

AGENDA ITEM SUMMARY

DATE: 07/07/2014 DEPT.: Finance/Administration DEPT. HEAD SIGNATURE: HD

SUBJECT:

Staff Report on July 2, 2014 Air Services Board meeting.

AUTHORITY: ID Code ___ IAR _____ City Ordinance/Code ___
(IFAPPLICABLE)

BACKGROUND/SUMMARY OF ALTERNATIVES CONSIDERED:

Air Services Board met on July 2, 2014 to hear reports from Sun Valley Marketing Alliance and Fly Sun Valley Alliance, and to pay bills. Attached are some of the documents from that meeting

FISCAL IMPACT / PROJECT FINANCIAL ANALYSIS:

ACKNOWLEDGEMENT BY OTHER AFFECTED CITY DEPARTMENTS: (IFAPPLICABLE)

| | | | |
|----------------------|------------------------------|----------------|--------------|
| ___ City Attorney | ___ Clerk / Finance Director | ___ Engineer | ___ Building |
| ___ Library | ___ Planning | ___ Fire Dept. | ___ |
| ___ Safety Committee | ___ P & Z Commission | ___ Police | ___ |
| ___ Streets | ___ Public Works, Parks | ___ Mayor | ___ |

RECOMMENDATION FROM APPLICABLE DEPARTMENT HEAD:

Information only.

ACTION OF THE CITY COUNCIL:

Date _____
City Clerk _____

FOLLOW-UP:

*Ord./Res./Agmt./Order Originals: _____ *Additional/Exceptional Originals to: _____

AGENDA
SUN VALLEY
AIR SERVICE BOARD MEETING
IN THE COUNCIL CHAMBERS – 81 ELKHORN ROAD
CITY OF SUN VALLEY, IDAHO
July 2, 2014 - 2:00 P.M.

CALL TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

REMARKS FROM THE CHAIR

REMARKS FROM THE BOARD

CONSENT AGENDA *All items listed under the Consent Agenda will be approved in one motion without discussion unless any Board Member requests that the item be removed for individual discussion and possible action.*

1. Approval of Air Service Board Minutes of March 12, 2014 and April 24, 2014;..... 1
2. Receive and File Financials:
 - a. 1% Local Option Tax Report – March 2014 7
 - b. 1% Local Option Tax Report – April 2014 8

PRESENTATIONS

3. Fly Sun Valley Alliance, Semi-Annual Report and Budget Presentation, Carol Waller; 9
4. Sun Valley Marketing Alliance, Semi-Annual Report and Budget Presentation, Arlene Schlieven; 25

ACTION/DISCUSSION

5. Consideration of Terrorism Coverage for Insurance Policy Year October 1, 2013 – September 30, 2014; ... 71
6. Authorization of Payment of Bills on-hand through June 27, 2014; 75
7. Scheduling of next Sun Valley Air Service Board meeting.

EXECUTIVE SESSION – Pursuant to Idaho Code 9-340D(1) and 9-340D(6) to discuss a matter that pertains to the expansion of business operations and trade secrets.

ADJOURNMENT

Please Note: The agenda is subject to revisions. Any person in need of assistance to attend or participate should contact Sun Valley City Hall prior to the meeting at 622-4438. Council Packets are online at www.sunvalley.gov/office.com

1% LOCAL OPTION TAX EARNED THROUGH MARCH 31, 2014

| | BEDS 3% | BEDS 1% | LIQUOR 3% | LIQUOR 1% | LIQUOR 2.5% | RETAIL 1% | BDLG 1% | BDLG 2% | BDLG 1% | TOTAL | TOTAL 3% | TOTAL 1% | MINUS COST | SVASB NET |
|------------|------------|-----------|-----------|-----------|-------------|-----------|---------|---------|---------|------------|------------|----------|------------|------------|
| SUN VALLEY | 31,978.97 | 10,659.66 | 6,286.19 | 2,095.06 | 48,526.91 | 18,663.76 | | | | 86,791.07 | 31,418.48 | | -591.78 | 30,826.70 |
| JAN | 47,919.13 | 15,973.04 | 5,689.91 | 1,879.97 | 58,374.54 | 25,385.47 | | | | 111,933.58 | 43,236.49 | | -591.78 | 42,646.71 |
| FEB | 43,512.64 | 14,332.83 | 6,776.93 | 2,258.98 | 49,014.94 | 20,545.41 | | | | 99,304.41 | 37,137.22 | | -591.78 | 36,545.44 |
| MAR | | | | | | | | | | | | | -591.78 | |
| APR | | | | | | | | | | | | | -591.78 | |
| MAY | | | | | | | | | | | | | -591.78 | |
| JUNE | | | | | | | | | | | | | -591.78 | |
| JULY | | | | | | | | | | | | | -591.78 | |
| AUG | | | | | | | | | | | | | -591.78 | |
| SEPT | | | | | | | | | | | | | -591.78 | |
| Total | 123,410.64 | 41,136.88 | 18,702.03 | 6,234.01 | 155,916.39 | 64,594.64 | | | | 288,029.06 | 111,794.19 | | -5,326.02 | 110,018.85 |

