

**Sun Valley Air Service Board  
Meeting Minutes  
July 25, 2018  
Hailey City Hall Meeting Room 2 pm**

**Present:** Peter Hendricks – Mayor, City of Sun Valley  
Neil Bradshaw – Mayor, City of Ketchum

**Absent:** Fritz Haemmerle – Mayor, City of Hailey  
Larry Schoen – Blaine County Commissioner

**Staff Present:** Sun Valley – Susan Robertson  
Hailey – Heather Dawson  
Ketchum – Suzanne Frick

**CALL TO ORDER**

**2:06:51 PM** Call to order by Peter Hendricks, Vice-Chairman.

**ROLL CALL**

Neil Bradshaw, and Peter Hendricks

**OPEN SESSION FOR PUBLIC COMMENTS:**

No comments.

**REMARKS FROM CHAIR:**

**2:07:54 PM** Neil Bradshaw for opening remarks, wants this board to consider hiring Dave Madaras to look at the strategic structure of this board. Bradshaw wants to have this discussion with the full board present. Bradshaw wants to agenda this topic for the next meeting. He would like to see Madaras take a high-level look at the boards spending, MRG's, expenses and assess if it can be better, whether or not we can optimize the allocation and assess if there anything that can be changed.

**2:10:04 PM** Peter Hendricks, is in full agreement with Bradshaw. Hendricks wants to know better how both organizations (Sun Valley Marketing Alliance and Visit Sun Valley) can work together and be more effective in working together. Hendricks wants to have this conversation with Fritz and wants a special meeting.

**CONSENT AGENDA:**

**2:11:17 PM** Minutes from June 20<sup>th</sup> meeting and financials.

**Bradshaw moves to approve Consent Agenda items as presented, seconded by Hendricks, motion passed unanimously.**

**PUBLIC HEARINGS:**

**2:12:04 PM** Hendricks opens the budget for discussion. Robertson suggests taking public comments.

**2:12:13 PM** Public comments, there were none.

**2:12:42 PM** Bradshaw moves to adopt the FY 2019 budget as presented, seconded by Hendricks, motion passed with roll call vote. Bradshaw, yes. Hendricks, yes.

**ACTION/DISCUSSION:**

**2:13:19 PM** Robertson discusses the audit services. There is a new name for the same company. Old name is Dennis Brown CPA, new name is Workman and Company.

**2:13:48 PM** Bradshaw, what is the status of the audit, when does it start? Susan Robertson, responds to the question, mid-August is the audit for Fly Sun Valley Alliance for their FY18 audit.

**2:15:08 PM** Motion to accept proposal with Workman and Company for FY 2018 audit services, seconded by Hendricks, motion passed unanimously.

**2:15:37 PM** Hendricks moves to approve bills on hand, seconded by Hendricks, motion passed unanimously.

**PRESENTATIONS:**

**2:16:26 PM** Carol Waller with Fly Sun Valley Alliance presents her FY18 mid-year report and FY19 contract budget proposal. Waller talks about successes, including a new airline (United), new and expanded nonstop service, newer planes, with a 68% increase in seats and 91% increase in passenger enplanements

Winter and summer FY18, E175 next generation regional jet, has reduced diversions. The Friedman Airport continues to improve their facilities.

This winter we saw a 4% increase in seats and 12% increase in enplanements. For this summer, June there was a 12% decrease in seats and increase in enplanements. Areas of focus include, strategic air service development, local air marketing/community outreach and research and analysis. Over the past 6 years of service from 2013-2018, we've had more seats which generates more capacity.

2:22:20 PM what is a good load factor asks Hendricks? Waller responds, nationally they are 80%. But if you look at our competitor destination resorts, 70% – 80%. We are right in the middle of this range.

2:22:46 PM SUN air growth, we have higher a utilization than what we used to have. Used to have more frequent flights but now we have more people utilizing the flights offered compared to 2003. Leakage with more flight options - we have 50% less leakage to Boise.

2:24:06 PM Hendricks, asks, if we can get more of this number (referring to bettering the leakage rate to Boise)? Waller responded, she would be surprised if we can get much better than what we've seen.

