

MINUTES

Monday, April 14, 2014
10:00 A.M.

Manistee County Blacker Airport
Conference Room

Members Present: Paul Schulert, Chairperson; Ross Spencer, Vice-Chairperson; Mark Bergstrom; Alan Marshall; Dale Picardat; Brook Shafer; and Thom Smith

Members Absent: None

Others Present: Barry Lind, Airport Manager; George Saylor, Airport Legal Counsel; Russell Pomeroy, Airport Treasurer; Justine McGuire, Manistee News Advocate; and Rachel Nelson, Airport Authority Secretary

Paul Schulert, Chairperson, called the meeting to order at 10:00 A.M. Roll was taken by the Secretary.

There was a motion by Mr. Bergstrom, supported by Mr. Shafer, to approve the meeting agenda as presented. Motion carried by unanimous vote.

There was no public comment.

The Chairman confirmed that each member had received a copy and had an opportunity to review the minutes from the regular meeting of the Airport Authority held on Monday, March 10, 2014.

There was a motion by Mr. Shafer, supported by Mr. Marshall, to approve the Airport Authority regular meeting minutes of Monday, March 10, 2014, as presented. Motion carried by unanimous vote.

The Authority next reviewed the March 2014 Accounts Payable Report (APPENDIX A). Mr. Pomeroy noted that the audit (Gabridge & Company) did cost a little more than expected since a single audit was required. The Authority felt that Gabridge & Company should not be paid until a presentation is made regarding the audit as well as the previous audit. The payment to Hyde Services, LLC, is for snow plow repairs.

There was a motion by Mr. Bergstrom, supported by Mr. Shafer, to approve the March 2014 Accounts Payable Reports with the exception of Gabridge & Company, PLC, and authorize payment of the outstanding invoices totaling \$30,999.68.

A roll call vote was taken:

Yeas: 7 (Schulert; Spencer; Bergstrom; Marshall; Picardat; Shafer; Smith)

Nays: 0

Absent: 0

Motion carried.

Mr. Pomeroy explained that the County will be putting out a Request for Proposals (RFP) for their audit for the next three years, and he could also do a separate RFP for the Airport Authority.

There was a motion by Mr. Bergstrom, supported by Mr. Spencer, to authorize

Mr. Pomeroy to send out a Request for Proposals for the Airport Authority's audit for the next three years. Motion carried by unanimous vote.

The Authority also reviewed the March 2014 Financial Statement (APPENDIX B), which includes a Balance Sheet, a Statement of Revenue and Expenses, and a running account of the Passenger Facility Charges collected.

There was a motion by Mr. Shafer, supported by Mr. Picardat, to approve the March 2014 Financial Statement. Motion carried by unanimous vote.

There was discussion regarding the advertising federal grant. Everything has been submitted as required, but the funds have not yet been received.

The Orchard Beach Aviation rent information was also provided, as well as fuel sales (APPENDIX C).

The Budget Committee did not meet.

The Promotion Committee did not meet.

The Rules and Regulations Committee did not meet.

The Executive Committee met with Mr. Lind to perform his review (APPENDIX D). It was noted that objectives/goals need to be established for next year, and this will be discussed at a future meeting.

The Bylaws Committee did not meet, but with the assistance of Mr. Saylor, Mr. Bergstrom provided the updated proposed amendments to the bylaws based on comments from the last meeting (APPENDIX E). The Authority discussed each proposed amendment. It was noted that Section 3.5 should include that special meetings don't count regarding absences. Mr. Bergstrom will make additional revisions for discussion at next month's meeting.

Mr. Lind reported that there were no airport incidents. Mr. Lind presented a report on airfares which compares flights from Manistee, Traverse City, Grand Rapids, and Muskegon for travel in May 2014 (APPENDIX F). Mr. Lind presented information on airplane passenger numbers for 2014 as well as the previous five years (APPENDIX G).

The 2014 projects which were carried over from 2013 are the SRE building expansion, sand storage, and sweeper acquisition. There is a State grant for approximately \$20,000 for improving the airport sign. The tree removal process on tribal land is on hold until fall since it can only be done while the trees are dormant. As discussed last month, Public Charters would like to expand one hangar to allow them to do indoor maintenance at the airport. They would like to pay off the cost over the next four years (length of contract), but will only commit once a new contract is in place. The 2014 projects (land acquisition) are on hold until next year when the State will be administering the grant for the airport again.

Mr. Lind stated that the summer schedule was released on March 28, 2014, and Saturday service will begin on June 7, 2014. There will be two flights on peak days (Thursday, Friday, Sunday and Monday) beginning June 26, 2014, through Labor Day. Service for the summer will be with a combination of a 19 seat aircraft and a 30 seat aircraft based on demand. The week after the schedule was released had the biggest one day and one week purchases since Public Charters started.

Overall, service continues to be reliable. As of March 18, 2014, there are flights six days per week. The demand for Tuesday and Wednesday flights is light, but that was expected. The demand for April is up over the previous year since there are more flights. The demand for summer looks strong.

The DOT has agreed that the Airport Authority can apply for a four year AEAS agreement. The DOT also agreed to the proposed AEAS contract amendment to extend the end of the current agreement from May 3, 2014, to July 25, 2014. Last week, Mr. Lind submitted the rejection of Sun Air's EAS bid, and the AEAS proposal (APPENDIX H). Mr. Lind expressed that it is important for the DOT to get all approvals in time so there aren't any lapses in service.

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Mr. Lind has been working on air service branding with Public Charters to help avoid confusion in the market place. The focus of marketing for 2014 is local tourism and community groups. There was good feedback from Jim Gallagher's attendance at the Pure Michigan conference and the one-on-one meetings with various local organizations.

There was no update on the Coho Bend sign. The leaking hangar will be addressed when the new structure is being built. The Airport Road sign was installed by the Road Commission. Mr. Schulert mentioned that it would probably be good to do an RFP for legal representation.

With there being no further business to come before the Authority, the meeting was adjourned at approximately 11:55 A.M.

Respectfully submitted,

Rachel Nelson, Airport Authority Secretary

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MANISTEE COUNTY BLACKER AIRPORT

MARCH 2014 ACCOUNTS PAYABLE

CHECK #	VENDOR NAME	AMOUNT
	BARRY LIND	\$ 3,400.00
	CONSUMERS ENERGY	\$ 2,658.21
	A T & T	\$ 14.45
	MICHCON (DTE ENERGY)	\$ 1,171.77
	MIKA MEYERS BECKETT & JONES	\$ 299.00
	NAPA AUTO PARTS	\$ 129.15
	ACE HARDWARE	\$ 93.26
	FASTENAL	\$ 207.93
	COFESSCO FIRE PROTECTION	\$ 118.72
	DIRECT TV	\$ 48.99
	WAHR HARDWARE	\$ 11.59
	GABRIDGE & COMPANY, PLC	\$ 3,050.00
	MANISTEE TIRE	\$ 242.82
	PIPER MCCREDIE AGENCY	\$ -
	BLARNEY CASTLE	\$ -
	INDUSTRIAL MARKETING	\$ 956.24
	PAUL SCHULERT	\$ 209.09
	HYDE SERVICES, LLC	\$ 800.28
	PRIMARY AIRPORT SERVICES	\$ -
	ORCHARD BEACH AVIATION	\$ 675.40
	TOTAL	\$ 14,086.90
	ADVERTISING INVOICES	
	MANISTEE COUNTY VISITORS BUREAU	\$ -
	MS CREATIVE	\$ -
	RIGHTSIDE DESIGN, LLC	\$ -
	WKLA RADIO	\$ 198.00
	LUDINGTON AREA CONVENTION & VISITORS BUREAU	\$ -
	ORCHARD BEACH AVIATION	\$ 1,238.03
	TOTAL	\$ 1,436.03
	ORCHARD BEACH AVIATION	\$ 18,526.75
	REGULAR HOURS	279 @ 16.50 4,603.50
	MAINTENANCE HOURS	102.5 @ 16.50 1,691.25
	PART 139 LABOR	12,200.00
	INTERNET	32.00
	GRAND TOTAL	\$ 34,049.68

