and support airport operations, infrastructure and services for the benefit of visitors and residents.

ORGANIZATIONAL STRUCTURE

Fly Sun Valley Alliance is an Idaho non-profit 501c(6) corporation. The volunteer board of directors is made up of private sector business and organization members, as well as public sector representatives from Friedman Memorial Airport Authority, the cities of Hailey, Ketchum, Sun Valley and Blaine County.

SCOPE OF WORK

Secure & Manage SUN Air Service

Currently includes Alaska Airlines, United Airlines and Delta Air Lines flights

- Negotiate airlines (in partnership w/SVR) air service contract terms, as applicable :
  - Specific operating season and schedules
  - MRG cap amount; analysis of cost per flight & projected revenues
  - LOC requirements
  - Weather diversion bussing provisions
- Monitor bookings on weekly basis; cost & revenue monthly, as applicable
- Monitor fares on ongoing basis within our competitive set, plus BOI, TWF
- Initiate fare adjustment discussions with airlines where appropriate
- Assist with overall coordination marketing & promotion of flights with airlines and local/state partners (Partners: Sun Valley Resort, SV Marketing Alliance, local businesses & events, Idaho Tourism)

Other air service support

- Work with FMAA on leakage analysis and reduction strategies, fare analysis & monitoring, service expansion opportunities,
- Maintain relationships with industry partners/contacts: airlines, consultants, officials, air service program directors in other areas,
- Assist with customer service issues at SUN as feasible

New air service development

- Research/identify opportunities for new service; provide economic/demographic analyses of our market to prospective airlines
- Attend national industry conferences to meet with prospective airlines
- Pursue federal grants for new air service support
- Keep abreast of new air service development nationally and within our competitive set (Rocky Mtn resort areas, regionally, etc)

Research

- Implement/collect 1000+ air passenger surveys at SUN each winter & summer
  - to determine travel trends, demographics, economic impact
- Monitor monthly enplanement, seat occupancy data, other air service data

Community Outreach/Education on Air Service

- Maintain FSVA website, www.flysunvalleyalliance.com with information on SUN air service, economic impact studies, etc.
- Ongoing communications via Enews, social media, meetings, presentations
- Local marketing/PR re: air service news, fare deals, other

KEY PEFORMANCE METRICS

RETAIN & EXPAND CURRENT AIR SERVICE: Retain contracted nonstop SEA, LAX, SFO flights

NEW AIR SERVICE: Pursue at least one new non-stop market flight for 2014.15

MINIMIZE AIR SERVICE CONTRACT COSTS: Work with airlines & marketing partners to increase load factors & minimize air service contract costs. Work with airlines to make SUN fares as competitive as possible.

RESEARCH: Conduct 1000+ air passenger surveys at SUN; continue with competitive analysis, economic impact and air service ROI research.

EXHIBIT B - PAYMENT SCHEDULE

1% LOT Generated	1% LOT Received	Sun Valley	Ketchum	Hailey	TOTAL	Communities' Direct Costs	Air Service Board Administrative Expenses	Air Service Board Legal Reserve	Available LOT Funds	Fund Balance	Funds Available for Contracts	Fly SV Alliance Contract Expenses	% of Available Funds	SVMA Contract Expenses	% of Available Funds
Jan-14	Mar-14	$31,923	$225,511	$6,538	$263,972	-$8,176	-$1,938	-$50,000	$203,858	-$31,349	$172,509	$78,236	45%	$94,273	55%
Feb-14	Apr-14	$37,760	$141,886	$4,423	$184,069	-$8,176	-$438		$175,455		$175,455	$78,955	45%	$96,500	55%
Mar-14	May-14	$37,733	$145,532	$4,917	$188,182	-$8,176	-$438		$179,568		$179,568	$80,806	45%	$98,762	55%
Apr-14	Jun-14	$12,951	$139,282	$2,484	$154,717	-$8,176	-$438		$146,103		$146,103	$65,746	45%	$80,357	55%
May-14	Jul-14	$14,724	$73,972	$2,261	$90,957	-$8,176	-$438		$82,343		$82,343	$37,054	45%	$45,289	55%
Jun-14	Aug-14	$32,989	$75,554	$4,165	$112,708	-$8,176	-$1,438		$103,094		$103,094	$46,392	45%	$56,702	55%
Jul-14	Sep-14	$76,315	$114,560	$10,947	$201,822	-$8,176	-$6,938		$186,708		$186,708	$158,702	85%	$28,006	15%
Aug-14	Oct-14	$56,239	$175,691	$10,438	$242,368	-$8,176	-$542		$233,650		$233,650	$198,602	85%	$35,047	15%
Sep-14	Nov-14	$40,777	$166,278	$4,886	$211,941	-$8,176	-$542		$203,223		$203,223	$155,507		$47,717	
		$341,411	$1,258,266	$51,059	$1,650,736	-$73,587	-$13,147	-$50,000	$1,514,003	-$31,349	$1,482,654	$900,000		$582,654	

