

CITY OF MERCED

"Gateway to Yosemite"



Merced Municipal Airport

Telephone 209/385-6873

Efax 209/388-8994

DATE: October 27, 2008
TO: Marketing and Advertising Consultants
FROM: Ronald K. Elliott, Airport Superintendent
**SUBJECT: OPPORTUNITY TO PROPOSE FOR AIRPORT MARKETING AND
ADVERTISING PACKAGE**

The City of Merced invites your interest in proposing services for an airport marketing and advertising package. Merced Municipal Airport has been awarded the 2008 Small Community Air Service Program Grant by the Department of Transportation (DOT). In addition, DOT has designated Merced Municipal Airport as an Air Service Development Zone.

You are encouraged to contact the Airport Superintendent in advance of submitting a proposal. Airport staff can make available additional information regarding both the Grant and airport property. In addition, the Airport Superintendent is available to give access to the Airport for inspection.

Proposals are due not later than 5:00 p.m. on Wednesday, November 26, 2008. Brief proposals are encouraged. Proposals should be submitted electronically in .pdf format, as well as in hard copy. The Air Service Development Partnership Committee may reject all proposals, waive irregularities in proposals, and request additional information from proposers.

Thank you for your interest.

Ronald K. Elliott
Airport Superintendent
(209) 385-6873

Merced Municipal Airport

REQUEST FOR PROPOSALS

Proposals due November 26, 2008

For Airport Marketing and Advertising Package

The City of Merced will accept proposals for an Airport Marketing and Advertising Package for the Merced Municipal Airport. Proposals will be accepted in the Airport Administration office, 20 Macready Drive, Merced, California until **5:00 p.m. on Wednesday, November 26, 2008.**

CITY OF MERCED

Community description: Merced is the county seat of Merced County. The City, located in the heart of the San Joaquin Valley approximately 110 miles southeast of San Francisco and 310 miles northwest of Los Angeles, is about 20 square miles in size. The City of Merced is a dynamic community of about 80,608 people with friendly small town living in a mid-size city.

The City was incorporated in 1889, and operates as a charter city. The City Operates under the Council-Manager form of government, with six City Council members elected-at-large for staggered four-year terms. The City has over 550 employees and a FY2008-09 budget of over \$253 million.

Within the City structure, the Airport is a department with the Assistant City Manager as the Department Head. The Airport Superintendent carries out daily airport management.

An active Airport Authority meets monthly and is comprised of seven persons appointed by the City Council to oversee and advise in Airport matters.

In 1940, the present site of the Merced Municipal Airport, located two miles southwest of Merced near Grogan and West Avenue, was acquired from the delinquent tax rolls. That year, the City Council approved a Works Project Administration construction program, consisting of grading, leveling, drainage, and developing access roads.

On January 15, 1946, a lease with United Airlines was signed, beginning air service.

Merced Municipal Airport's Position, Efforts and Trends:

Existing Passenger Air Service

The Merced Municipal Airport (MCE) is operated by the City of Merced. It is a commercial air service (part 139) airport with scheduled air service through Great Lakes Airlines with two flights daily to Ontario, CA.

The Target Market

The Airport's core market area includes a large and growing population living in Merced County, portions of south Stanislaus County, portions of North Fresno County and Tuolumne and Mariposa Counties. There are eight airports that provide general aviation services in this area, with only one other certificated for Part 139 commercial service, but no commercial service operates there as of the date of this RFP. The market has been defined geographically by two earlier studies, both completed within the past four years.

BUDGET AND FUNDING

The total project budget is \$125,000 over the 36-month period.

SCOPE OF CONSULTANT SERVICES

Goals and Objectives of the Project

- Goal 1: Increase awareness of the Merced Airport throughout the market area.
Measurable objective: Increased level of knowledge of Merced Airport services through the market area, as measured by survey.
- Goal 2: Achieve increased ridership from the Merced Municipal Airport.
Measurable objective: Observe increases in Merced enplanement data.
- Goal 3: Achieve additional air service.
Measurable objective: By the end of the grant period, achieve additional lift capacity supplied by airlines serving Merced

Scope of Services

The marketing consultant will develop and implement a marketing plan, including evaluation techniques for determining the level of market awareness pre- and post- campaign. The media campaign itself will be three years in duration but will have a lasting impact on the promotion of the airport. Required elements of the media campaign that will be incorporated:

- Emphasis upon media to reach the complete market area, not simply Merced city residents.
- Incorporation of a long-term lease billboard strategy, so that billboard agreements are executed during the term of the grant, but provide for longer-term promotion.
- Incorporation of enhanced graphics and signage (probably banners on light poles) for the Airport, to increase visibility on a permanent basis. These shall be located both on and off-site, in public rights of way.

Specifics

Consultant shall not devote a majority of resources to a marketing plan. It is expected that 90% or more of the budget resources shall be devoted to actual implementation measures, including but not limited to:

1. Billboards
2. Banners/signs
3. Media purchases
4. Other long term promotional items

Consultants shall not expend resources on television media, development of a logo, or other short-term media events.

Extra Services

Consultant should identify which other services they will need to complete the project and identify the associated cost.

CITY OF MERCED MUNICIPAL AIRPORT'S RESPONSIBILITIES

1. The City of Merced shall provide the consultant with any information in the Airport's possession concerning requirements for the project. These will include at a minimum: established logo in electronic form, demographic and market statistics, maps and physical descriptions, information on businesses operating at the airport, and listings of promotional events.
2. The City of Merced shall designate a representative authorized to act in its behalf with respect to the project. The Airport representative shall be responsible for scheduling and coordinating meetings of the Marketing Committee.
3. The City of Merced shall furnish required information, to include original City tower logo in electronic form, as expeditiously as necessary for the orderly progress of the work.

METHOD OF COMPENSATION

The consultant is to identify an hourly rate of compensation, cost by task, and a "not to exceed" figure for the project. Progress payments, upon invoice, will be made monthly based on actual hours worked applied to the agreed upon hourly rates of compensation. The Consultant must also identify any reimbursable expenses and give a "not-to-exceed" total for reimbursables. Any necessary services outside the scope of the work must also be identified.

TIME OF COMPLETION

It is anticipated that the marketing plan shall be completed by March 2009, and implemented through December 2010. Anticipate award of contract in December 2008.

This schedule is based upon milestones agreed upon when awarded the Grant from DOT.

OTHER REQUIREMENTS

Ownership of Work Product: The Airport shall receive the plan as the Airport's property following completion. Consultant shall not have exclusive rights to the work, copyright it, or charge licensing or use fees of any kind. Consultant may use the work product after completion.

Workers' Compensation. The Consultant shall comply with Sections 3700 et seq. of labor code of the State of California, requiring every employer to be insured against liability for worker's compensations. The Consultant shall also provide liability insurance.

Local Business Enterprise Policy. The City Council has adopted a Local Business Enterprise policy requiring service providers to make a good faith effort to include local businesses in their contract with the City. This may include offering an opportunity through subcontracting, if any. Proposers must respond to this policy in their proposal. The full policy is an Attachment to this RFP.

Conflicts of Interest. The Developer must be aware of and comply with conflict of interest rules included in the California Political Reform Act, and Section 1090 et. seq. of the Government Code. The Political Reform Act requires City/Agency officers and committee members to file statements of interest and abide by a Conflict of Interest Code. Section 1090 limits or prohibits a public official from contracting with a body of which an official is a member. Section 1090 applies even where the officer only reviews the contract for the approving body.

If the proposer holds no City/Agency committee appointment or other relationship, the proposal should simply state that in response to this item.

FORM AND CONTENTS OF FULL PROPOSAL

Each Consultant proposal shall include:

- a. Statement of present workload and ability to meet the project schedule;
- b. Number of qualified personnel and their resumes, including Project Manager;
- c. Extent of subcontracting of work, identity and qualifications of subcontractors;
- d. Previous experience, including related or similar projects;
- e. Number of meetings proposed for each task and breakdown of potential costs for additional meetings;
- f. Three (3) references for other related or similar projects;
- g. Fee proposals conforming to items listed under "Method of Compensation" in this RFP.

All proposals shall be submitted in writing and electronic .pdf and shall outline the compensation desired to perform the services outlined herein. Any exceptions to the requirements stated herein shall be clearly stated in the proposal. The consultant shall sign the proposal. In addition to the electronic copy please send **three (3)** hard copies of the proposal to:

CONTACT PERSON: Ronald K. Elliott, Airport Superintendent
City of Merced Municipal Airport
20 Macready Drive
Merced, CA 95341
(209) 385-6873
elliotttr@cityofmerced.org

Incomplete proposals may be rejected as non-responsive. The Air Service Development Partnership Committee reserves the right to waive any irregularities in the proposals.

SELECTION PROCEDURE

The Air Service Development Partnership Committee representatives will review proposals submitted for completeness and qualifications. The selection process may include an interview before Air Service Development Partnership Committee representatives, as well as other City Staff. The Air Service Development Partnership Committee representatives will negotiate with the most qualified Consultant to determine the final award.

Criteria for selection includes but is not limited to:

- a. Experience;
- b. Previous work quality;
- c. References;
- d. Responsiveness; and
- e. Budget proposal.

