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## **Proposal under the Small Community Air Service Development Pilot Program**

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**sponsors:** City of Hailey, Idaho  
Blaine County, Idaho

**Contact:** Rick Baird, Airport **Manager**  
Friedman Memorial Airport  
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**Docket #:** OST-2002-11590-1

**Date:** April 22, 2002

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April 18,2002

Docket Operations and Media Management Division  
SVC – 124, Room PL - 401  
Department of Transportation  
400 7<sup>th</sup> Street, SW  
Washington DC 20590

**RE: Small Community Air Service Development Pilot Program  
Docket OST-2002-11590  
City of Hailey (ID) and Blaine County (ID) – Grant Application**

Dear Sir/Madam:

Included with this letter is Friedman Memorial Airport's Small Community Air Service Development Pilot Program grant application. The City of Hailey (ID) and Blaine County (ID), owner/sponsors of the Friedman Memorial Airport, and the Friedman Memorial Airport Board and Blaine County Air Transportation Advisory Group (BCATAG) have formed a public-private partnership for the purpose of securing commercial air service deemed critical to the economic development of the region. Prior to filing this application, BCATAG conducted extensive research and analysis of the local air service market and completed passenger and profitability projections for the air service proposed herein. Horizon Air has agreed to provide the proposed air service contingent on funding and implementation of the Action Plan detailed in the attached application.

The purpose of this grant request is to:

- Provide air service improvements that will stimulate air travel and reduce travel time and expense between Sun Valley and its number one market, Los Angeles.
- Stimulate local economic activity by improving air service between Sun Valley and its number one market, Los Angeles.
- Improve air access from the Sun Valley region to key destinations in the western United States.
- Improve air service to a rural region whose airport, Friedman Memorial Field, is significantly restricted by high altitude and mountainous terrain.

Proposed service:

- Sun Valley (SUN) – Los Angeles (LAX), 1 round-trip daily provided by Horizon Air's 70-seat Dash 8 Q-400.

The attached application meets the priorities established by the Secretary of Transportation (Order 2002-2-11, Appendix A):

- The proposed service will reduce airfares in the Sun Valley –Los Angeles market by 25%.
- The community will fund 37% of the total proposed air service program.
- The airport sponsor and the BCATAG have formed a public-private partnership to support the proposed air service initiative.
- The proposed air service will benefit all segments of the community and provide stimulus to the region's core tourism industry.

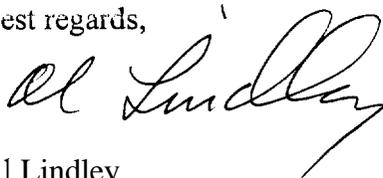
Grant application sponsor contacts:

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City of Hailey  
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Friedman Memorial Airport  
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Hailey, ID 83333  
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Through public meetings and sessions with local leaders, we have educated the community about the proposed air service and the commitment required to make it successful. It is our sense that Sun Valley and the surrounding communities are poised to support the service described in this application. We appreciate the Department of Transportation's understanding of the importance of commercial air service in smaller, rural communities and look forward to working with you as you evaluate the merits of the Friedman Memorial Airport's Small Community Air Service Development Pilot Program grant application.

Best regards,



Al Lindley  
Mayor

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## 1. Executive Summary

### Introduction

The Sun ValleyNood River Valley area is a remote, resort destination community with an economy that is primarily dependent on tourism. Air service is a critical component in the tourism industry as well as providing support for other local business and education activity important to the Sun ValleyNood River Valley economy. Approximately one-third of the air travelers using the Friedman Memorial Airport originate their trips locally and the remaining two-thirds are visitors that are flying into the area from a distant community.

The task of securing air service in Sun ValleyNood River Valley is made more difficult by aircraft operating limitations associated with the local airport. Friedman Memorial Airport is a high altitude airport with a relatively short runway that is located in a mountainous area. These conditions severely limit the type of commercial aircraft that can operate in the Sun ValleyNood River Valley market. There are only a handful of commercial aircraft that, from an operational and profitability standpoint, can operate in this restricted environment. The air service proposal contained in this application stipulates use of Horizon Air's Dash 8-Q400 aircraft, one of a few aircraft that are capable of serving Friedman Memorial Airport.