Who flies into Sun Valley, 80% are visitors and part-time residents. Our surveys track who is flying in and on what flights. 2:25:34 PM Denver has 36% random visitors, and 34% full time residents. Seattle has more part-time owners. Trip purpose, new visitors, leisure, visiting friends and relatives, over half are in this category. How to measure economic impact - how much spend on trip, these are direct spends, \$620,000,000. Of new visitors – equated to 76,000 people spending over \$100,000,000 2:27:58 PM Local Option Tax revenue. For Fiscal Year 2019 (FY19), goals, increase competitiveness, maximize Return On Investment of contract for air service, increase SLC daily frequency in fall/winter. Perform sun air/traveler research and support SUN airport efforts to improve flight reliability. And Develop a 5 year strategic plan. Desired results of investment, is to improve the economy. FY19 priorities and changes include, LAX, secured new carrier for daily service with United, SLC expanding to 3 times daily from Oct-March, Denver/San Francisco/Chicago - maintain current schedule. Seattle, maintain, PDX discontinue this contract as this was not utilized as hoped. The Air service schedule is posted on their website, easy to see ways to get to Sun Valley. 2:32:48 PM Regarding strategic planning and key challenges, we continue to compete for growth in air service with other resort destinations not just the Northwest but other markets. Non-stop flights are shown to bring people, otherwise they wouldn't do it. Other challenges include, airlines schedules and aircraft availability constraints and operational limitations, increasing direct and opportunity costs, limited passenger demand at SUN during non-peak periods. 2:36:19 PM Our contract for services budget is \$1.4 mil. For 2018, and we are running a bit higher than projected. Our net reserves, are running \$25,000 long based on projected results. Budget request is based on projection of costs on FY19 on schedule and what we know today. \$1.3 million, our contracts are \$1.1 million, reserves are \$64,000 hedging for off-setting fuel costs. We have about a \$100,000 cushion from projected expenses.

2:39:43 PM Bradshaw asks an MRG question, what is the "etc.". Waller responds, busing and LOT costs. Waller responds that the administrative costs are not in this budget, they are in Fly Sun Valley budget and are funded privately.

Waller, thanks to all the partners many of them including the, cities and Sun Valley resort. Waller looks forward to planning for the future, this investment is working for our community, thank you for your support of that.

2:42:14 PM Hendricks had a hard time with the charts in the last meeting, he now understands Waller's presentations and they are consistent. Waller is working with Grant Gager in Ketchum to present information in the most useful way to this board.

2:43:42 PM Bradshaw how do you manage risk; if LOT drops, are we committed to \$1.3 mil? Waller, responds. We have to sign on with Alaska, next summer's service is not contracted yet, we have a little time.

2:45:01 PM Dick Fenton, realtor speaks, we will have discussions on summer contracts this fall/winter. At that point, we have 2-3 months of data to work with and have some constraints. We try to monitor what is available and project conservatively. 2:46:16 PM Bradshaw speaks again, feels level of exposure is limited? Waller, yes right. Bradshaw asks how are additional unexpected revenue allocated between both of these organizations? 2:47:08 PM Waller responds, we have some money for a cushion, if we have more funds, then we can spend more on marketing.

2:48:00 PM MRGs for FY18, Hendricks noted that we projected \$1.2 mil. \$100,000 down from last year. Reflective of less service? Waller, confirmed yes. 2:48:53 PM Waller, anticipated costs are going down, other costs replace it, which are unknowns. There are essential projections, Waller. Hendricks, you have little control over how they are used? Right, responds Waller.

2:50:44 PM Bradshaw, this is the first time you are putting money into SLC? Would like a legal opinion on whether we can spend money in Boise area. Bradshaw is very excited about the new flights.

Waller hopes these are good strategic decisions.

2:52:29 PM Hendricks, the growth of LOT revenue in the City of Sun Valley is attributable to many things including the LOT for air (1%), it appears to be getting better and better. Hendricks remarks, we should wait until Haemmerle attends the meeting before acting on these items. Waller responds, you typically vote on these items annually in September.

