

Sun Valley Air Service Board  
Meeting Minutes  
February 13, 2014  
Hailey City Hall Meeting Room 2-4 pm

Present: Dewayne Briscoe – Mayor, City of Sun Valley  
Fritz Haemmerle – Mayor, City of Hailey  
Nina Jonas – Mayor, City of Ketchum  
Larry Schoen – Blaine County Commissioner

Absent:

Staff Present: Ketchum – Lisa Horowitz  
Sun Valley – Susan Robertson  
Hailey – Heather Dawson

2:02:05 PM Chairman Briscoe opened the meeting.

No public comments

**CONSENT AGENDA:**

Schoen pulls the minutes. 2:04:07 PM Schoen wants to be shown as attending the last meeting. For comments on page 2 of 5 of the minutes, at 2:24 pm, Schoen would like to delete the first sentence and replace it with, "Larry Schoen expressed concern that the expense budget anticipates revenues that are not collected during the fiscal year in light of the fact that the Air Service Board begins with a zero balance."

And on last page of minutes at 4:00 pm, Schoen states that the board is named, "Community Drug Coalition."

2:04:53 PM Haemmerle moves to approve min. as amended by Schoen, Jonas seconds.  
**Motion passed unanimously.**

Chairman Briscoe introduces next Consent Agenda item Resolution 2014-01 Bylaws.

2:05:49 PM Schoen comments that he as a Blaine County Commissioner has a different viewpoint on the voting seats as he wishes to have a vote. He expressed this sentiment in the first meeting.

Chairman Briscoe comments that Schoen's remarks will be noted in the minutes. Briscoe asks for a motion on the Resolution.

2:05:55 PM Haemmerle moves to approve Resolution 2014-01, Jonas seconds. Motion approved unanimously.

**PUBLIC HEARING:**

PH 2:15 pm Consideration and adoption of proposed Air Service Board Budget for FY 2014, which is a limited budget for the expenditure of LOT revenues received by the ASB for taxes payable from the period 1/1/14 thru 9/30/14. ....Tab 3

2:06:34 PM Chairman Briscoe introduces the public hearing item for the Budget.

No public comments.

Haemmerle comments that this budget was presented in the last meeting, it is presented today under Public Hearing. Briscoe affirms.

2:07:13 PM Schoen reiterates his objection to the budget, because we are starting with a zero balance, and because some revenues listed on here are not received in the fiscal year, that the expense budget should not exceed the funds available in the fiscal year. The two organizations presenting today show revenue from the Air Service Board totaling, \$1,565,000, which exceeds the projected revenue for the fiscal year end, September 30<sup>th</sup>.

Haemmerle believes the budget is in order. **Haemmerle moves to approve the budget as presented, seconded by Jonas, discussion ensued by board, motion passed unanimously.**

PH 2:35 pm Consideration and adoption of limited-time contract with Fly Sun Valley Alliance for air service development services including maintaining and expanding commercial air service to the local area through the use of Minimum Revenue Guarantees or other inducements to providers and all ancillary costs which are associated with the ongoing effort to maintain and expand commercial air services. Scope of Work and budget to be presented by FSVA .....Tab 4

No Public Comments offered, Chairman Briscoe introduced Carol Waller.

2:13:27 PM Carol Waller announced that today will be a joint presentation by Fly Sun Valley Alliance (FSVA) and air service consultant Ron McNeill. Ron McNeill is a Senior Consultant with Mead & Hunt. Waller reviewed the mission of the Fly Sun Valley Alliance, recent successes, San Francisco service and Denver non-stop service during 2014 summer. Overall, in the past 6 months we have seen an increase in seat capacity to Sun Valley. Waller introduced Ron McNeill. McNeill presented a brief biography of his work experience as it relates to airlines. McNeill covered airline consolidation, 7 airlines no longer in business, and US Domestic

schedules for the last calendar year Feb 2013-Feb 2014. Winter resort capacity change, industry is up 8%, Sun Valley up 29%. McNeill then reviewed Top Winter Destinations, - Sun Valley received 12%, Aspen 33%. Largest market behind Los Angeles is New York. San Francisco is a large connecting market for United Airlines. McNeill covers Summer 3 quarter resort capacity change and Visitor and local passengers, expect growth improvement into Sun Valley. Briscoe asks a question about the 1000 mile radius, airlines looking at penalties in summer flights. Penalties are the effects of heat and altitude, creating a situation for weight, causing airlines to remove passengers from flights.

2:38:22 PM Carol Waller picks up presentation and discusses the air service timeline, scope of work for air service development to secure and manage contract air service with Alaska Airlines and United Airlines. Delta is a new partner in this market, they are no longer working as a partner with Sky West Airlines. We will have 3 flights a day through the summer with Delta Airlines. Waller then displays the FY14 FSVA budget. Total anticipated funds from 1% for air LOT, \$1.65 million, FSVA anticipates their \$900,000 to go towards airline contracts.