Attachments:

1. *Proposal Under the Small Community Air Service Development Program*
2. *Order awarding Grant*
3. *LBE Policy*

Proposal Under the Small Community Air Service Development Program

Docket OST-2008-0100

City of Merced, California (Applicant and Sponsor)
DUNS 169211554

June 2008

C. NARRATIVE

1: Summary

The City of Merced, acting as sponsor, is applying for \$100,000 in Small Community Air Service Development Program funding. This will be matched by \$79,160 in local funds (\$30,000 in cash contribution and \$49,160 in-kind), which together with the grant will provide a three-year marketing program for air service from Merced.

The marketing program will bolster ridership for existing air service and promote the development of additional service by the existing carrier and others. The program will increase visibility and knowledge of Merced's air service throughout the market area. Following the end of the three-year grant, ridership will have increased on a steady basis and additional flight capacity will have been added.

Merced is an eligible applicant for the program. Merced's current service is supported by the EAS program and the intended activity is marketing. Merced has also previously been part of a consortium, but the consortium's activities under a previous grant are being concluded.

2: City of Merced, the Applicant and Sponsor

The City of Merced is the applicant for the Small Community Air Service Development Program grant, and is also the Sponsor.

Merced is the county seat of Merced County. The City, located in the heart of the San Joaquin Valley approximately 110 miles southeast of San Francisco and 310 miles northwest of Los Angeles, is about 20 square miles in size. The City has a population of about 80,000.

The City was incorporated in 1889, and operates as a charter city. The City operates under the Council-Manager form of government, with six City Council members elected-at-large for staggered four-year terms. The City has over 600 employees and a FY2006-07 budget of over \$265 million.

Within the City structure, the Airport is a department with the Assistant City Manager as the Department head. Daily airport management is carried out by the Airport Superintendent.

An active Airport Authority meets monthly and is comprised of seven persons appointed by the City Council to oversee and advise in Airport matters.

3: The Merced Airport's History of Air Service

In 1940, the present site of the Merced Municipal Airport, located two miles southwest of Merced near Grogan and West Avenue, was acquired from the delinquent tax rolls. That year, the City Council approved a Works Project Administration construction program, consisting of grading, leveling, drainage, and developing access roads.

Due to the United States entering World War II, the Civil Aeronautics Authority and Corps of Engineers assumed the responsibility for the second phase of the airport program. This consisted of paving runways and taxi strips, installation of drainage, runway, and threshold lights.

On January 15, 1946, a lease with United Airlines was signed, beginning air service.

a. Airport Service History

United Airlines served Merced from 1946 until deregulation in 1978 and terminated service in March 1979. In the 1960s and 1970s, United used Boeing 737s to serve Merced.

Following deregulation, various airlines continued to serve Merced, using the Essential Air Service subsidy. Since 1979, no carrier has operated in the Merced market without EAS subsidy.

Table 1: History of Air Carriers Serving Merced Municipal Airport (MCE)

Period	Airline	Destination
April 1979 to February 1980	Air Pacific Airlines	various
March 1980 to August 1981	Golden Gate Airlines	
June 1982 to September 1983	Inland Empire Airlines	
April 1984 to August 1987	Wings West/American Air	SFO/LAX
August 1987 to May 1998	West Air/United Express	San Francisco
June 1998 to September 2001	Skywest/United Express	Los Angeles
September 2001 to November 2006	Scenic Airlines	Las Vegas
November 2006 to May 31, 2008	Mesa Air/US Airways	Las Vegas

The number of enplaned passengers departing Merced has varied significantly since deregulation. Table 2 shows enplanement trends for the Merced Competitive Market Area (CMA) as reported in Merced's new Airport Master Plan (DMJM Aviation, September 2007).

Table 2: Historic Passenger Enplanements in the Merced Municipal Airport CMA

Year	Total Enplanements				% Total Enplanements			
	Merced	Modesto	Fresno	Total	Merced	Modesto	Fresno	Total
Total Enplanements								
1980	4,600	24,133	501,112	529,845	0.9%	4.6%	94.6%	100.0%
1981	3,372	14,724	335,985	354,081	1.0%	4.2%	94.9%	100.0%
1982	2,322	20,651	353,645	376,618	0.6%	5.5%	93.9%	100.0%
1983	1,669	22,738	419,208	443,615	0.4%	5.1%	94.5%	100.0%
1984	7,477	25,458	453,691	486,626	1.5%	5.2%	93.2%	100.0%
1985	7,087	23,099	411,584	441,770	1.6%	5.2%	93.2%	100.0%
1986	6,387	19,863	421,334	447,584	1.4%	4.4%	94.1%	100.0%
1987	9,633	21,622	482,728	513,983	1.9%	4.2%	93.9%	100.0%
1988	8,261	15,878	405,437	429,576	1.9%	3.7%	94.4%	100.0%
1989	7,108	24,119	424,313	455,540	1.6%	5.3%	93.1%	100.0%
1990	6,558	28,025	460,643	495,226	1.3%	5.7%	93.0%	100.0%
1991	5,631	48,610	576,230	630,471	0.9%	7.7%	91.4%	100.0%
1992	6,306	48,276	558,441	613,023	1.0%	7.9%	91.1%	100.0%
1993	6,935	39,651	514,840	561,426	1.2%	7.1%	91.7%	100.0%
1994	7,638	22,785	499,624	530,047	1.4%	4.3%	94.3%	100.0%
1995	5,260	20,276	457,803	483,339	1.1%	4.2%	94.7%	100.0%
1996	1,908	22,915	537,552	562,375	0.3%	4.1%	95.6%	100.0%
1997	2,243	20,992	521,016	544,251	0.4%	3.9%	95.7%	100.0%
1998	4,413	20,112	486,522	511,047	0.9%	3.9%	95.2%	100.0%
1999	3,973	25,321	501,792	531,086	0.7%	4.8%	94.5%	100.0%
2000	4,234	27,578	503,996	535,808	0.8%	5.1%	94.1%	100.0%
2001	3,278	26,263	463,519	493,060	0.7%	5.3%	94.0%	100.0%
2002	7,989	15,900	443,058	466,947	1.7%	3.4%	94.9%	100.0%
2003	7,553	14,518	498,359	520,430	1.5%	2.8%	95.8%	100.0%
2004	8,433	13,712	597,716	619,861	1.4%	2.2%	96.4%	100.0%
% Average Annual Change								
1980-1990	3.6%	1.5%	-0.8%	-0.7%	4.3%	2.2%	-0.2%	0.0%
1990-2000	-4.3%	-0.2%	0.9%	0.8%	-5.0%	-0.9%	0.1%	0.0%
2000-2004	18.8%	-16.0%	4.4%	3.7%	14.5%	-19.0%	0.6%	0.0%
1990-2004	1.8%	-5.0%	1.9%	1.6%	0.2%	-6.5%	0.3%	0.0%
1980-2004	2.6%	-2.3%	0.7%	0.7%	1.9%	-3.0%	0.1%	0.0%

Sources: Merced Airport Master Plan (DMJM Aviation, March 2007); FAA 2005 Terminal Area Forecast; Airport records.