| | BEDS 3% | BEDS 1% | LIQUOR 3% | LIQUOR 1% | LIQUOR 2% | RETAIL 1% | BDLG 2% | BDLG 1% | TOTAL | TOTAL 1% | TOTAL 3% | MINUS COST | SVASB NET |
|---------|-----------|-----------|-----------|-----------|------------|------------|-----------|-----------|------------|------------|----------|------------|------------|
| KETCHUM | 14,117.75 | 4,705.92 | 25,106.47 | 8,368.82 | 163,702.76 | 81,851.38 | 17,060.58 | 8,530.29 | 219,987.56 | 103,456.41 | | -7,425.44 | 96,030.97 |
| JAN | 20,086.56 | 6,656.52 | 30,452.85 | 10,150.95 | 208,556.99 | 104,278.50 | 15,154.85 | 7,577.42 | 274,251.25 | 126,702.99 | | -7,425.44 | 121,276.96 |
| FEB | 19,240.82 | 6,413.61 | 31,194.86 | 10,398.29 | 200,453.18 | 100,226.59 | 24,666.25 | 12,333.12 | 275,555.11 | 129,371.60 | | -7,425.44 | 121,946.16 |
| MAR | | | | | | | | | | | | -7,425.44 | |
| APR | | | | | | | | | | | | -7,425.44 | |
| MAY | | | | | | | | | | | | -7,425.00 | |
| JUN | | | | | | | | | | | | -7,425.44 | |
| JUL | | | | | | | | | | | | -7,425.44 | |
| AUG | | | | | | | | | | | | -7,425.44 | |
| SEPT | | | | | | | | | | | | -7,425.44 | |
| Total | 53,445.13 | 17,815.04 | 86,754.18 | 28,918.06 | 572,712.93 | 286,356.47 | 56,881.68 | 28,440.83 | 769,793.92 | 361,530.40 | | -66,828.52 | 339,254.98 |

| | BED/CAR3% | BED/CAR1% | TOTAL | TOTAL 1% | TOTAL 3% | MINUS COST | SVASB NET |
|----------|-----------|-----------|------------|------------|----------|------------|------------|
| HAILY | 18,567.51 | 6,188.17 | 18,567.51 | 6,189.17 | | -173.30 | 6,015.87 |
| JAN | 11,064.51 | 3,688.17 | 11,064.51 | 3,688.17 | | -103.27 | 3,584.90 |
| FEB | 15,172.05 | 5,057.35 | 15,172.05 | 5,057.35 | | -141.35 | 4,916.00 |
| MAR | | | | | | | |
| APR | | | | | | | |
| MAY | | | | | | | |
| JUNE | | | | | | | |
| JULY | | | | | | | |
| AUG | | | | | | | |
| SEPT | | | | | | | |
| Total | 44,804.07 | 14,934.69 | 44,804.07 | 14,934.69 | | -417.92 | 14,516.77 |
| Total FY | | | 488,259.28 | 488,259.28 | | | 483,789.70 |

Expect to distribute
April 2014
1% LOT
at meeting



FY14 Winter Results – Summer Update
FY15 Contract for Service Scope of Work/Budget

July 2, 2014

Presented To

SUN VALLEY
AIR SERVICE BOARD

.....