This application requests federal support for an air service initiative for service between Friedman Memorial Airport and Los Angeles International Airport. Los Angeles is Sun ValleyNood River Valley's number one market. The total cost of the Action Plan associated with this air service initiative is \$944,243. This application requests federal assistance in the amount of \$600,000. The balance, \$344,243 (36.4% of the total cost) will be provided by the Sun ValleyNood River Valley community. It is our assessment that the proposed air service will be self-sufficient within the 12-month period outlined herein.

The attached application meets the priorities established by the Secretary of Transportation (Order 2002-2-11, Appendix A):

- The proposed service will reduce airfares in the Sun Valley–Los Angeles market by 25%.
- The community will fund a substantial share (36.4%) of the proposed air service program.
- The airport sponsor and the Blaine County Air Transportation Advisory Group (BCATAG) have formed a public-private partnership to support the proposed air service initiative.
- The proposed air service will benefit all segments of the community and provide stimulus to the region's core tourism industry.

The following are key points in the sections of this application:

### **Airline Support Letter:**

- Horizon Air signed a Letter of Intent. One of the applicant's public-private partners has negotiated a contract with Horizon Air associated with this air service proposal.

### **Air Service Background:**

- The Sun ValleyNood River Valley is primarily a destination resort community. Because of this, accessibility is critical to local businesses and the community in general.
- Specific air service improvements will facilitate the movement of local area residents that have business interests outside the community and second homeowners whose primary residence is located on the West Coast.
- Friedman Memorial Airport is a non-hub airport located in Hailey, Idaho. Friedman Memorial Airport serves the Sun ValleyNood River Valley resort community and other communities. As of April 2002, Friedman Memorial Airport has non-stop commercial air service to Seattle/Tacoma International Airport and Salt Lake City International Airport, provided by Horizon Air and SkyWest Airlines (Delta Connection).
- Since 1991, SkyWest Airlines (Delta Connection) and Horizon Air (Alaska Airlines) have provided service from Friedman Memorial Airport.
- The most significant factor that affects air service at Friedman Memorial Airport is that there are only a handful of commercial aircraft that, from an operational and profitability standpoint, can operate in the restricted environment at Friedman Memorial Airport.
- As part of this air service initiative, the Sun Valley/Ketchum Chamber & Visitors Bureau and the Sun Valley Company, through the BCATAG, jointly funded a *Ticket Lift Survey* and an *Air Service Evaluation* in August 2001, which was conducted by consultants.

### **Community Profile:**

- Friedman Memorial Airport catchment area contains a population of 19,852, including Blaine and Camas counties. The airport is 154 miles from Boise Air Terminal, 64 miles from Magic Valley Regional Airport, 150 miles from Pocatello Regional Airport, and 140 miles from Idaho Falls Regional Airport.
- A significant share of the local economy is based on tourism. Approximately two-thirds of passengers utilizing the Friedman Memorial Airport originate from a remote location with Sun ValleyNood River Valley as their destination. The balance, approximately one-third, originate travel locally.
- When compared to the five other commercial air service airports in the state of Idaho, the Friedman Memorial Airport catchment area is ranked smaller in all six key economic and demographic indicators (population, employment, earnings, manufacturing earnings, retail sales, personal income).
- The major employers in the Sun ValleyNood River Valley include: Sun Valley Resort, Elkhorn Resort and Golf Club, Power Engineers, Inc., Marketron, Inc., St. Luke's, Smith

Sport Optics, Inc., Wood River Medical Center, Blaine County School District, Blaine County, and the U.S. Forest Service.

**Market Analysis:**

- Total passenger traffic has fluctuated significantly over the past eight years as a result of service changes. Origin and destination passenger traffic hit a low in 1994 of 116,710 passengers and a high in 2000 of 133,690 for the eight-year period 1994 through 2001.
- The *Ticket Lift Survey* determined that the number one destination for the Sun Valley/Wood River Valley area passengers was Los Angeles, with 9.3% of the total. This market has been growing at 2.1% per year since 1994.
- 56% of the Sun Valley/Wood River Valley area passengers travel to/from the west and northwestern United States.
- The proposed Horizon Air service will improve service and provide a higher level of competition to key Sun Valley/Wood River Valley markets, Los Angeles and San Francisco.

