



LOCAL **marketing** DISTRICT

2017 ANNUAL REPORT

# OVERVIEW

The commercial air program initiated by the Steamboat Ski & Resort Corp. first touched down during the winter of 1986/87. Thirty-one years later the program remains an important economic driver for Northwest Colorado. This program is more than simply a seat on a plane; it's a powerful component of the community that allows Northwest Colorado to take off to a brighter future.

Today, through the partnership of public and private entities including the Steamboat Ski & Resort Corp., local lodging companies, the Steamboat Springs Local Marketing District, City of Steamboat Springs, Steamboat Springs Chamber Resort Association, Yampa Valley Regional Airport and Routt County, the commercial air program remains a unique collaboration that positions Steamboat collectively to face the ever-increasing challenges and uncertainty associated with the airline industry.

While the airline industry has changed significantly since those first flights, convenient nonstop service for visitors and residents of Northwest Colorado remains the primary focus of the commercial air program.

- YVRA generates nearly \$5.0M annually in revenue supporting vitality of region
- 2013 CDOT Economic Impact of Colorado Airports for YVRA
  - Annual economic output is \$299M
  - 3,034 jobs driven by YVRA
- Key asset in the development of location neutral businesses
- 7 new nonstop destinations in six years



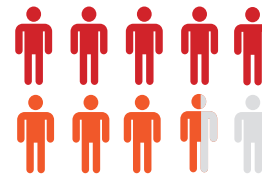
**\$1,345**

Average amount a winter visitor arriving via YVRA spends per trip



**22%**

Percentage available seats have increased over the last 4 years



**87%**

Winter passengers consider direct flights to HDN extremely important or very important in decision to visit

**ALASKA AIRLINES**  
San Diego (SAN)  
Seattle (SEA)

**AMERICAN AIRLINES**  
Chicago (ORD)  
Dallas/Ft. Worth (DFW)

**DELTA AIR LINES**  
Atlanta (ATL)  
Minneapolis/St. Paul (MSP)

**UNITED AIRLINES**  
Chicago (ORD)  
Denver\* (DEN)  
Houston\* (IAH)  
Los Angeles (LAX)  
Newark-NY (EWR)  
San Francisco (SFO)  
Washington-Dulles (IAD)

**VIA AIR**  
Austin (AUS)  
Kansas City (MCI)

\* Summer daily service

As a business that has been around for more than 100 years, we can see in our history the effect plentiful air seats have on the number of destination guests. This impact ripples through the valley and has a positive influence on our businesses, employees, and the economy of this town.

— Lindsay Dillenbeck  
F.M. Light & Sons

## Steamboat Springs Local Marketing District Overview

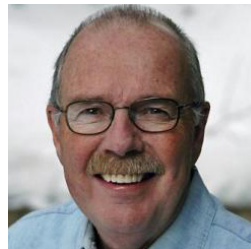
Approved by district voters in 2004, the Local Marketing District (LMD) oversees funds directed toward providing commercial air service into the Yampa Valley Regional Airport (HDN). The LMD and Steamboat Ski & Resort Corp. lead the commercial air program in partnership with the Yampa Valley Regional Airport, Routt County, City of Steamboat Springs, Steamboat Springs Chamber Resort Association and the lodging community.

A five-member volunteer committee is appointed by the City Council from the LMD district to serve four-year terms. The LMD committee meets every other month at Centennial Hall and currently comprises of the following individuals:

### THE LMD BOARD



**Bob Milne, Chair**  
Term expires 3/31/19



**Rod Hanna, Vice Chair**  
Term expires 3/31/19



**Jane Blackstone,  
Treasurer**  
Term expires 4/16/20



**Steve Munton**  
Term expires 4/1/21



**Ryan Van Ness**  
Term expires 4/1/21

## Steamboat Ski & Resort Corp. Role with LMD

Under the leadership of Rob Perlman, President & COO, and management by Janet Fischer, Airline Program Director, the Steamboat Ski & Resort, with input from the LMD, is responsible for contracting all air service, exploring future winter and summer flight options, providing oversight to achieve maximum revenue and load factors, and maintaining relationships with current and prospective airlines and key contacts. In addition, the resort hosts the annual Airline Partners' Summit bringing 100 key airline contacts to Steamboat.