FSVA FY14 Scope of Work & Performance Metrics

Mission Support & improve air service to Sun Valley

Contract Scope of Work

- Air Service Development – air service contracts/MRGs, other
- Research
- Local Air Marketing/Community outreach & education

Key Contract Performance Metrics

Retain/Expand Current Air Service

- Retain contracted nonstop SEA, LAX, SFO, DEN flights;
- Secure contracted nonstop DEN flights for winter 2014/15
- Optimize all air service schedules/frequency as feasible (including SLC)

Minimize Air Service Contract Costs

- Work with airlines & marketing partners to increase load factors & minimize contract costs
- Work with airlines to make SUN fares more competitive; reduce passenger leakage.

New Air Service

- Pursue new nonstop flight market (s) for 2015 or 2016

Research

- Conduct 1000+ air passenger surveys at SUN; continue with competitive analysis, economic impact and air service ROI research.



FY14 Winter Successes

Fly SUN. 
Non-stop to DEN, LAX, SEA, SFO, SLC
ONE-STOP TO THE WORLD

New Regional Jet Service and Increased Seat Capacity

- ❖ Secured new United SFO-SUN winter/summer service- Dec 13, 2013-March 30 2014; July- Sept 23, 2014
- ❖ Secured new United DEN-SUN summer CRJ 700 service – to begin July 2, 2014
- ❖ Delta CRJ 700 service SLC-SUN - began on Jan 6, 2014

Secured expanded air service for 2014

- ❖ Alaska Airlines SEA & LAX winter flights daily Dec 14 through April 6, 2014
- ❖ Alaska Airlines SEA summer flights daily June 13 thru Sept 28; weekends Oct 3 – 19
- ❖ Alaska Airlines LAX summer flights daily June 13- Sept 28

- ❖ **30% INCREASE** in seat capacity scheduled to date in 2014
23,000+ additional seats

(even with airport closure spring, winter DEN not yet included)

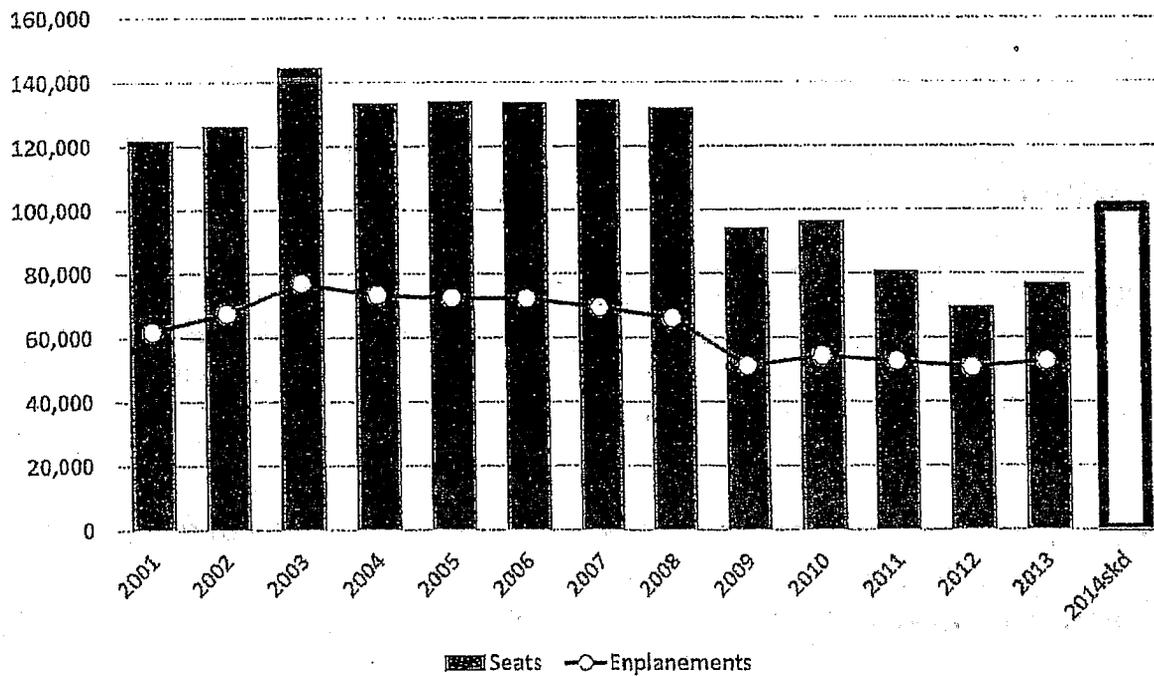
- ❖ **20% DECREASE** in average business and leisure airfares to SUN



THE GOOD NEWS

SEATS = PASSENGERS = BUSINESS

SUN CAPACITY/PASSENGERS 2001-2014 Projected





FY14 Winter Successes

More Seats = More Enplanements

The addition of more seats into the market this winter came from:

- The new United daily SFO nonstop flights
- Longer season with Alaska flights – through April 6
- More capacity with new Delta regional jets

2014 WINTER SEASON (Jan-April)

- 37,515 seats available - up 28%
- 23,199 enplanements - up 16%

Load factors averaged 75% for all flights.