SUN VALLEY
AIR SERVICE BOARD

CONTRACT FOR SERVICES
BETWEEN THE
SUN VALLEY AIR SERVICE BOARD
AND
FSVA

THIS CONTRACT FOR SERVICES, (hereinafter referred to as "Contract") made and entered into this 12th day of March, 2014, by and between the Sun Valley Air Service Board, an Idaho Joint Powers Authority (hereinafter referred to as the "ASB") and the Fly Sun Valley Alliance, Inc., an Idaho nonprofit corporation with an IRC 501(c)(6) designation (hereinafter referred to as "FSVA").

RECITALS

1. The ASB is a duly organized and existing Joint Powers Authority organized as a separate legal entity under Idaho Code §§ 67-2328 *et seq.* The ASB is made up of the following entities (hereinafter referred to as "Component Members"):

a. The City of Sun Valley, Idaho
b. The City of Ketchum, Idaho
c. The City of Hailey, Idaho
d. Blaine County, Idaho [non-voting]

2. FSVA is an Idaho non-profit corporation with an IRC 501(c)(6) designation engaged in the business of air service development for Blaine County as further described in **Exhibit "A"**.

3. Pursuant to Idaho Code §§ 67-2328, 50-301 and 50-302, the ASB is empowered to enter into contracts and take such steps as are reasonably necessary to maintain the peace, good government and welfare of the Component Members and their trade, commerce and industry. Accordingly, the ASB has the power as conferred by the State of Idaho, to provide directly for certain promotional activities to enhance the trade, commerce, industry, and economic well-being of the Component Members.

4. The following ordinances have been adopted by certain Component Members (except Blaine County) for the purposes of a) maintaining and increasing commercial air service to Friedman Memorial Airport through the use of Minimum Revenue Guarantees ("MRG's") or other inducements to providers; b) promoting and marketing the existing service and any future service to increase passengers; c) for all ancillary costs which are associated with the ongoing effort to maintain and increase commercial air service, including reasonable program management costs

and busing due to flight diversion(s); and d) direct costs to collect and enforce the tax, including administrative and legal fees:

a. Sun Valley Ordinance No. 456.
b. Ketchum Ordinance No. 1108.
c. Hailey Ordinance No. 1133.

5. The primary reason for the ASB to enter this Contract is to effectuate the purposes of the local option taxes and Component Member ordinances recited above.

6. FSVA's mission is to retain, develop and improve air service to the Friedman Memorial Airport (SUN) in Blaine County.

7. The organizational goals of FSVA are consistent with the purposes and findings of the ordinances recited above.

8. It is the intention of the ASB to contract with FSVA to provide such services for consideration as hereinafter provided subject to the tracking and reporting requirements described herein.

9. FSVA desires to enter into a contract with the ASB to retain, develop and improve air service as hereinafter provided.

10. ASB and FSVA intend to dedicate local option taxes to the payment of MRG's, bussing costs for airline passengers due to weather related flight diversions and start-up costs ("Air Service Contract Costs"). Sun Valley Company has entered into two contracts with United Airlines (providing air service to and from San Francisco) and Alaska Airlines (providing air service to and from Los Angeles and Seattle) which require the payment of Air Service Contract Costs. The contracts between Sun Valley Company and United Airlines and Alaska Airlines contain confidentiality provisions. FSVA and Sun Valley Company have agreed that Sun Valley Company shall pay all of the Air Service Contract Costs under the contracts with United Airlines and Alaska Airlines but be reimbursed by FSVA in an amount not to exceed Eight Hundred Sixty Thousand and no/100's Dollars ($860,000.00) for 50% of the Air Service Contract Costs from funds received by FSVA from ASB.

