

#13

MARCH 17, 2022
REGULAR CITY COUNCIL MEETING
AIRPORT TRANSPORTATION SERVICES AGREEMENT
EXECUTIVE SUMMARY

The airport is seeking approval of a transportation agreement between the City and SkyWest Airlines under which SkyWest will schedule one daily Delta Connection-branded round-trip flight on the CRJ-200 between PIH and SLC and the City will pay a subsidy to SkyWest for the service, if costs exceed revenue.

The agreement will extend for a term of 12 months or until all subsidy funds have been exhausted. The maximum subsidy for the 12-month period will be \$800,000. Subsidy will be funded using tax funds already budgeted for the airport with the airport utilizing reserves for operating needs.

Approval of the agreement will also require approval for use of airport reserve funds as needed for operational costs, which will be need to be ratified through a budget amendment process later in the year.

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TRANSPORTATION SERVICES AGREEMENT
City of Pocatello and SkyWest Airlines

This Agreement is made and entered into this _____ day of _____, 2022, by and between SkyWest Airlines, Inc. (“SkyWest”) whose affiliated companies are doing business as Delta Connection, and the City of Pocatello (“City”).

WITNESSETH:

WHEREAS SkyWest will provide nonstop jet service between Pocatello Regional Airport (PIH) and Salt Lake City (SLC); and

WHEREAS, SkyWest has agreed to provide such service subject to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual obligations and undertakings hereinafter set forth, the parties agree as follows:

1. SkyWest will schedule one daily Delta Connection-branded round-trip flight on the CRJ-200 between PIH and SLC beginning on January 1st, 2022.
2. SkyWest will provide City monthly statements with a summary of revenue, fuel, and non-fuel related costs, load factors, number of revenue passengers, flight completion information, on-time performance, and any other relevant data concerning flight operations for the Service.
3. At the end of each three-month period during the term of this Agreement, SkyWest will determine, in accordance with standard accounting practices, the following data: average segment fares for the flights in the PIH-SLC market, the number of revenue passengers, the number of operations, and the total block hours operated.
4. For the purpose of determining operating profits/losses attributable to the service, passenger revenue will be calculated as the product of total revenue passengers and average segment fares in the market.
5. Total costs are the sum of non-fuel costs and fuel costs. Nonfuel costs are \$3,408 per block hour. Fuel costs will be the actual fuel costs, including related fueling costs, taxes and fees associated with operating the scheduled service, and any and all discounts, subsidies, markdown, rebate, or other reduction on cost (if any) that may be provided to SkyWest Airlines. If passenger revenue is greater than costs no subsidy is owed for the quarter. In the case that costs are greater than passenger revenue, the difference will be paid to SkyWest as its subsidy for the quarter.
6. SkyWest agrees to maintain one daily nonstop roundtrip jet flight each day between PIH and SLC for the duration of this agreement. Some exceptions may be possible on limited days subject to Delta Air Lines targeted schedule reductions in SLC. All frequencies are to be scheduled on a nonstop basis and with jet aircraft providing a

capacity of 50 seats or greater. Operational issues resulting in cancellations will not be billed to the City.

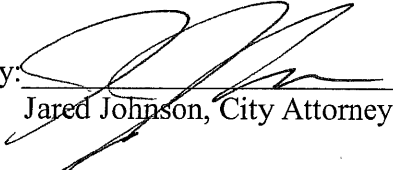
7. Segment profits/losses to recompense SkyWest for the agreed upon service levels will be computed upon the conclusion of each of three-month period and City will reimburse SkyWest within thirty days of receipt of any statement of shortfall. City will reimburse SkyWest for the above up to a maximum of \$800,000 during the term of this Agreement.
8. The term of this Agreement shall commence on January 1st, 2022 and terminate on December 31st, 2022 or until all subsidy funds have been exhausted, whichever comes first. SkyWest intends for this service to last beyond the term of this agreement and will use its best efforts to continue service beyond agreement term. SkyWest will operate these flights under a codeshare agreement with Delta Air Lines., SkyWest or City may cancel this agreement upon 60 days written notice. The parties have no expectations and have received no guarantees that this Agreement will not be terminated before the end of the Agreement term. The parties have bargained for the flexibility of terminating this Agreement upon tender of the requisite notice at any time during the term of the Agreement. All work and services under the Agreement shall be suspended upon termination of Agreement becoming effective.
9. This Agreement shall be governed by the laws of the State of Idaho. Exclusive venue for any claims, suits or any other action arising from or connected in any way to this Agreement or the performance of this Agreement shall be in Idaho.
10. Neither party will be responsible to the other party for its failure to perform its responsibilities hereunder in the event and to the extent that such performance is delayed or prevented for a period of at least fifteen consecutive business days, by any cause beyond its control and not caused by the party claiming relief hereunder, including, without limitation, acts of God, public enemies, war, insurrection, acts or orders of governmental authorities, fire, flood, explosion, riots or the recovery from such cause ("Force Majeure"). Either party may terminate this Agreement immediately if the other Party is unable to perform its obligations hereunder due to any such event, which continues for a period of thirty (30) consecutive days or more.
11. All notices, demands, requests, consents, and approvals by either party to this agreement shall be made in writing and sent by U.S. mail, or by recognized overnight courier, or by hand delivery, or by facsimile transmission (if confirmed by email, overnight courier or hand deliver). All such notices shall be addressed as follows:

To: City of Pocatello
P.O. Box 4169
Pocatello, ID 83205
Attn: Legal Dept.

To: SkyWest Airlines
444 South River Road
St. George, UT 84790
Attn: Wade Steel

IN WITNESS WHEREOF, the parties hereto affix their duly authorized signatures as of the date set forth on the first page of this Agreement.

Approved as to form and content: City

By:  _____
Jared Johnson, City Attorney

By: _____
Brian C. Blad - Mayor

ATTEST:

By: _____
Konni R. Kendell, City Clerk

SKYWEST AIRLINES, INC.

By: _____
Wade Steel - Chief Commercial Officer

STATE OF IDAHO)
 :SS
County of Bannock)

On this ___ day of _____, 2022, before me, the undersigned, a Notary Public in and for the State, personally appeared Brian C. Blad and Konni R. Kendell, known to me to be the Mayor and City Clerk, respectively, of the City of Pocatello, a municipal corporation of Idaho, who executed the foregoing instrument on behalf of said municipal corporation, and acknowledged to me that said corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(SEAL)

NOTARY PUBLIC FOR IDAHO
Residing in: _____
My Commission Expires: _____

STATE OF UTAH)
 :ss
County of _____)

On this ___ day of _____, 2022, before me, the undersigned, a Notary Public in and for the State, personally appeared Wade Steel, known to me to be the Chief Commercial Officer of Skywest Airlines, Inc., a Utah corporation, who executed the foregoing instrument on behalf of said corporation, and acknowledged to me that said corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(SEAL)

NOTARY PUBLIC FOR IDAHO
Residing in: _____
My Commission Expires: _____