• Note: Passengers/flights diverted to TWF and BOI not included in these stats



Winter FY14 Successes

New Flights Bring New Visitors

2013/14 Winter SUN Air Passenger Survey - Key Highlights

San Francisco (SFO) Flight Impacts:

- Over 1000 new first-time visitors
 - *30% of the total SFO flight passengers were new visitors*
 - *SFO pax: 83% visitors/PT residents; 17% local residents*
(68% visitors, 15% PT residents, 17% local residents)
- \$1.3M in direct spend economic impact from new visitors on SFO flight
- More frequent trips by second-homeowners, repeat visitors

Total Winter Flight Impacts:

- Visitors: 15,220 - Direct Spend \$28M
- PT Residents 4455 - Direct Spend \$16M
- TOTAL VISITOR + PT RESIDENT SPEND:
\$44 MILLION

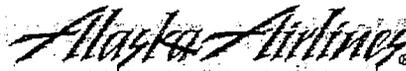




Summer 2014 Update

Air Service

- **Alaska Airlines SEA & LAX flights**



- SEA flights run daily June 13 - Sept 28, 3x week Oct 3-19
- LAX flights run daily June 13 - Sept 21

- **United Airlines SFO & DEN flights**



- SFO & DEN run daily July 2 - Aug 25, 5x week Aug 26-Sept 23

- **Delta Air Lines SLC flights**



- SLC flights run daily (3x week through 9/30)





Summer 2014 Update

Other FSVA Efforts

Airline Meetings/Strategic Development

- Met with airline officials from United, Alaska, Delta this spring to review winter results, start contract negotiations for winter FY15 service.
- Met with current/potential new airlines at Jumpstart Airline Conference
- Ongoing monitoring/tracking of bookings, competitive developments
- Began planning improvements to diversion bussing for winter FY15

Local Air Marketing

- Promotion of air service and fare sales to local and regional (southern ID) markets.
- Coordinate start-up effort for new DEN service
Launch celebration on July 2, marketing, etc

Community Outreach & Education

- Keep stakeholders, consumers, media updated with information via enews, website, social media, press releases, presentations, etc.

Fly SUN, Non-stop to SEA, LAX, SFO, SLC ONE-STOP TO THE WORLD

Alaska Airlines

Fly between Los Angeles and Sun Valley this June from as low as \$125! EACH WAY

Hurry! Book by June 2, 2014.

LOW FARE SEARCH TIP: Check low fare on Click

Check SUN Fares First - See low fares now compare to Boise!

NEW FLIGHTS FOR SUMMER 2014!

www.flysunvalleyalliance.com



FY15 Scope of Work & Budget Proposal

Air Service Development

Secure & Manage Contract Air Service

Alaska for SEA & LAX flights; United for SFO & DEN flights



- Negotiate air service contract terms with airlines, in partnership with SV Resort :
 - Operating season and schedules
 - MRG cap amount; analysis of cost per flight & projected revenues
 - LOC requirements
 - Weather diversion busing provisions
- Monitor bookings on weekly basis; cost & revenue monthly
- Monitor fares on ongoing basis within our competitive set, plus BOI, TWF
- Initiate fare adjustment discussions with airlines where appropriate
- Coordinate airline marketing efforts for SUN with other partners (SVMA, SVR, ITC, etc.)
- Assist with coordination of local marketing of flights/fares sales, etc. with airlines and local/state partners



