



Steamboat Springs Local Marketing District 2023 Operating Plan

The Local Marketing District of Steamboat Springs (LMD) was formed pursuant to the Special District Act of the State of Colorado. Under Colorado Revised Statutes Title 29 Article 25-110, the LMD is required to file an operating plan and a proposed budget for the next fiscal year with the clerk of the local government (City of Steamboat Springs) no later than September 30 of each year.

LMD PURPOSE

The LMD's purpose is to support airline service for business development, related marketing, promotion, and LMD operations. This purpose is consistent with state statute, which defines allowable uses of local marketing district revenues.

2023 OVERVIEW

The LMD Board knows how incredibly important it is to have direct flights in place to support the local economy and has planned a balanced approach for the 2023 operating plan. The focus for 2023 is to keep core flights in place with some requiring contracts, and support newer routes that can sustain the program into the future. With our world changing by the hour, the LMD Board acknowledges that the plan is based on the information we have at the time of its creation and that it may need to be adjusted as conditions warrant.

Overall, the air travel system is strained, with domestic airline travel at approximately 87% of where it was in 2019. Air travel demand is stronger than airlines can provide due to pilot shortages; overall airport, airline and air traffic control infrastructure and systems limitations; and fuel volatility.

As a result, the Steamboat winter air program is anticipating an approximate 4% decrease in number of seats for winter 2022/23 vs 2021/22, which had the largest seat capacity in the history of the program. The flights loaded to date indicate the confidence of our airline partners and the strength of the public-private partnership that enables the air program's success.

The presence of Southwest Airlines continues to provide a competitive landscape among airlines which is beneficial to both residents as well as guests. Although fares have risen with fuel costs, residents have been able to tap into the air program at a much more attainable level throughout 2022.

Healthy air travel options in 2023 are even more critical as ground transportation becomes more impactful and challenging. Last winter's capacity allowed more guests to fly into Yampa Valley Regional Airport (YVRA), while others end their air travel in Denver and then drive up to Steamboat Springs.

The LMD Board and Steamboat Ski & Resort Corporation (SSRC) will pursue a potential third carrier and/or a nonstop market for the core of summer 2023, to enhance the existing flight options with United



and Southwest. Potential new summer flights to be pursued include American Airlines from Dallas/Ft. Worth, Delta Air Lines from Atlanta, United Airlines from Houston and Southwest Airlines from Dallas Love Field, Austin or Phoenix. The LMD Board and SSRC have allocated \$350,000 in total to contract a new summer flight to continue recent growth in the spring, summer, and fall.

LMD accommodation tax revenue budget for 2023 is proposed at \$2.6M, a decrease from 2022 projections which are expected to generate about \$2.9M. Indicators utilized to create this budget:

- Available advanced reservation information.
- Consumer confidence reports
- Unknown impacts of a potential short-term rental tax
- Conservative budgeting due to contractual cash-flow arrangements

2022-23 OPERATING PLAN HIGHLIGHTS

For the second year, the program has six major carriers and 16 nonstop airports, including Alaska (Seattle and San Diego), American (Atlanta and Minneapolis), JetBlue (Ft. Lauderdale and Boston), Southwest (Denver, Dallas Love Field, and Nashville), and United (Houston, Newark, Washington DC, Los Angeles, San Francisco, Chicago, and Denver).