MANISTEE COUNTY BLACKER AIRPORT

INCOME:	MARCH 2014 REVENUE & EXPENSES			BUDGET REMAINING		50%
	PREVIOUS MONTH	CURRENT MONTH	YEAR-TO DATE	ANNUAL BUDGET	BALANCE \$	%
FEDERAL GRANT - AEAS	\$ 97,662.00	\$ 86,810.00	\$ 656,789.00	\$ 2,000,000.00	\$ 1,343,211.00	67%
HANGER RENTAL	\$ 2,100.00	\$ 2,100.00	\$ 13,920.00	\$ 31,000.00	\$ 17,080.00	55%
LANDING FEES - PUBLIC CHARTERS	\$ 17,594.89	\$ 17,594.89	\$ 105,573.34	\$ 211,138.00	\$ 105,564.66	50%
LANDING FEES - GENERAL AVIATION	\$ -	\$ -	\$ 81.00	\$ 1,000.00	\$ 919.00	92%
AUTO RENTAL SPACE	\$ 1,712.89	\$ -	\$ 1,712.89	\$ 5,000.00	\$ 3,287.11	66%
OFFICE RENT	\$ 1,065.00	\$ 1,065.00	\$ 6,390.00	\$ 12,780.00	\$ 6,390.00	50%
COUNTY OF MANISTEE	\$ 9,583.00	\$ 9,583.00	\$ 57,498.00	\$ 115,000.00	\$ 57,502.00	50%
STATE REIMB-MARKETING	\$ -	\$ 9,270.00	\$ 15,099.30	\$ 27,000.00	\$ 11,900.70	44%
PASSENGER FACILITY CHARGES	\$ 10,282.50	\$ -	\$ 10,282.50	\$ 19,000.00	\$ 8,717.50	46%
FUEL SALES	\$ 180.68	\$ 408.50	\$ 3,217.62	\$ 7,500.00	\$ 4,282.38	57%
SIGN LEASE	\$ -	\$ 200.00	\$ 200.00	\$ 3,800.00	\$ 3,600.00	95%
MISCELLANEOUS	\$ -	\$ -	\$ -	\$ 1,000.00	\$ 1,000.00	100%
TOTAL INCOME	\$ 140,180.96	\$ 127,031.39	\$ 870,763.65	\$ 2,434,218.00	\$ 1,563,454.35	64%

EXPENSES:

AEAS CONTRACT-PUBLIC CHARTER	\$ 97,662.00	\$ 86,810.00	\$ 656,789.00	\$ 2,000,000.00	\$ 1,343,211.00	67%
PERSONNEL - MANAGEMENT	\$ 3,400.00	\$ 3,400.00	\$ 20,400.00	\$ 40,800.00	\$ 20,400.00	50%
PERSONNEL - OP & MAINT	\$ 19,352.75	\$ 18,494.75	\$ 115,176.00	\$ 240,000.00	\$ 124,824.00	52%
DUES & FEES	\$ -	\$ 330.00	\$ 675.00	\$ 800.00	\$ 125.00	16%
SUPPLIES	\$ -	\$ 207.93	\$ 390.19	\$ 2,000.00	\$ 1,609.81	80%
UTILITIES	\$ 1,404.51	\$ 3,910.97	\$ 15,873.02	\$ 30,000.00	\$ 14,126.98	47%
FUEL	\$ 2,016.68	\$ -	\$ 10,657.40	\$ 9,000.00	\$ (1,657.40)	-18%
REPAIRS & MAINTENANCE	\$ 7,199.87	\$ 2,352.06	\$ 16,552.92	\$ 15,000.00	\$ (1,552.92)	-10%
CONTRACTED SERVICES	\$ -	\$ -	\$ 401.10	\$ 1,200.00	\$ 798.90	67%
LEGAL	\$ 258.75	\$ 299.00	\$ 2,156.25	\$ 4,000.00	\$ 1,843.75	46%
AUDIT	\$ -	\$ 3,050.00	\$ 3,050.00	\$ 2,000.00	\$ (1,050.00)	-53%
ADVERTISING	\$ 3,420.00	\$ 1,436.03	\$ 15,225.92	\$ 43,000.00	\$ 27,774.08	0%
TELEPHONE	\$ 5.08	\$ 14.45	\$ 256.81	\$ 500.00	\$ 243.19	49%
INSURANCE	\$ -	\$ -	\$ 21,831.93	\$ 21,000.00	\$ (831.93)	-4%
TRAINING (FIRE FIGHTER)	\$ -	\$ -	\$ -	\$ 2,000.00	\$ 2,000.00	0%
EQUIPMENT	\$ -	\$ -	\$ -	\$ -	\$ -	0%
BOOKKEEPING	\$ -	\$ -	\$ -	\$ 3,000.00	\$ 3,000.00	100%
PFC EXPENSES	\$ -	\$ -	\$ 27,140.00	\$ 19,000.00	\$ (8,140.00)	100%
MISCELLANEOUS	\$ -	\$ 554.49	\$ 1,040.63	\$ 918.00	\$ (122.63)	-13%
	\$ 134,719.64	\$ 120,859.68	\$ 907,616.17	\$ 2,434,218.00	\$ 1,526,601.83	63%

EXCESS REVENUE OVER/(UNDER) EXPENDITURES **\$ 6,171.71** **\$ (36,852.52)**

BALANCE ON HAND - AIRPORT FUND

BEGINNING BALANCE 03/01/2014	\$ (32,223.36)
FEBRUARY RECEIPTS	\$ 115,037.98
JANUARY DISBURSEMENTS	<u>\$ (134,719.64)</u>
	<u>\$ (51,905.02)</u>

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MANISTEE COUNTY BLACKER AIRPORT

MARCH 2014 BALANCE SHEET

ASSETS	3/31/2014	2/28/2014
CASH	\$ (51,905.02)	\$ (32,223.36)
CASH - PFC ACCOUNT	\$ 64,130.00	\$ 64,130.00
ACCOUNTS RECEIVABLE		
PUBLIC CHARTERS	\$ 105,569.34	\$ 87,974.45
AUTO RENTAL	\$ -	
MISC.	\$ 948.50	\$ 720.68
TOTAL ASSETS	\$ 118,742.82	\$ 120,601.77
LIABILITIES	3/31/2014	2/28/2014
ACCOUNTS PAYABLE - TRADE	\$ 120,859.68	\$ 134,719.64
ACCOUNTS PAYABLE - COUNTY	\$ -	\$ -
PREPAID HANGER RENT	\$ -	\$ -
TOTAL LIABILITIES	\$ 120,859.68	\$ 134,719.64
FUND BALANCE	\$ (2,116.86)	\$ (14,117.87)
TOTAL LIABILITIES AND FUND BALANCE	\$ 118,742.82	\$ 120,601.77

PASSENGER FACILITY CHARGES COLLECTED THROUGH 03/31/2014	\$ 103,392.32
STATE OF MICHIGAN (PARKING LOT & T-HANGERS)	\$ (7,625.00)
CONSUMERS ENERGY	\$ (313.50)
STATE OF MICHIGAN (PARKING LOT & T-HANGERS)	\$ 313.50
TRANSFER OF PUBLIC IMPROVEMENT FUNDS	\$ 683.39
MANISTEE COUNTY ROAD COMMISSION	\$ (817.71)
STATE OF MICHIGAN (RAMP AREAS)	\$ (4,363.00)
J RANCK ELECTRIC	\$ (4,400.00)
STATE OF MICHIGAN	\$ (22,740.00)
PFC FUNDS AVAILABLE	\$ 64,130.00

AUTO RENTAL REVENUE BY COMPANY THROUGH 03/31/2014

ENTERPRISE CAR RENTALS	\$ -
MOWERY LEASING & RENTAL	\$ 1,712.89
GWK AGENCY	\$ -
TOTAL	\$ 1,712.89

ORCHARD BEACH AVIATION**March 2014****RENT**

OFFICE	\$340.00	
HANGER	\$200.00	
FUEL	\$408.50	
DIESEL FUEL	\$0.00	
T-SHIRT SALES	\$0.00	(0 @ \$12)
LANDING FEES		
TWIN	\$0.00	(0 @ \$9)
JET	\$0.00	(0 @ \$18)
TOTAL	\$948.50	

FUEL SALES MARCH 2014

100LL 1008.0 Gal

JET 1767.6 Gal

TOTAL 2775.6 Gal

General 1059.0 Gal @ .15 = 158.85

PublicCharters 1000.0 Gal @ .15 = 150.00

PublicCharters 112.0 Gal @ .08 = 8.96

PublicCharters 0.0 Gal @ .02 = 0.00

Orchard Beach 604.6 Gal @ .15 = 90.69

DIESEL 0.0 Gal

Manistee Blacker Airport Authority

2323 Airport Road -Manistee, Michigan 49660

**Executive Committee
Minutes****Wednesday April 9, 2014**Manistee County Blacker Airport
Conference Room**Committee****Members Present:** Paul Schulert, Chairman
Thom Smith, Ross Spencer**Members Absent:** None**Others Present:** Barry Lind, Airport Director,

Airport Director Review

The meeting was called to order by Chairman Schulert at 1:15 PM.

The Manistee Blacker Airport Authority entered into a three (3) year contract with Barry J. Lind on October 1, 2012 for his services as the Airport Director. Since the Authority has contracted for these services there is no employer employee relationship established.

The guideline line questions that were developed for the first review of the Airport Director are listed below. The questions were designed as talking points rather than specific questions that would measure a performance behavior.

1. Tell us what you believe you doing well.

- a. Looking at the "big picture" for a direction for the Manistee airport.
- b. Facilitating the Alternate Essential Air Service (AEAS) program.

At the start, my position as Airport Director was for a 20 hour per week commitment. With the addition of the AEAS program this has become more challenging and additional administrative staff is now required.

2. How can the Authority better support your efforts as Airport Director?

- a. The Authority members could become more knowledgeable.
- b. The Chairman attending the Michigan Airport Conference is beneficial.
- c. What are Board members interested in?
- d. Formal review of the Airport Director is beneficial.
- e. Who do the Authority Members represent?

- f. Authority has no formal mission statement
- g. Strategic plan for direction of the airport.

3. Where do you feel you could improve?

- a. Do a better job of following up.
- b. Provide additional staff.
- c. Provide improved upkeep of the facilities and of the public view/experience.
- d. Pilot/renters association to promote input/ideas for airport.

4. How well does the Director Communicate with the Authority and public.

- a. The committee felt the Director communicates well with the public.
- b. We seem to have a good relationship with all of the media outlets.
- c. Should there be additional information sharing between monthly Authority meetings? If so, how would it be relayed?
- d. Additional information should be posted on the Authority portion of the FlyManistee.com website providing additional information and transparency.
- e. A public information manual containing copies of information impacting the users of the airport should be maintained and available at the airport. Individual copies of the contained information should be made available on request at a reasonable cost.

5. In your view, is there adequate and constructive communication between the Authority and you?

- a. Performance review is beneficial.
- b. Review should be conducted on an annual basis.

6. When you accepted the position as Manager at Manistee County Blacker Airport what were your expectations and have they been met?

- a. I was expected to become licensed as an Airport Manager.
- b. The former Airport Manager would be available for 18 months and serve as an Assistant Airport Manger.

7. What objectives should be set for next year and beyond?

- a. Strategic plan for the future direction of airport.
- b. Mission statement for the guidance of the Airport Authority.
- c. Formal Standard Operating Procedures for Airport Authority.
- d. There is currently little community support for the airport.
- e. Improved support from the Manistee County Commission.

- f. Develop user associations to assist with valuable input in the future development of the airport.

8. Should there be an Assistant Airport Director for the Manistee County Blacker Airport?

- a. This issue has not gone unnoticed.
- b. Current staff was not hired with those skill sets.

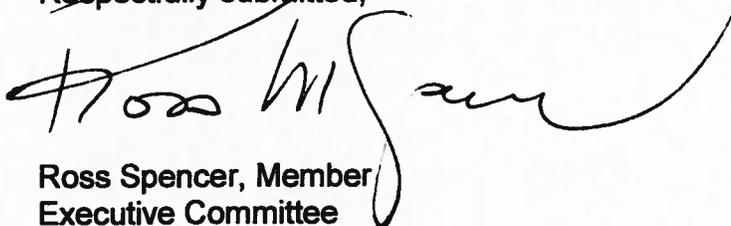
The meeting was adjourned at 2:45 PM.

Follow up

The Authority Executive Committee makes the following recommendations to the Manistee Blacker Airport Authority.

1. The Airport Director position should be review on an annual basis. The format of that review mechanism may need to receive additional consideration.
2. Consider scheduling an offsite meeting to develop a Mission Statement and Strategic Plan for the operation and development of the Manistee County Blacker Airport.
3. We recommend that more outside agencies be solicited for their help in future development and the promotion of the Airport.
4. Building awareness of the Manistee Airport and its value and importance should be a priority. This should be regional in nature and not restricted by County border or other artificial limitations.
5. Actively solicit input from airport user groups.

Respectfully submitted,



Ross Spencer, Member
Executive Committee

**Proposed Amendments to the By-Laws of the Manistee Blacker Airport
Authority
Manistee, Michigan 49660
April 14, 2014**

Section Three – Airport Authority Board

- 3.2 Three members of the Airport Authority Board may, but need not be members of the County Board of Commissioners. Four (4) members of the Board shall be at large members who are residents of Manistee County.

Proposed amendment to 3.2

- 3.2 Three members of the Airport Authority Board shall be members of the County Board of Commissioners. One member of the Airport Authority Board shall be a resident of the City of Manistee recommended by the Manistee City Council. Three (3) members of the Board shall be at large members who are residents of Manistee County.**

- 3.3 Authority Board members shall be appointed to a term of three years. The terms of at least two members of the Authority shall expire each calendar year. Members appointed to an unexpired term shall be appointed for the remainder of the unexpired term.

Any vacancies will be filled by appointment of the County Board of Commissioners within 90 days.

Proposed Amendment to 3.3

Authority Board members shall be appointed to a term of three years. The terms of at least two members of the Authority shall expire each calendar year. Members appointed to an unexpired term shall be appointed for the remainder of the unexpired term. If a County Commissioner's term as a County Commissioner expires before the Airport Authority Board term expires, the County Commissioner's term on the Airport Authority Board will expire on the last day of the County Commissioner's term as a County Commissioner. The vacated term of a County Commissioner on the Airport Authority Board will be filled by appointment of a County Commissioner by the County Board of Commissioners.

Any vacancies will be filled by appointment of the County Board of Commissioners within 60 days.

- 3.4 A member of the Airport Authority board shall serve without compensation, but shall be reimbursed for actual expenses in the discharge of official duties.

Proposed Amendment to 3.4

A member of the Airport Authority board shall serve without compensation from the Airport Authority Board, but shall be reimbursed for actual expenses in the discharge of official duties.

- 3.5 An Authority Board member who has more than four (4) absences within any twelve (12) month period shall be considered to have officially resigned from the Board.

Proposed Amendment to 3.5

- 3.5 An Authority Board member who has more than four (4) absences within any twelve (12) month period in an appointed term shall be contacted by the Chairperson who shall determine whether there are special circumstances justifying the absences and shall inquire of the Authority Board member whether they desire to remain on the Board.**

- 4.4 The Chairperson, if present, shall preside over all board meetings of the Board, appoint an acting recording secretary for all meetings at which the Secretary is absent, and be an ex-officio member, without vote, of all committees.

Proposed Amendment to 4.4

- 4.4 The Chairperson, if present, shall preside over all board meetings of the Board, and shall appoint an acting recording secretary for all board meetings at which the Secretary is absent.**

- 12.2 Should the Chairperson of the Board or three members feel that changes may be desirable; a special committee shall be appointed to prepare copies of the proposed revisions or amendments. Copies shall be sent by first-class mail to each member of the Board. The proposed revisions or amendment may be adopted at the next regular meeting, if approved by two thirds (2/3) of the total Board members.

Proposed Amendment to 12.2

- 12.2 Should the Chairperson of the Board or three members feel that changes may be desirable; a special committee shall be appointed to consider and if recommended prepare a proposed amendment. The proposed amendment shall be provided to the Board prior to its meeting and with its meeting Agenda. After initial review by the Board, consideration of the proposed amendment will be placed on the Agenda for the next regular Board Meeting and will be considered approved if supported by a majority of the Board Members then in office.**

May Travel as of 4/13/14

Best Fares

	MBL	TVC	GRR	MKG
Atlanta (ATL)	428 WN	434 DL	330 UA	424 UA
Boston (BOS)	328 DL	180 DL	180 DL	302 UA
Chicago (MDW or ORD)	120 P1	300 DL	266 AA	116 UA
Dallas (DFW)	371 WN	384 AA	363 UA	356 UA
Denver (DEN)	400 WN	406 DL	302 UA	396 UA
Houston (HOU)	443 WN	395 UA	401 AA	432 UA
Kansas City (MCI)	360 DL	412 AA	312 UA	334 UA
Las Vegas (LAS)	509 WN	508 UA	442 AA	491 UA
Los Angeles (LAX)	458 WN	444 AA	401 UA	414 UA
Minneapolis (MSP)	300 WN	401 DL	340 UA	296 UA
New York Area (NYC)	364 WN	359 DL	258 AA	384 UA
Orlando (MCO)	398 WN	326 DL	286 DL	389 UA
Philadelphia (PHL)	452 DL	464 AA	438 AA	430 UA
Phoenix (PHX)	432 WN	526 AA	401 UA	428 UA
Portland (PDX)	402 DL	394 UA	417 UA	428 UA
San Diego (SAN)	481 WN/F9	498 UA	419 DL	488 UA
San Francisco (SFO)	471 WN	444 AA	402 DL	453 UA
Seattle (SEA)	517 WN	448 DL	402 DL	492 UA
St Louis (STL)	324 WN	262 DL	202 AA	320 UA
Washington DC Area (WAS)	428 WN	294 UA	254 DL	424 UA

Average Fare	\$399.30	\$393.95	\$340.80	\$389.85
Change from last month	\$27.35	\$1.35	\$8.35	\$21.55
Change from two months ago	\$4.65	\$19.30	\$3.15	\$20.35

Fares Pulled 04/13/14 for travel 05/13/14 - 05/20/14

Best Fares +7 days parking

	MBL	TVC	GRR	MKG
Atlanta (ATL)	428 WN	474 DL	384 UA	452 UA
Boston (BOS)	328 DL	220 DL	234 DL	330 UA
Chicago (MDW or ORD)	120 P1	340 DL	320 AA	144 UA
Dallas (DFW)	371 WN	424 AA	417 UA	384 UA
Denver (DEN)	400 WN	446 DL	356 UA	424 UA
Houston (HOU)	443 WN	435 UA	455 AA	460 UA
Kansas City (MCI)	360 DL	452 AA	366 UA	362 UA
Las Vegas (LAS)	509 WN	548 UA	496 AA	519 UA
Los Angeles (LAX)	458 WN	484 AA	455 UA	442 UA
Minneapolis (MSP)	300 WN	441 DL	394 UA	324 UA
New York Area (NYC)	364 WN	399 DL	312 AA	412 UA
Orlando (MCO)	398 WN	366 DL	340 DL	417 UA
Philadelphia (PHL)	452 DL	504 AA	492 AA	458 UA
Phoenix (PHX)	432 WN	566 AA	455 UA	456 UA
Portland (PDX)	402 DL	434 UA	471 UA	456 UA
San Diego (SAN)	481 WN/F9	538 UA	473 DL	516 UA
San Francisco (SFO)	471 WN	484 AA	456 DL	481 UA
Seattle (SEA)	517 WN	488 DL	456 DL	520 UA
St Louis (STL)	324 WN	302 DL	256 AA	348 UA
Washington DC Area (WAS)	428 WN	334 UA	308 DL	452 UA

Average Fare	\$399.30	\$433.95	\$394.80	\$417.85
Change from last month	\$27.35	\$1.35	\$8.35	\$21.55
Change from two months ago	\$4.65	\$19.30	\$3.15	\$20.35

Parking Fees for one week are \$0 at Manistee, \$40 at Traverse City, \$54 at Grand Rapids, \$28 at Muskegon

Manistee County Blacker Airport

Enplaned/Deplaned

	2009		2010		2011		2012		2013		2014	
	Out/In	Total	Out/In	Total	Out/In	Total	Out/In	Total	Out/In	Total	Out/In	Total
Jan	GL 138/106	244	GL 212/145	357	GL 201/169	370	F9 523/366	889	134/126	260	161/107	268
Feb	112/93	205	196/150	346	202/194	396	462/431	893	128/120	248	136/124	260
Mar	149/139	288	216/231	447	225/215	440	112/176	288	162/173	335	191/175	366
Apr	119/140	259	272/255	527	47/171 F9 486/389	1193	0/0	0	158/158	316		
May	184/180	364	263/302	565	1454/1525	2979	P1 71/58	129	189/189	378		
Jun	166/213	379	311/366	677	1206/1342	2548	234/250	484	239/288	527		
Jul	388/439	827	521/551	1072	1595/1568	3163	465/467	932	421/409	830		
Aug	429/359	788	482/395	877	1833/1567	3400	497/500	997	391/413	804		
Sep	285/293	578	240/233	473	1332/1234	2566	362/297	659	248/237	485		
Oct	282/275	557	270/246	516	1024/1004	2028	150/149	299	229/215	444		
Nov	257/269	526	236/242	478	722/715	1437	36/33	69	168/198	366		
Dec	228/279	507	194/235	429	674/798	1472	131/138	269	197/200	397		
Total		5522		6764		21992		5908		5390		894

On-time Performance

	2009		2010		2011		2012		2013		2014	
	Cancel/Delay	On-time										
Jan	13%/25%	62%	23%/22%	55%	15%/38%	48%	12%/8%	80%	0%/15%	85%	0%/14%	86%
Feb	18%/16%	66%	13%/32%	55%	15%/28%	58%	6%/11%	83%	6%/16%	78%	9%/3%	88%
Mar	8%/11%	79%	11%/19%	70%	21%/19%	60%	14%/8%	78%	0%/0%	100%	0%/7%	93%
Apr	10%/16%	74%	13%/17%	70%	***	***	***	***	0%/3%	97%		
May	2%/10%	88%	12%/10%	78%	3%/25%	72%	0%/10%	90%	0%/6%	94%		
Jun	7%/18%	75%	6%/26%	68%	6%/20%	74%	0%/6%	94%	0%/3%	97%		
Jul	4%/16%	80%	5%/19%	76%	0%/37%	63%	0%/7%	93%	0%/19%	81%		
Aug	2%/12%	86%	4%/5%	91%	0%/36%	64%	0%/8%	92%	2%/16%	82%		
Sep	0%/9%	91%	18%/16%	66%	0%/23%	77%	0%/5%	95%	0%/0%	100%		
Oct	10%/8%	81%	15%/13%	72%	1%/5%	94%	0%/22%	78%	0%/9%	91%		
Nov	3%/10%	87%	16%/16%	68%	2%/11%	87%	0%/5%	95%	6%/6%	88%		
Dec	25%/39%	36%	32%/25%	43%	2%/15%	83%	0%/11%	89%	3%/19%	78%		

APPENDIX G

**Alternate Essential Air Service Proposal
for the Manistee County Blacker Airport
April 10th, 2014**

Summary of the Alternate Essential Air Service Proposal

The Manistee County Blacker Airport ("Airport") is proposing to provide for the air service needs of the Manistee/Ludington communities and surrounding areas by contracting with Public Charters, Inc., a Part 380 Indirect Air Carrier ("Indirect Air Carrier") for a period of four (4) years. Such air transportation is planned to continue to be to Chicago Midway Airport, with 30 seat BAE JetStream 41, 19 seat BAE JetStream 31, or equivalent twin-engine aircraft conducting regularly scheduled public charter flights. The frequency of flights will vary seasonally as required to meet demand. However, once daily service during the off peak season and twice daily service during peak season is anticipated.

Alternate Essential Air Service Plan Proposal

1. The Airport, in exchange for a Alternative EAS Grant from the Department in the amount \$2,328,103.54 per year, will forego its participation in the traditional EAS program for a period of four (4) years commencing when this agreement is fully executed or the end of the current Alternative EAS grant which ever is later;
2. The Airport will contract with a Part 380 Indirect Air Carrier (Public Charters, Inc.) to provide scheduled public charter flights to a medium or large hub, with a minimum of twin engine 19 seat aircraft. Compensation necessary to provide and market such service will come from the Alternative EAS Grant funds;
3. While continued service to Chicago Midway Airport is planned, in the flexibility provided by the Alternate EAS program we request the option to provide service to other medium or large hubs (in keeping with the intent of providing connectivity to the national air transportation system) within a 500 nautical mile (575 statute mile) radius. This may be done in addition to Chicago Midway (testing alternative hubs) or instead of Chicago Midway. Regardless of the hub the subsidy calculation would be based on the same formula and subsidy maximums.
4. Service will be non-stop or one-stop from Manistee to the hub airport with no restrictions on up line scheduling;
5. The subsidy is to be calculated at \$0.80559 per ASM (Available Seat Mile) flown¹;
6. The maximum amount of subsidy in any one month is \$388,017.26²;
7. The maximum amount of subsidy in any one year of the grant is \$2,328,103.54;

¹ \$0.80559/ASM * 2,889,936 ASM = \$2,328,103.54, where the distance from MBL to MDW is 188 statute miles and daily service for 42 weeks with 19 seat aircraft and 10 weeks with 30 seat aircraft is 15,372 available seats for 2,889,936 ASM

² The monthly maximum is double the average monthly subsidy amount (\$2,328,103.54 / 12 * 2 = \$388,017.26) to accommodate seasonal differences in demand

8. The Airport and Indirect Air Carrier reserve the right to provide equivalent service with substitute aircraft in the event of mechanical problems or other unforeseen circumstances. The Airport and Indirect Air Carrier also reserve the right to adjust frequency from time to time to reflect seasonal changes in demand and to provide greater or less frequency than planned, however any flights operated that result in subsidy amounts greater than the above monthly and yearly maximums while allowed will not be subsidized;
9. The Airport specifically reserves its right as a subsidy eligible EAS point to reinstatement in the traditional EAS program.

Additional Considerations

The Airport and Indirect Air Carrier, will enter into an agreement incorporating the above terms as well as the following additional considerations, among others:

- **A Performance Clause**
The failure of the Indirect Air Carrier to provide the agreed upon service in a reliable manner will be reason for early termination of the proposed service;
- **An Early Termination Clause**
In the event of early termination of the service, the Airport and the Indirect Air Carrier will agree to a "hold-in" period while the Airport and US-DOT secure replacement air service under the Essential Air Service or Alternate Essential Air Service programs. Both parties agree to take the following steps in the event of early termination:
 1. Written notice of Termination between the Airport and the Indirect Air Carrier
 2. The Airport notifies US-DOT of its intent to remain in either the Alternate EAS Program or to reenter the standard EAS program.
 3. The Airport and US-DOT will provide best efforts to secure replacement air service
 4. The Indirect Air Carrier will work with the replacement carrier on a transition date
- **Sterile Operations**
All scheduled flights are to be operated in a sterile environment, meaning passengers would be TSA screened at Manistee and the hub airport.

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Proposal Under the Alternate Essential Air Service Program

Dockets DOT-OST-2004-18715 and DOT-OST-1996-1711

Submitted by
Manistee Blacker Airport Authority
Barry Lind
Airport Director
2323 Airport Road
Manistee, Michigan 49660

DUNS# 948868799
EIN 382169455
MI-001



Manistee Blacker Airport Authority Alternate Essential Air Service Program Grant Proposal

The Manistee County Blacker Airport currently receives subsidized air service through the Alternate Essential Air Service Program. We are the only airport to have ever participated in this program. As our first two-year grant under the program nears its end, the Manistee Blacker Airport Authority respectfully submits this Application for continued participation in the Alternate Essential Air Service (EAS) Program.

Understanding of Proposal Requirements

The submission of this proposal and participation in the Alternate EAS Program is contingent upon the ability of the Manistee Blacker Airport Authority to enter into contractual commitments with third parties under terms satisfactory to the Manistee Blacker Airport Authority. In other words, if this proposal were approved, but the conditions of the award were different than what is requested or the Manistee Blacker Airport Authority is unable to secure the commitment of other parties in accord with the terms proposed herein, then the request to continue participation in the Alternate EAS Program and to forgo participation in the Basic Essential Service Program is withdrawn. Further, the request to continue participation in the Alternate EAS Program is based upon our understanding of 49 USC Section 41745(f), that if the program no longer addresses the needs of the Manistee County Blacker Airport the airport would be accepted back into the Basic Essential Service Program.

Existing Air Service

By virtue of Order 2012-3-9, dated March 16, 2012, Manistee/Ludington, Michigan participates in the Alternate Essential Air Service Program. The Alternate EAS air service is provided through scheduled public charter flights provided by the Part 380 indirect air carrier Public Charters, Inc. and direct air carrier Corporate Flight Management. That service currently consists of 6 weekly flights between Manistee and Chicago Midway Airport on 19 seat BAE Jetstream 32 equipment.



Service History

Manistee/Ludington, Michigan has been a recipient of Essential Air Service subsidies since 1997, having had unsubsidized service for nearly the first 20 years after the inception of the program in 1978.

The Manistee County Blacker Airport has a long history of commercial air service. Commercial airline service spans more than 50 years; the timetable is as follows:

- 1961: Manistee, Michigan receives its first commercial flight, with service provided by North Central Airlines.
- 1961-1979: North Central Airlines provides service with the Convair 340, later the Convair 580. The service primarily operated short routes to Chicago and Detroit via Grand Rapids and other cities to the south with continuing service to various cities to the north. It was during this period that Manistee would see its best level of enplanements up until 2012 (8499 total passengers in 1968).
- 1979-1981: Republic Airlines, formed as the result of the merger of North Central and Southern, continued to provide commercial service to the Manistee Blacker Airport during the first years of airline deregulation. However soon after deregulation, Republic stopped service. This began a long period of decreasing quality of service with frequent carrier and schedule changes. Enplanements were severely impacted during this period and would never really recover (2628 average total annual passengers during 1980's).
- 1981-1982: Simmons Airlines took over commercial air service with 18 seat EMB 110 aircraft.
- 1982-1984: American Central Airlines took over commercial air service also with EMB 110 aircraft.
- 1984-1988: Alliance Airlines took over commercial air service with Cessna 402 aircraft.
- 1988-1996: Alliance Airlines was acquired by Great Lakes Airlines in 1988 beginning the longest period of service by a carrier since North Central. It was during this period that Great Lakes began operating as United Express.
- 1996-2002: With a notice to terminate service at Manistee the era of unsubsidized service ends and that of EAS subsidies began. Great Lakes Airlines acquired the essential air service contract to keep our community connected to the national air transportation network. In 2001 with the loss of the United Express code share, Great Lakes reorganizes and moves operations west, ending service in the upper midwest.
- 2003-2008: Skyway Airlines dba Midwest Connect was awarded the essential air service contract. With the change in carrier also came a change in hub



with a switch from Chicago O'Hare to Milwaukee. Service was provided by 19 seat Beech 1900D aircraft. Shortly after Skyway began service passenger enplanements began to rise after two decades of stagnation. In 2003 total passengers increased 14%; 2004 +35%; 2005 +0%; 2006 +40% and 2007 +8%.

- 2008: Manistee experienced a two month suspension of service when Skyway discontinued operations.
- 2008-2011: Great Lakes Airlines returned to Manistee. Service continued to be provided to the Milwaukee hub. For the first time in the nearly fifty years of commercial service, service was provided exclusively via non-stop flights to a hub. In spite of the many short comings of the Great Lakes service (no code share with a carrier at the Milwaukee hub; no interline or baggage agreements with 3 of the top 4 carriers out of Milwaukee; and generally poor performance, both on-time as well as flight completion), the passenger numbers soon exceeded the numbers of the previous carrier reaching levels not seen since the 1970's.
- 2011: Chautauqua Airlines dba Frontier Airlines begins non-stop regional jet service with 37 seat EMB-135 aircraft to their Milwaukee hub. Passenger numbers increased by over 300% to a total of nearly 22,000 for 2011, three times the previous best years during the 1960s, and nearly ten times the numbers during the 1980's, 1990's and early 2000's.
- 2012: Chautauqua Airlines dba Frontier Airlines ends service in March after only 11 months due to the discontinuation of its hub operations at Milwaukee Wisconsin.
- 2012: Manistee experienced a two-month suspension of service when Chautauqua Airlines dba Frontier Airlines ended service in March due to Frontier's dehubing of Milwaukee.
- 2012: Manistee County Blacker Airport is the first airport to apply for subsidized air service under the Alternate Essential Air Service Program and is awarded a two-year grant for Alternate EAS.
- 2012: On May 24th scheduled public charter service under the Alternate EAS program is provided by the Part 380 indirect air carrier Public Charters, Inc. (operated by direct air carrier Aerodynamics Inc.). Service begins with 4 times weekly service to Chicago Midway Airport with 50 seat EMB-145 aircraft, expanding to 6 times weekly in June and daily service in September.
- 2012: In October Aerodynamics, Inc. abruptly halts service and eventually declares bankruptcy. Manistee experiences a one-month suspension of service, its second suspension during the year.
- 2012: On November 15th, scheduled public charters resume with Corporate



Flight Management the new direct air carrier with service being provided 4 times weekly with 19 seat BAE Jetstream 32 equipment.

- 2013-2014: Scheduled public charters flights continue being operated by Public Charters, Inc. and Corporate Flight Management with 4 times weekly service operated by 19 seat BAE Jetstream 32 and during peak summer season with 30 seat BAE Jetstream 41 aircraft, through the end of the two year Alternate EAS grant agreement. Service increases to 6 times weekly in March 2014 after Corporate Flight Management receives Commuter Authority from DOT.

Community Air Service Needs

Manistee/Ludington has participated in the standard EAS program since the late 1990's. Manistee/Ludington not only meets the legal criteria for "eligibility", but also epitomizes the type of community the EAS program was intended to serve. The community is geographically isolated from the nation's air transportation hubs:

- 264 miles / 4 hours 51 min driving time to MDW (large hub)
- 274 miles / 4 hours 23 min driving time to DTW (large hub)
- 282 miles / 5 hours 6 min driving time to ORD (large hub)

Manistee suffers isolation from all of the nation's passenger transportation networks. The nearest Interstate Highway is 86 miles or 1 hour and 27 minutes away. Manistee is without passenger rail or regional bus service. The two-lane highway travel available to the community is slow and time consuming. Consequently, reliable air service to the community is essential to the region's continued economic development.

According to a Boyd Group study commissioned by the Michigan Department of Transportation-Aeronautics Division, the Manistee County Blacker Airport has historically been experiencing 85% to 90% passenger leakage to other airports. By providing quality service at reasonable prices, we can improve significantly on the historic 10%-15% catchment as was demonstrated during Frontier's brief time of service to Manistee.

If air service were to be discontinued, the direct and indirect impact on this region's economy would be far reaching. Local businesses would be forced to use other airports considerably further away for their airline travel options. The local tourism industry would be equally affected by removing from tourists an important travel option into this region. Fewer businesses would choose to locate in the Manistee area in preference to other areas with commercial air service.



Intent of Alternate EAS Pilot Program

The Alternative EAS Pilot Program was established in order to allow subsidy eligible EAS communities to deviate from the traditional program in order to provide transportation services that were more beneficial to the individual community than those available under the traditional program.

The Departments Notice announcing the establishment of the program addressed the purpose of the program as follows:

Congress established this Pilot Program to provide communities with an alternative to the traditional EAS-type service. Typically, the EAS program pays subsidy to regional air carriers to provide two or three round trips a day to a major hub airport with 19-seat aircraft. The new Pilot program is designed to allow communities to forego their EAS for a prescribed amount of time in exchange for receiving a grant to spend *in a variety of ways that might better suit their individual needs*. These options are spelled out in statute and include more frequent service with smaller aircraft, on-demand air taxi service, scheduled or on-demand surface transportation, regionalized air service, or purchasing an aircraft.

We are implementing the Pilot Program by inviting communities to submit applications to use EAS funds in an alternative manner to address their transportation needs. *We will use an open and flexible format for applications because we recognize that each community's circumstances may be different, and they need latitude in identifying their own objectives and developing strategies for accomplishing them.* At the same time, general, vague, or unsupported applications will not be entertained. The more highly defined the application, the more likely it will receive favorable consideration. *(Emphases added)*

The overall goal of the Program is described in the Notice as follows:

"We seek proposals that are fully thought out and are designed to meet the individual needs of a community. We encourage proposals that have the greatest chance of increasing passenger usage and therefore reducing the need for future subsidy under either the EAS or Pilot Program."

Summary of the Alternate Essential Air Service Proposal

The Manistee Blacker Airport Authority desires to continue receiving air service in the same manner as it has for the previous two years under the Alternate EAS program. That is air transportation conducted by a Part 380 Indirect Air Carrier contracting with an FAA approved Part 135 and/or Part 121 direct air carrier. Such air transportation would be to a medium or large hub with twin-engine aircraft conducting regularly scheduled public charter flights. The frequency of flights will vary seasonally as required to meet demand.



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Why Continue with Alternate Essential Air Service for Manistee?

There are two factors we believe are critical for successful air service at small rural communities like Manistee/Ludington. Those two being 1) quality reliable air service at a 2) reasonable price. Historically we have had neither at Manistee under the standard EAS program. With the exception of the 11 months of service provide by Frontier, reliability was always an issue with far too many flight cancellations and delays and fares were also high as compared to more distant airports. The combination of poor quality, unreliable service along with high average fares encouraged people to drive significant distances for more reliable and cost effective air service.

That has changed with our service the past two years under the Alternate EAS program. During calendar year 2013 99% of all scheduled flights completed and 89% completed on time, including two months (March and September) where every flight (100%) completed on time. Even during this past harsh winter (where we have received a record amount of snow fall with over 200") 95% of flights completed and 85% completed on time (Dec '13 - Feb '14).

Another measure of quality is the response from our passengers. As part of our overall marketing efforts we survey every passenger who flies out of Manistee in order to better understand their experience and needs for air service. In response to the following question: "How likely is it that you will recommend the Manistee Airport to others?" of those passengers who flew during 2013 and responded to the surveys, 91% responded "Very Likely", 7% responded "Somewhat Likely" and only 2% responded "Not Likely." The response to this question along with the responses to other survey questions indicate that the overwhelming majority of our passengers think highly of the quality of the service we are providing at the Manistee airport.

Overall fares have remained reasonable as well. The average fare between Manistee and Chicago Midway was \$86.74 each way in 2013. Standard pricing for round trip fares ranges from \$120 to \$240. By maxing out the fare at \$240 RT, even a last minute purchase on a full flight is still available at a reasonable fare.

In addition to the quality of the service and reasonableness of the airfares, there are many other factors that lead us to want to continue with Alternate EAS. Among these other factors is the productive working relationship we have with Public Charters, which includes weekly meetings to discuss marketing strategy and efforts, good communication on all customer service issues, coordination on scheduling, pricing and customer service policies.

While participation in the Alternate EAS Program is orders of magnitude more work than standard EAS for the airport (and we warn all other airports who ask us about the Alternate EAS program of this fact), we believe that it ultimately works better for us than standard EAS because the air carrier and the airport are working together as a team in order to be successful. That hasn't been our experience with standard EAS. The nature



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of Alternate EAS forces the air carrier and airport to work together which we believe is critical to success.

Even though the past two years under Alternate EAS has not been all rosy (with Aerodynamics' bankruptcy, Corporate Flight Management's delays in obtaining commuter authority), we feel that we need to continue with what we have started in order to build on the effort that we have invested. To return to standard EAS at this time would be premature. Only now after nearly two years of Alternate EAS service are we finally getting past the growing pains, and we feel it would be premature to end our experiment at this point in time. In fact we feel so confident in the long term benefits of what we have undertaken that we desire to not only continue with Alternate EAS, but to do so for an extended period of four (4) years instead of the more standard two (2) years.

Why Do We Reject the Standard EAS Proposal of Sun Air?

In addition to all the reasons above why we believe that Alternate EAS is working for us and which we believe are reason enough for us to continue with the Alternate EAS program, there are also significant concerns we have with the one standard EAS proposal received by DOT in response to Order 2014-2-1 requesting proposals for standard EAS at Manistee. This proposal was submitted by Sun Air. The proposal contained two options. Option 1 entailed service to both Chicago Midway Airport and Milwaukee Airport with 17 weekly flights off season (7 weekly to Milwaukee and 10 weekly to Chicago Midway) and 33 weekly flights during peak season (11 weekly to Milwaukee and 22 weekly to Chicago Midway) for a subsidy of nearly \$3.2 million. Option 2 entailed service to only Milwaukee with 18 weekly flights off season and 24 weekly flights during peak season for a subsidy of nearly \$2.6 million. All flights would be operated with twin engine Piper Chieftain aircraft with room for eight (8) passengers per flight.

The first concern we have with the Sun Air proposals is the viability of Milwaukee as a destination for our service. While we have had service to Milwaukee for the vast majority of the last decade, the situation at Milwaukee has significantly changed in the last two years, to the point that we no longer see it as a viable hub. During the entire period when we utilized Milwaukee, there was an air carrier operating there operating a true hub operation based in Milwaukee (Midwest Airlines and then Frontier). However since Frontier's dehubing of Milwaukee there is no longer an air carrier conducting hub operations at Milwaukee. As a result the number of non-stop destinations served from Milwaukee is roughly half what it used to be and less than half of other regional airports which still have hub carriers based at them (ORD, DTW, MDW). While Milwaukee meets the technical definition of a medium hub airport, it does not have the connectivity to the national transportation system that a true "hub" airport has. While we realize that there is some O/D travel between northwest Michigan and southeast Wisconsin that does desire air service between the two regions, our survey information indicates that there is significantly more O/D demand between Chicago and northwest Michigan than southeast



Wisconsin and northwest Michigan. Therefore we eliminate Sun Air's Option 2 from consideration.

That leaves Option 1 for consideration. The first concern about Option 1 is the total subsidy requirement. At almost \$3.2 million that is about 50% greater than our current Alternate EAS grant. The second concern is with the proposed flight schedule. The proposed schedule has the aircraft based in Milwaukee. The effect of this is that the first flight of the day is Milwaukee to Manistee (and the last flight of the day is Manistee to Milwaukee). These flights are only conducive to O/D travel as they do not work for connecting to other flights in Milwaukee (morning flight leaves before most other connections would arrive in Milwaukee and the evening flight arrives in Milwaukee after most connecting opportunities). We feel that only by overnighing the aircraft in the spoke airport (Manistee in this case) can you most effectively service the non O/D passenger that intends to connect to other destinations. While this schedule does provide service to a true "hub" airport in Chicago Midway (Southwest Airlines largest hub) that amount of service is less than the demand that we have averaged during the current Alternate EAS period. For example during the most recent period we have averaged 9.0 passengers per flight October 2013 through March 2014, with only 8 seats available on most days to Chicago we would need to have virtually 100% load factor to continue to service the demand we have built up through our marketing efforts around our current Chicago Midway service. So for these reasons we eliminate Option 1 as well.

Finally there are two other factors that come into play when reviewing the proposal from Sun Air. One being the poor reputation Sun Air has earned during their other EAS efforts. After talking to the managers at some of the airports they currently provide service to, the general feedback was not favorable. I realize that they claim in their proposal to have recently addressed their service issues with new management, but it is too early to tell if that is truly the case at this point. The last factor against Sun Air is the aircraft they operate. While a Piper Chieftain is a safe aircraft, it is not what our passengers tell us they want to fly on. Given that during significant parts of the last three years we have had service with regional jets, an eight passenger piston aircraft is not what our passengers have come to expect. We feel that a 19 seat turboprop is the minimum level of equipment that will be accepted by the local market. Anything less and it will be difficult to attract enough passengers to be successful. For these reasons we reject the Sun Air proposal.

When we use the word "reject" here in relation to Sun Air's proposal, we realize that the proposal technically meets the requirements for EAS (at least two daily flights to a medium or large hub airport with two pilots and twin engines) and is a valid standard EAS proposal. However we reject it in the sense that we find the proposal inferior to our preferred Alternate EAS service proposal presented here for the above reasons.



Discussion of Important Aspects of the Alternate Essential Air Service Proposal

One of the original reasons we desired to be the first to participate in the Alternate EAS Program was to be able to utilize the flexibility inherent in the program to craft service that not only meets our needs best but also does so at what is hopefully less subsidy than otherwise would be required for standard EAS. We knew that our market is highly seasonal and what is appropriate in July is not appropriate in January as it relates to both frequency and total number of seats operated. The flexibility Alternate EAS provided us the ability to adjust frequency to the actual demand.

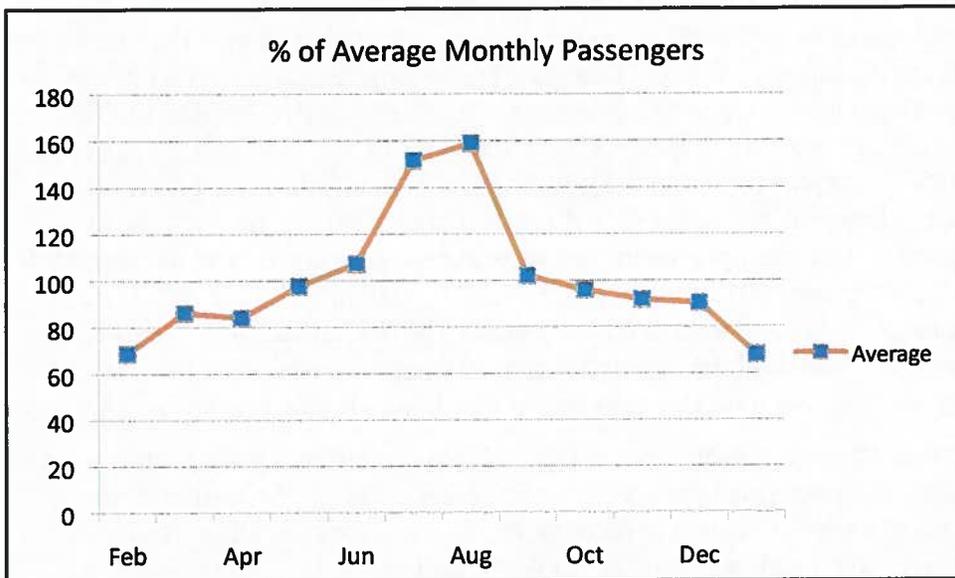


Table 1. The seasonality of passenger loads at Manistee from 2001-2010. This table shows the monthly passenger loads averaged over the decade. With 100 representing the average number of monthly passengers.

As the data in Table 1 shows, the historical passenger demand in Manistee is seasonal with July and August being the peak months and January and February being the low months. The difference between the winter and summer months is about 2.5 times.

We have utilized the flexibility of Alternate EAS to adjust our schedule the last two summers to reflect this seasonality of demand. This coming summer we are going a step further and adjusting the schedule by day of week as well. In fact the currently published schedule for this coming summer (July and August) has flights varying by aircraft type during the week (mix of 19 seat and 30 seat aircraft) and frequency (some days have one frequency others two). This allows us to tailor capacity to the historical demand we have experienced the past two summers. For example a typical week of the summer schedule looks like this:

Monday: 38 seats inbound, 49 seats outbound

Tuesday: 19 seats inbound, 19 seats outbound



- Wednesday: 19 seats inbound, 19 seats outbound
- Thursday: 38 seats inbound, 38 seats outbound
- Friday: 49 seats inbound, 38 seats outbound
- Saturday: 30 seats outbound, 19 seats inbound
- Sunday: 49 seats inbound, 38 seats outbound

We believe that with the ability to tailor the schedule to the historical and anticipated demand we can operate more efficiently with higher load factors. This should over time reduce overall subsidy costs.

In the continued spirit of the flexibility that the Alternate EAS program provides, in this current proposal we are requesting the following additional areas of flexibility:

- 1) Hub Airport – While we are satisfied with Chicago Midway as our hub airport, we would like the opportunity to experiment with other large or medium hubs in the area. It may turn out that through such experimentation we discover something that works better than Chicago Midway or works in addition to Chicago Midway.
- 2) Non-stop vs. one-stop, downline and upline service – Traditionally we have had one or more stop service for the vast majority of the time we have had commercial air service, and only within the last few years have we had non-stop service. While we have seen that non-stop service seems to be vastly preferred to one-stop service, we may want to experiment with some one-stop service as well. Why would we consider this? Ultimately in order to reduce required subsidy amounts over time we need to increase revenue and lower costs. We can increase revenue by ensuring that we fly full(er) aircraft. We need to be reaching industry standard load factors of 75% or more in order to be successful in this measure. On the cost side of the equation, in the long term in order to reduce costs per passenger we need to be operating larger aircraft with high load factors. The cost per passenger for an 80% full 90 seat aircraft is less than an 80% full 50 seat aircraft is less than an 80% full 19 seat aircraft, etc. To ultimately reduce subsidies we need to be operating high load factors on larger aircraft. To do that we need to be looking at ways to pool passengers from more than one airport. In the foreseeable future there will not be enough demand to fill aircraft larger than 50 seats solely from Manistee enplanements. We desire the flexibility to test combinations with other cities both downline and upline to see if we can identify something that works.

Level of Subsidy Requested

We have taken into account many factors in producing this proposal. We desire to have a reasonable level of service in order to satisfy the needs for air transportation in our communities. We also realize that we need to be good stewards of taxpayer funds. Also in requesting a four year grant we need to be confident that the amount is not only sufficient this year but also four years from now. To that end we are requesting



\$2,328,103.54 per year to provide air service under the Alternate EAS program for a period of four (4) years. That amount would subsidize up to 15,372 available seats between Manistee and Chicago Midway Airport or 2,889,936 available seat miles (ASM). We are requesting reimbursement under the Alternate EAS grant at a rate of \$0.80559 per ASM flown. This reimbursement formula allows flexibility to operate different sized aircraft as well as the option to try service to different hubs than Chicago Midway if determined in the best interest of the community and airport during the term of this proposed four year agreement. We realize that this subsidy level is higher than that requested for the current agreement, but feel that the level of subsidy is consistent with other standard EAS agreements and is less than the bid provided by Sun Air for service to Manistee. In fact in comparing the level of subsidy requested under the Sun Air bid using an apples to apples comparison method we find the subsidy level for Sun Air Option 1 is about \$0.85929 per ASM as specified in their proposal ($\$3,184,192 / 3,705,601 \text{ ASM} = \$0.85929/\text{ASM}$) and for their Option 2 the rate is \$0.95066 ($\$2,595,134 / 2,729,825 \text{ ASM} = \$0.95066/\text{ASM}$). So not only is our total subsidy request less than Sun Air's proposal in terms of total dollar amount, it is also less on an ASM basis as well (which takes into account differences in the number of seats flown and the distances involved as these factors vary between Sun Air's two options and our Alternate EAS proposal). In addition I believe the Sun Air proposals are incorrect in the stated number of ASMs in each proposal. I believe based on the number of departures documented and the flight distances between airports that they used 9 available seats on each aircraft for their ASM calculation instead of 8. Their proposal calls for only 8 passenger seats with two crew, so the correct number to use would be 8 available seats for their ASM calculation. Using this number we determine that the true costs of the Sun Air Option 1 is \$0.96841 per ASM ($\$3,184,192 / 3,288,064 \text{ ASM} = \$0.96841/\text{ASM}$) and Option 2 is \$1.07604 per ASM ($\$2,595,134 / 2,411,756 \text{ ASM} = \$1.07604/\text{ASM}$) both significantly higher than our proposal.

Unlike the proposal two years ago when very much was unknown (eg. costs at Midway were significantly underestimated) as we embarked on the unknown path of Alternate EAS, we are confident that our current proposal is reasonable and accurately reflects the costs to provide the service specified and we also believe that this rate (barring unforeseen circumstances like a significant spike in fuel prices for an extended period of time) is reasonable for a period of four years.

Detailed Alternate Essential Air Service Proposal

The details of the proposal are specified in a separate document that focuses on just the proposal request. This companion document is intended to provide context to the specifics in the detailed proposal.