Questions for Carol Waller.

2:46:01 PM Haemmerle asks clarifying question about FSVA budget Air Service Development is negotiations with airlines for Minimum Revenue Guarantees (MRG). Waller confirms that Air Service Development includes Air Service contracts, Air service consulting, local air service marketing and research.

2:47:21 PM Jonas asked about busing contracts, how do we improve experiences?

Waller discussed performance metrics, goal is to retain the service we have, secure non-stop flights from Denver through winter, minimize air service contract costs, and bring in more visitors.

2:54:19 PM Haemmerle asks if both entities have distinct functions, one does contract with airlines, one does marketing. Waller confirmed that FSVA will perform contracts with airlines and Sun Valley Marketing Alliance (SVMA) will perform marketing.

2:55:22 PM Schoen first directs his comments and praise to Ron McNeill and is glad to have him helping us through this process as he is well respected. Schoen asks about the \$900,000 amount in the FSVA budget. Is the \$900,000 a reflection of what you think it will cost the first year or is it a reflection of the amount of money available, and want to take advantage of the full amount? Waller responded, it is really the maximum exposure of the contract costs.

Haemmerle asks a question about transparency. Waller responds.

2:58:31 PM Schoen asks about performance metrics, what is costs per seat in each market, there is a maximum exposure in each contract.

2:59:38 PM Haemmerle asks in general terms about the contracts with the airlines. Waller responds to the question by stating that the Sun Valley resort has the contract with the airlines, FSVA has a contract with Sun Valley resort to give up to 50% of the paid amount.

3:01:20 PM Dick Fenton answers Haemmerle's question.

3:02:04 PM Haemmerle asks, how do we report back the success of this to the people who voted for this 1% LOT. Fenton answers the question.

3:03:13 PM Jonas asks a budget question, contracts go for a year, fiscal year end is sept 30.

3:04:17 PM Lisa Horowitz attempts to clarify, appropriations clause #14,

3:05:33 PM Dick Fenton speaks to the budget question – FSVA works on sept 30<sup>th</sup> fiscal year end, money accrues and received at a later date.

Horowitz states that a paragraph would need to be added to clause #14 to allow appropriation when it is collected for the next fiscal year.

3:08:46 PM Haemmerle asks, what happens if this appropriations clause is triggered by the Air Service Board stating we thought we were going to give you \$900,000 but we are not. And Sun Valley resort goes ahead and makes a contract for MRGs. Haemmerle's understanding is that you will not be able to come back to the Air Service Board for the money that we promised that we would give you. Waller responds to Haemmerle's scenario by reading a section of the contract. Chairman Briscoe asks what section Waller is referring to. Lisa Horowitz answers, Termination section 7 of the FSVA contract, is the part of the contract that Waller wants to discuss.

Horowitz then implores to Chairman Briscoe and the Board that this conversation appears to be more of a working session, bear with staff while we work through the details of these contracts.

3:12:42 PM Susan Robertson recommends a payment schedule.

3:13:03 PM Dawson presents to the Board, a couple of points. Becky Stokes, Hailey City Treasurer performed analysis on the proposed Air Service budget. Dawson has Stokes hand out a document with her analysis. The board is anticipating \$1.4 million in revenue and today you're reviewing contracts totaling \$1.5 million - higher than what you've appropriated in the current period. If the revenues don't come in as strong, then the board needs protection. Regarding option b alluded to a few moments ago, Dawson states that this option not only limits the contract by retaining fund balance, it also limits the contract by not allowing the expenditures to exceed the percentage of revenue that that contract represents, and those percentages of revenue are 57% for FSVA and 42% for the Marketing Alliance. If you keep the cap in place you'll be able to assure yourself that you won't spend more that you'll receive on these contracts. Dawson recommends that the board put this safeguard in place.

Haemmerle comments that the language in the contract does not do what Dawson is suggesting. Horowitz agrees, no it would not do that.

3:15:15 PM Adam King suggests another change to keep a running reserve since the starting balance is zero, because it is not out of the realm of possibility that someone may challenge the constitutionality of the 1% LOT for Air Service. King agrees with Dawson's suggestions.

3:16:28 PM Haemmerle looks at scope of services under the contract, not clear what each organization does, exhibit A is a FSVA document, Horowitz interjected, that the FSVA document is a mistake.

Appropriations clause, - issues with the Sun valley air service board still is required to pay, Waller clarifies the intent of the language.

3:19:46 PM Schoen asks why are we jumping through hoops, for money that is not there at the end of the fiscal year. This board should not commit to spending money in another fiscal year. Schoen thinks it should only be in the fiscal year.

Jonas asks if Schoen would be comfortable in moving forward with contracts ending in the fiscal year. Schoen said yes.