- With overall strong air travel demand, but system wide airline reductions, the following changes are reflected in the 2023 plan:
 - Southwest Airlines enters their third winter into YVRA from Denver and Dallas Love Field. New for winter 2022/23, Southwest added Saturday flights from Nashville.
 - United Airlines has reduced seats by 6% year over year, which is still an increase of 20% compared to 2020/21.
 - American Airlines will no longer fly nonstop from Chicago and have reduced seats by 8% year over year, a 10% decrease over 2020/21.
 - Adding a budget for contracted air service for the summer into YVRA for 2023.
- Total available seats for the 2022/23 season will be approximately 193,000, a decrease of 4% year over year and an increase of 19% over 2020/21. The 2021/22 season had 201,000 round-trip available seats with a 72% load factor. The 2020/21 winter had 162,000 round-trip available seats with a 53% load factor.
- Winter CAP (maximum contracted expense) is budgeted at \$3M and summer CAP at \$350K, for a total of \$3.35M, down from \$3.6M in 2022 and \$4.4M in 2021. This reflects SSRC's ability to work effectively with the airlines to reduce Minimum Revenue Guarantees (MRGs).
- Specific flight details for the 2022/23 air program may continue to change as airlines react to constraints including pilot shortage, infrastructure and fuel volatility.
- The forecast for the reserve balance at the end of 2023 is \$3.2M.
- LMD reserves are positive though they may be impacted by a potential recession as well as changes in the short-term rental (STR) market.
- SSRC and the LMD will operate pursuant to the three-year Air Program Contribution Agreement, which was approved by City Council in June 2020 set to expire in June of 2023. Renewal process will begin in spring 2023 prior to expiration.



AIR PROGRAM OVERVIEW

The purpose of Steamboat Springs' air program is to provide commercial air service for both destination guests as well as northwest Colorado residents and second homeowners including location neutral business owners and employees. The air program is led by the LMD Board of Directors (appointed by the Steamboat Springs City Council) and SSRC. Both entities fund MRG contracts with airlines to secure specific nonstop flights into YVRA and maintain a variety of airlines, flight choices, and competitive airfares. SSRC and the LMD consistently work to schedule more seats on higher demand dates and days of the week to align capacity more closely with demand.

The majority of passengers using YVRA flights are traveling for vacation or leisure. Historically, without contracts the airlines would utilize their aircraft on more profitable routes, such as business flights connecting two larger cities. However, as a result of COVID-19, pent up leisure vacations are in high demand. More recently however, business and international travel are recovering.

The air service cost was \$18 per round-trip passenger into YVRA in winter 2021/22. Similarly, current airport research indicates that guests who fly into YVRA spend an average of \$1,565 per person, creating a healthy return on investment and fueling local businesses. Additionally providing revenue for the City of Steamboat Springs via sales tax collections. In 2021/22 the winter air program flights performed at a 72% load factor with a record 145,347 arriving passengers equating to roughly \$227M being spent in and around Steamboat Springs.

Without the nonstop flights from key metro markets, visitors would likely travel to other resort destinations that are easier to access either by more convenient flights or shorter drives from major airports. In fact, according to SSRC research, winter 2021/22 visitors who flew into YVRA rated the importance of flying directly into YVRA in their decision to take a Steamboat Springs vacation at 9.2, on a scale of 0 – 10.

No other Colorado ski area regional airport has six major carriers nor 16 nonstop airports for winter into their regional airport and many others do not have Alaska, JetBlue, or Southwest flights. All three of these airlines offer lower fares from specific markets. This is a competitive advantage for Steamboat Springs.

➤ *Refer to the attached Air Service Map and Flight Schedule for cities served.*



MINIMUM REVENUE GUARANTEE OVERVIEW

MRG contracts are based on guarantees that a certain level of revenue will occur, and if not, that the shortfall is paid. Steamboat's MRG contracts are negotiated annually, based on prior year flight performance, projected fuel costs, aircraft and pilot crew availability and opportunity costs (revenues a plane would make on another route), all of which have significant impacts on MRGs. The maximum MRG liability amount is referred to as CAP.

Actual air service MRG costs are determined by these primary metrics:

- Load factor: The ratio of passengers and available seats on each flight
- Yields: Average passenger fare plus ancillary revenues for bags, seat assignments, food, etc.
- Fuel costs: Actual fuel costs which can vary

In addition to the Steamboat Springs air program, the following mountain resort airports have MRG contracts or other financial incentives to support parts of their airline program: Crested Butte/Gunnison (GUC), Montrose/Telluride (MTJ), Jackson Hole (JAC), Mammoth (MMH), Sun Valley (SUN), and Vail (EGE). Jackson Hole (JAC) and Vail (EGE) are funded through voluntary public and private contributions, all others listed are funded through tax revenues.

