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. Sun Valley Alliance, Semi-Annual Report and Budget Presentation, Carol Waller; ......................... 9
4. Sun Valley Marketing Alliance, Semi-Annual Report and Budget Presentation, Arlene Schieven; .......... 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.govoffice.com
<table>
<thead>
<tr>
<th></th>
<th>Beds 3%</th>
<th>Beds 1%</th>
<th>Liquor 3%</th>
<th>Liquor 1%</th>
<th>Retail 2%</th>
<th>Retail 1%</th>
<th>Total 3%</th>
<th>Total 1%</th>
<th>Minus Cost</th>
<th>SVASB Net</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bun Valley</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAN</td>
<td>31,978.97</td>
<td>10,659.66</td>
<td>6,265.19</td>
<td>2,086.06</td>
<td>48,526.91</td>
<td>16,663.76</td>
<td>86,791.07</td>
<td>31,418.46</td>
<td>-591.76</td>
<td>30,826.70</td>
</tr>
<tr>
<td>FEB</td>
<td>47,919.13</td>
<td>15,973.04</td>
<td>5,639.61</td>
<td>1,873.97</td>
<td>58,374.54</td>
<td>25,385.47</td>
<td>111,933.58</td>
<td>43,238.49</td>
<td>-591.76</td>
<td>42,648.71</td>
</tr>
<tr>
<td>MAR</td>
<td>43,612.64</td>
<td>14,332.83</td>
<td>6,776.53</td>
<td>2,258.98</td>
<td>49,014.94</td>
<td>20,344.41</td>
<td>99,304.41</td>
<td>37,107.22</td>
<td>-591.76</td>
<td>30,843.44</td>
</tr>
<tr>
<td>APR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JUNE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JULY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AUG</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEPT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>123,410.64</td>
<td>41,136.88</td>
<td>18,702.03</td>
<td>6,234.01</td>
<td>155,916.38</td>
<td>64,894.64</td>
<td>298,028.06</td>
<td>111,794.19</td>
<td>-5326.02</td>
<td>110,018.85</td>
</tr>
<tr>
<td><strong>Ketchum</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAN</td>
<td>14,117.75</td>
<td>4,705.92</td>
<td>25,106.47</td>
<td>8,366.52</td>
<td>163,702.76</td>
<td>17,050.69</td>
<td>210,967.66</td>
<td>103,456.41</td>
<td>-7,425.44</td>
<td>96,030.97</td>
</tr>
<tr>
<td>FEB</td>
<td>20,086.56</td>
<td>6,635.52</td>
<td>30,452.88</td>
<td>10,150.95</td>
<td>206,566.98</td>
<td>16,514.95</td>
<td>223,081.93</td>
<td>120,702.39</td>
<td>-7,425.44</td>
<td>121,276.95</td>
</tr>
<tr>
<td>MAR</td>
<td>19,240.82</td>
<td>6,413.61</td>
<td>31,194.66</td>
<td>10,398.29</td>
<td>200,453.16</td>
<td>14,022.63</td>
<td>214,475.81</td>
<td>120,371.66</td>
<td>-7,425.44</td>
<td>121,946.16</td>
</tr>
<tr>
<td>APR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JULY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JUI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JUL 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEPT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>53,445.13</td>
<td>17,816.04</td>
<td>86,764.19</td>
<td>28,918.06</td>
<td>268,356.47</td>
<td>58,801.68</td>
<td>328,753.82</td>
<td>361,530.40</td>
<td>-86,828.62</td>
<td>334,254.00</td>
</tr>
<tr>
<td><strong>Hailey</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JAN</td>
<td>18,507.51</td>
<td>6,168.17</td>
<td>6,199.17</td>
<td>3,088.17</td>
<td>37,084.85</td>
<td>3,965.40</td>
<td>41,049.25</td>
<td>3,965.40</td>
<td>-73.90</td>
<td>36,315.35</td>
</tr>
<tr>
<td>FEB</td>
<td>11,064.51</td>
<td>3,668.17</td>
<td>6,199.17</td>
<td>3,088.17</td>
<td>20,781.88</td>
<td>3,965.40</td>
<td>24,747.28</td>
<td>3,965.40</td>
<td>-73.90</td>
<td>20,973.38</td>
</tr>
<tr>
<td>MAR</td>
<td>15,172.05</td>
<td>5,087.36</td>
<td>6,199.17</td>
<td>3,088.17</td>
<td>35,551.36</td>
<td>5,087.36</td>
<td>40,638.72</td>
<td>5,087.36</td>
<td>-73.90</td>
<td>35,564.42</td>
</tr>
<tr>
<td>APR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JUNE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>JULY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AUG</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEPT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>44,804.07</td>
<td>14,534.69</td>
<td>6,199.17</td>
<td>3,088.17</td>
<td>105,584.85</td>
<td>3,965.40</td>
<td>149,549.52</td>
<td>14,934.69</td>
<td>-417.92</td>
<td>14,516.77</td>
</tr>
<tr>
<td><strong>Total FY</strong></td>
<td>488,269.28</td>
<td></td>
<td></td>
<td></td>
<td>683,789.76</td>
<td></td>
<td>1,172,059.04</td>
<td>683,789.76</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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 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/flight 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.
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/foares 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 CONTRACT INCOME

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% LOT Revenues*</td>
<td>$1,200,000</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td><strong>$1,200,000</strong></td>
</tr>
<tr>
<td><em>(Contract for Services with Air Service Board)</em></td>
<td></td>
</tr>
</tbody>
</table>

## FSVA AIR SERVICE DEVELOPMENT EXPENSE

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Service Contracts/MRG/Busing (United SFO/DEN; Alaska SEA/LAX)</td>
<td>$1,100,000</td>
</tr>
<tr>
<td>Projected max MRG/Busing expense - FSVA 50% share with Sun Valley Resort</td>
<td></td>
</tr>
<tr>
<td>Air Service Consulting Fees/Meetings/Travel (Mead &amp; Hunt: consulting fees, airline meetings)</td>
<td>$65,000</td>
</tr>
<tr>
<td>Local Air Service Marketing (fare sales, etc)</td>
<td>$15,000</td>
</tr>
<tr>
<td>Wood River Valley, southern Idaho</td>
<td></td>
</tr>
<tr>
<td>Research</td>
<td>$20,000</td>
</tr>
<tr>
<td>Winter/summer air passenger surveys, other research</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EXPENSE</strong></td>
<td><strong>$1,200,000</strong></td>
</tr>
</tbody>
</table>

## TOTAL 1% LOT PROJECTED FY15

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total 1% Lot PROJECTED FY15</td>
<td>$1,994,083</td>
</tr>
</tbody>
</table>

## LEASE TAX COLLECTION COST/AIR SERVICE BOARD EXPENSES

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total 1% Funds Available</td>
<td>$1,940,083</td>
</tr>
</tbody>
</table>

## FSVA FY15 AIR SERVICE DEVELOPMENT

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total FSVA FY15 Air Service Development</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>SVMA FY15 Air Service Marketing (Includes FY14 carryover)</td>
<td>$900,000</td>
</tr>
</tbody>
</table>
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

- **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
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
Draft Budget
Marketing Allocation

- FY 15 – Total Available for marketing = $900,000
- Funds from core budget/additional carry-over from 2013/14 Air Service funds (TBC) = $100,000
- Total = $1,000,000
- Recommended spend for Winter 2014/15 = $600,000
- Recommended spend for Summer 2015 = $400,000
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

Denver, 25,000

San Francisco, 175,000

Visit
SunValley
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