11. ASB and FSVA intend to honor the confidentiality provisions in the United Airlines and Alaska Airlines contracts but verify the amount of the Air Service Contract Costs by examining the invoices for the Air Service Contract Costs in executive session.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, it is agreed by and between the ASB and FSVA as follows:

1. All Recitals above are incorporated herein by reference.

2. Services. FSVA agrees to retain, develop and improve air service consisting of securing and managing air service into Friedman Memorial Airport; providing other air service support; pursing new and/or expanded air service; and other air service development related tasks ("Air Services Development"), as more particularly set forth in **Exhibit "A"** which is incorporated herein by reference, and to pay no more than 50% of the Air Service Contract Costs.

3. Expenses. FSVA agrees that it shall provide, at its sole expense, all costs of labor, materials, supplies, business overhead and financial expenses, liability insurance, fidelity bonds, and all necessary equipment and facilities required to provide the services as set for in this Contract.

4. Term. The term of this Contract shall commence upon the day of its execution and shall terminate September 30, 2015. This contract may be amended to increase the length of the term if so determined by the parties.

5. Consideration.

   A. Air Service Contract Cost Reimbursement. During the term of this Contract, ASB shall pay FSVA, as reimbursement for Air Service Contract Costs, a maximum sum not to exceed Eight Hundred Sixty Thousand Dollars ($860,000.00), for the present fiscal year ending September 30, 2014 ("FY 14"), as reimbursement of Air Service Contract Costs, payable within ten (10) days following review, verification and approval of invoices and supporting documents in accordance with the procedures described in Paragraph 6(C), below. The reimbursement for Air Service Contract Costs shall be limited to 50% of the actual payment for MRG's, 50% of the actual payment for bussing and 50% of the actual payment for start-up costs required under each of the United and Alaska Airlines contracts described in Recital 10, above.

   B. Air Service Development Payment. ASB shall pay FSVA a maximum sum of Forty Thousand Dollars ($40,000.00), for other air service development services during FY 14, described in Paragraph 2, above, payable on or before May 1, 2014.

C. Limitation of Funds. Funds paid by ASB to FSVA shall only be used for the purposes set forth in this Contract, and for no other purpose.

6. Reporting Requirements. In consideration and as part of this Contract, FSVA agrees to provide to the ASB:

   A. Written and in-person presentations reports in November and May during the term of this Contract or as otherwise scheduled by the parties outlining program results and plans for the upcoming season and explaining annual performance based on the metrics specified in attached **Exhibit "A"**. Semi-annual reports will be based on the government fiscal year of October 1st to September 30th; and

   B. An independent audit. The ASB has at all times the right to request an independent audit, at the sole cost of FSVA, under the provisions herein, and such audit obligation and cost on the part of FSVA shall survive any termination.

   C. Invoices and supporting documents from United Airlines and Alaska Airlines for the Air Service Contract Costs to be paid by Sun Valley Company. Submittal of such invoices and documents is a condition precedent to the payment of the amount under Paragraph 5(A), above. Such invoices shall be presented to the ASB by FSVA in executive session conducted.

7. Termination. The ASB may, at its sole discretion, terminate this Contract upon 90 days written notice to FSVA with or without cause. The ASB recognizes that the FSVA has made significant financial commitments (*e.g.*, vendor contracts) on behalf of the ASB and will need time to adjust its obligations. In the event of such termination, the ASB shall have no further responsibility to make any payment to FSVA under this Contract at the end of the 90 day period.

8. Equal Employment Opportunity. FSVA covenants that it shall not discriminate against any employee or applicant for employment because of race, religion, color, sex or national origin.

9. Independent Contractor Status. The parties acknowledge and agree that FSVA shall provide its services for the fee specified herein in the status of independent contractor, and not as an employee of the ASB. FSVA shall create, direct, and control its own means and methods of performing this Contract. FSVA and its agents, members, employees and volunteers shall

not accrue leave, retirement, insurance, bonding or any other benefit afforded to employees of the ASB. The sole interest and responsibility of the ASB under this Contract is to assure itself that the services covered by this Agreement shall be performed and rendered by FSVA in a competent, efficient and satisfactory manner.

10. Hold Harmless Agreement. FSVA hereby covenants and agrees to indemnify, defend and hold the ASB and the Component Members, and their officials, officers, employees and agents harmless from and against any and all claims, demands, causes of action, suits, losses, liabilities, damages, costs and expenses, including attorney fees, that may accrue, directly or indirectly, by reason of non-disclosure of information pursuant to Paragraph 6(D) of this Contract or by reason of any wrongful act or omission on the part of FSVA, its agents, employees, assigns or subcontractors, related to damages or bodily injury, property damage and personal injury that arise out of FSVA's actions or omissions associated with the services or obligations described in this Contract. FSVA shall have the duty to appear and defend any such demand, claim, suit or action on behalf of the ASB and the Component Members, or tender the defense without cost or expense to ASB and the Component Members.

