



FLY SUN VALLEY ALLIANCE AIR SERVICE PROGRAM FAQ

WHAT IS FLY SUN VALLEY ALLIANCE?

Fly Sun Valley Alliance (FSVA) is an economic development organization focused on **improving commercial air service for the Wood River Valley to benefit the community**. The FSVA operates as a non-profit 501c6 with one contract staff person, and a 14- member volunteer board of directors representing private and public sectors throughout the valley.

FSVA was formed in 2009 and has been working with Sun Valley Resort and other partners to improve air service to Friedman Memorial Airport (SUN). www.flysunvalleyalliance.com

WHAT IS THE MISSION OF FSVA?

To improve commercial air service for the Wood River Valley to benefit the community

- ✚ Improve frequency and convenience for SUN air travel year-round
- ✚ Sustain our local economy, local businesses, local jobs, and quality of life

WHO BENEFITS FROM IMPROVED AIR SERVICE AT SUN?

All sectors of the community benefit from good air service

- Local residents - easy air access to leisure travel, and travel for their visiting friends/family
- Part-time residents –easy air access to their second home, and travel for their friends/family
- Business –easy air access is important for tourism, non-tourism and remote/work businesses

GOOD AIR SERVICE is IMPORTANT



LOCALS



BUSINESS



TOURISM

WHO USES SUN AIR SERVICE?

57% of SUN Passengers have some connection to the Wood River Valley

- 23% are full-time local residents
- 14% are part-time residents/second homeowners
- 20% are visitors are coming to visit family/friends who live here

43% of SUN passengers are with no personal connection to the WRV

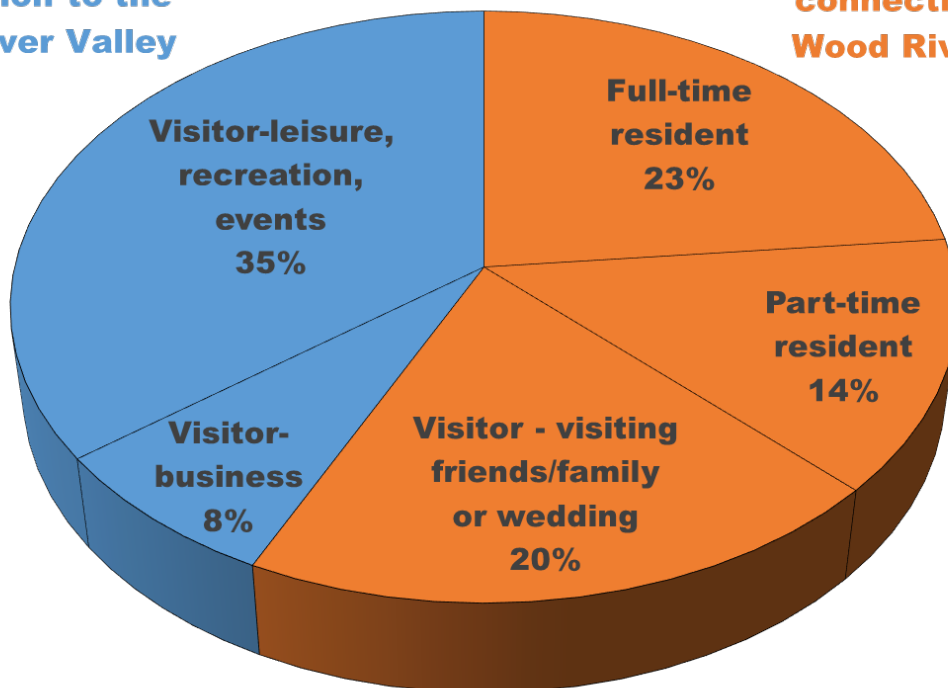
- 35% of SUN passengers are visitors coming for leisure/recreation/events
- 8% of SUN passengers are visitors coming for business/professional/other

[More SUN Air Passenger stats HERE](#)

Who uses SUN air service?