The ski resort, on behalf of the LMD, works to balance demand with capacity through financially sound routes that focus on a variety of factors including destination markets, hub airports, airline economics and diversity. Air service is the lifeline for a vibrant resort community, and the LMD is committed to preserving this vital community asset.

## WHY DO WE CONTRACT?

- Airlines don't choose to fly smaller markets like Steamboat
- Leisure passengers result in lower airline revenues
- Seasonal and directional vacation travel patterns are less profitable to airlines

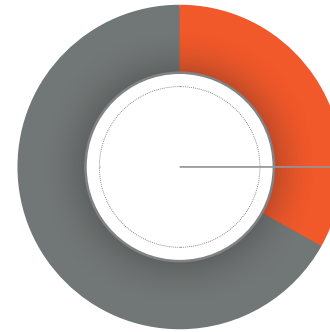
## HOW DO WE CONTRACT?

- Minimum Revenue Guarantee (MRG) contracts are based on revenue, not seats filled
- Opportunity Cost: airlines' potential profitability if an aircraft were to be used on another route
- Annually, service is proposed from all major cities to all airline partners, as well as other potential airlines
- Mergers limit number of airlines to pursue
- Cost of fuel changed how airlines do business

# FUNDING STREAMS

Since its first year, the commercial air program has relied on minimum revenue guarantee (MRG) contracts to ensure adequate nonstop flights into the YVRA. Without contracts, the airlines would utilize the aircraft on more profitable routes, which would negatively impact the winter destination guests who currently arrive through YVRA.

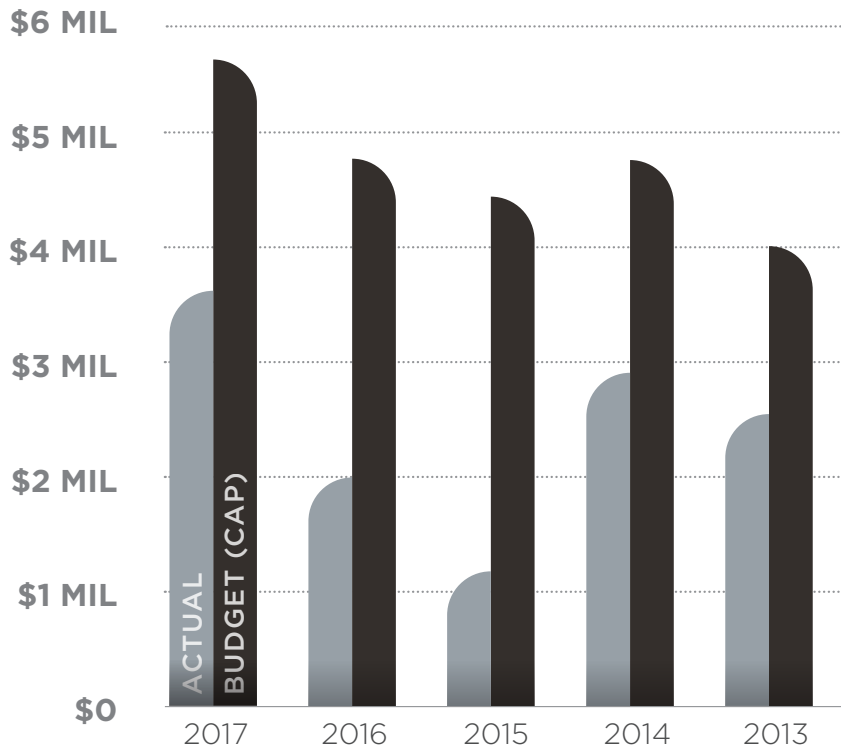
The LMD collects revenues to fund its commitment to program costs primarily through the following revenue streams.



## 2018 WINTER & SUMMER AIR BUDGET

- SSRC ▶ 33.33%
- LMD ▶ 66.67%

## WINTER CONTRACTED AIR *Budget (CAP) vs. Actual*



### Accommodations Tax

Since its inception, the LMD has utilized proceeds collected through a 2% tax on nightly accommodations within district boundaries.