11. Non-Assignment. This Contract may not be assigned by or transferred by FSVA, in whole or in part, without the prior written consent of the ASB.

12. Mediation/Arbitration. In the event of any controversy, claim or dispute between the parties concerning this Contract or the breach of this Contract, including questions concerning the scope and applicability of this dispute resolution provision, the parties agree to participate in good faith in a mediation of any such dispute in Blaine County, Idaho. If mediation is unsuccessful then the dispute shall be finally settled through litigation in the District Court, Blaine County Idaho The court shall have no power to award punitive or exemplary damages.

13. Attorney's Fees. In the event of any dispute with regard to the interpretation or enforcement of this Contract, the prevailing party shall be entitled to recover its reasonable costs and attorneys' fees incurred therein, whether or not a lawsuit is actually filed, and on any appeals, and in any bankruptcy proceeding.

14. Appropriations. No commitment of public funds will be made prior to the approval of this Contract nor are any public funds committed beyond the current fiscal year. The terms of this Contract are contingent upon sufficient appropriations being made each fiscal year by the ASB for the performance of

this Contract. If sufficient appropriations are not made, this Contract shall terminate subject to the conditions subsequent concerning notice. Termination pursuant to the terms of this Contract shall not result in any claim for payment or damages by FSVA. ASB's decision as to whether sufficient appropriations are available shall be accepted by FSVA and shall be final. FSVA HAS NO RIGHT TO COMPEL COMPONENT MEMBERS TO LEVY OR COLLECT TAXES TO MAKE ANY PAYMENTS REQUIRED HEREUNDER, OR TO EXPEND FUNDS BEYOND THE AMOUNT PROVIDED FOR IN THE THEN CURRENT FISCAL YEAR. In the event that this provision conflicts with any other provision in the Agreement, this provision shall prevail.

15. Miscellaneous Provisions.

a. Paragraph Headings. The headings in this Contract are inserted for convenience and identification only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Contract or any of the provisions of the Contract.

b. Provisions Severable. Every provision of this Contract is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the Contract.

c. Rights and Remedies are Cumulative. The rights and remedies provided by this Contract are cumulative and the use of any one right or remedy by any party shall not preclude nor waive its rights to use any or all other remedies. Any rights provided to the parties under this Contract are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

d. Successor and Assigns. This Contract and the terms and provisions hereof shall inure to the benefit of and be binding upon the heirs, personal representatives, successors and assigns of the parties hereto.

e. Entire Contract. This Contract contains the entire agreement between the parties respecting the matters herein set forth and supersedes all prior agreements between the parties hereto respecting such matters.

f. Governing Law. This Contract shall be construed in accordance with the laws of the State of Idaho.

g. Preparation of Contract. No presumption shall exist in favor of or against any party to this Contract as a result of the drafting and preparation of the document.

h. No Waiver. No waiver of any breach by either party of the terms of this Contract shall be deemed a waiver of any subsequent breach of the Contract.

i. Amendment. No amendment of this Contract shall be effective unless the amendment is in writing, signed by each of the parties.

j. Notices. Notices hereunder shall be by personal delivery or US Mail Certified/Return Receipt and shall be deemed effective upon such personal delivery or two (2) business days after mailing, whichever is later. Notices shall be provided as follows:

a. ASB: P.O. Box 3801 Ketchum, ID 83340

b. FSVA: P.O. Box 6316 Ketchum, ID 83340

k. Fiscal Year. For the purpose of this Contract, the fiscal year is considered a government fiscal year between October 1 and September 30 of the following year.

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the date first set forth above.

Signatures:

Dated: _____	The Sun Valley Air Services Board, an Idaho Joint Powers Authority By: _____ Its: _____
Dated: _____	FSVA, an Idaho Non-Profit Corporation By: _____ Its: President

MISSION

Retain, develop and improve air service access to the Wood River Valley and support airport operations, infrastructure and services for the benefit of visitors and residents.