LMD BACKGROUND

The LMD was approved by district voters in 2004 and began collecting a 2% tax on nightly accommodations (Accommodations Tax) within the district boundary effective January 1, 2005.

In November 2011, the qualified electors of the City of Steamboat Springs passed Ballot Measure 2B with 61% approval, allowing the City to increase the City sales tax by 0.25% for a period of five years to support commercial winter air service, with the goal of growing seats and rebuilding reserves. The proceeds of the tax were managed by the LMD for this purpose. The tax was imposed beginning January 1, 2012, and sunset for collection on December 31, 2016, although collections and reserves continued to support the air program for three subsequent years after collections expired.

As a result of the 2011 sales tax initiative, the LMD was required to enter into an intergovernmental agreement (IGA) with the City of Steamboat Springs and submit a set of bylaws for acceptance. The IGA and the bylaws were approved and adopted by both the LMD and the City. In addition, there is an Air Program Contribution Agreement between SSRC and the LMD which was renewed in June 2020 and set to expire in June of 2023.



AIR PROGRAM STRUCTURE

- **LMD Board**

- Appointed by the Steamboat Springs City Council.
- Administers the program pursuant to the terms and conditions of the Air Program Contribution Agreement between the LMD and SSRC.
- Allocates funding for flights with consideration of:
 - Current economic dynamics of the airlines and traveling public
 - Steamboat Springs' target markets
 - Balancing capacity with demand to meet needs of guests and locals
 - Maintaining convenient and popular nonstop flights complementing the current expansion of Denver connecting flights on both Southwest and United
 - Non-stop flights to airline hubs – typically approximately 40% of passengers into YVRA originate at a hub airport with 60% from points beyond
 - Proximity to Steamboat Springs – the closer the originating city to Steamboat Springs, typically the lower the cost
 - Diversification of carriers and addition of new carriers to promote competition
 - Budgeting for maximum contract liability or CAP, considering past performance and risk scenarios
- Conducts public meetings and prepares an Annual Report as well as an Annual Operating Plan and Budget, to inform and educate the community on the air program purpose, strategy, and expenditures.

- **SSRC**

- Explores potential winter and summer air service annually, from current airline partners' hubs as well as other originating cities highly used by Steamboat guests. Additionally, SSRC pursues future opportunities through potential flights with carriers that are not currently serving Steamboat Springs.
- Provides extensive administrative oversight, reports, and active communication with all airline partners to ensure that attainable revenue and load factors are being achieved.
- Contracts with air service carriers to secure competitive air service into YVRA by funding appropriate MRG contracts.
- Provides extensive marketing and sales programs to promote the air program with a significant \$2.5-3M value. Efforts may include air-specific online advertising, emails, webpages, cable TV, radio, PR, social, events, group sales, and more.
- Presents specific flight or airline costs to the LMD Board in executive session due to the confidentiality of contractual details with air service carriers.
- Establishes and maintains partnerships with air service carriers as well as relationships with several hundred key airline contacts in different departments including network planning, revenue management, pricing, marketing, leisure sales, and operations.
- Hosts an annual Airline Partners' Summit in Steamboat every January or February with approximately 100 key airline attendees. The Summit strengthens airline relationships and provides exposure to the airline partners, Steamboat Ski Resort, YVRA, and community.



OPERATING INFORMATION

- The Accommodations Tax is collected by the State of Colorado and deposited with the City of Steamboat Springs. The LMD Board works closely with the City Finance Director to ensure compliance with statutory requirements such as periodic tax audits.
- The City receives of 1% of the LMD Accommodations Tax for accounting and financial oversight services, including record keeping, and other support.
- The LMD Board of Directors does not receive any compensation or fees and does not directly handle any funds.
- It is the practice of the LMD and SSRC to budget the full MRG exposure (often referred to as CAP). Historically, the MRG costs actualize lower than the CAP resulting in savings which flow to the reserve. However, there have been years, including 2021, when close to the full CAP expenditure has been necessary.
- The LMD has established a reserve account that is projected and forecasted for every year and issued at the discretion of the LMD Board as approved by City Council.
- During the upcoming calendar year, financial receipts and expenditures and revenues may change sufficiently that the LMD Board may determine, during such year, that certain financial support levels for certain projected flights and destinations may be modified, increased, decreased, or eliminated, resulting in certain changes in expected airline flights supported by the LMD Board and SSRC during that year. The Board will notify City Council of any such changes which are deemed to be material, but the Board does not regard such changes as necessitating a change to this Operating Plan and does not require City Council approval or consent.
- The LMD utilizes a calendar year as its fiscal period. Program costs are recognized in the year when paid. The actual air program expenses for the 2022/23 season will likely be received in June 2023. The full expense will be posted to 2023 even though a portion of the expense is attributable to December 2022.
- The Steamboat Springs Chamber provides organizational and administrative assistance to the LMD for a nominal fee to offset their time and expenses.