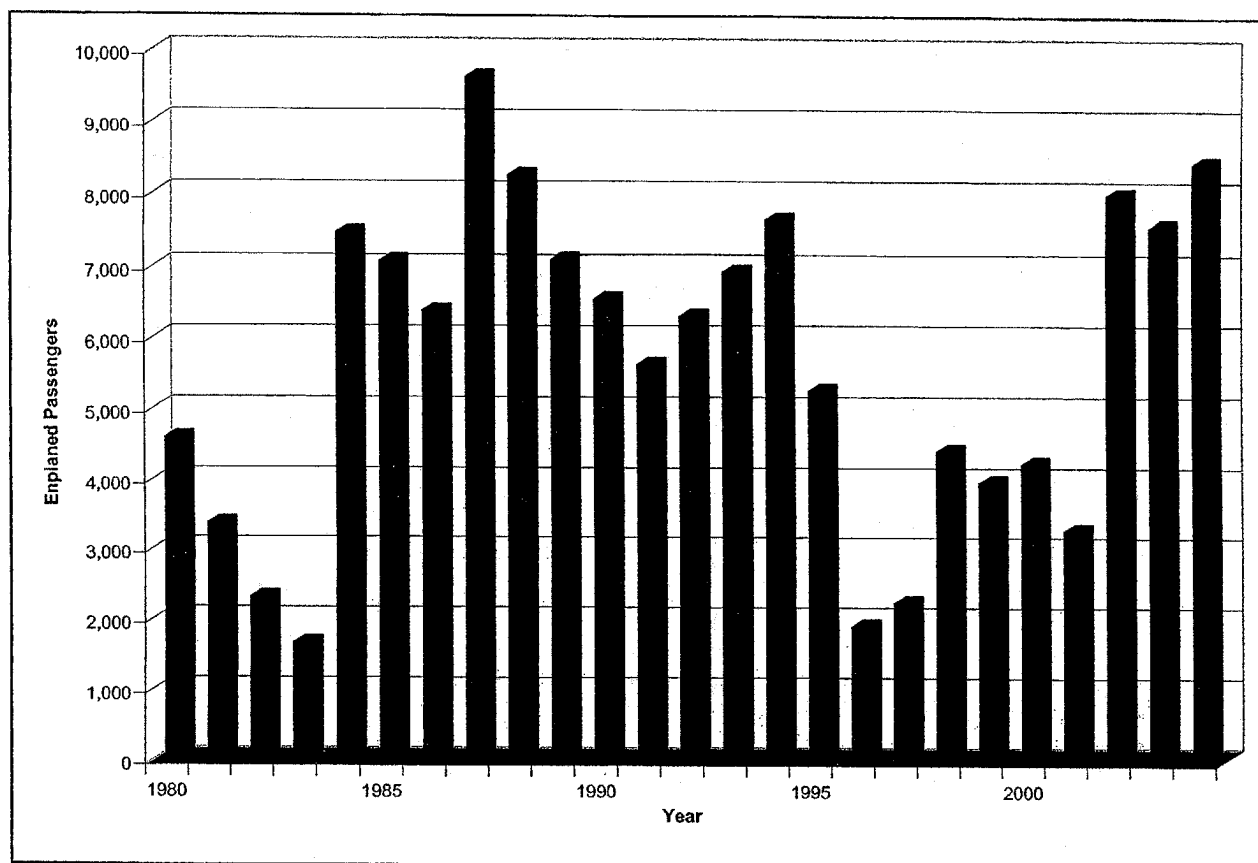


Figure 1: Historical Annual Enplaned Passengers (1980 - 2004)

Sources: Merced Airport Master Plan (DMJM Aviation, March 2007); FAA 2005 Terminal Area Forecast; Airport records.

b. Pricing History

Pricing of flights from the Merced Municipal Airport has varied over its history. When airlines at Merced served San Francisco or Los Angeles as destinations, pricing was not very competitive. When Las Vegas became the destination served by Scenic Airlines in the year 2000, the pricing relative to other airports changed. In general:

- The price of flying to Las Vegas was competitive with other airports;
- But the destination (North Las Vegas) was not as desirable as McCarran;
- And pricing beyond Las Vegas to other destinations was not competitive.

These attributes have changed somewhat with the change to Mesa Air Group as the carrier, because Mesa flies to McCarran.

However, as shown in Table 3 below, it is still true that pricing from Merced has been competitive for Las Vegas, but is not competitive for other destinations.

Table 3. Comparative Round Trip Airfare from Selected Airports

Round Trip			Lowest
From		To	Fare
Merced	to	Las Vegas	N/A
Fresno	to	Las Vegas	\$217
San Francisco	to	Las Vegas	\$219
Oakland	to	Las Vegas	\$253
Merced	to	Los Angeles	N/A
Fresno	to	Los Angeles	\$402
San Francisco	to	Los Angeles	\$156
Oakland	to	Los Angeles	\$174
Merced	to	Chicago	N/A
Fresno	to	Chicago	\$506
San Francisco	to	Chicago	\$319
Oakland	to	Chicago	\$463
Merced	to	Dallas	N/A
Fresno	to	Dallas	\$435
San Francisco	to	Dallas	\$404
Oakland	to	Dallas	\$413
Merced	to	Phoenix	N/A
Fresno	to	Phoenix	\$369
San Francisco	to	Phoenix	\$320
Oakland	to	Phoenix	\$313
Merced	to	New York	N/A
Fresno	to	New York	\$578
San Francisco	to	New York	\$378
Oakland	to	New York	\$578
Merced	to	Portland	N/A
Fresno	to	Portland	\$375
San Francisco	to	Portland	\$272
Oakland	to	Portland	4287

Source: Travelocity.com May 30, 2008

4: Existing Passenger Air Service

The Merced Municipal Airport (MCE) is operated by the City of Merced. It is a commercial air service (Part 139) airport with scheduled air service through May 31,

2008, and the expectation that air service will resume in summer 2008. The Airport's core market area includes a large and growing population living in Merced County, portions of south Stanislaus County, portions of north Fresno County and east of Tuolumne and Mariposa Counties.

a. Existing Commercial Service Schedule

Until May 31, 2008, commercial flights have been provided twenty-three times weekly to Las Vegas by Mesa Air Group, doing business as US Airways and using Beech 1900-D aircraft. The service operated with an Essential Air Service (EAS) federal subsidy.

Effective May 31, 2008, Mesa terminated service. The USDOT is re-bidding the EAS contract, with the expectation of a new carrier selection in summer 2008.

Table 4: Passenger Schedule (through May 31, 2008)

US Airways Express - Merced Schedule			
Monday - Friday			
Departing		Arriving	
Airport	Time	Airport	Time
MCE	6:55 AM	LAS	8:25 AM
LAS	9:20 AM	MCE	10:50 AM
MCE	11:03 AM	LAS	1:20 PM
LAS*	1:50 PM	MCE	4:10 PM
MCE*	4:25 PM	LAS	5:55 PM
LAS	4:15 PM	MCE	5:45 PM
MCE	5:58 PM	LAS	8:15 PM
MCE	8:45 PM	LAS	10:15 PM
* Flight does not operate on Tuesdays			
Saturday			
Departing		Arriving	
Airport	Time	Airport	Time
MCE	6:55 AM	LAS	8:25 AM
LAS	9:20 AM	MCE	10:50 AM
MCE	11:03 AM	LAS	1:20 PM
LAS	4:15 PM	MCE	5:45 PM
Sunday			
Departing		Arriving	
Airport	Time	Airport	Time
MCE	11:50 AM	LAS	1:20 PM
LAS	1:50 PM	MCE	4:10 PM
MCE	4:25 PM	LAS	5:55 PM
LAS	4:15 PM	MCE	5:45 PM
MCE	5:58 PM	LAS	8:15 PM
MCE	8:45 PM	LAS	10:15 PM

b. Efforts to Develop More Service in the Past Five Years

Since 2001, the City of Merced has worked to promote additional air service and assure that it is well-known and used by the public. These efforts have taken several forms:

- Promoting carrier interest in the Essential Air Service (EAS) proposal competition. The EAS comes up for re-bid on two-year cycles, occurring in 2002, 2004, and twice in 2006. Interest from airlines has been limited in the past, so in 2004 and 2006 the City acted to promote interest among carriers by participating more actively in the USDOT process. The results: while in 2002 only one carrier bid the service, that number had increased to two in 2004, and it increased to three in 2006.
- Working with the carrier to actively market the Merced air service. The City has worked actively with Scenic Airlines on marketing in the period from 2001 to 2006. A provision was added to Scenic's lease for terminal space that required more active marketing and quarterly reports on airline marketing efforts. The City cooperated by adding material to the City's own website, and by purchasing advertising promoting service from Merced. Personal encouragement was given to airline management to increase advertising and marketing.
- Working with the carrier to change destination airports. From 2001 through 2006, Scenic Airlines served Merced with flights to North Terminal in Las Vegas. The City continually encouraged a move to McCarran International, feeling that the superior connections would promote enplanements in Merced. Following Scenic's termination of service in November 2006, the City worked with other carriers (especially Mesa, which won the EAS bid) to assure that the Las Vegas destination airport would be McCarran.

This change to McCarran did increase enplanements, despite transitions in carrier.

- Working with the carrier to add service. The City worked with Scenic Airlines in 2005 and 2006 on revisions and improvements to terminal space, in order to allow Scenic to add unsubsidized flights to Reno, Nevada and to make a change in the EAS destination to McCarran International in Las Vegas. The City expanded its terminal to provide space for Transportation Security Administration (TSA) security, and Scenic was poised to add the Reno service when a Scenic corporate decision was made to leave the scheduled air service business altogether.

These past efforts have been productive to the extent that Merced has been successful in obtaining an air carrier with national connections, and that competition has been promoted. However, the air service needs to be better recognized and marketed.

5: Air Service Needs and Deficiencies

a. Leakage

A significant number of passengers choose to use airports in the Bay Area (San Jose International Airport, San Francisco International Airport, and Oakland International Airport) or Sacramento (Sacramento International Airport). The airports provide multiple airlines with a broad range of domestic and international flights, as follows:

Table 5: Competing Airports and Service

Airport	Avg. Daily Departures	No. of Airlines
San Francisco	1,000+	40+
Oakland	200+	12
San Jose	190	15
Sacramento	150	14

Analysis performed by DMJM Aviation for the Merced Airport Master Plan (2007) indicates that between 70 percent and 80 percent of air passenger enplanements generated in the CMA are using airports outside the CMA.