ORGANIZATIONAL STRUCTURE

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  - Weather diversion bussing provisions
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- Local marketing/PR re: air service news, fare deals, other

KEY PEFORMANCE METRICS

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NEW AIR SERVICE: Pursue at least one new non-stop market flight for 2014.15

MINIMIZE AIR SERVICE CONTRACT COSTS: Work with airlines & marketing partners to increase load factors & minimize air service contract costs. Work with airlines to make SUN fares as competitive as possible.

RESEARCH: Conduct 1000+ air passenger surveys at SUN; continue with competitive analysis, economic impact and air service ROI research.

EXHIBIT B - PAYMENT SCHEDULE

1% LOT Generated	1% LOT Received	Sun Valley	Ketchum	Hailey	TOTAL	Communities' Direct Costs	Air Service Board Administrative Expenses	Air Service Board Legal Reserve	Available LOT Funds	Fund Balance	Funds Available for Contracts	Fly SV Alliance Contract Expenses	% of Available Funds	SVMA Contract Expenses	% of Available Funds
Jan-14	Mar-14	$31,923	$225,511	$6,538	$263,972	-$8,176	-$1,938	-$50,000	$203,858	-$31,349	$172,509	$78,236	45%	$94,273	55%
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		$341,411	$1,258,266	$51,059	$1,650,736	-$73,587	-$13,147	-$50,000	$1,514,003	-$31,349	$1,482,654	$900,000		$582,654	

SUN VALLEY
AIR SERVICE BOARD

CONTRACT FOR SERVICES
BETWEEN THE
SUN VALLEY AIR SERVICE BOARD
AND
SVMA

THIS CONTRACT FOR SERVICES, (hereinafter referred to as "Contract") made and entered into this 12th day of March, 2014, by and between the Sun Valley Air Service Board, an Idaho Joint Powers Authority (hereinafter referred to as the "ASB") and the Sun Valley Marketing Alliance, Inc., an Idaho nonprofit corporation with an IRS 501 (c) (6) designation, (hereinafter referred to as "SVMA").

RECITALS

1. The ASB is a duly organized and existing Joint Powers Authority organized as a separate legal entity under Idaho Code §§ 67-2328 *et seq.* The ASB is made up of the following entities (hereinafter referred to as "Component Members"):

a. The City of Sun Valley, Idaho
b. The City of Ketchum, Idaho
c. The City of Hailey, Idaho
d. Blaine County, Idaho [non-voting]

2. SVMA is an Idaho non-profit corporation with an IRC 501(c)(6) designation engaged in the business of domestically marketing the Sun Valley, Idaho resort area as a destination resort as further described in **Exhibit "A"**.

3. Pursuant to Idaho Code §§ 67-2328, 50-301 and 50-302, the ASB is empowered to enter into contracts and take such steps as are reasonably necessary to maintain the peace, good government and welfare of the Component Members and their trade, commerce and industry. Accordingly, the ASB has the power as conferred by the State of Idaho, to provide directly for certain promotional activities to enhance the trade, commerce, industry, and economic well-being of the Component Members.

4. The following ordinances have been adopted by certain Component Members (except Blaine County) for the purposes of a) maintaining and increasing commercial air service to Friedman Memorial Airport through the use of Minimum Revenue Guarantees ("MRG's") or other inducements to providers; b) promoting and marketing the existing service and any future service to increase passengers; c) for all ancillary costs which are associated with the ongoing effort to maintain and increase commercial air service, including reasonable program management costs

and busing due to flight diversion(s); and d) direct costs to collect and enforce the tax, including administrative and legal fees.:

a. Sun Valley Ordinance No. 456.
b. Ketchum Ordinance No. 1108.
c. Hailey Ordinance No. 1133.

5. The primary reason for the ASB to enter this Contract is to effectuate the purposes of the local option taxes and Component Member ordinances recited above.

6. SVMA is to provide air service marketing services to promote air travel to and from Friedman Memorial Airport.

7. The organizational goals of SVMA are consistent with the purposes and findings of the ordinances recited above.

8. It is the intention of the ASB to contract with SVMA to provide such services for consideration as hereinafter provided, subject to the tracking and reporting requirements described herein.

9. SVMA desires to enter into a contract with the ASB to provide air services marketing services all as hereinafter provided.

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, it is agreed by and between the ASB and SVMA as follows:

1. All Recitals above are incorporated herein by reference.

2. Services. SVMA agrees to provide air service marketing services to the ASB consisting of marketing goals and objectives; creative strategy; media purchase; campaign assets and public relations efforts in air service markets, including key monitoring and tracking of advertising efforts to ensure effectiveness ("Marketing Services"), and as more particularly set forth in **Exhibit "A"**, which is incorporated herein by reference.

3. Expenses. SVMA agrees that it shall provide, at its sole expense, all costs of labor, materials, supplies, business overhead and financial expenses, liability insurance, fidelity bonds, and all necessary equipment and facilities required to provide the services as set for in this Contract.

4. Term. The term of this Contract shall commence upon the day of its execution and shall terminate September 30, 2015. This contract may be amended to increase the length of the term if so determined by the parties.

5. Consideration. During the term of this Contract, ASB shall pay SVMA, as payment for Marketing Services, a maximum sum not to exceed Five Hundred Eighty Two Thousand Six Hundred Fifty Four and no/100's Dollars ($582,654.00), for the present fiscal year ending September 30, 2014 ("FY 14"), payable on a monthly basis. Each monthly payment shall be calculated by multiplying the percentage under "% of Available Funds" for SVMA as set forth in the Payment Schedule attached hereto as **Exhibit "B"** by the actual amount of local option taxes received by the ASB, less direct costs, administrative expenses, legal reserves and fund balance, which is described as "Funds Available for Contracts", as depicted in the Payment Schedule attached hereto as **Exhibit "B"**. In the event the monthly payments derived during FY 14 would exceed $582,654, the last monthly payment(s) shall be reduced to ensure only a payment of $582,654. In the event the monthly payments derived during FY 14 are less than $582,654, FSVA shall not be entitled to the difference between the total of the monthly payments and $582,654. The Payment Schedule for the fiscal year between October 1, 2014 and September 30, 2015 ("FY 15") may be amended by the parties as part of the FY 15 budget process.

6. Reporting Requirements. In consideration and as part of this Contract, SVMA agrees to provide to the ASB:

   A. Written and in-person presentations and reports in November and May during the term of this Contract or as otherwise scheduled by the parties outlining program results and plans for the upcoming season and explaining annual performance based on the metrics specified in attached **Exhibit "A"**. Semi-annual reports will be based on the government fiscal year of October 1st to September 30th; and

   B. The ASB has at all times the right to request an independent audit, at the sole cost of SVMA, under the provisions herein, and such audit obligation and cost on the part of SVMA shall survive any termination.

7. Termination. The ASB may, at its sole discretion, terminate this Contract upon 90 days written notice to SVMA with or without cause. The ASB recognizes that the SVMA has made significant financial commitments (*e.g.*, vendor contracts) on behalf of the ASB and will need time to adjust its

obligations. In the event of such termination, the ASB shall have no further responsibility to make any payment to SVMA under this Contract at the end of the 90 day period.

8. Equal Employment Opportunity. SVMA covenants that it shall not discriminate against any employee or applicant for employment because of race, religion, color, sex or national origin.

9. Independent Contractor Status. The parties acknowledge and agree that SVMA shall provide its services for the fee specified herein in the status of independent contractor, and not as an employee of the ASB. SVMA shall create, direct and control its own means and methods of performing this Contract. SVMA and its agents, members, employees and volunteers shall not accrue leave, retirement, insurance, bonding or any other benefit afforded to employees of the ASB. The sole interest and responsibility of the ASB under this Contract is to assure itself that the services covered by this Agreement shall be performed and rendered by SVMA in a competent, efficient and satisfactory manner.

10. Hold Harmless Agreement. SVMA hereby covenants and agrees to indemnify, defend and hold the ASB and the Component Members, and their officials, officers, employees and agents harmless from and against any and all claims, demands, causes of action, suits, losses, liabilities, damages, costs and expenses, including attorney fees, that may accrue, directly or indirectly, by reason of any wrongful act or omission on the part of SVMA, its agents, employees, assigns or subcontractors, related to damages or bodily injury, property damage and personal injury that arise out of SVMA's actions or omissions associated with the services or obligations described in this Contract. SVMA shall have the duty to appear and defend any such demand, claim, suit or action on behalf of ASB and the Component Members, or tender the defense without cost or expense to ASB and the Component Members.

11. Non-Assignment. This Contract may not be assigned by or transferred by SVMA, in whole or in part, without the prior written consent of the ASB.

12. Mediation/Arbitration. In the event of any controversy, claim or dispute between the parties concerning this Contract or the breach of this Contract, including questions concerning the scope and applicability of this dispute resolution provision, the parties agree to participate in good faith in a mediation of any such dispute in Blaine County, Idaho. If mediation is unsuccessful, then the dispute shall be finally settled through litigation in the District Court, Blaine County Idaho The court shall have no power to award punitive or exemplary damages.

13. Attorney's Fees. In the event of any dispute with regard to the interpretation or enforcement of this Contract, the prevailing party shall be entitled to recover its reasonable costs and attorneys' fees incurred therein, whether or not a lawsuit is actually filed, and on any appeals, and in any bankruptcy proceeding.

14. Appropriations. No commitment of public funds will be made prior to the approval of this Contract nor are any public funds committed beyond the current fiscal year. The terms of this Contract are contingent upon sufficient appropriations being made each fiscal year by the ASB for the performance of this Contract. If sufficient appropriations are not made, this Contract shall terminate subject to the conditions subsequent concerning notice. Termination pursuant to the terms of this Contract shall not result in any claim for payment or damages by SVMA. ASB's decision as to whether sufficient appropriations are available shall be accepted by SVMA and shall be final. SVMA HAS NO RIGHT TO COMPEL COMPONENT MEMBERS TO LEVY OR COLLECT TAXES TO MAKE ANY PAYMENTS REQUIRED HEREUNDER, OR TO EXPEND FUNDS BEYOND THE AMOUNT PROVIDED FOR IN THE THEN CURRENT FISCAL YEAR. In the event that this provision conflicts with any other provision in the Agreement, this provision shall prevail.

15. Miscellaneous Provisions.

    a. Paragraph Headings. The headings in this Contract are inserted for convenience and identification only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Contract or any of the provisions of the Contract.

    b. Provisions Severable. Every provision of this Contract is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the Contract.

    c. Rights and Remedies are Cumulative. The rights and remedies provided by this Contract are cumulative and the use of any one right or remedy by any party shall not preclude nor waive its rights to use any or all other remedies. Any rights provided to the parties under this Contract are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

    d. Successor and Assigns. This Contract and the terms and provisions hereof shall inure to the benefit of and be binding upon the heirs,

personal representatives, successors and assigns of the parties hereto.

e. Entire Contract. This Contract contains the entire agreement between the parties respecting the matters herein set forth and supersedes all prior agreements between the parties hereto respecting such matters.

f. Governing Law. This Contract shall be construed in accordance with the laws of the State of Idaho.

g. Preparation of Contract. No presumption shall exist in favor of or against any party to this Contract as a result of the drafting and preparation of the document.

h. No Waiver. No waiver of any breach by either party of the terms of this Contract shall be deemed a waiver of any subsequent breach of the Contract.

i. Amendment. No amendment of this Contract shall be effective unless the amendment is in writing, signed by each of the parties.

j. Notices. Notices hereunder shall be by personal delivery or US Mail Certified/Return Receipt and shall be deemed effective upon such personal delivery or two (2) business days after mailing, whichever is later. Notices shall be provided as follows:

a. ASB: P.O. Box 3801 Ketchum, ID 83340

b. SVMA: P.O. Box 4934 Ketchum, ID 83340

k. Fiscal Year. For the purpose of this Contract, the fiscal year is considered a government fiscal year between October 1 and September 30 of the following year.

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the date first set forth above.

Signatures:

Dated: _____	The Sun Valley Air Services Board, an Idaho Joint Powers Authority

	By: _____ Its: _____
Dated: _____	SVMA, An Idaho Non-Profit Corporation By: _____ Its: President

Visit SunValley

SCOPE OF WORK

Mission
To raise awareness of Sun Valley and increase visitor traffic from our target markets.

Organizational Structure
Sun Valley Marketing Alliance, Inc. DBA Visit Sun Valley is an Idaho non-profit 501c(6) corporation. The board of directors is made up of 5 directors representing the City of Ketchum, the City of Sun Valley, the Sun Valley Resort, an at-large director, and a member-elected director. There are 4 permanent staff members.

SPECIFIC SCOPE OF WORK FOR AIR SERVICE BOARD

Visit Sun Valley's core funding covers all base functions including overhead and staff. Therefore, the incremental funds from the new 1% will be put directly into external marketing for the air service markets as detailed below. The bulk of the funds will be allocated directly to incremental advertising (shown in bold below) since the core budget also contributes to the activities listed below (such as social media, website, photography and video).