43% of pax don't have a
connection to the
Wood River Valley

57% of pax have a
connection to the
Wood River Valley



Source: SUN Passenger Survey, Summer 2022 and Winter 2022/23

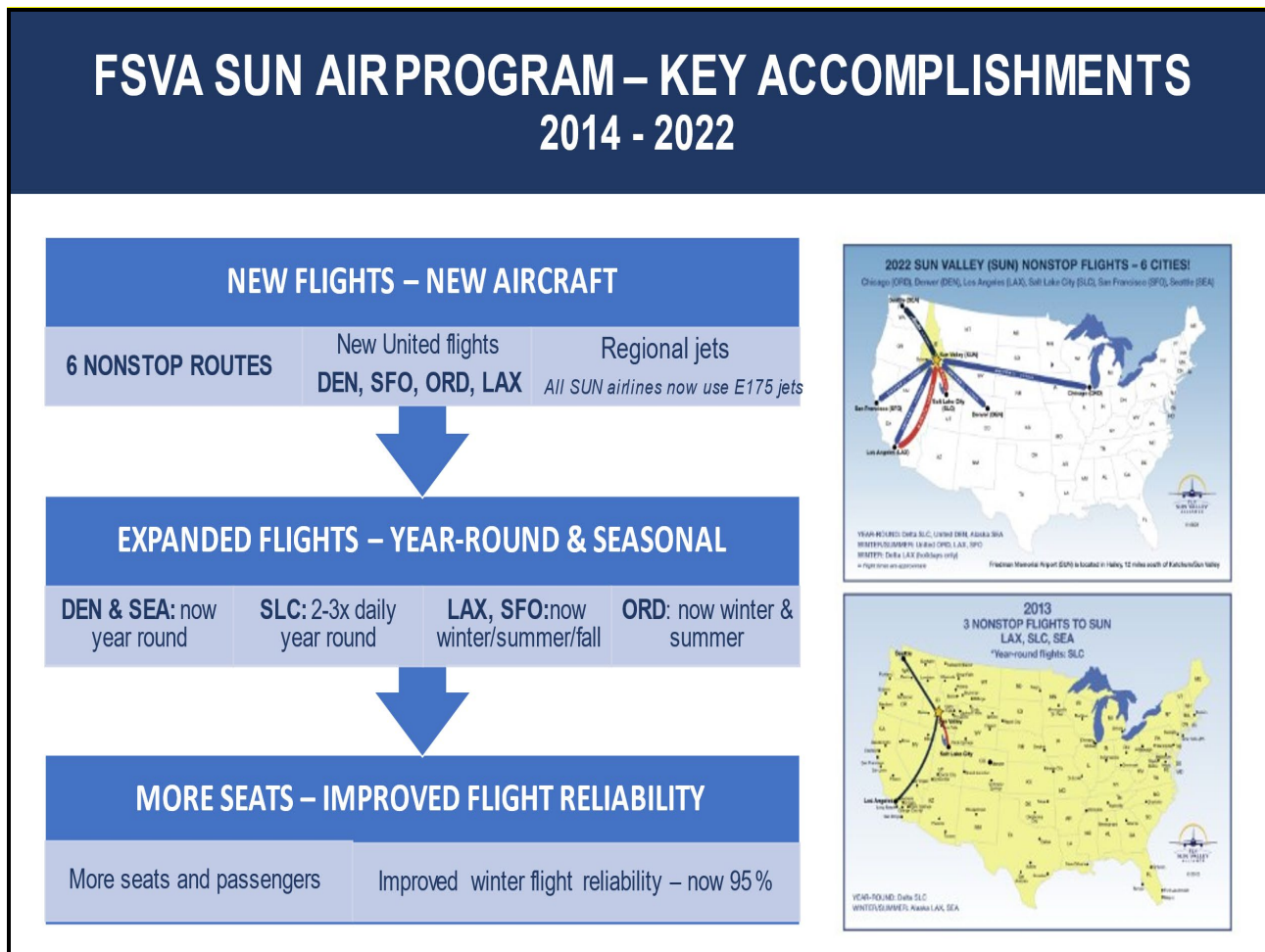
WHAT ARE FSVA'S KEY ACCOMPLISHMENTS TO DATE?