Table 6: Estimated Enplaned Passenger Leakage Merced CMA: 1981 – 2004

Year	CMA Airport Enplanements	Total CMA Enplanements	Leakage	% Leakage
1981	354,081	1,084,248	730,167	67.3%
1982	376,618	1,122,875	746,257	66.5%
1983	443,615	1,205,163	761,548	63.2%
1984	486,626	1,206,145	719,519	59.7%
1985	441,770	1,326,866	885,096	66.7%
1986	447,584	1,469,435	1,021,851	69.5%
1987	513,983	1,621,310	1,107,327	68.3%
1988	429,576	1,637,313	1,207,737	73.8%
1989	455,540	1,663,972	1,208,432	72.6%
1990	495,226	1,798,537	1,303,311	72.5%
1991	630,471	1,877,446	1,246,975	66.4%
1992	613,023	1,929,089	1,316,066	68.2%
1993	561,426	1,909,136	1,347,710	70.6%
1994	530,047	2,004,546	1,474,499	73.6%
1995	483,339	2,114,988	1,631,649	77.1%
1996	562,375	2,137,567	1,575,192	73.7%
1997	544,251	2,181,949	1,637,698	75.1%
1998	511,047	2,226,818	1,715,771	77.1%
1999	531,086	2,379,263	1,848,177	77.7%
2000	535,808	2,442,761	1,906,953	78.1%
2001	493,060	2,003,112	1,510,052	75.4%
2002	466,947	2,290,871	1,823,924	79.6%
2003	520,430	2,252,696	1,732,266	76.9%
2004	619,861	2,511,874	1,892,013	75.3%

b. Consumer Awareness and Marketing

A key reason for the significant leakage noted from the Merced Airport is a lack of awareness on the part of potential travelers about the air service available from Merced.

Traditionally, potential customers are much more aware of larger area airports with established market presence. Merced's airport has been constrained by scarce budget resources in marketing its assets and features.

6: Strategy to Improve Air Service Deficiencies

a. Goals and Objectives of the Project

Goal 1: Increase awareness of the Merced Airport throughout the market area.

Measurable objective: Increased level of knowledge of Merced Airport services throughout the market area, as measured by survey.

Goal 2: Achieve increased ridership from the Merced Municipal Airport.

Measurable objective: Observe increases in Merced enplanement data.

Goal 3: Achieve additional air service.

Measurable objective: By the end of the grant period, achieve additional lift capacity supplied by airlines serving Merced.

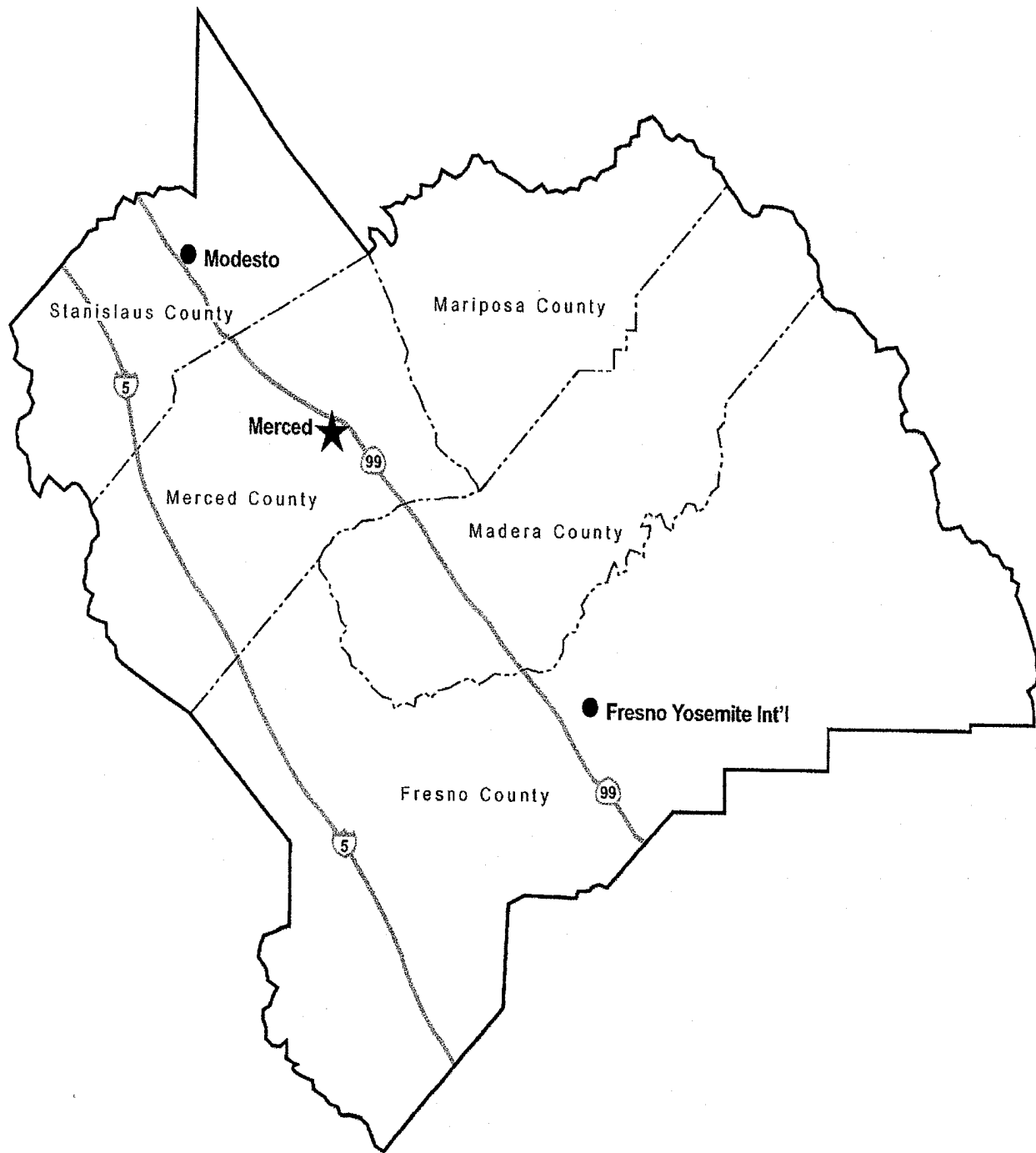
b. The Target Market

The Airport's core service area includes Merced County, portions of south Stanislaus County, portions of north Fresno County and east of Tuolumne and Mariposa Counties. In addition to the airports shown in Figure 2, the following airports provide general aviation services in the area. Of those listed, only Castle is certificated for Part 139 commercial service, and no service operates there as of the date of this application.

Table 7: Other Market Area Airports

<u>Airport</u>	<u>Location</u>
Castle	7 miles NW
Chowchilla	20 Miles SE
Gustine	20 miles W
Los Banos	45 miles SW
Madera	30 miles SW
Turlock	20 miles NW

Figure 2: The Target Market Area



This market area was defined by DMJM Aviation in the September 2007 Merced Municipal Airport Master Plan. It also compares very closely to the "catchment area" defined by Mead & Hunt in their March 2007 report for the California Regional Air Service Plan (see Attachment 3).

c. Proposed Project Activities

The proposed activities focus on increasing market awareness in order to achieve the goals listed above in 6.a. Improvement in market awareness will increase utilization of existing flights and encourage development of additional flights and lift capacity, particularly at peak times.

All of the activities relate directly to marketing:

1. Selection of Marketing Consultant for Development of Media Campaign. The first activity is to recruit, select, and contract with a well-qualified marketing consulting firm to develop and manage a media campaign to heighten awareness. The City will use an open qualification-based process to retain a marketing consultant who is media-savvy in local markets and experienced in the particular media to be used. Although the marketing consultant will have professional discretion to recommend appropriate measures, the emphasis will be on long-lasting (semi-permanent) media measures listed below as specific required points.
2. Media Campaign. The marketing consultant will develop a marketing plan, including evaluation techniques for determining the level of market awareness pre- and post-campaign. The media campaign itself will be three years in duration but leave behind lasting items to continue the promotion of the airport. Required elements of the media campaign that will be incorporated:
 - Emphasis upon media to reach the complete market area, not simply Merced city residents.
 - Incorporation of a long-term lease billboard strategy, so that billboard agreements are executed during the term of the grant, but provide for longer-term promotion.
 - Incorporation of enhanced graphics and signage for the Airport, to increase visibility on a permanent basis. These shall be located both on and off-site, in public rights of ways.
3. Air Service Partnership Committee Meetings and Reporting: The Committee shall meet not less than bi-monthly during the term of the project, with support from City staff and engaged with the marketing consulting firm. The Committee shall review and advise in all key activities, monitor progress toward goals and objectives, and deliver written progress reports to the City Council. These reports shall also become part of the reporting to the USDOT to assure grant accountability.
4. Project Monitoring and Reporting: City staff shall report to the Air Service Partnership Committee, as well as to the Airport Authority and City Council. This monitoring will be incorporated into the USDOT grant reporting as well.

Activities are further illustrated in Table 8.

d. Schedule of Activities

All activities will be conducted within a 36-month period following award of the grant. Anticipating that the grant will be awarded in fall 2008, activities will be completed by fall 2011.

Further details for scheduling of individual activities are shown in Table 8.

e. Partnerships and Participants

The City of Merced Municipal Airport governing structure already incorporates private sector participation, through the Airport Authority. Additional private sector partnership will be established for the grant activities:

- Airport Authority: This seven-member body is a standing committee, appointed by the City Council. It is composed of seven members who are primarily private sector, and whose role is to advise the City Council on virtually all matters of importance to the Airport. They will play a role in advice and approval of major steps in the Small Community Air Service Development Program.
- Air Service Development Partnership Committee: The Partnership Committee will be established specifically for Small Community Air Service Development Program activities, and will include primarily private sector representation. This Committee will review and advise on marketing activities throughout the grant period, as well as monitor progress toward goals and objectives.
- Greater Merced Chamber of Commerce: The Chamber is the leading representative organization for private business in the area, and has committed to participate through general support and the appointment of representatives to the Air Service Development Partnership Committee. See Attachment 4.
- Airline: The new carrier awarded the EAS bid will be invited to participate in the program through coordinated marketing efforts and consideration of additional capacity to improve service.

f. Budget and Funding

The total project budget is \$179,160 over the 36-month period. Funding by source and activity is shown in Table 9.