FY15 Scope of Work & Budget Proposal

Air Service Development

Manage & Support Non-Contract Air Service

Delta for SLC-SUN flights



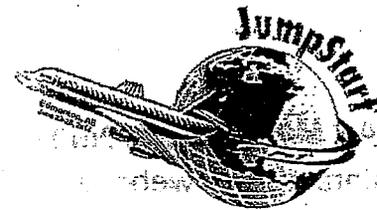
- Work with FMAA re: monitoring fares on ongoing basis within our competitive set, plus BOI, TWF
- Continue fare & schedule adjustment discussions as appropriate
- Coordinate airline marketing efforts for SUN w/other partners (SVMA, SVR, ITC)
- Assist with coordination of local marketing of flights/fares sales, etc. with airlines and local/state partners



FY15 Scope of Work & Budget Proposal

Additional air service support

- Work with FMAA on leakage analysis and recapture strategies, fare analysis & monitoring, service expansion opportunities
- Maintain strong relationships with industry partners/contacts: airlines, consultants, officials, air service program directors in other areas
- Assist with customer service issues at SUN as feasible



Air service development

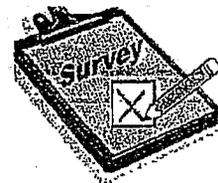
- Identify strategic opportunities for current service expansion
- Research and identify opportunities for new service; provide extensive economic/demographic analyses of our market to prospective airlines
- Attend national industry conferences to meet with airlines
- Keep abreast of new air service development nationally and within our competitive set (other Rocky Mountain resort areas, regional cities)



FY15 Scope of Work & Budget Proposal

Research

- Conduct SUN air passenger survey research winter & summer
 - 1000+ surveys to be collected/analyzed re: trends, demographics, economic impact
- Monitor monthly enplanement, seat occupancy, other air service data for SUN and our competitors



Local Air Marketing/ Community Outreach & Education

- Maintain FSVA website, www.flysunvalleyalliance.com with information on SUN air service, economic impact studies
- Ongoing communications via Enews, Social Media, press releases/media relations, meetings, presentations
- Local marketing/PR re: air service news, fare deals, other
- Discussions on air service needs with local businesses (tourism & non-tourism)



FSVA FY15 BUDGET

| FSVA FY15 1% LOT ASB CONTRACT BUDGET (FY 9/30/15) | | |
|--|----|------------------|
| FSVA CONTRACT INCOME | | |
| 1% LOT Revenues* | \$ | 1,200,000 |
| TOTAL INCOME | \$ | 1,200,000 |
| <i>*Contract for Services with Air Service Board</i> | | |
| FSVA AIR SERVICE DEVELOPMENT EXPENSE | | |
| Air Service Contracts/MRG/Busing (United SFO/DEN; Alaska SEA/LAX) | \$ | 1,100,000 |
| <i>Projected max-MRGs/Busing expense - FSVA 50% share with Sun Valley Resort</i> | | |
| Air Service Consulting Fees/Meetings/Travel | \$ | 65,000 |
| <i>Mead & Hunt consulting fees, Airline meetings.</i> | | |
| Local Air Service Marketing (fare sales, etc) | \$ | 15,000 |
| <i>Wood River Valley, southern Idaho</i> | | |
| Research | \$ | 20,000 |
| <i>Winter/summer air passenger surveys, other research</i> | | |
| TOTAL EXPENSE | \$ | 1,200,000 |
| TOTAL 1% LOT PROJECTED FY15 | \$ | 1,994,083 |
| LESS TAX COLLECTION COST/AIR SERVICE BOARD EXPENSES | \$ | (54,000) |
| TOTAL 1% FUNDS AVAILABLE | \$ | 1,940,083 |
| FSVA FY15 AIR SERVICE DEVELOPMENT | \$ | 1,200,000 |
| SVMA FY15 AIR SERVICE MARKETING (includes FY14 carryover) | \$ | 900,000 |



FY15 Performance Metrics

- **Retain/Expand Current Air Service**
 - Retain contracted nonstop SEA, LAX, SFO, DEN flights
 - Optimize all air service schedules/frequency as feasible (including SLC)

- **Minimize Air Service Contract Costs**
 - Work with airlines & marketing partners to increase load factors & minimize air service contract costs. Reduce local market leakage
 - Work with airlines to make SUN fares as competitive as possible.