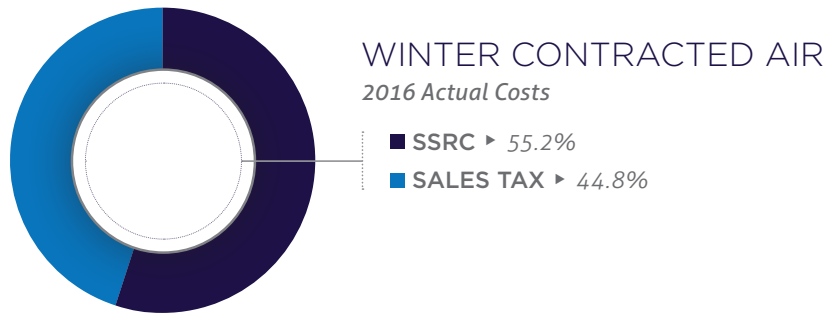
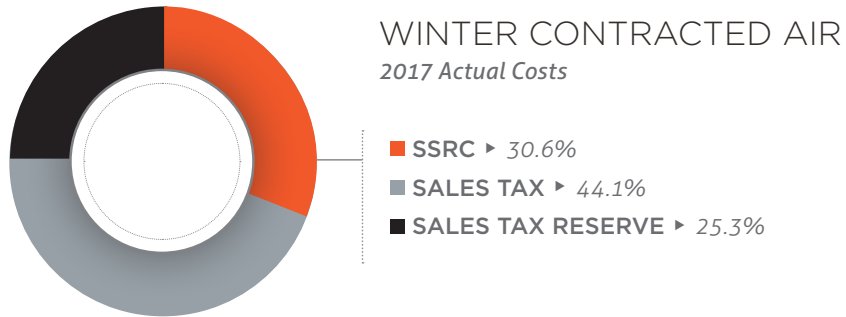
### Air Service Sales & Use Tax (2011-2016)

Voters approved a 0.25% tax on sales within the City of Steamboat Springs during the general election in November 2011. **The five-year community tax sunsetted for collection on December 31, 2016.**

### Sales Tax & Accommodation Tax Reserves

Two separate reserve accounts have been established for contingencies and opportunities. The Sales & Use Tax reserve will continue to be used until expended, likely in 2018.

The LMD Board and Steamboat Ski & Resort Corp., due to the nature of the funding sources, conservatively budget for the entire MRG cost at the full amount (CAP). Historically, the actual MRG cost has been lower than CAP resulting in savings. For example, payments to the airlines for the past four years have been lower due to improved performance as a result of successful and strategic marketing, matching capacity with demand and reduced fuel costs. The reduced costs allow more dollars to flow into the reserves.



From 2013-2017, the program featured a waterfall payment from private and public entities that covered costs. First in was the Steamboat Ski & Resort Corp. paying \$1.1M annually. Next, funds generated from the previous year's 0.25% Air Service Sales & Use Tax were used along with Sales Tax Reserves; followed by committed lodging tax revenue and lodging tax reserves from the LMD. Finally, the Steamboat Ski & Resort Corp. was responsible for any shortfall in approved program expenses.

For winter 2017/18 a new Air Program Contribution Agreement was established and approved by City Council. Winter and Summer Air Program costs will be split 33.33% Steamboat Ski & Resort Corp. and 66.67% LMD.

Over the past five years, the program aimed to open new markets, work with new partners, rebuild reserves, implement summer flights, and grow the number of overall seats. The combined reserves now sit at a forecast 2017 year-end amount of \$5.7 million and overall seats have grown 22% over the past four years.

The air program moved from 7 to 14 markets including four cities on the west coast, Austin and Kansas City; expanded relationships with several air partners; and in summer 2017 offered daily nonstop flights from Houston and Denver. New airlines are actively being sought for additional markets in future seasons, which would not be possible without the current funding scenario.