Table 9: Budget

Action	Total Expense	Cash		In-Kind		Detail: In-Kind Hours		
		USDOT Grant	City (Non-Airport)	City (Non-Airport)	City (Airport)	Private	City (Non-Airport)	City (Airport)
1. Selection of Marketing Consultant	4,000							
Issue request for proposals	760		560	200		8	4	
Proposals received	-							
Evaluation/selection of consultant	1,920		1,120	800		16	16	
Contract negotiation/execution	1,320		1,120	200		16	4	
2. Marketing Media Campaign	139,520							
Development of marketing plan	20,400	10,000	5,000	1,050	750	15	15	60
Print media	20,950	20,000		700	250	10	5	
Electronic media	30,810	30,000		560	250	8	5	
Billboard media	45,810	25,000	20,000	560	250	8	5	
Graphics/signage program	21,550	15,000	5,000	1,050	500	15	10	
3. Partnership Committee	27,100							
Recruitmt/apptmt of Committee	1,580			280	100	4	2	20
Committee meetings	23,040			2,240	1,600	32	32	320
Committee reports to Council	2,480			1,120	400	16	8	16
4. Project Monitoring and Reporting	8,540							
Progress reports to Airpt Authority	1,360			560	800	8	16	
Progress reports to City Council	1,920			1,120	800	16	16	
Financial monitoring/reporting	1,080			280	800	4	16	
Grant Reporting to USDOT	2,600			1,600	1,000	40	20	
Closeout Report	1,580			1,340	240	32	4	
	179,160	100,000	30,000	15,260	8,700	248	174	420

Notes:

- Hourly rates for in-kind contributions are as follows:

	City	Airport	Finance	Private
	\$ 70.00	\$ 50.00	\$ 40.00	\$ 60.00

These rates are based on personnel rates of City employees performing the functions, and a rate for private sector volunteers serving on the Partnership Committee.
- City cash contribution is based upon the appropriation of \$25,000 in matching funds by the City Council on June 2, 2008; and upon the previously approved City capital project for wayfinding signage, of which \$5,000 benefits the Airport. See Attachment 1 for detail on match.
- All City personnel staff time spent on the project is shown as "in-kind" match. No grant funds will be used.

g. Accountability and Sustainability

The City of Merced has extensive experience in grant management with a variety of funding agencies. Financial management systems are well-established to assure timely and responsible expenditures of grant funds.

The proposed grant activities have been designed to have lasting impact beyond the expiration of the grant period, and be sustainable for the benefit of Merced area air travelers.

1. Assuring Merced's local funding is spent

The City's budgetary commitments are determined by the City Council, and the necessary budgetary commitment has been made (Attachment 1).

The City's finances are managed by the Finance Department. The Finance Department staff is experienced in assuring that funds pledged for local match are expended at the rate required by a federal grants agency. For instance, Federal Aviation Administration (FAA) capital improvement grants routinely require a 5% local match. When submitting requests for federal reimbursement, Finance Department accounting staff assures that local cash match is drawn down at the required rate.

City Airport staff will secure written evidence of in-kind match contribution, maintain that evidence in project files, and submit it to USDOT.

2. Monitoring the project

The project will be monitored as to (1) progress on activities, and (2) financial progress.

Airport staff will perform activity monitoring and reporting. The City's existing reporting system includes monthly activity reports from each Department to the City Manager, and the grant-funded activity will be included in this report. The City will likewise require monthly activity reports from its marketing consultant, to incorporate into the City's own reporting. The City's monthly reports will be consolidated and used as the basis of activity reports to the USDOT for this grant.

The City's Finance Department will provide financial reporting. The Finance Department has been awarded the "Certificate of Achievement For Excellence in Financial Reporting" by the Government Finance Officers Association for the last ten consecutive years. For at least the last five years the City has received an "Unqualified Opinion" on its Comprehensive Annual Financial Report.

3. Continuing past the expiration of the grant

The proposed grant activities will provide a sustainable solution for the benefit of Merced area air travelers. The City is not interested in a short-term temporary solution and has designed its program to have lasting impact beyond the expiration of the grant period.

7: Support for Air Service Development Zone Designation

The City of Merced is requesting a designation as an Air Service Development Zone (ASDZ) for the Merced Municipal Airport. The designation would provide a much greater opportunity for the region to spur tourism, develop airport infrastructure, grow industry, generate jobs, and complement the recently opened University of California Merced research and development efforts. This action would greatly strengthen the economy of the region and reduce the drain of talented young people and university graduates, as they must currently pursue employment opportunities in distant major metropolitan areas.

The Merced Municipal Airport is surrounded by the Merced Airport Industrial Park, which is owned and developed by the City. The 420-acre Industrial Park is approximately 75% occupied with business and industry. Users include tenants such as Malibu Boats, Pepsi, and Werner Ladder. Sufficient land is available to attract more traditional industrial companies, high tech businesses, and aviation related users. The Airport Industrial Park is well positioned to draw companies who would benefit from being located adjacent to the Merced Municipal Airport. City of Merced staff and University of California Merced faculty are confident that with an improved airport, the community will be more attractive to research and development and other technology oriented companies.

A majority of the Airport Industrial Park is fully served with water, sewer, power, and gas utilities. Water and sewer upgrades were made to the South Airport Industrial Park by the City of Merced. The South Airport Industrial Park is also served by two power providers, Pacific Gas & Electric and Merced Irrigation District. Over the past three years, the Airport Industrial Park has been the center of activity for small business development.

Approximately 15 new projects are underway or completed including expansions of local general contracting companies, back office users, warehousing, and an environmental services company. In September 2007, the Airport Industrial Park welcomed New York-based Certified Labs of Northern California. Spring 2008 marked the opening of food processor, Zymex Industries. Client companies considering the Airport Industrial Park for projects cite proximity and availability of air service and an airport as key factors for considering the City of Merced for their expansions.

New jobs and industrial development are critical to the City of Merced. From 1990 to 2008, Merced has grown from 56,000 to 80,000 people, and is a minority majority community. Per capita income has remained relatively stagnant ranging from \$15,000 to \$17,000 during the same time period. Unemployment is generally double the State of California average. For April 2008, unemployment for the City of Merced is estimated at 12.2% while the State of California is estimated at 6.1%. The workforce is generally characterized as low to moderate skilled.

Designation as an Air Service Development Zone will be an important help to the future economic development of Merced Municipal Airport, the Airport Industrial Park, and University of California Merced science and technology programs. Selection as an Air Service Development Zone will provide a major catalyst for the growth of business, industry, and tourism in the City of Merced and surrounding area.





**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 8th day of September, 2008

In the Matter of the

**SMALL COMMUNITY AIR SERVICE
DEVELOPMENT PROGRAM**

DOCKET DOT-OST-2008-0100

under 49 U.S.C. 41743 *et seq.*

ORDER AWARDING GRANTS

Summary

By this order, the Department selects 16 communities in 12 states to receive financial grants under the Small Community Air Service Development Program (Small Community Program) to implement the air service initiatives proposed in their grant applications. The communities and the amount of each award are listed in the Appendix to this Order. Award recipients must execute a grant agreement with the Department before they can begin to spend funds under the grants. Individual agreements must be executed by September 19, 2008, or the Department's offer may be withdrawn.

Background

The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), P.L. 106-181, April 5, 2002, established a new pilot program, to be administered by the Department of Transportation, designed to help smaller communities enhance their air service and address issues related to high airfares.¹ AIR-21 authorized the Small Community Program through FY 2003. Vision 100-Century of Aviation Reauthorization Act (Vision 100), P.L. 108-176,

¹ See Orders 2002-6-14 and 2003-9-14 for a complete description of the history of the program.