FUNDING

- **2% Accommodations Tax and Reserves**

- Provide funding in conjunction with SSRC for agreed upon air service contracts.
- Are not restricted to a certain season.
- Can be used for marketing, as annually approved by the LMD Board, to assist in ensuring success of the air program. This marketing support would be supplemental to the \$2.5-3M of marketing value put forth by SSRC and is subject to a specific air program marketing plan produced by SSRC.
- Pay for other approved LMD expenses, including:
 - Community education through the Annual Report
 - Air Program management fee to SSRC
 - Legal fees
 - Administration (contract with Steamboat Springs Chamber)
 - Financial services (1% administrative fee to the City)
 - Research to regularly inform the Board
 - Miscellaneous and contingency

➤ NOTE: The total number of property units and room rates that are the basis for the Accommodations Tax add a variable to forecasting and planning. The Key Data Dashboard and RRC Associates visitor information that the Chamber has contracted for, the lodging properties are supplying information to, and the LMD is financially supporting, will provide a more accurate outlook on lodging bookings which will help more accurately define this variable. Increases or decreases in the number of nightly rental units within the district can have an immediate impact on the revenue stream to the LMD. In addition, visitor information gathered from Key Data will help supply more accurate year-round visitor numbers.

➤ The LMD boundary is no longer reflective of lodging property growth over the last decade. Both traditional lodging and STR properties in the City limits yet out of the LMD boundary have grown over the years. The LMD Board continues to explore and evaluate the equity and legal requirements and potential necessity to expand the District boundaries to fully include all lodging properties in the City limits.

- **Air Program Contribution Agreement**

The air program contribution agreement approved in June 2020 continues the two-thirds to one-third cost breakdown between the LMD and SSRC for both winter and summer air service.

Highlights of the agreement:

- SSRC will propose a budget to the LMD Board on an annual basis for air service.
- Air program costs (net of management fees and other admin costs of the LMD) are split:
 - 33.33% - SSRC
 - 66.67% - LMD
- LMD Accommodations Tax reserve may not go below \$600,000 except to fund actual winter program costs.
- SSRC shall provide air program services on an annual basis for an annual fee.



YAMPA VALLEY REGIONAL AIRPORT

In 2021, YVRA successfully met the air transportation needs of the local community and visitors; during this year a record breaking 153,440 passengers arrived in Colorado via YVRA. For the 2022 calendar year, YVRA forecasts approximately 197,000 arriving passengers on both contracted and noncontracted flights, greatly benefitting the community. The airport values its public support, and the 2021 numbers represent an 83% increase over 2020; much of that growth came in the spring, summer, and fall. This clearly shows that the community values the convenience, ease, and safety of air travel from YVRA, and the positive economic impact that the airport provides throughout the Yampa Valley.

The air service made possible with the air program MRG allowed YVRA to earn approximately \$6.6M in operating revenues in 2021, including, but not limited to, landing fees, sales tax on fuel, security fees, restaurant and gift shop sales, and airport rents and leases. The airport receives no County tax dollars. Airport funding is derived from airport business operations revenue. Much of this revenue comes from the commercial airlines. Additional revenue is received from parking, terminal building rentals, and airport concessions to include rental cars, shuttle buses and the fixed base operator.

