

**REGULAR MEETING OF THE
SUN VALLEY AIR SERVICE BOARD
Wednesday, March 12, 2014**

Members present: Chairman DeWayne Briscoe - Mayor, City of Sun Valley
Secretary/Treasurer Nina Jonas - Mayor, City of Ketchum
Fritz Haemmerle - Mayor, City of Hailey

Members absent: Larry Schoen - Blaine County Commissioner

Staff present: Sun Valley City Administrator Susan Robertson
Ketchum Interim City Administrator Ray Silver
Hailey City Administrator Heather Dawson
Fly Sun Valley Alliance Board President Eric Seder
Fly Sun Valley Alliance Executive Director Carol Waller
Sun Valley Resort Marketing and PR Director Jack Sibbach
Friedman Memorial Airport General Manager Rick Baird
Ketchum Special Projects Manager Lisa Enourato
Minutes Written by Ketchum Recording Secretary Sunny Grant

1. This meeting of the Sun Valley Air Service Board was called to order at 2:03p.m. at Ketchum City Hall, Ketchum, Idaho.

2. Amend Agenda

Board Member Fritz Haemmerle moved to amend the agenda to include an item to set another meeting. Motion seconded by Board Member Nina Jonas, and passed unanimously; all members voting.

3. Remarks from the Board

Board Member Nina Jonas introduced the new interim Ketchum City Administrator, Ray Silver.

4. Open Session for General Public Comments - None

5. Consent Calendar

Approval of minutes from the February 13, 2014 Sun Valley Air Service Board meeting

Board Member Fritz Haemmerle moved to approve the minutes of February 13, 2014, as amended.

Board Member Nina Jonas seconded the motion, and it passed unanimously; all members voting.

Board Member Nina Jonas moved to approve the Consent Calendar of March 12, 2014. Motion seconded by Board Member Fritz Haemmerle, and passed unanimously; all members voting.

Public Hearings

6. 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.

7. 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.

Hailey City Attorney Ned Williamson outlined issues of concern in the three similar contracts:

- Contract for Services between the Sun Valley Air Service Board and Sun Valley Marketing Alliance

The contract with Sun Valley Marketing Alliance contemplates monthly payments of about \$40,000 to Fly Sun Valley Alliance for air service development costs. It's fairly standard for a government entity to pay another entity to perform services. The bulk of the contract is for reimbursement.

There presently are contracts between Sun Valley Company and United Airlines and Alaska Airlines. The contracts allow for payment to the airlines for Minimum Revenue Guarantees (MRGs), start-up costs, and busing expenses. The contracts each have a confidentiality provision. Idaho law protects trade secrets and any public record that includes trade secrets does not have to be disclosed. The law's broad definition of "trade secrets" is any information that derives independent economic value and/or efforts to secure secrecy. The contracts probably fit that definition.

With that restriction, the contract for services agreements have been developed with the arrangement that Sun Valley Company would be reimbursed half the cost of their reimbursables. Fly Sun Valley Alliance, under this proposal, would be paid that amount and would then pay Sun Valley Company.

- Contract for Service between the Sun Valley Air Service Board and Fly Sun Valley Alliance based on monthly payments, based on percentage of revenue. The contract makes it clear that FSVA will only receive money the Air Service Board receives. The money can only be used for purposes set forth in the Local Option Tax vote and in the contract.
- Contract for Services between the Sun Valley Air Service Board and Fly Sun Valley Alliance based on payment upon invoice submittal.

All three agreements have recital provisions that were designed to meet the intent of the Local Option Tax vote. The Fly Sun Valley Alliance Agreement also contains provisions that are unique to the Fly Sun Valley Alliance arrangement with Sun Valley Company, including MRGs, busing, etc.

Because there's only about six months left in the fiscal year, the agreements last until September 30, 2015. The agreements make it clear that payment is derived from revenue from this fiscal year only. The Agreements are compliant with constitutional prohibition that governmental entities cannot incur debts and liabilities in excess of income and revenue for one year.

The Air Service Board has to decide if they want the monthly version of the FSVA agreement or the payment upon invoice submittal version of the FSVA agreement.