December 12, 2003, amended the program, reauthorized it through FY 2008, and eliminated the “pilot” status of the program. The program currently has \$6.85 million available to award.²

When selecting applicants to participate in the Small Community Program, the Department is statutorily required to apply the following eligibility criteria:

1. For calendar year 1997, the airport serving the community was not larger than a small hub airport, and had insufficient air carrier service or had unreasonably high air fares.
2. The airport presents characteristics, such as geographic diversity or unique circumstances that demonstrate the need for, and feasibility of, the Small Community Program.
3. Not more than 4 communities or consortia of communities, or a combination thereof, from the same State may be selected to participate in the program in any fiscal year.
4. No more than 40 communities or consortia of communities, or a combination thereof, may be selected to participate in the program in each year for which the funds are appropriated.
5. An applicant may not receive an additional grant to support the same project.³
6. An applicant may not receive an additional grant, prior to the completion of its previous grant.⁴

In addition, the law directs the Department to give priority to those communities or consortia of communities⁵ where: a) air fares are higher than the average air fares for all communities; b) a portion of the cost of the activity contemplated by the community is provided from local, non-airport revenue sources; c) a public-private partnership has been or will be established to facilitate air carrier service to the public; d) improved service will bring the material benefits of scheduled air transportation to a broad section of the traveling public, including businesses, educational institutions, and other enterprises whose access to the national air transportation system is limited; and e) the funds will be used in a timely manner.⁶

² Of the program’s \$10 million appropriation for fiscal year 2008, the Department is retaining \$3.15 million to cover current and future administrative support costs. The Fiscal Year 2009 Senate Appropriations bill for DOT, as approved by the Senate Appropriations Committee, does not include funding for SCASDP, and the Department expects to be under a Continuing Resolution for several more months. As a consequence, we must retain sufficient funds at this time to administer the program into future years without the benefit of additional appropriations. (The Department will continue to incur administrative costs during the next several years until the grants awarded this year, together with others awarded in prior years and still active, fully expire.) Should appropriations legislation be enacted making additional funds available for the Small Community Program, any funds so retained but not needed for program administration purposes will be reallocated for awards in future years.

³ However, as stated in our Request for Proposals (Order 2008-3-8), previous grant recipients were free to submit grant proposals and seek funds for new projects in a different category. For example, although a community which had received a grant for a market study could not apply for a new grant for another market study, it could apply for funding for a revenue guarantee for new air service.

⁴ 49 U.S.C. 41743(c).

⁵ A consortium of communities is defined as a single entity. 49 U.S.C. 41743.

⁶ 49 U.S.C. 41743(c)(5).

The Department is authorized to award grants to communities that seek to provide assistance to:

1. An air carrier to subsidize service to and from an underserved airport for a period not to exceed 3 years;
2. An underserved airport to obtain service to and from the underserved airport; and/or
3. An underserved airport to implement such other measures to improve air service both in terms of the cost of such service to consumers and the availability of such service, including improving air service through marketing and promotion of air service and enhanced utilization of airport facilities.⁷

On April 1, 2008, the Department issued a request for proposals (RFP) from communities interested in receiving a grant this year, and requested that such proposals be filed no later than June 6 (Order 2008-3-8). Applicants were required to submit form SF424, a standard federal government application form, in Grants.gov. Communities were requested to provide information that would help in consideration of their grant requests, including details about their existing air services, historical services, current service needs and deficiencies, a full description of the community's proposal, plans for implementation, funding requirements, and plans for monitoring the success of the project, including modifying or discontinuing funding if the project is not meeting expectations.

Drawing on our experience over the previous six years, our RFP clarified various issues relating to the grant application process, including the sources of local funding, the consideration of in-kind contributions, the use of grant funds, and the eligibility to participate by past grant recipients and communities now receiving subsidized air service under the Essential Air Service (EAS) program. The order further emphasized that communities would be expected to meet the financial-contribution commitments that they include in their proposals.

2008 Grant Applications

In response to the RFP, we received 66 grant applications from communities in 32 states. Collectively, these communities sought \$36.3 million in federal assistance to support new and ongoing air service development projects. The large majority of applications were filed by individual communities and a few were filed by consortia of communities. Additionally, a number of applications were from communities now receiving subsidized air service under the Department's EAS program. Most applications were submitted by communities that had filed applications in previous years. As required, all applicants provided information on historical and current air service and airfare issues facing their communities, the economic benefits of air service, proposed initiatives to remedy air service or airfare problems, and arguments in support of their proposals. Nearly all the communities pledged local contributions – funds collected from local, state, airport, or in-kind sources – to complement their requests for federal assistance.

As in previous years, this year's applications included proposals for feasibility studies, new or expanded service initiatives, service upgrades, and assorted combinations thereof. Our review of the applications confirmed that air service issues continue to be of great concern to many small

⁷ 49 U.S.C. 41743(d).

communities. Nearly all of the applicants cited both service deficiencies and high airfares as problems affecting patronage of their air services. Many applicants noted that passengers often drive to other, more distant airports that have lower fares or offer a wider range of services to more destinations. Despite these “leakage” issues, the communities seeking funds believe that demand for improved service at their local airports can be stimulated with financial assistance.

The large majority of applicants specified the need to attract new and/or additional air services to their communities. Similar to previous years, a majority of applicants also proposed to implement their projects using revenue guarantees or subsidies, together with a variety of marketing and promotional initiatives. A critical component of most proposals was funding to support community-based marketing and promotional initiatives to stimulate demand and community awareness of local airport services. These efforts are directed at publicizing not only the availability of air services, but also the convenience of using the local airport compared to more congested air service hubs or other, larger, nearby airports.

This year, 10 applications either did not meet the basic criteria for participation outlined above and were determined ineligible for selection, or the application itself was deemed incomplete. Most often, the applicant sought additional funding for the same, or essentially the same, project that was funded in a previous grant. In one instance, the applicant was a subsidized EAS community seeking to start a new service. As we stated in our April 2008 order soliciting grant proposals, such communities are limited to marketing or promotion projects that support existing or newly subsidized air services.⁸ Finally, two applicants either had no government entity as its legal sponsor, as required⁹, or did not comply with requirements to file via Grants.gov.¹⁰

2008 Grant Awards

The Small Community Program is unique in that it encourages and affords communities the opportunity to develop their own solutions to their air service problems based on their particular needs and circumstances. By providing communities the opportunity to develop and implement air service projects tailored to their individual needs, the program aims to maximize the potential for success in the communities’ endeavors. Since the program’s inception, the Department has sought to maximize the number of participating communities, promote geographic diversity of the selections, and support a variety of solutions to the problems identified by applicants in order to provide a wide range of approaches for dealing with the challenges faced by similarly situated communities.

With these considerations in mind, we are selecting 16 grant proposals with the objective of entering into grant agreements with the communities/consortia identified in the Appendix to this order. Grant agreements must be executed with the Department before the recipients can begin to spend funds provided under this order. In addition, grant recipients are subject to all grant

⁸ Order 2008-3-8, p. 2.

⁹ Order 2008-3-8, p. 11.

¹⁰ Order 2008-3-8, p. 6.

conditions and assurances required by federal law, regulations and executive orders.¹¹ Funds for these awards will be obligated as of the date that each grant agreement is executed with the selected communities. Accordingly, the Department's grant offers and agreements will be transmitted to the selected communities upon issuance of this order.

The proposals we selected incorporate the purpose of the statute, and provide an expanded opportunity to test a variety of approaches to improving small community air service in all regions of the country. For example:

- Five of the grant awards are made to non-EAS communities experiencing higher-than-average air fares, including Redding, CA; Missoula, MT; State College, PA; Sioux Falls, SD; and Wichita Falls, TX. These communities plan to use their grants to attract new or expanded air services.
- Most of the awards to non-EAS communities include funds for marketing programs to support local air services. Such communities include Bullhead City, AZ; Redding, CA; Bloomington, IL; Springfield, IL; Missoula, MT; State College, PA; Sioux Falls, SD; Midland, TX; and Wichita Falls, TX.
- Three awards go to communities that are seeking to acquire their first air service or to restore service previously lost, including Bullhead City, AZ; Moses Lake, WA; and an intrastate consortium of geographically isolated communities in Aroostook County, ME.
- Two awards go to communities seeking service by a second air carrier. They are Muskegon, MI, and Wichita Falls, TX.
- The award to Dover, DE, will enable the community to conduct a study of its air service needs and potential solutions.
- Two grant awards are targeted at EAS communities: Merced, CA, which will use its marketing grant to support its transition to a new air carrier, and West Yellowstone, MT, which intends to use its marketing grant to increase ridership and reduce or eliminate its reliance on EAS.¹²

All of the selected communities are contributing financial resources to their respective grant projects from other than airport revenues. Many will also provide in-kind contributions to further the goals of their proposed air service initiatives. In addition to the participation and involvement by the communities/consortia in designing the grant projects, the local contributions reflect

¹¹ See http://ostpxweb.dot.gov/aviation/X-50%20Role_files/scasdp/Assurances.pdf for applicable conditions and assurances.

¹² We note that some grant applicants that currently receive subsidized air service under the EAS program sought to use grant funds to secure air service by other carriers to additional destinations. As we stated in our RFP (Order 2008-3-8), we are prepared to entertain applications from EAS-subsidized communities that are directed toward improving use of the EAS being provided. We will not select proposals that would conflict with long-standing EAS policies, including financial support through this program of air services that would compete with the EAS, thus drawing traffic from the already subsidized services and increasing the subsidy requirements for those services.

a commitment that is important to the success of the proposed initiatives. Moreover, all of the communities/consortia have established public/private partnerships to enhance community participation and facilitate access to air services, and nearly all have provided a specific plan and timetable for using their grant funds.

In one instance – Bloomington, IL -- we have reduced the grant-award amount below the amount requested by the community in its proposal. This reduction reflects a narrowing of the proposed project's funding to focus on marketing of new service. We believe that our reduction should not adversely affect Bloomington's air service project. However, since we are changing the terms of the community's grant proposal, our award in this case is conditioned on Bloomington's acceptance of the lower amount.