Improvements to YVRA are a key component of our area's economic development and in 2021 YVRA used a portion of its revenue to complete the design of a commercial apron project totaling \$5.8M to accommodate to expedite airline deicing operations and \$650K to upgrade the snow removal equipment fleet with a new rotary broom.

YVRA plays a crucial role in the everyday economic and social life of Routt County and the Yampa Valley. The airport employs 325 workers as a direct result of airport operations and facilities use. Throughout the local area, 2,213 workers are employed in businesses directly related to the airport. This generates total business revenues of \$312 million each year, with \$54 million in payroll attributed to on-airport activity and an additional \$58 million in payroll attributed to off-airport visitor spending. YVRA's total economic impact from on-airport activity and visitor spending includes 2,724 jobs and \$112 million in payroll for Routt County and the Yampa Valley residents. Note: economic impact numbers are based on the Colorado Department of Transportation's 2020 Airport Economic Impact Study.



AIR SERVICE COSTS

AIR SERVICE COSTS								
	LMD 2021 Budget Year			LMD 2022 Budget Year			LMD 2023 Budget Year	
	* air service only *			* air service only *			* air service only *	
		2020/21			2021/22			2022/23
		Budget to Total CAP	Actual		Budget to Total CAP	Forecast		Budget to Total CAP
SSRC	SSRC (1/3)	\$1,480,086	\$1,468,989	SSRC (1/3)	\$1,199,880	\$875,884	SSRC (1/3)	\$1,114,992
Sales Tax & Sales Tax Reserve	LMD (2/3)	\$2,960,172	\$2,938,419	LMD (2/3)	\$2,400,120	\$1,752,031	LMD (2/3)	\$2,230,320
Winter & Summer Air Service Totals	Winter Air Service Totals	\$4,440,258	\$4,407,408	Winter Air Service Totals	\$3,600,000	\$2,627,915	Winter & Summer Air Service Totals	\$3,345,312