- **Summer 2014, Winter 2014/15 and Summer 2015 marketing campaigns**
  - Creative briefs developed outlining goals and objectives for the campaigns
  - Creative strategy confirmed as per the above brief
  - Campaign assets (photography, video) developed in support of the campaign
  - Digital, print and out-of-home (if applicable) ads will be developed
  - **Media buys will be planned, negotiated, developed, executed and monitored for each target market (Seattle, Los Angeles, San Francisco, Denver and New York) for summer 2014, Winter 2014/2015 and Summer 2015**
  - PR efforts in support of the direct air service in each of these market
  - Monitoring and tracking of digital advertising buy; adjusting messaging and creative as required throughout the season to optimize results
  - Managing the area website to increase visitation and maximize conversion (bookings via the website or directly with key partners)
  - Leveraging current partners to extend media reach through advertising, PR and Social Media (including the Sun Valley Resort and the Idaho Travel Council).
  - Maximizing the use of Social Media in support of the new flights via our existing social media properties
  - Tracking and reporting results

Key Performance Indicators

Visit Sun Valley will report on the following metrics as indicators of success:

- Changes in local option tax
- Total enplanements
- Occupancy and room nights sold for Ketchum, Sun Valley and Hailey
- Website Visits by target market
- Advertising effectiveness (as measured by click-through rates, conversion and total reach)

Appendix A:

General Scope of Work (not specific to ASB contract, but essential to the overall marketing for the area)

Visit Sun Valley currently has a contract for services with the City of Sun Valley and the City of Ketchum to undertake the strategic marketing for the area. Funding is also received from the Idaho Travel Council and the membership. The overall scope of work includes:

- ***Strategic Marketing:*** Strategic Marketing includes advertising, public relations, social media, partnerships and promotions. All of the marketing efforts drive to the official website for the area, www.visitsunvalley.com.

- ***Research:*** Visit Sun Valley manages the area's occupancy reporting, maintains a visitor volume estimation model, and undertakes primary research in key target markets.

- ***Membership:*** Visit Sun Valley represents approximately 300 member businesses in Ketchum, Sun Valley, Hailey, and the surrounding areas.

- ***Visitor Services:*** Visit Sun Valley manages the Visitor Information Center and provides in-person assistance to visitors 365 days per year. Visit Sun Valley also responds to visitor queries via Live Chat and Contact Us forms and manages the website and mobile site for the area.

EXHIBIT B - PAYMENT SCHEDULE

1% LOT Generated	1% LOT Received	Sun Valley	Ketchum	Hailey	TOTAL	Communities' Direct Costs	Air Service Board Administrative Expenses	Air Service Board Legal Reserve	Available LOT Funds	Fund Balance	Funds Available for Contracts	Fly SV Alliance Contract Expenses	% of Available Funds	SVMA Contract Expenses	% of Available Funds
Jan-14	Mar-14	$31,923	$225,511	$6,538	$263,972	-$8,176	-$1,938	-$50,000	$203,858	-$31,349	$172,509	$78,236	45%	$94,273	55%
Feb-14	Apr-14	$37,760	$141,886	$4,423	$184,069	-$8,176	-$438		$175,455		$175,455	$78,955	45%	$96,500	55%
Mar-14	May-14	$37,733	$145,532	$4,917	$188,182	-$8,176	-$438		$179,568		$179,568	$80,806	45%	$98,762	55%
Apr-14	Jun-14	$12,951	$139,282	$2,484	$154,717	-$8,176	-$438		$146,103		$146,103	$65,746	45%	$80,357	55%
May-14	Jul-14	$14,724	$73,972	$2,261	$90,957	-$8,176	-$438		$82,343		$82,343	$37,054	45%	$45,289	55%
Jun-14	Aug-14	$32,989	$75,554	$4,165	$112,708	-$8,176	-$1,438		$103,094		$103,094	$46,392	45%	$56,702	55%
Jul-14	Sep-14	$76,315	$114,560	$10,947	$201,822	-$8,176	-$6,938		$186,708		$186,708	$158,702	85%	$28,006	15%
Aug-14	Oct-14	$56,239	$175,691	$10,438	$242,368	-$8,176	-$542		$233,650		$233,650	$198,602	85%	$35,047	15%
Sep-14	Nov-14	$40,777	$166,278	$4,886	$211,941	-$8,176	-$542		$203,223		$203,223	$155,507		$47,717	
		$341,411	$1,258,266	$51,059	$1,650,736	-$73,587	-$13,147	-$50,000	$1,514,003	-$31,349	$1,482,654	$900,000		$582,654	