Air Service Development Zone

The statute directs the Department to designate an airport in one community awarded a grant under this program as an "Air Service Development Zone" (ASDZ), and to work with the community or consortium on means to attract business to the area surrounding the airport, to develop land-use options for the area, and to provide data, working with the Department of Commerce and other agencies. 49 U.S.C. 41743(h). We are designating the Merced Municipal Airport, Merced, California, as an ASDZ. Merced was the only community that applied for the ASDZ designation this year. The designation does not entail any additional financial assistance.

Grant Agreements

Because authorization for the Small Community Program is set to expire on September 30, 2008, a selected community must accept the Department's offer and the terms of its grant agreement by September 19 so that DOT can meet the deadlines for obligating necessary funds. If the community fails to do so, the Department may withdraw the offer.

As noted above, the Department will execute grant agreements with each recipient. In the RFP, we stated that a community cannot accept a new Small Community Program grant while it is a party to an existing grant under the program, either as individual community or as a member of a consortium. Accordingly, a community still party to an agreement pursuant to a SCASDP grant awarded in a previous year must terminate its participation in that agreement before it can accept a 2008 grant award and execute a new implementing agreement with the Department. Further, if such community is a member of an existing consortia grant, it must also be granted permission to withdraw from the agreement by the grant's legal sponsor as well as the Department.

We also stated in the RFP that communities must establish milestones to monitor the progress of the proposed projects to determine whether amendments are necessary or whether the grant agreement should be terminated. As we have done in the past, milestones and progress reporting requirements will be included in the grant agreements. Federal funds under this grant program are disbursed on a reimbursable basis, with the communities expending funds for the grant project and then seeking reimbursement. Communities will not be reimbursed for funds expended prior to the date on which the grant agreement is executed. In seeking reimbursements, grant re-

recipients must provide invoices or other evidence of the expenditure, details about the expenditure and how it relates to the grant project, and evidence of payment. In addition, the legal sponsor is required to certify that each invoice is relevant to the authorized grant project and has been paid. Communities will be required to comply fully with the terms of their proposals and the grant agreements.

ACCORDINGLY,

1. We select the communities/consortia listed in the Appendix to receive grant awards under the Small Community Air Service Development Program as described in this order;
2. We designate the Merced Municipal Airport, Merced, California, as an Air Service Development Zone;
3. Grant recipients are subject to all grant conditions and assurances that appear at http://ostpxweb.dot.gov/aviation/X-50%20Role_files/scasdp/Assurances.pdf and specified in FAA Order 5100-38B;
4. Grant recipients must execute a grant agreement with the Department before they can begin to spend funds provided under this order;
5. A copy of this order will be served on the legal sponsor for each of the communities awarded grants.

By:



Michael W. Reynolds
Acting Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available
on the World Wide Web at <http://www.regulations.gov>*

**SMALL COMMUNITY AIR SERVICE DEVELOPMENT PROGRAM
2008 GRANT SELECTIONS**

COMMUNITY	STATE	GRANT AMOUNT
Bullhead City	AZ	\$500,000
Merced	CA	\$100,000
Redding	CA	\$500,000
Dover	DE	\$135,000
Bloomington **	IL	\$225,000
Springfield	IL	\$750,000
Aroostook County	ME	\$350,000
Muskegon	MI	\$650,000
Missoula	MT	\$485,000
State of Montana (W. Yellowstone)	MT	\$105,000
State College	PA	\$474,000
Sioux Falls	SD	\$500,000
Midland	TX	\$600,000
Wichita Falls	TX	\$500,000
Moses Lake	WA	\$475,000
Huntington	WV	\$500,000
Total		\$6,849,000

** Grant proposal is conditionally selected since the amount awarded is less than the Community requested.

ADMINISTRATIVE POLICIES AND PROCEDURES

**SUBJECT: LOCAL BUSINESS ENTERPRISE (LBE) OUTREACH PROGRAM FOR
USE ON ALL CITY AND REDEVELOPMENT AGENCY PUBLIC WORKS
PROJECTS**

Effective: January 3, 2005 (Replaces policy dated September 1, 1997)

PURPOSE:

The Council adopted a Public Works Local Business Enterprise Outreach Program. This policy is to implement the Council's Outreach Program.

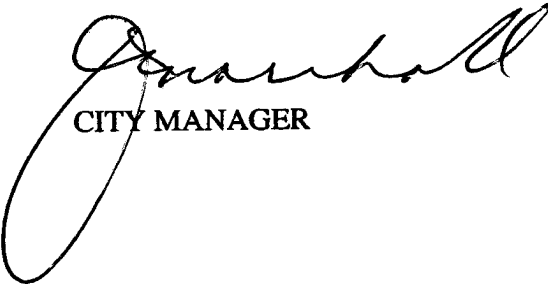
The City is committed to insuring a full and equitable participation by LBE's in the provision of public works projects City or Agency.

POLICY:

All Department Managers are responsible for advising and training their respective employees on this policy.

(See attached Local Business Enterprise (LBE) Participation policy.)

APPROVED:


CITY MANAGER

JGM:nr

CITY OF MERCED
LOCAL BUSINESS ENTERPRISE (LBE) PARTICIPATION
PROJECT NUMBER
PROJECT NAME

A. GENERAL

This project is subject to the policies and requirements established by the City of Merced. The City is committed to ensuring full and equitable participation by Local Business Enterprises (LBEs) in the provision of all goods and services to the City or Agency on a contractual basis. This outreach program is set forth in these Special Provisions. Bidders shall be fully informed concerning the requirements of this program. Failure to comply with the Good Faith Effort Outreach Program will render the bid non-responsive.

Please note that in accordance with State law, the bidder is required to fill out the list of subcontractors (page ____) at time of bid for any branch of work equal to one-half of one percent of total contract price or \$10,000.00, whichever is greater, that is to be accomplished by persons or companies other than the general contractor. This requirement is considered a totally separate issue from meeting the LBE requirements.

B. POLICY

The subcontracting outreach policy requires the bidder of this project to make a "Good Faith Effort" to obtain sub-bid participation by LBEs which is anticipated by the City to produce the level of LBE participation as shown in the "Notice Inviting Bids".

C. DEFINITIONS

1. Local Business Enterprise (LBE): An LBE is defined as a business firm with a valid non-delinquent City of Merced business license and with fixed offices or distribution points within the County of Merced.
2. Certification as an LBE: A business is automatically considered a certified LBE with the City of Merced if the business has a permanent physical location within Merced County and has an active City business license.
3. Good Faith Effort: The bidder must take affirmative steps prior to bid opening to ensure that a maximum effort is made to recruit LBE sub-bidder/subcontractors. LBEs must be considered along with other business enterprises whenever possible as sources of supplies, construction and other services. The required affirmative steps for Good Faith Effort Certification and Documentation are outlined in Paragraph D herein.

4. Subcontractor: For the purpose of this program, the term "Subcontractor" denotes an agreement between the prime Contractor and an individual, firm or corporation for the performance of a particular portion(s) of the work for which the prime Contractor has obligated itself. Subcontractors must have a valid California Contractor's License or Professional License. For purposes of meeting the LBE requirement, other work including but not limited to trucking, equipment rentals, or any service rendered by local firms for the project shall also be included.
5. LBE Participation Credit: This applies to recognition as an LBE.
 - a. Work performed by a prime contractor who is an LBE is credited 100%
 - b. Work performed by a prime Contractor who is not an LBE will not be considered for credit in computing any expected levels of LBE participation established for this project. The prime Contractor will be required to make good faith efforts to obtain reasonably expected participation levels through subcontracting or materials and supplies acquisition.
 - c. Credit for materials and/or supplies purchased locally shall be considered at 100% of the amount to be paid to the local vendor for such materials/supplies in computing the expected levels of LBE participation.

D. GOOD FAITH EFFORT CERTIFICATION AND DOCUMENTATION

It is the policy of the City of Merced to provide LBEs an equal opportunity to participate in the performance of all City contracts. Bidders shall assist the City in implementing this policy by taking all reasonable steps to ensure that any qualified available business enterprise including LBEs, have an equal opportunity to compete for and participate in City contracts. A bidder's good faith efforts to reach out to LBEs shall be determined from documentation of the level of effort put into achieving the following factors. Certification of Good Faith Effort must be returned with the bid. The low bidder shall submit detailed Good Faith Effort Documentation by 5:00 P.M. within two working days after the bid opening to the Engineering Department, 678 West 18th Street, Merced, California, 95340. Failure to submit the required Good Faith Effort Documentation by 5:00 P.M. within two working days after the day of the bid opening will render the bid non-responsive. Any other bidders who may be considered for award in the event that the low bidder is considered non-responsive shall submit the detailed Good Faith Effort Documentation by 5:00 P.M. within two working days after receipt of a request from the Engineering Department.

Good faith shall be determined by the following:

1. The bidder has made a good faith effort to obtain sub-bid participation by LBEs that could reasonably be expected to produce a level of participation by LBEs, as called for in the Notice Inviting Bids.