**Action Plan:**

- The City of Hailey, Idaho, Blaine County, Idaho, Friedman Memorial Airport Authority and the BCATAG have formed a public-private partnership for the purpose of securing the air service proposed and implementing the Action Plan.
- The goals of the Action Plan are to stimulate year-round travel between Blaine County and Los Angeles, balance the seasonality of the local economy, improve the air service options available, and reduce the number of air travelers that must drive 154 miles often in hazardous winter conditions to Boise by providing non-stop service to Los Angeles.
- The proposed air service includes once daily non-stop service to Los Angeles, California using Horizon Air's seventy-seat Dash 8-Q400 aircraft. The proposed schedule provides 980 seats weekly to Sun Valley/Wood River Valley destination passengers.
- It is estimated that Horizon Air will capture 32,695 Los Angeles origin and destination passengers annually in a mature market, with a load factor of 64.0%.
- The proposed Horizon Air service is planned to begin December 18, 2002. December 2002 passenger traffic and revenue is estimated to be 65% of pro-forma projections and are expected to grow 2.7% per month between December 2002 and December 2003. The revenue shortfall for the twelve-month ramp-up period is estimated to be \$644,344.

- The Sponsor and Horizon Air have agreed to cap the subsidy at \$600,000 for the first year of service.
- The Action Plan budget includes \$12,500 (1.3%) funded by the Friedman Memorial Airport Authority, \$331,743 (35.1%) from the local business community, and \$600,000 (63.5%) in federal funds.

**Community Support:**

- Resolutions were passed by the Mayors and City Councils of the cities of Ketchum, Carey, Sun Valley, Hailey, and the Blaine County Commissioners declaring support for the City of Hailey/Blaine County's application to the U.S. Department of Transportation. Additionally, the Governor of Idaho, the Idaho Department of Commerce, the Sun Valley/Ketchum Chamber & Visitors Bureau, the Hailey Chamber of Commerce and others provided letters in support of this application.

**Airport Financial Information:**

- On a Generally Accepted Accounting Principles (GAAP) basis, the Friedman Memorial Airport Authority operates at a loss, with a loss of \$509,980 projected for fiscal year 2002. If GAAP depreciation were excluded, the Friedman Memorial Airport Authority would operate at a surplus, projected at \$342,295 in fiscal year 2002.

This application was prepared by Mead & Hunt, Inc., 28829 Lockheed Drive, Suite 2C, Eugene OR 97402, (541) 689-9997. Sixel, Boggs & Associates, Inc. prepared some of the supporting information.

**2. Airline Letter of Intent**

# Horizon Air

April 9, 2002

Docket Operations and Media Management Division  
SVC-124, Room PL-401  
Department of Transportation  
400 7<sup>th</sup> Street SW  
Washington, DC 20590

Ref: Horizon Air Letter-of-Intent  
Small Community Air Service Development Pilot Program-Grant Application  
Docket OST-2002- 11590-1  
City of Hailey (ID), Blaine County (ID) and the Blaine County Air Transportation  
Advisory Committee (BCATAG)

Dear Sir/Madam:

In conjunction with the attached grant application filed by the City of Hailey (ID), Blaine County (ID) and BCATAG, Horizon Air intends to provide the air service described therein. This commitment is contingent on the Department of Transportation's grant offer and acceptance by the sponsors, the City of Hailey (ID) and Blaine County (ID). The amount of the grant shall be sufficient to fund the elements of the application's Action Plan for which federal funds are specifically requested.

Additionally, Horizon Air's commitment to provide air service hinges on full funding and implementation of the applicant's complete Action Plan by all parties. It is our understanding that grant offers will be made on or before September 30, 2002. If the federal government does not make a grant offer to the City of Hailey (ID) and Blaine County (ID) on or before that date, Horizon Air, at its discretion, is under no further obligation to provide the air service described in the referenced grant application.

Horizon Air looks forward to working with the Department of Transportation, the City of Hailey (ID) Blaine County (ID) and the BCATAG on this important air service initiative. Please contact Bruce Tecklenburg, Horizon Air's Manager of Schedule Planning if you have questions concerning this letter-of-intent and or specifics about Horizon Air.