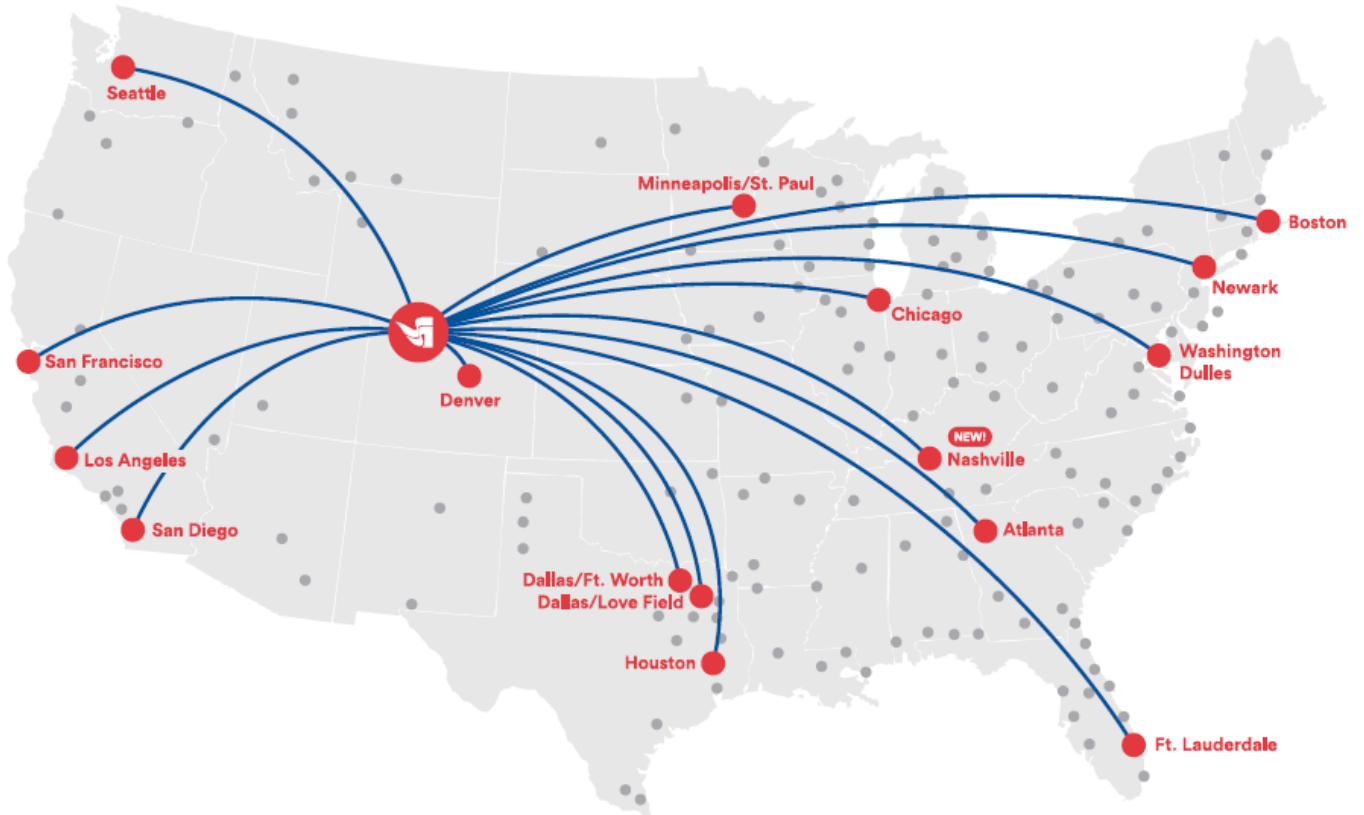
LOCAL MARKETING DISTRICT UNAUDITED FINANCIAL PRESENTATION

Local Marketing District
Unaudited Financial Presentation

ACCOMMODATIONS TAX				
As of 09/2/22	2021	2022	2022	2023
	Actual	Budget	Forecast	Budget
Projected carry over	\$ 3,652,735	\$ 2,743,450	\$ 2,743,450	\$ 3,365,406
Revenue				
2% Tax Jan - December (net of state fees)	\$ 2,485,421	\$ 2,100,000	\$ 2,900,000	\$ 2,600,000
Sales/Use Tax(Misc Refunds/Collections)	1,189	-	2	-
Interest	1,561	2,500	40,000	40,000
Total Revenues	\$ 2,488,172	\$ 2,102,500	\$ 2,940,002	\$ 2,640,000
Expenses				
Air Service Costs (From Accom Tax)	\$ 2,938,419	\$ 2,400,120	\$ 1,752,031	\$ 2,230,320
Winter Air Service Marketing	300,000	410,000	410,000	410,000
Winter Air Service Management Fee	100,000	100,000	100,000	100,000
Legal	4,149	10,000	10,000	10,000
D&O Insurance	1,780	2,000	2,000	2,000
Administration	8,500	8,500	8,500	8,500
City Services 1% of Tax Collected	24,854	21,000	29,000	26,000
Research Contribution/Forecasting	10,000	5,000	5,000	5,000
Community Outreach/Annual Report	9,754	10,000	1,515	2,500
Total Expenses	\$ 3,397,457	\$ 2,966,620	\$ 2,318,046	\$ 2,794,320
Revenue less Expenses	\$ (909,285)	\$ (864,120)	\$ 621,956	\$ (154,320)
Accommodation Tax Reserve Balance	\$ 2,743,450	\$ 1,879,330	\$ 3,365,406	\$ 3,211,087

WINTER FLIGHTS 2022/23 MAP

6 Airlines | 16 Nonstops





WINTER AIR SCHEDULE 2022/23 CHART

Steamboat Air Schedule Winter 2022/23

Updated September 8, 2022

Schedule times and flight numbers vary by date or day of week

Schedule is subject to change at any time without notice

From	Freq.	Dates	Airline	Aircraft	Cap	Arrivals			Departures		
						Flight #	Departs	Arrives	Flight #	Departs	Arrives
Atlanta (ATL)	Daily	12/17/22 - 4/2/23	Delta Air Lines	737-8	150	#2477	943a	1135a	#2477	1235p	553p
Boston (BOS)	Tue/Thu/Fri/Sun	2/3/23-3/26/23	JetBlue	A320	162	#2627	905a	1216p	#2628	106p	722p
Chicago (ORD)	Daily	12/15/22 - 3/25/23	United Airlines	A319	126	#1328	925a	1126a	#1547	109p	451p
Dallas/Ft.Worth (DFW)	Daily	12/15/22 - 4/3/23	American Airlines	737-8	172	#2622	1220p	155p	#2622	240p	555p
Dallas/Ft.Worth (DFW)	Daily ¹	Dec 15-Jan9; Feb 16- Apr 3	American Airlines	737-8	172	#2616	840a	1015a	#2616	1045a	200p
Dallas Love (DAL)	Sat	12/17/22 - 4/8/23	Southwest Airlines	737-7	143	#3090	1030a	1210p	#570	1245p	405p
Denver (DEN)	Daily (morning)	12/15/22 - 4/9/23	Southwest Airlines	737-7	143	#2723	840a	935a	#2953	1050a	1145a
Denver (DEN)	Daily (midday)	11/19/22 - 4/9/23	Southwest Airlines	737-7	143	#1743	1055a	1155a	#593	130p	230p
Denver (DEN)	Daily (afternoon)	12/15/22 - 4/9/23	Southwest Airlines	737-7	143	#1907	245p	340p	#2235	440p	540p
Denver (DEN)	Daily (midday)	11/19/22 - 4/9/23	United Airlines	A319	126	#5403	1121a	1217p	#5500	115p	230p
Denver (DEN)	Daily (afternoon)	12/15/22 - 4/9/23	United Express	E175	76	#5789	152p	247p	#5860	330p	431p
Denver (DEN)	Daily (overnight)	11/19/22 - 4/9/23	United Airlines	A319	126	#5826	655p	748p	#5559	725a	835a
Fort Lauderdale (FLL)	Mon/Wed/Sat	2/3/23 - 3/26/23	JetBlue	A320	162	#45	900a	1204p	#2948	100p	703p
Houston (IAH)	Daily	12/15/22 - 3/25/23	United Airlines	A319/ E175	126/ 76	#1044	1210a	211p	#432	302p	651p
Los Angeles (LAX)	Daily ²	12/24/22 - 3/25/23	United Express	E175	76	#5795	1240p	348p	#5760	431p	600p
Minneapolis/St. Paul (MSP)	Sat ⁴	12/17/22 - 4/1/23	Delta Air Lines	A319	132	#1529	110p	247p	#1529	345p	655p
Nashville (BNA) NEW!	Sat	12/17/22 - 4/8/23	Southwest Airlines	737-7	143	#2750	1045a	105p	#2442	140p	530p
Newark (EWR)	Sat/Sun ³	12/17/22 - 3/26/23	United Airlines	737-8	166	#399	815a	1104a	#2378	1200p	556p
San Diego (SAN)	Wed/Sat/Sun	12/17/22 - 3/26/23	Alaska Airlines	E175	76	#3467	1145a	257p	#3467	340p	500p
San Francisco (SFO)	Sat	12/17/22 - 3/25/23	United Express	E175	76	#6006	1120a	242p	#5256	345p	527p
Seattle (SEA)	Wed/Sat/Sun	12/17/22 - 3/26/23	Alaska Airlines	E175	76	#2039	1250p	407p	#2357	450p	630p
Washington Dulles (IAD)	Sat	12/17/22 - 3/25/23	United Airlines	A320	150	#1868	1030a	1254p	#1531	200p	731p

