

Proposal to Mono County Board of Supervisors

Participation in Public/Private Partnership Supporting Year Round Air Service to MMH

Board of Supervisors Meeting Agenda – June 15, 2010

Presented by Mammoth Mountain Ski Area

I. Proposal

Mono County will join a public/private partnership that now includes Mammoth Mountain Ski Area (MMSA) and the Town of Mammoth Lakes (TOML), in funding year-round air service to Mammoth/Yosemite airport. The service will be provided by Horizon Air with daily flights between Los Angeles (LAX) and Mammoth (MMH) from April 12 – December 15, 2010.

MMSA now has a contract with Horizon Air for an existing schedule of spring/summer/fall service that is planned to operate from April 12 – September 30, 2010, and then resumes on November 18, 2010 running through December 15, 2010. The contract calls for MMSA to subsidize Horizon Air for any shortfall in revenue below a minimum revenue guarantee (MRG) as stated in the contract. MMSA and TOML have a contract in place now which calls for this current schedule of service to be subsidized by MMSA and TOML, with each partner sharing 50% of the costs of whatever short-fall might exist between the revenue generated by the flights and the MRG owed to Horizon Air.

This proposal to the Mono County Board would: 1) fill in the period of service from October 1 – November 17, 2010 that is currently not a part of the planned operating schedule, and 2) enlist Mono County as a third partner responsible for sharing the costs of the subsidy for the entire spring/summer/fall service from April 12-December 15, 2010, with Mono County's financial participation capped at \$45,000.00.

II. Estimated Costs

Conservative Estimate:

40% load factor for the flights, and average round-trip fare of \$160 =
\$915,000 short-fall to the MRG

Realistic Estimate (based on past winter service performance):

45% load factor for the flights, and average round-trip fare of \$180 =
\$592,000 short-fall to the MRG

III. Economic Impact

Based on similar mountain resort air service programs, it is estimated that each disembarking passenger on the flight will spend approximately \$1000.00 in the area. This is a very conservative estimate of the spending per passenger and is at the bottom of the range provided.

Using the Realistic estimate shown above, there would be 8,550 disembarking passengers representing an economic value to the area of at least **\$8.55 MM** during the service period of April 12-December 15, 2010.

IV. Partnership Structure

A set of contracts would be put in place between MMSA, Mono County and TOML stating that the partnership would share the financial responsibility for any payment that was due to Horizon Air for the short-fall between the revenue generated from the spring/summer/fall flight schedule and the MRG, as follows:

- Mono County would pay the first \$45,000.00 owed
- MMSA and TOML would pay 50% each of the remaining balance due

Using the Realistic estimate of cost shown in section II, the payment schedule would be as follows:

Total Amount Due	\$592,000
Mono County payment:	\$ 45,000
TOML payment:	\$273,500
MMSA payment:	\$273,500

The total payment for any short-fall in the MRG would be paid by MMSA as the contract holder with Horizon Air, and then Mono County and TOML would submit the amount each party owes to MMSA as stipulated by the contracts to be developed by the partners.

The payments for this program would be due in January 2011.