2. The bidder has identified and selected specific work items in the project to be performed by sub-bidders/subcontractors in order to provide an opportunity for participation by LBEs. Upon making this determination, the bidder subdivided the total contract work requirements into smaller portions or quantities to permit maximum active participation of LBEs. If the bidder has identified an amount of subcontracting work less than the proposed LBE goal or intends to do all of the project with his own forces, this shall not disqualify his bid. However, the bidder should make a good faith effort to maximize use of local services.
3. The City will provide a plan holder's list for this project upon request to the Engineering Department, phone (209) 385-6846 and provide outreach to local businesses regarding subcontracting opportunities through the Building Exchanges. However, the bidder should also provide written notice of its interest in receiving sub-bids on the contract to those business enterprises, including LBEs having an interest in participation in the selected work items, through builder's exchanges and the trade press.
4. The bidder has documented efforts to follow-up initial solicitations of sub-bid interest by contacting the affected business enterprises to determine with certainty whether said enterprises were interested in performing specific portions of the project work.
5. The bidder has negotiated in good faith with interested LBEs and did not unjustifiably reject as unsatisfactory bids or proposals prepared by any enterprise, as determined by the Engineering Department. As documentation the bidder must submit a list of all sub-bidders for each item of work solicited, including dollar amounts of potential work for LBEs.

The anticipated levels of LBE participation shall not by itself become the basis for any bidder's disqualification or determination of lack of Good Faith Effort. Adequacy of a bidder's good faith effort will be determined by the City Engineer after consideration of the factors of good faith as set forth above. Attached hereto is a copy of the Certification of Good Faith Effort due with the bid and the detailed evaluation sheet (Good Faith Effort Documentation) used by the City to assist in determining the adequacy of a bidders good faith effort.

All Bidders shall submit a completed Certification of Good Faith Effort with their bid. Detailed Good Faith Effort Documentation may be submitted with the bid or shall be submitted by the low bidder by 5:00 P.M. within two working days after the day of the bid opening. Failure to do so will render the bid non-responsive. The Engineering Department, in its review of the Good Faith Effort Documentation may request additional information to validate and/or clarify that a good faith effort was adequately made. Such information shall be submitted promptly upon request. If the low bid is considered non-responsive, additional bidders will be asked to provide Good Faith effort Documentation by 5:00 P.M. within two days after the day of receipt of request from the Engineering Department.

E. AWARD OF CONTRACT

The City reserves the right to reject any and all bids. The award of a contract will be to the lowest responsible bidder whose proposal complies with all requirements prescribed herein. This includes compliance with the required good faith effort outreach program. A positive and adequate demonstration to the satisfaction of the City of a good faith effort is a condition for being eligible for award of the contract.

In the event that the City considers awarding away from the apparent low bidder because of the bidder's failure to satisfy the City with its good faith efforts, the City shall, if requested, and prior to the award of the contract, afford the bidder an opportunity to present further evidence to the City of the bidder's good faith effort.

(This form must be returned with bid)

**CITY OF MERCED
PROJECT NUMBER**

PROJECT NAME

CERTIFICATION OF GOOD FAITH EFFORT

Bidders are required to initial the underlined space provided to the left of each applicable provision if the bidder achieved compliance and submit this certification checklist with the bid to the Office of the Purchasing Agent, at 2525 "O" Street, Merced, California 95340. Failure to submit the required checklist with the bid will render the bid non-responsive.

1. _____ The bidder is a certified Local Business Enterprise and is therefore automatically qualified for 100% credit. No other portions of this Certification of Good Faith Effort form (**except date, signature and contractor name**) are required to be filled out and detailed documentation is not required

(If item 1 above is not checked, please proceed)

2. _____ The bidder is not a Local Business Enterprise. The bidder hereby certifies that his actual LBE participation, estimated at _____%, exceeds the goal listed in the Notice Inviting Bids. No other portions of this Certification of Good Faith Effort form (**except date, signature and contractor name**) are required to be filled out. Within two days after bid opening, only item 7 of the detailed Good Faith Effort Documentation, listing LBEs who will be subcontractors on this project, is required if bidder is the low bidder. (If the bidder has checked this item and after the bids are opened, it is determined that the bidder has not actually met the goal, the bidder must submit a new certification form completely documenting the bidder has made a good faith effort as required below.)

(If item 1 or 2 in not checked, you must complete the remainder of this form)

3. _____ The bidder has made a good faith effort to obtain sub-bid participation by LBEs which could reasonably be expected to produce a level of participation by LBEs as called for in the Notice Inviting Bids.

4. _____ The bidder has identified and selected specific work items in the project to be performed by subbidder/subcontractors in order to provide an opportunity for participation by LBEs. Upon making this determination, the bidder subdivided the total contract work requirements into smaller portions or quantities to permit maximum active participation of LBEs. If the bidder's total identified opportunities for subcontracting are less than the requested participation, this shall not disqualify the bid. However, bidder must make a good faith effort on all identified subcontracting.
5. _____ The bidder has documented efforts to follow-up initial solicitations of sub-bid interest by contacting the affected business enterprises to determine with certainty whether said enterprises were interested in performing specific portions of the project work.
6. _____ The bidder has negotiated in good faith with interested LBEs and did not unjustifiably reject as unsatisfactory bids or proposals prepared by any enterprise, as determined by the City. As documentation due after the bid, the bidder must submit a list of all sub-bidders for each item of work solicited, including dollar amounts of potential work for LBEs.
7. _____ The bidder estimates that his total LBE participation will be _____%. (Actual amount to be provided with detailed documentation due after bid).

CERTIFICATION

I have used this checklist and certify that positive steps were taken and documented to ensure that all available LBEs have had an equal opportunity to compete for and participate in this project. I am submitting this Certification of Good Faith Effort checklist herewith as evidence of the "Good Faith Effort" made. I understand that if I am the low bidder I am required to submit detailed documentation (unless I am a certified LBE or only the list of LBE's if I have met the goal) by 5:00 P.M. within two working days after the day of the bid opening or if my bid is to be considered for award, I am required to submit detailed documentation by 5:00 P.M. within two working days after receiving the request from the Engineering Department. I understand that if my documentation does not demonstrate that I have complied with the requirements of the "Good Faith Effort Outreach Program" as required by these bid specifications or if I do not submit adequate documentation, that my bid will be deemed non-responsive by the City.

Date

Officer's Signature

Firm Name:

Officer's Name and Title (Type or Print)

**(Detailed documentation to be submitted within two working days
after bid opening by low bidder or as requested)**

CITY OF MERCED

PROJECT NUMBER

PROJECT NAME

Name of Bidder: _____

GOOD FAITH EFFORT DOCUMENTATION

1. If Bidder is an LBE, the bidder is not required to submit this form. **If Bidder is not an LBE, and has actually met the required LBE goal, he only needs to fill out item 7 of this form and sign and date this form.**
2. List names and dates of advertisement of each newspaper and trade paper in which the bidder placed a request for LBE participation for this project.

3. List names and dates of all certified LBEs contacted or who contacted you for this project and the dates and methods used for the follow-up solicitation.

Name of LBE Solicited	Date of Solicitation	Name of LBE Solicited	Date of Solicitation
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

**Name of
LBE Solicited**

**Date of
Solicitation**

**Name of
LBE Solicited**

**Date of
Solicitation**

_____	_____	_____	_____
_____	_____	_____	_____

4. List items of work for which the bidder subbids or materials to be supplied by LBEs. If work items have been broken down into smaller portions, please indicate them below.

Items of Work

Items of Supplies

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

5. List the names of LBEs who submitted for any of the work indicated above which were not accepted, a summary of the bidder's discussions and/or negotiations with them, the name of the subcontractor or supplier that was selected for that portion of the work, and the reasons for the bidder's choice.

a. Names of Rejected LBEs:

b. Summary of Discussions and/or Negotiations:

- c. List Names of subcontractors or suppliers that were selected over the rejected LBEs listed above and the reasons for that choice:

6. List any additional data to support a demonstration of good faith effort:

NOTE: USE ADDITIONAL SHEETS OF PAPER IF NECESSARY. APPROPRIATE DOCUMENTATION SUCH AS COPIES OF NEWSPAPER ADS, LETTERS SOLICITING BIDS, AND TELEPHONE LOGS SHOULD ACCOMPANY THIS FORM.

7. LOCAL BUSINESS ENTERPRISE (LBE) PARTICIPATION CALCULATIONS

CITY OF MERCED

PROJECT NUMBER

PROJECT NAME

Name of Bidder: _____

WORK ITEMS

<u>IDENTIFIED WORK ITEMS</u>	<u>LBE'S NAME</u>	<u>ITEM TOTAL</u>
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
TOTAL OF WORK ITEMS		\$ _____

SUPPLY ITEMS

<u>IDENTIFIED SUPPLY ITEMS</u>	<u>LBE'S NAME</u>	<u>ITEM TOTAL</u>
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
_____	_____	\$ _____
TOTAL OF SUPPLY ITEMS		\$ _____

CALCULATIONS

A) Total Amount of Work Items	= \$ _____
B) Total Amount of Supply Items	= \$ _____
C) Total Amount of LBE Recognition (A + B)	= \$ _____
D) Total Bid Amount From Bid Proposal	= \$ _____
E) Percent LBE Participation (C/D x 100)	= _____

To the best of my knowledge, I believe the LBE Participation Calculations are true and accurate.

Signature of Bidder

Name of Bidder (Print or Type)

Date