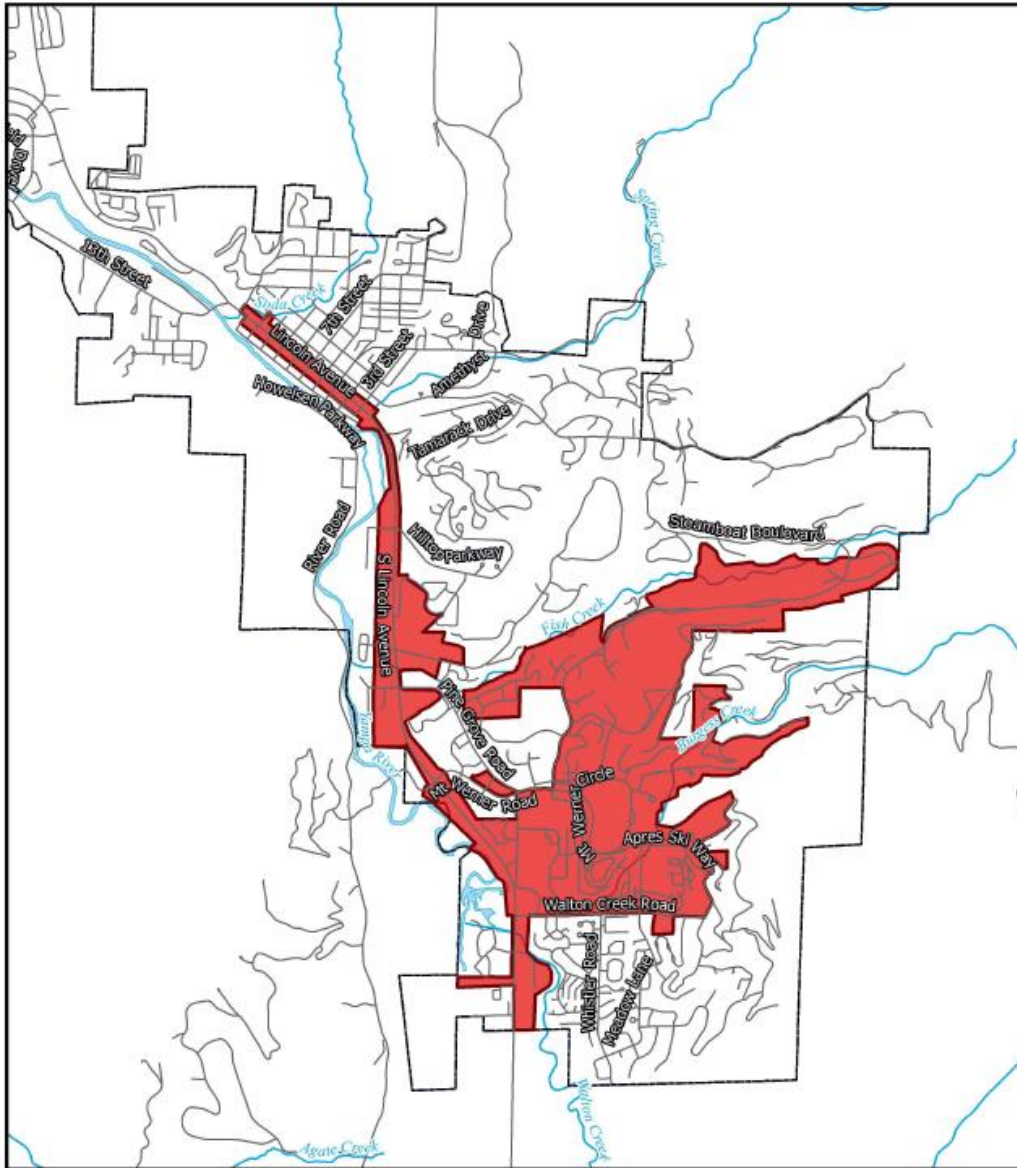
¹ American DFW operates 2x daily flights 12/15/22 - 1/9/23; once daily 1/10/23 - 2/15/23; resumes 2x daily flights 2/16/23 - 4/3/23

² United LAX operates daily 12/24/22-1/3/23, Sat/Sun only 1/7/23-2/10/23, daily 2/10/23-3/25/23

³ United EWR operates on Saturdays only from January 7- February 11, 2023

⁴ Delta MSP to operate on Monday 12/24/22 and 1/2/23 instead of Sat 12/24/22 and 12/31/22

STEAMBOAT SPRINGS LOCAL MARKETING DISTRICT





Prepared By:
City of Steamboat Springs
2022

Steamboat Springs Local Marketing District

Legend

-  Local Marketing District
-  City Limits