- **New Air Service**
 - Pursue new nonstop flight market for FY16

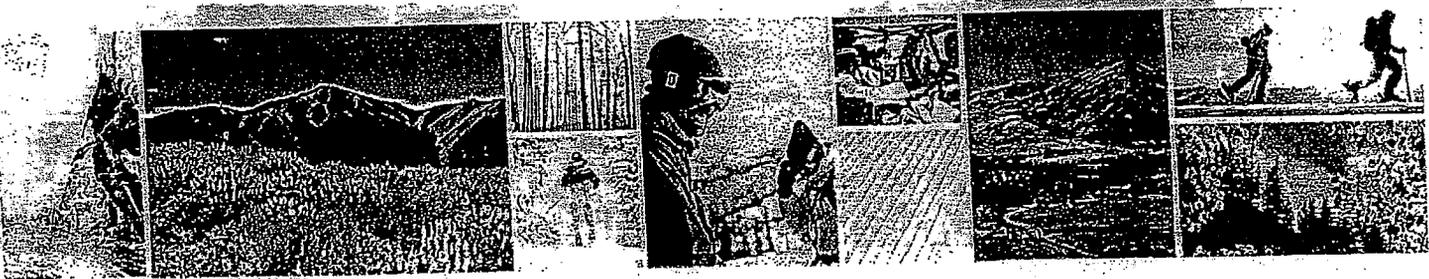
- **Research**
 - Conduct 1000+ air passenger surveys at SUN; continue with competitive analysis, economic impact and air service ROI research.



Visit Sun Valley

Presentation for the Air Service Board

July 2, 2014



Results from Winter 13.14 ^{Visit} SunValley

- **Note #1:** No additional funds were available for this past winter. All funds came from Visit Sun Valley's core budget
- **Note #2:** In order to create demand for the new San Francisco flight, funds were diverted from Boise. As well, \$50,000 from reserve funds were used to bolster marketing efforts.



Winter Results



- **Room Nights Sold:**

- Winter 2012/2013 = 100,107
- Winter 2013/2014 = 100,258 (flat)

- **Winter Visitors:**

- Winter 2012/13 = 123,872
- Winter 2013/14 = 131,758 (up 6.4%)
 - *More visitors staying in second homes and with friends and relatives; less in paid accommodation; day visitors on par*



Website Visits



www.visitsunvalley.com

- Winter 2013.14 (Nov 1 – Mar 31, 2014): +60%
- By Market:
 - San Francisco +1,135%
 - Los Angeles +151%
 - Seattle +76%



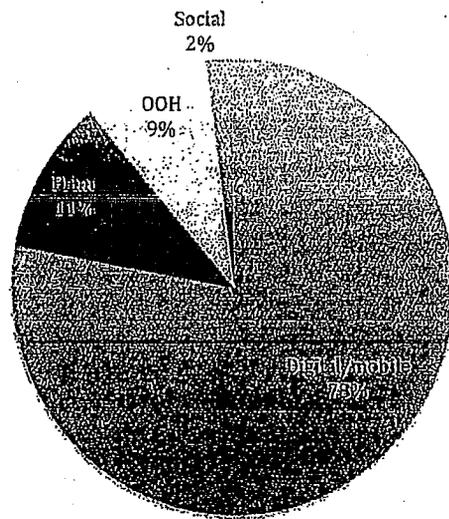
Summer Results To Date



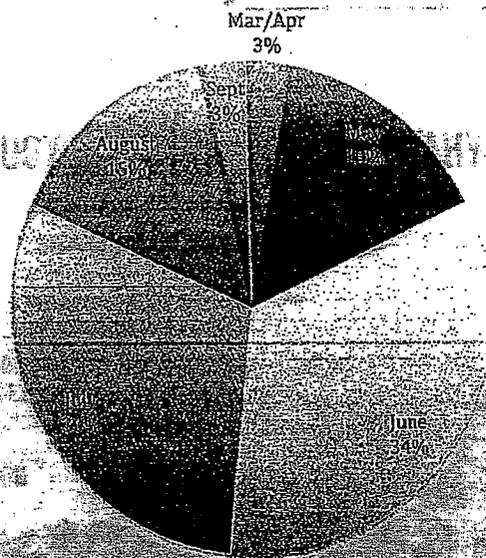
- Summer to date (May 1- Jun 26)
 - Website visits +40%
 - LA +47%
 - NY +132%
 - Seattle +64%
 - SF +46%
 - Digital campaign is performing well with video ads far outperforming static ads