The monthly payment version allows FSVA to receive X number of dollars percent of the revenue every month. When contracts with Sun Valley Company and the airlines require reimbursement, FSVA would submit invoice and supporting documents and the Air Service Board would okay FSVA to pay Sun Valley Company.

Under the alternate contract with FSVA, the Air Service Board would hold the money. Sun Valley Company would submit an invoice to FSVA and FSVA would submit an invoice and supporting documents to the Air Service Board. The Air Service Board would pay FSVA and FSVA would pay Sun Valley Company. Under both methods, the Air Service Board approves the invoices in Executive Session. The big difference between the two agreements is who holds the money.

The confidentiality provision could be in jeopardy if there is payment upon invoice submittal. If the Air Service Board authorizes a check for X dollars, the carrier would be able to figure out what the other carrier did based on the amount of the check.

Staff recommends the monthly payment, since Hailey has used it on other contracts. The advantage to the invoice submittal contract is that it allows more control over the money, and perhaps less chance of misuse of the funds. Both agreements provide fairly sufficient contractual protection that the money has to be used for a specified purpose. Williamson said the Air Service Board will need to carefully review invoices and supporting documents to be sure the money goes for the proper purpose.

The contracts include an audit provision and a reporting provision. Williamson added language allowing for inspection of records; and also language that the contract would not provide any third party beneficiary rights.

Williamson submitted the Sun Valley Marketing Agreement to the Air Service Board, and pointed out specific language in the contract. Both Fly Sun Valley Alliance and the Sun Valley Marketing Alliance have copies of the contracts, and have no issues with the language. Williamson submitted the two versions of the Fly Sun Valley Alliance agreement, noting the language referring to confidentiality. In the event staff or the Air Service Board look at the airlines' records, they will maintain confidentiality if it relates to the confidentiality provisions involving MRGs. If a court requires disclosure, you have to comply; if an airline and/or Sun Valley Company okays disclosure, that's fine.

PUBLIC COMMENT:

Fly Sun Valley Alliance Board President Eric Seder agreed with Williamson on a monthly arrangement.

Sun Valley Resort Marketing and PR Director Jack Sibbach urged the Air Service Board to sign the Sun Valley Marketing Alliance contract. He and Sun Valley Marketing Alliance Chief Marketing Officer Arlene Schieven are working closely together to market and support the Sun Valley area.

Air Service Board members supported the monthly contracts as submitted.

Board member Fritz Haemmerle moved to approve the Contract for Services with Fly Sun Valley Alliance for monthly payments. Motion seconded by Board member Nina Jonas. Roll Call: Board

member Jonas aye, Board member Haemmerle aye, Board member Briscoe aye. Motion carried unanimously; all members voting.

Board member Nina Jonas moved to approve the Contract for Services between the Air Service Board and Sun Valley Marketing Alliance. Motion seconded by Board member Fritz Haemmerle. Roll call: Board member Jonas aye, Board member Haemmerle aye, Board Member Briscoe aye. Motion carried unanimously; all members voting.

8. Set Next Meeting Date

Chairman Briscoe suggested the next Air Service Board meeting could be in June. Fly Sun Valley Alliance Executive Director Carol Waller said FSVA expected to have air service contracts for FY2015 finalized in May. She requested the ASB have a meeting in May to review budget presentations from FSVA and SVMA, which was part of their contracts. The Board said they would try to schedule a special meeting in May if advisable.

Board member Fritz Haemmerle moved to set the next meeting of the Air Service Board for Wednesday, June 4, in Sun Valley. Motion seconded by Board Member Nina Jonas, and passed unanimously; all members voting.

9. Old Business - None

10. Adjournment

Board member Fritz Haemmerle moved to adjourn at 2:37pm. Motion seconded by Board Member Nina Jonas. Roll call: Board member Haemmerle aye, Board member Jonas aye, Board member Briscoe aye. Motion passed unanimously; all members voting.


Chairman DeWayne Briscoe

Attest:


Secretary/Treasurer Nina Jonas

cc: