

TRANSPORTATION SERVICES AGREEMENT
Between the City of La Crosse and SkyWest Airlines

This Agreement is made and entered into this 22 day of October 2018, by and between SkyWest Airlines, Inc. ("SkyWest") whose affiliated companies are doing business as Delta Air lines, and the City of La Crosse, Wisconsin ("City.")

WITNESSETH:

WHEREAS SkyWest will provide nonstop jet service between La Crosse Regional Airport (LSE) and Detroit (DTW); 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 operate at least one daily Delta Air lines-branded round trip flight on the CRJ-200 between LSE and DTW beginning on March 2, 2019.
2. 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 LSE-DTW market, the number of revenue passengers, the number of operations, and the total block hours operated.
3. 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. Costs will be broken into two parts. 1) Fuel costs for purposes of subsidy calculation 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. 2) Non-fuel costs shall be calculated by multiplying the block hours associated with the market by the following cost per hourly rate of \$2,288 for CRJ-200 flights. The rate includes a 10% margin and all non-fuel costs. If passenger revenue is greater than costs (fuel and non-fuel combined) 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. An example invoice is attached.
4. SkyWest agrees to maintain a combined scheduled minimum of 1 nonstop roundtrip jet flight each day between LSE and DTW for the duration of this agreement, unless a lesser number of weekly flights are mutually agreed to in advance and in writing executed by the City, and SkyWest. 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.

5. Segment profits/losses to recompense SkyWest for the agreed upon service levels will be computed upon the conclusion of each of four three-month periods 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 \$750,000 during the term of this Agreement.
6. The term of this Agreement shall commence on March 2, 2019, and terminate on February 28, 2020 or until all subsidy funds have been exhausted, whichever comes first. If funds remain after this period, the agreement may be extended if mutually agreed upon by both sides and at a block hour cost set forth at that time. SkyWest will operate these flights under a codeshare agreement with Delta Air lines, as such, if Delta withdraws its permission to operate the codeshare flights for any reason, this agreement may be cancelled 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.
7. The City agrees to use its best effort to promote the new service.
8. SkyWest grants the City the limited right to use all of its trademarks, symbols, or other protected intellectual property for the inclusion of such names and/or symbols in any of the media designed and displayed by City and approved by SkyWest for the purpose of promoting travel on SkyWest to/from the City. To ensure compliance with DOT regulations, the City agrees to submit the content and artwork for any promotions to SkyWest for prior approval in advance of publication.
9. This Agreement shall be governed by the laws of the State of Utah. 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 Utah.
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: La Crosse Regional Airport
2850 Airport Road
La Crosse, WI 54603
Attn: Airport Director

To: SkyWest Airlines
444 South River Road
St. George, UT 84790
Attn: Greg Atkin

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

THE CITY OF LA CROSSE, WISCONSIN

By: Tim Kabat
Mayor Tim Kabat

By: Teri Lehrke
City Clerk Teri Lehrke

SKYWEST AIRLINES, INC.

By: Greg Atkin
Greg Atkin, M.D. - Market Development

SAMPLE INVOICE

SkyWest Airlines
Subsidy Invoice
La Cross, WI
 Aircraft Type - Canadair Regional Jet CRJ 200
 Months of Service: Q2_2018

	APR	MAY	JUN	Totals/Avg.
Passenger Revenue (total)				
Passengers	1,880	1,950	2,020	5,850
Average Fare	\$ 129.43	\$ 128.27	\$ 126.30	\$ 127.96
Revenue	<u>\$ 243,330.00</u>	<u>\$ 250,120.00</u>	<u>\$ 255,120.00</u>	<u>\$ 748,570.00</u>
Block Time				
Average block time - Minutes	97.00	98.71	98.00	97.90
Departures	60	62	60	182
BH	97.00	102.00	98.00	297.00
Cost Rates				
Fuel cost per BH	\$ 971.66	\$ 966.94	\$ 981.81	
Block Hour Cost Excl. Fuel	\$ 2,288	\$ 2,288	\$ 2,288	
Cost Calculation				
Fuel	\$ 94,251.00	\$ 98,628.00	\$ 96,217.00	\$ 289,096.00
Cost Excl. Fuel	\$ 221,936.00	\$ 233,376.00	\$ 224,224.00	\$ 679,536.00
Total Cost	<u>\$ 316,187.00</u>	<u>\$ 332,004.00</u>	<u>\$ 320,441.00</u>	<u>\$ 968,632.00</u>
Subsidy				
Calculated Shortage / Subsidy	\$ 72,857.00	\$ 81,884.00	\$ 65,321.00	\$ 220,062.00
Total - Subsidy due				\$ 220,062.00