## WINTER SEATS, PASSENGERS & LOAD FACTOR

SEASON	SEATS	YOY CHANGE	PASSENGERS	YOY CHANGE	LOAD FACTOR
2017/18	122,000	8%			
2016/17	112,821	-4%	80,611	-2%	71%
2015/16	116,965	8%	82,161	9%	70%
2014/15	108,748	9%	75,416	8%	69%
2013/14	99,949	-7%	69,969	-5%	70%

*As a local business that operates on an international scale, we have a different perspective on the flight program than those in the tourism industry. A vital commercial flight program is extremely important for our employees and company as we continue to grow in Steamboat Springs.*

— Chris Tamucci  
Director of Operations-BAP, Big Agnes, Honey Stinger

## WINTER PROGRAM RESULTS & BENEFITS

The program is moving in the right direction and making a difference for the entire community. Steamboat is in a better position than other resorts due to the funding mechanisms in place, the private/public partnership and strong airline relationships.

It's important to keep in mind that the airline industry is volatile and changes occur from month-to-month, week-to-week or even day-to-day. For example, the upcoming 2017/18 season continues to see high MRG contracts for flights due to increased competition for aircraft and airline profitability.

### WINTER AIR PROGRAM COSTS & ALLOCATIONS

FUNDING	2017 Actual	2017 Budget	2016 Actual	2016 Budget	2015 Actual	2015 Budget	2014 Actual	2014 Budget
SSRC	\$1,111,732	\$1,111,732	\$1,111,732	\$1,111,732	\$1,111,732	\$1,111,732	\$1,111,732	\$1,111,732
Fly Steamboat	\$0	\$0	\$0	\$0	\$10,000	\$10,000	\$10,000	\$10,000
Sales Tax	\$1,624,173	\$1,550,000	\$901,894	\$1,324,972	\$82,808	\$1,324,824	\$1,273,869	\$1,120,962
Sales Tax Reserve	\$901,107	\$1,950,707	\$0	\$1,437,784	\$0	\$0	\$0	\$0
Lodging Tax	\$0	\$900,000	\$0	\$888,114	\$0	\$1,000,000	\$556,487	\$960,000
Lodging Tax Reserve	\$0	\$260,350	\$0	\$0	\$0	\$450,000	\$0	\$680,000
SSRC	\$0	\$0	\$0	\$0	\$0	\$577,405	\$0	\$898,826
<b>TOTAL</b>	<b>\$3,637,012</b>	<b>\$5,772,789</b>	<b>\$2,013,626</b>	<b>\$4,762,602</b>	<b>\$1,204,540</b>	<b>\$4,473,961</b>	<b>\$2,952,088</b>	<b>\$4,781,520</b>

### WINTER 2017/18 & SUMMER 2018 PROGRAM COSTS & ALLOCATIONS

FROM	Budget at Total Cap
SSRC (1/3)	\$1,995,029
LMD (2/3)	\$3,990,656
<b>Winter &amp; Summer Totals</b>	<b>\$5,985,685</b>

### RESERVES

TAX TYPE	2018 Projected at Cap	2017 Projected	2016	2015	2014
Sales Tax	\$0	\$1,049,600	\$3,574,880	\$2,852,601	\$1,437,784
Lodging Tax	\$2,761,827	\$4,680,383	\$3,816,383	\$3,057,663	\$2,053,930
<b>Total</b>	<b>\$2,761,827</b>	<b>\$5,729,983</b>	<b>\$7,391,263</b>	<b>\$5,910,264</b>	<b>\$3,491,714</b>

Over the past four years, the combined marketing efforts of the public/private partnership between the LMD and Steamboat Ski & Resort Corp. (SSRC) have resulted in consistent, convenient air service for guests as well as local travelers.

LMD Marketing - \$375,000

For 2018, the LMD is committing \$300,000 to marketing winter service and \$75,000 toward summer flights. Steamboat Ski & Resort Corp. manages the LMD dedicated winter marketing funds on top of its overall national sales and marketing campaigns to reach an even wider audience. Steamboat Ski & Resort Corp. partners with the Steamboat Springs Chamber Resort Association on the summer flight marketing efforts.

Steamboat Ski & Resort Corp. - \$2.5M to \$3M

In addition to its 33.33% share of air service costs, Steamboat Ski & Resort Corp. also spends between \$2.5 to \$3M each season as part of air service marketing, co-op airline programs and international campaigns.