Since 2014, the **LOT for AIR** has provided FSVA with the resources to improve air service at Friedman Memorial Airport (SUN). We have increased nonstop destinations, flight frequency, and flight reliability, which has had a positive impact on our economy and improved the quality of life for local residents.

Our community now has improved convenience with more flights to more destinations – from 3 to 6 nonstop routes - and more year-round air service

KEY ACCOMPLISHMENTS

- Attracted United Airlines to serve SUN – and new E175 regional jet service
- Supported improved winter flight reliability through new airport approach procedure (*97% SUN winter flight completion rate in 2023, up from 73% in 2019*)
- Secured new nonstop flights from Denver (DEN), San Francisco (SFO) and Chicago (ORD)
- Year-round service to Denver (DEN) and Seattle (SEA) from seasonal only
- Extended service to Los Angeles (LAX) and San Francisco (SFO) into fall
- Supported year-round daily service to Salt Lake City (SLC)
- Supported winter diversion busing for SUN passengers until reliability was improved

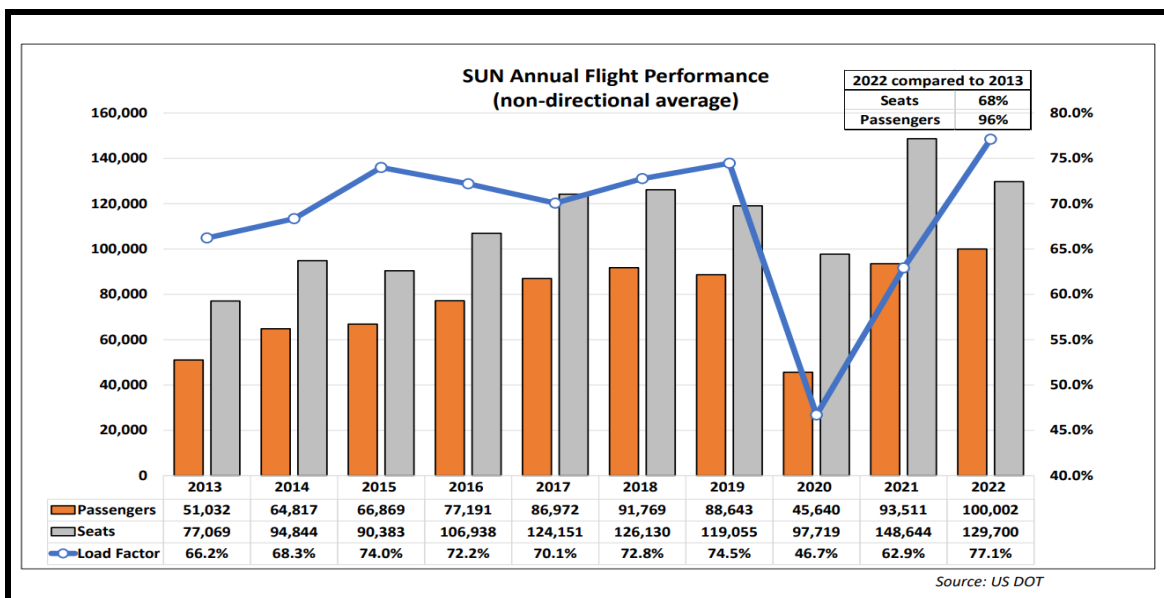
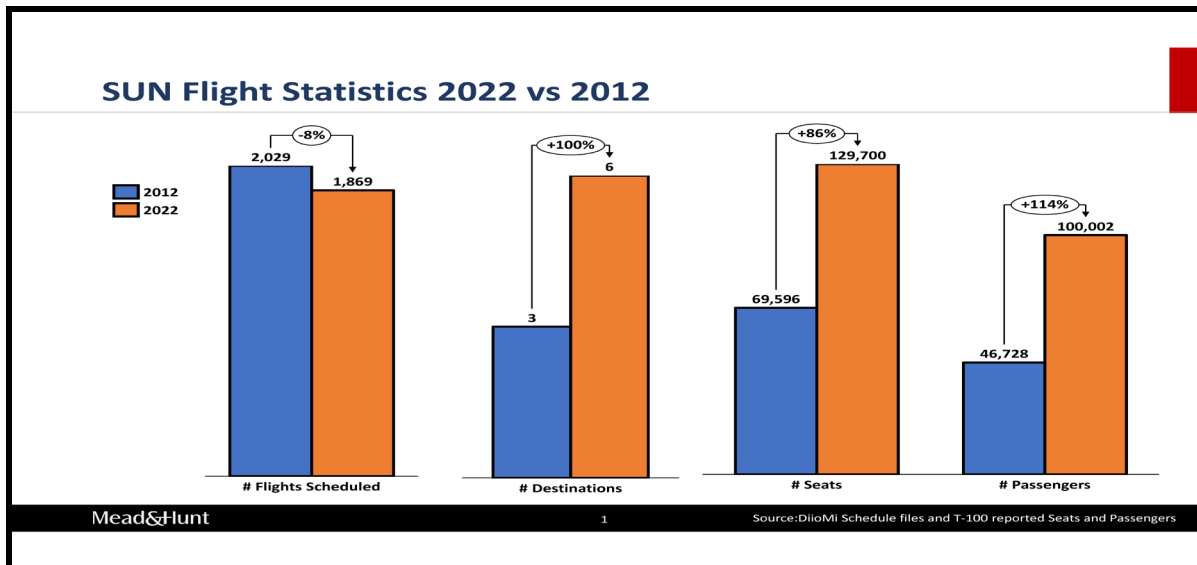


HOW HAS AIR SERVICE AT SUN IMPROVED?

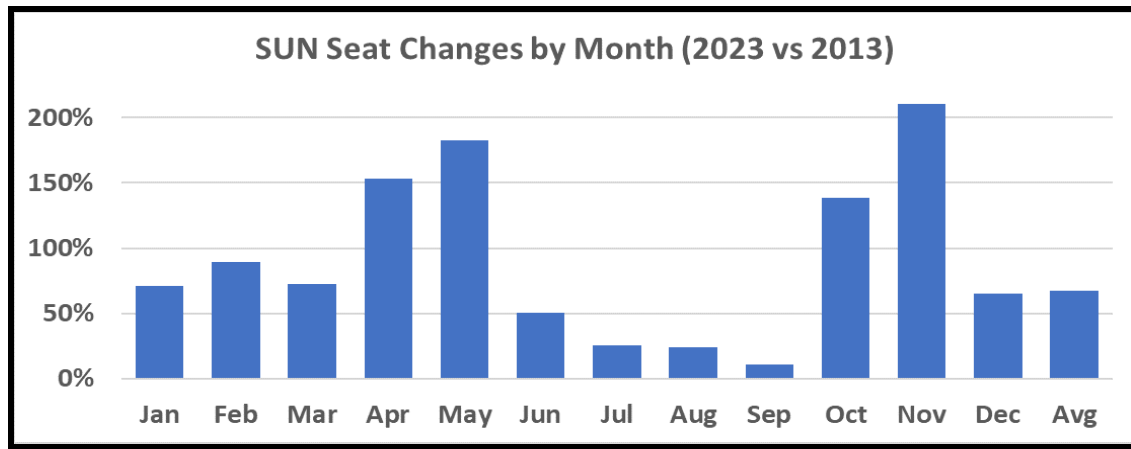
More seats, passengers, nonstop destinations with fewer actual flights
More year round service and improved flight reliability in winter

- **Total SUN annual flights are actually less now than in 2012**, largely due to use of larger 70 passenger regional jets which replaced the 30 passenger turboprop planes in 2013/14
- **However, SUN Air Seats have grown 68% since 2013.**
- **And, SUN Passenger use has doubled since 2013.** More options and improved reliability = more travelers/use, less leakage to Boise and other airports

Note: The % of local resident SUN air travelers has stayed consistent at 22-25% over the past decade that we have been tracking through air passenger surveys, which means local passenger use has increased as available seats have increased.



More year-round service - The largest changes in SUN air seat capacity in last 10 years has been in spring, fall, winter. SUN now has much more year-round and winter service, which benefits local residents.



Improved flight reliability – Due to investments in new landing approach technologies by airlines (with support from SUN airport and FSVA), the winter flight reliability at SUN has dramatically improved in the last few years, resulting in about 95%+ annual winter flight completion rates, up from 70% in prior years.

WHAT DOES IT TAKE TO ADD NEW SERVICE OR INCREASE FLIGHT FREQUENCY IN A MARKET?

Currently, US airlines are facing severe pilot shortages making regional airline markets extremely competitive for service. Those challenges are likely to persist for the next few years. Physical space at Friedman Memorial Airport (SUN), TSA staffing and scheduling, and the schedule needs of the three airlines serving SUN (United, Delta, Alaska) are also challenging, as the airlines need flight schedules in and out that conveniently connect to their hub cities.

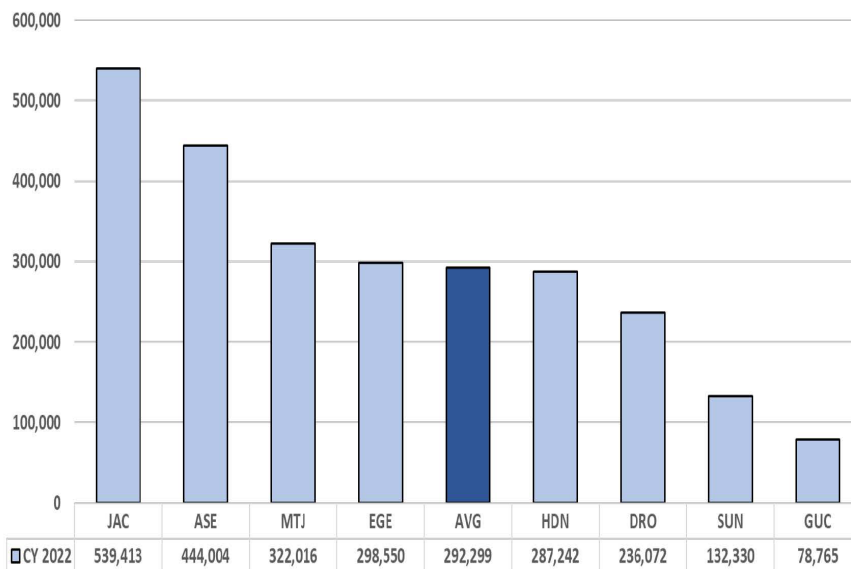
The TSA and SUN airline and airport staff have done an excellent job of accommodating the airlines and air passenger traffic while dealing with terminal infrastructure constraints such as counter space, security screening and passenger waiting areas. The type of aircraft that can be operated into Friedman Memorial Airport is limited to certain aircraft types – ie, 70-76 passenger E175 regional jets.

HOW DOES OUR AIR SERVICE COMPARE TO OTHER RESORTS?

While air service at SUN has improved significantly over the past decade, it is important to understand that visitors have many easy air service access choices among our competitor resorts.

THE COMPETITION – OTHER RESORT AIR SERVICE

2022 Mountain Resort Seat Comparison



Most other western resorts (not located near major cities) have much greater air service seat capacity than SUN.

Note: Most of these other resorts also have MRG contracts for air service

JAC: Jackson Hole
 ASE: Aspen
 EGE: Vail
 HDN: Steamboat Springs
 MTJ: Montrose/Telluride
 DRO: Durango/Purgatory
 SUN: Sun Valley
 GUC: Gunnison/Crested Butte

HOW IMPORTANT IS TOURISM TO OUR ECONOMY, BUSINESSES, JOBS?

- Tourism represents **73%** of Blaine County's GDP ⁽¹⁾
- Tourism annually generates **\$355M in visitor spending; \$34M in local tax revenue** ⁽²⁾
- Tourism provides **5100 jobs** in Blaine County that are directly related to visitor spending. ⁽²⁾

Sources: 1) [2018 Analysis, SV Economic Development](#), 2) [2021 Idaho Travel Impact Study](#)

HOW IS FSVA FUNDED AND HOW DOES IT SPEND THE FUNDS?

FUNDING SOURCES: FSVA is a public/private partnership funded through .5% LOT for AIR sales tax funds via a contract for service with the Sun Valley Air Service Board and additional private contributions provided by Sun Valley Resort (which covers 50% of MRG costs), and other local businesses through FSVA/Sun Valley Resort partner programs such as Air Support Business Ski Passes, Ski for Air Service Day, and Realtors for Air.

USE OF FUNDS: The .5% LOT for Air sales tax funds are used for Airline Contract Costs (MRGS), Air Service Development, Research/Air Passenger Surveys, and Local Air Service Marketing. (See budget below.) Private sector funds cover program management, marketing and fundraising costs.

[SEE FSVA FY24 BUDGET PRESENTATION HERE](#)

FSVA .5% LOT SVASB CONTRACT BUDGET (FY24)									
FSVA INCOME	1% LOT Budget								
.5% LOT Revenues/SVASB Contract for Services*	\$ 800,602								
Interest on LOT reserves	\$ 80,000								
TOTAL INCOME	\$ 880,602								
<i>*Contract for Services with Sun Valley Air Service Board</i>									
FSVA AIR SERVICE DEVELOPMENT EXPENSE									
Air Service MRG Contract Costs (net FSVA projected cost)	\$ 727,100								
Air Service Development (consulting, airline mtgs, legal, etc)	\$ 85,000								
Local Air Service Marketing /Research (air passenger surveys, other)	\$ 60,000								
TOTAL EXPENSE	\$ 872,100								
Contingency	\$ 8,502								
LOT RESERVE SUMMARY									
FY22 FSVA LOT Reserves	\$ 2,923,444								
Reserves needed:									
To cover LOC as required by airline contracts (a portion of current reserves are restricted)									
To cover higher than budgeted Air Service Contract costs due to uncertain economic environment/industry costs (budgeted MRG costs are significantly less than total MRG Cap liability)									
To support potential new/expanded service in future years									
<p>FY24</p> <p>FSVA AIR SERVICE DEVELOPMENT EXPENSE</p> <table border="1"> <caption>FSVA Air Service Development Expense Breakdown (FY24)</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Air Service MRG Contract Costs (net FSVA projected cost)</td> <td>83%</td> </tr> <tr> <td>Air Service Development (consulting, airline mtgs, legal, etc)</td> <td>10%</td> </tr> <tr> <td>Local Air Service Marketing /Research (air passenger surveys, other)</td> <td>7%</td> </tr> </tbody> </table>		Category	Percentage	Air Service MRG Contract Costs (net FSVA projected cost)	83%	Air Service Development (consulting, airline mtgs, legal, etc)	10%	Local Air Service Marketing /Research (air passenger surveys, other)	7%
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Note on FSVA Reserves: FSVA budgets require a reserve fund in order to engage an airline on an MRG contract- the airlines need to know there are funds to pay MRG contract costs if needed. While FSVA's MRG contracts include a maximum cap on payout, the reserves must cover the maximum potential payout for upcoming contract periods, including uncertainty about future LOT collections and funding sources. Reserves are important to maintain a consistent air service program for locals and visitors.

WHY DOES OUR COMMUNITY NEED TO CONTRACT FOR AIR SERVICE?

In many smaller and/or seasonal communities, airlines require a certain level of financial risk mitigation to be guaranteed to provide service, typically in the form of an MRG (Minimum Revenue Guarantee) contract. The community that wants the service for its residents and guests shares the financial risk with the airline which would not otherwise service the community. FSVA currently has MRG contracts with United and Alaska Airlines. US airlines are struggling to serve small markets, rural airports, and have been significantly reducing service over the past few years. **MRG contracts have allowed us to secure/retain good service at SUN.**

Airline MRG contracts are often required by many airlines to serve small, seasonal destinations such as SUN. Other cities have these types of MRG airline contracts to secure flights – from resort areas like Jackson Hole, Telluride, Vail, Steamboat, and Crested Butte, to larger cities across the US. Even small cities, like Twin Falls, Pocatello, Lewiston, Idaho Falls, Cheyenne, and many others, currently have MRG contracts to retain air service.

Read: [TIME article on communities keeping air service through MRG airline contracts](#)

HOW DO AIRLINE CONTRACTS/MRGS WORK?

MRGs are a contract for future performance, and the final cost is determined after the contract period is ended. An MRG contract obliges the airline to share detailed flight data before FSVA makes a payment. An MRG contract induces service by putting a floor on the performance of a flight but pays less when the flight does well. In good times, load factors are high, the local economy benefits, and MRG costs go down. In recession, load factors are low, MRG costs increase, and locals benefit from flights that would otherwise be cancelled.

The amount owed to the airline at the end of the contract period (typically one season or one year) is the shortfall between the actual revenue generated and the minimum revenue needed by the airline to cover the cost of the flight. FSVA's airline contracts are both seasonal and annual, depending on the airline. The airline contracts include a strict confidentiality clause for competitive reasons.

Example: FSVA contracts with an airline for a \$500K MRG cap for a summer season of daily non-stop service, which represents the airline's identified potential shortfall between actual revenue and cost. At the end of the season, if total revenues fall short of actual cost by \$300K, FSVA would owe the airlines \$300K. On the other hand, if the total revenue shortfall on the flights was \$550K FSVA would owe the airlines just the \$500K contract cap. If the actual revenue produced met or exceeded the cost, FSVA would owe \$0.

FLIGHT ROUTE	MRG CAP per contract (Maximum Cost)	MRG Actual Profit/(Loss)	FSVA Actual Cost Paid to Airline
Example 1			
SUN - xyz destination	\$ 500,000	\$ (600,000)	\$ 500,000
Example 2			
SUN- xyz destination	\$ 500,000	\$ (300,000)	\$ 300,000
Example 3			
SUN- xyz destination	\$ 500,000	\$ 100,000	\$ -

CAN FSVA INFLUENCE AIRFARES AT SUN?

Not really. While FSVA does monitor airfare trends and suggests, when appropriate, that our airline partners review/adjust SUN fares to ensure they are competitive, the fares at all airlines are set according to complex yield management systems in which the fares are continuously reviewed and updated depending on supply and demand. This is why airfares are less expensive when booked far in advance, and for travel on off peak days and seasons. Anyone who has booked a commercial airline ticket over the past year knows that airfares have risen quite a bit. This is due to a big post-pandemic jump in passenger demand (everyone wanting to get out and travel), combined with reduced capacity of the airlines to meet all of that demand (caused by pilot and other staff shortages) and significantly higher labor and fuel costs.

WHAT IS TAXED AND WHO PAYS THE .5% LOT FOR AIR SALES TAX?

The LOT for AIR in Ketchum & Sun Valley is paid on all taxable items including lodging, restaurants, retail, recreation/lift tickets, liquor-by-the-drink, and building materials. In Hailey, LOT for Air is on lodging & rental cars. The LOT FOR AIR is NOT included on items such as groceries and gas. The cities of Ketchum, Sun Valley, Hailey and Bellevue also have an Original Base LOT tax which pays for a wide variety of city services and amenities.

The LOT is a tourism tax – over 75% of total LOT revenues are paid by visitors.

Source: Zartico credit card spend data, 2022

WHAT IS THE MECHANISM FOR OVERSIGHT OF LOT FOR AIR FUNDS?

SUN VALLEY AIR SERVICE BOARD



The proceeds from this tax are administered by the Sun Valley Air Service Board (SVASB) under a Joint Powers Agreement (JPA). Its purpose is to direct and oversee the use of the dedicated 1% LOT for air service and destination management/air support, as directed by the respective cities. SVASB is comprised of 4 people:

- **Ketchum Mayor** – Neil Bradshaw
- **Sun Valley Mayor** – Peter Hendricks
- **Hailey Mayor** – Martha Burke
- **Blaine County Commissioner** – Muffy Davis (ex-officio)

Per the JPA, SVASB has no staff (each of the cities utilizes their staff for various SVASB tasks) and minimal operating expense. www.svairserviceboard.org

The Sun Valley Air Service Board has annual Contracts for Services with two local non-profit organizations:

- **Fly Sun Valley Alliance for air service development/improvement**
- **Visit Sun Valley for destination management/promotional air support**

These organizations closely coordinate efforts and provide regular reporting to the SVASB regarding activities and results.