Haemmerle agrees with Schoen. Jonas agrees with Schoen and Haemmerle. Jonas also believes that we are tasked with this being successful. Jonas feels they need more time to work to be successful.

3:24:39 PM Adam King, attorney comments. King suggests to contract percentages to these organizations instead of the dollar amounts. If you commit to percentages then you are not committing money that is not there.

Eric Seider of FSVA spoke to board 3:26:47 PM he believes a fiscal year end contract is doable. Do keep in mind that the economic anchor, you might be short in contract with the airlines. Haemmerle explains that we cannot accept the risk and go in debt. Sieder then comments they will need a contract going across the fiscal year.

3:29:31 PM Schoen comments that building reserves will help this situation in the future. People must adjust their expectations to the legal framework in which we operate.

3:30:43 PM Horowitz explains the intent on what the board is looking at, because of the contracts for air service and marketing we were attempting to make a 12 month commitment, knowing that we could only appropriate to the budget year. Horowitz recognizes that this intent was not made clear today through the language of the contract. Staff understands the legal

3:32:09 PM Haemmerle asks for a paragraph stating that this board cannot be held accountable to the (implied: air service or marketing) contracts, there are no third party beneficiaries to this contract.

3:32:58 PM Haemmerle moves the contracts discussion for both organizations to a date certain, next meeting of the board., motion seconded by Jonas, motion passed unanimously.

PH 3:15 pm Consideration and adoption of limited-time contract with Sun Valley Marketing Alliance for promotion of existing for air service(s) and future service to ensure significant enplanements. Scope of Work and budget to be presented by SVMA. ....Tab 5

The actual discussion on the Sun Valley Marketing Alliance (SVMA) was continued to the next board meeting. Although, Arlene Schieven does want to make a short presentation to the board today.

Marketing alliance

3:34:17 PM Arlene Schieven presented from SVMA. Schieven presents their draft budget, on marketing and media strategy for summer. Schieven points out that all of the 1% LOT funding is going towards air service and incremental advertising. Schieven then presents the Summer 2014 media plan, Seattle, Los Angeles, Denver, and San Francisco are also target markets for them. Schieven then discusses performance tracking, including click-through rates, website visits, enplanements occupancy/room nights sold, and number of visitors.

Board members will provide comments to Susan Robertson regarding the contracts and she will disseminate to the staff working team.

The Board discusses the next meeting date now. They decide on Wednesday March 12<sup>th</sup>, 2 pm, at Ketchum City Hall.

3:48:26 PM Rick Baird spoke to the board. Baird has heard more than 1 thousand times that air service is crucial to this valley. This is a great discussion. We need air service this summer and winter, we have to put plans in place and getting people in the seats.

3:50:57 PM Haemmerle responds that we must be responsible.

OB 3:50 pm Discussion and possible action regarding selection of ICRMP for the provision of insurance services. ....Tab 6

3:55:29 PM Jim McNall from Idaho Counties Risk Management Program (ICRMP) spoke to the board. McNall explains that in response to the general questions and discussion tonight, they (ICRMP), cover damages for dollars.

3:56:33 PM Haemmerle asks a question, McNail replied that ICRMP would not cover it, because it was not physical damage to an item or person (implied).

McNall explains the contract is similar to that of the Cities and the County that each board member represents. Just because ICRMP would not cover the scenario Haemmerle posed, doesn't mean that the individuals would be responsible for defending themselves, each City and County would likely provide that defense if any board member were named in a lawsuit.

3:59:06 PM Schoen is comfortable with this policy, he believes it is appropriate.

4:01:32 PM Haemmerle moves to approve the ICRMP contract, Jonas seconds, motion passed with roll call vote. Jonas, yes. Briscoe, yes. Haemmerle, yes.

OB 4:00 pm Consideration of bids on web site design. (Bids will be brought to the meeting)

4:03:26 PM Horowitz gave information regarding website design recommend JML Publishing at an estimate of \$150-\$500. JML has more municipal experience than the other 4 responses from local website designers.

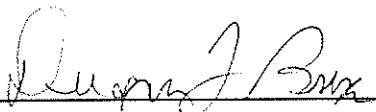
4:04:21 PM Haemmerle moves to approve contract with JML Publishing, Mike Landis for web design, Jonas seconds, motion passed unanimously.

Dick Fenton asks the board if he can speak to Susan Robertson regarding the contract, budgeting and timing, the board agrees.

4:06:27 PM Motion by Haemmerle for next meeting on Wednesday March 12, at Ketchum City Hall, Jonas seconds, motion passed unanimously.

No Executive Session is called.

4:06:45 PM Motion to adjourn meeting made by Jonas, Haemmerle seconds, motion passed unanimously.

  
\_\_\_\_\_  
Dewayne Briscoe, Chairman

ATTEST:

  
\_\_\_\_\_  
Nina Jonas, Secretary/Treasurer