Agenda item #6 - Sun Valley Marketing Alliance aka Visit Sun Valley, Scott Fortner, the executive director presents. 2:54:23 PM As opposed to showing you the 77-page presentation, Fortner will condense it down to 3 things, the balance in the budget, and the amount they are asking for, \$1.69 million for FY19. Fortner, in terms of the funding expense, he shows the funding partners and a relatively flat growth over the years, showing the volatility in funding partners and the LOT revenue, which enables the opportunity to build in some reserves, if the board approves as presented by Waller. Regarding technology, Fortner is working with the Adara company, shows graphs which tracks what a traveler does online, it shows we've impacted 1,100 travelers right now. This software follows travelers for 90 days and determines if they've converted to a win. Room nights, 2-3 properties, tracked 232 rooms for avg room rate at \$46,400.

Partnering with property management companies and other hotels, showing results and tracking it back to advertising. We know when they make a dollar commitment and when they arrived in Sun Valley, allowing us to be more strategic on spending of advertising dollars. More to come on this technology. Next, API, Application Program Interface with kiwi.com, it looks at commercial air traffic and hones in on Sun Valley SUN, stumbling on conversion, it can be confusing to the potential traveler. This company is pulling the google search data and pull out data, to find out where searchers are from, and will be able to find the right path for a specific guest, it displays multiple paths for those individuals. Feel this could be a game changer for us. The content is dynamically driven for the person in their market. This is open source technology, free at this point, we can receive commission of 3% in the future for bookings. This can be put on all funding partners websites. Fortner explains how the options can be displayed to the searcher. We are working with 43 web studio a local IT company in town (Ketchum), and are trying to figure this out, found out about this software on Tuesday. We need to promote varied ways for travelers to get here, not just the direct flights. This is an efficient way to get travelers to convert.

3:09:34 PM Bradshaw asks the question about researching possibilities of advertising in Boise. Fortner responds, we have an attorney and will find out that answer. What does this mean to me asks Fortner, we will have more tax collections. 3:13:57 PM We've seen LOT rise, it is significant. All cities put in cash when this all started. What is the number we want to get to? What can we do with the seed money now – Ketchum put up the initial \$440,000, what can we do with this money now? Bradshaw, we should start looking at ways for putting money into product. Bradshaw concludes, we are on the right track.

3:16:13 PM Hendricks asks Waller, "your looking \$1.3 million and Visit Sun Valley is asking \$1.6 million, our projection for LOT for air is, \$2.6?" Susan Robertson replies, we are projecting \$2,990,000, the total of both the budgets combined. The MRGs usually take a priority. Robertson, also using fund balance on packet page 6 of budget, see in revenue, the fund balance applied of \$207,994. The board has had the goal to keep \$50,000 as fund balance. Bradshaw asks, so the fund balance goes from \$264,000 to \$56,000?; you're drawing down approximately \$200,000 of fund balance to meet the budget. Robertson confirms yes. Bradshaw asks, when you are talking about building up a 3-4 month reserve, that is outside of this number? Fortner replies, that would be the total budget, he would take to his board recommendations for our revenue and expenses and contingency planned. Fortner explains, we are not spending to zero, it makes him a bit nervous not knowing what will happen in the future. So, we've spoken to Susan Robertson and Suzanne Frick about building up a 3 to 4 month contingency balance. Bradshaw, feels that is very important to plan for a contingency. Fortner explains that the way in which marketing dollars are spent now is vastly different than compared with the past, we now are paying upfront. Fortner added, we have set up a line of credit with companies and the bank to bridge the slow times. We were able to obtain a "Non-profit" line of credit.

3:22:33 PM Hendricks introduces Dave Madaras – he will be coming to more meetings, and he is a Ketchum resident.

No Executive Session needed today.

3:22:50 PM Bradshaw moves to adjourn, Hendricks seconds, motion passed **unanimously.**



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Peter Hendricks, Vice-Chairman

ATTEST:



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Neil Bradshaw, Secretary/Treasurer