Summer 2014 Media Spend by Type



Summer 2014 Media Spend by Month



SEEK *Summer*

WHATEVER IT IS YOU SEEK, YOU'LL FIND IT HERE



SAN FRANCISCO TO SUN VALLEY IN 2 HOURS
DAILY NON-STOP FLIGHTS ALL SUMMER

MORE INFO

SunValley

Marketing for Air Service Markets 2014.15



- Core funding covers base functions plus staff and overhead
- Funds from the new 1% are invested **directly into air service markets, with funds allocated to incremental advertising and supporting activities**
- Air service markets will also be supported through the core budget with additional advertising, PR and social media support



Target Markets

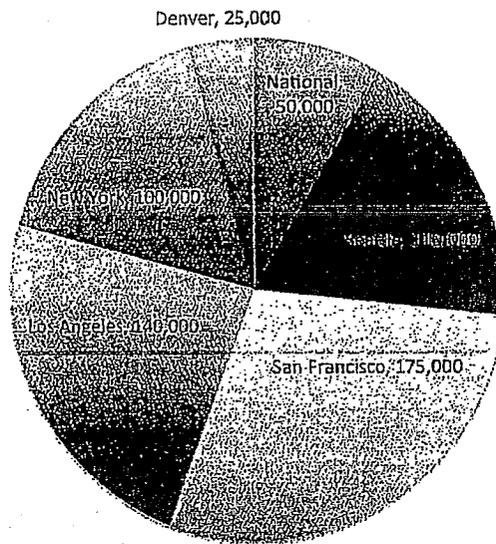


In order of priority for spending:

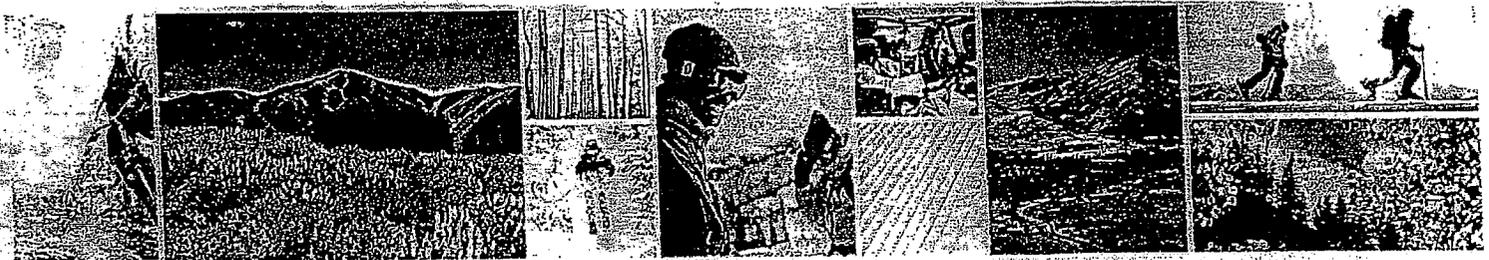
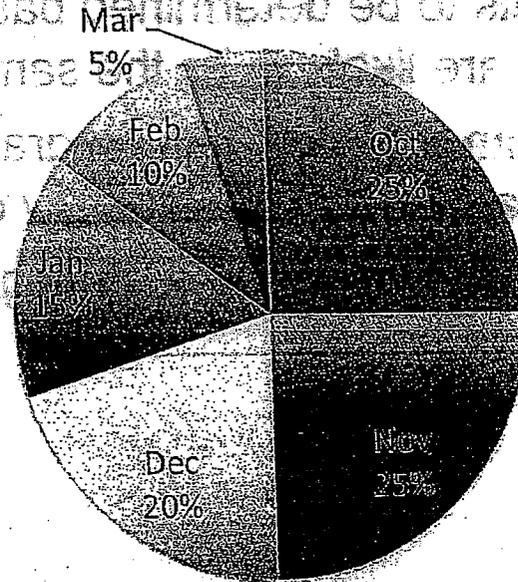
1. San Francisco
2. Los Angeles
3. Seattle
4. New York
5. Denver



Tentative Winter 2014.15 *Visit* SunValley



Winter 2014.15 Spend by Month



Summer 2014



- Target markets to be determined based on air service contracts but are likely to be the same as winter
- Will start summer advertising programs earlier, based on booking patterns and availability of funds
- Currently securing video and photography for Summer 2015