Focused on the commercial air program’s top destination markets, these efforts center on air-specific online, print, and cable television advertising, geo-targeted emails, direct mail, dedicated web pages and promotions, press releases, public relations initiatives, special events and group sales programs.

Through these efforts, the resort is promoting the winter air program to destination guests in more than 40 cities across the country as well as key international markets. These targeted and strategic marketing efforts led by Steamboat Ski & Resort Corp. have a direct impact on the success of each flight and the overall success of the program.

Vibrant Economic Generator & Gateway to the Northern Rockies

A key gateway for Northwest Colorado, the Yampa Valley Regional Airport (HDN) is the seventh busiest commercial airport in Colorado and one of only three west of the Front Range with a 10,000-foot runway. The facility not only provides access to a majority of winter destination visitors, but also offers convenient flights for regional residents and businesses and serves as a key asset in attracting new businesses and location neutral enterprises to the region.

2013 Economic Impact	Statewide Impact	Local Impact
Jobs	265,700	3,034
Payroll	\$12.6B	\$104.9M
Output	\$36.7B	\$299.3M
Taxes	\$1.1B	\$14.1M

Airport operations are self-funding, collecting nearly \$5.0M in landing and security fees, sales tax on fuel and rent this past year. The commercial air service, made possible through MRG contracts, assists in bringing in sufficient operating revenues, which allows the facility to function without Routt County subsidies. The facility, which has doubled in size over the past decade due to a series of multi-million-dollar improvements, also supports dedicated general aviation, Federal Express and UPS services.

*Every one of my fellow employees across the restaurant business sees the difference in wages, hours and tips when the commercial flight program starts flying each winter. Without it, our business would look very different.*

— Rex Brice  
Rex’s Family of Restaurants

YVRA continues on its flight plan to the future with improvements built upon a foundation of more than \$27M in Federal, State and County funded projects that include:

- 2015 - \$16.7M runway rehabilitation that included new lighting and paved shoulders enhancing flight safety and snow removal operations
- 2016 - \$3M 500,000 gallon water tank project serving the Airport and Town of Hayden improving the Airport's fire protection and Town's water system infrastructure
- 2016 - completion of a new 20-year YVRA Master Plan carefully charting the Airport's path to continued improvement and growth
- 2016 - purchase of two new pieces of critical snow removal equipment and a new airfield beacon optimizing snow removal and improving flight operations safety
- 2017 - construction of 5,000 SF snow removal equipment storage building and replacement of Runway 28 approach path lights to improve equipment availability and lifespan and enhance light operations
- 2018 – construction of an additional large commercial aircraft parking spot and repair of existing commercial apron to increase aircraft handling capacity and decrease turn times
- 2019 – Atlantic Aviation, one of the largest fixed base operators (FBO) in the U.S. scheduled to invest \$7M-12M to relocate and expand their operations at YVRA
- 2019 – full commercial apron and taxiway refresh coating to extend pavement lifespan

These projects facilitate future business opportunities throughout the terminal and airport property and have a positive impact on current business partners as well as aviation related businesses of the future.

### New Cities, Expanded Options and Aircraft

The 2017/18 winter program increases nonstop service to 14 major cities. New for this ski season are nonstops from Austin and Kansas City on ViaAir. The winter program continues a focus on expanding service during popular travel periods. The winter air program now provides nonstop service on Alaska, American, Delta, United Airlines and ViaAir as well as convenient connections from more than 300 airports, making Steamboat Springs one of the most easily accessed resort communities.



- Alaska Airlines expands to three weekly nonstop flights from San Diego International Airport
- New ViaAir nonstop flights from Austin and Kansas City on Wednesday, Saturday and Sunday
- United Airlines' Chicago flight will be daily all season, up from weekends only Jan 9 – Feb 17
- United Express Denver flights will return to 3 flights per day for the full winter and 4 per day for holidays and Feb 15 – Apr 2





Thank you for your ongoing support of the Steamboat Airline Program, a unique public-private partnership working collaboratively for the success of our community and the Yampa Valley.

Local Marketing District  
PO Box 774408  
Steamboat Springs, CO 80477