Best regards,



Pat Zachwieja  
Vice President of Marketing and Planning

### 3. Air Service Background

#### Air Service Issue

Sun Valley/Wood River Valley is a destination resort community. Because of this, accessibility is critical to local businesses and the community in general. Non-stop air service connecting Sun Valley/Wood River Valley with key markets and/or air service connecting Sun Valley/Wood River Valley with additional hub airports would improve access and the marketability of the area's tourism industry. Likewise, specific air service improvements would facilitate the movement of Sun Valley/Wood River Valley residents that have business interests outside the community and second homeowners whose primary residence is located on the West Coast.

Air service development is much like other types of economic development efforts. However, the task at Sun Valley/Wood River Valley is made more difficult by aircraft operating limitations (airfield altitude, length of the airport's runway, mountainous terrain, inclement weather) associated with the local airport. *In short, there are few commercial aircraft that can operate from Friedman Memorial Airport without significant operational restrictions.* The long stage length between Sun Valley/Wood River Valley and key West Coast destinations further reduces the number of aircraft and airline options. In the end, air service improvements at Sun Valley/Wood River Valley depend on the strength of the various market options and the interest of an airline with compatible aircraft, route system and strategy.

#### Current Air Service

Friedman Memorial Airport is a non-hub airport located in Hailey, Idaho. Friedman Memorial Airport serves the Sun Valley/Wood River Valley resort community and surrounding areas.

As of April 2002, Friedman Memorial Airport has non-stop commercial air service to Seattlemacoma International Airport and Salt Lake City International Airport, with one daily round-trip flight to Seattlemacoma and nine round-trip flights daily to Salt Lake City. Horizon Air (Alaska Airlines) provides service to Seattlemacoma International Airport with the de Havilland Dash 8 (37 seat aircraft). SkyWest Airlines (Delta Connection) provides service to Salt Lake City with the Embraer 120 (30 seat aircraft).

Friedman Memorial Airport  
Flight Schedule - April 2002

Airline	Flight #	Days	Destination	Depart	Arrive	Aircraft
Sk W (DL)	3472	SMTWTFS	S It I Cit	7:00 AM	8 02 AM	Embraer EMB 120 B ili
Sky West (DL)	3526	SMTWTFS	Salt Lake City	8:25 AM	9:27 AM	Embraer EMB 120 Brasilia
Sky West (DL)	3474	SMTWTFS	Salt Lake City	9:40 AM	10:43 AM	Embraer EMB 120 Brasilia
Sky West (DL)	3476	SMTWTFS	Salt Lake City	12:31 PM	1:35 PM	Embraer EMB 120 Brasilia
Sky West (DL)	3478	SMTWTFS	Salt Lake City	12:55 PM	1:59 PM	Embraer EMB 120 Brasilia
Sky West (DL)	3480	SMTWTFS	Salt Lake City	2:53 PM	3:55 PM	Embraer EMB 120 Brasilia
Horizon Air (AS)	2344	SMTWTFS	Seattle/Tacoma	4:15 PM	5:00 PM	de Havilland DHC-8 Dash 8
Sky West (DL)	3482	SMTWTFS	Salt Lake City	4:40 PM	5:42 PM	Embraer EMB 120 Brasilia
Sky West (DL)	3528	SMTWTFS	Salt Lake City	6:20 PM	7:21 PM	Embraer EMB 120 Brasilia
Sky West (DL)	3484	SMTWTFS	Salt Lake City	8:19 PM	9:20 PM	Embraer EMB 120 Brasilia

The non-stop service through Seattle/Tacoma on Horizon Air (Alaska Airlines) provides one-stop, online service to 37 destinations across the United States and Mexico. The Seattle/Tacoma service also offers one-stop, “off-line” service to 35 destinations. SkyWest Airlines (Delta Connection) service through Salt Lake City offers 61 one-stop, online destinations across the United States, Mexico, and Canada. 50 one-stop, “off-line” destinations are offered through the Salt Lake City service.

### **Historical Air Service**

Since 1991, SkyWest Airlines (Delta Connection) and Horizon Air (Alaska Airlines) have provided service from Friedman Memorial Airport. Until December 1997, Horizon Air provided non-stop service from Friedman Memorial Airport to Seattle/Tacoma International Airport and Boise Airport. Horizon Air dropped Boise service from their schedule in December 1997. However, through a revenue-guarantee agreement with the Sun Valley/Nood River Valley business community, Horizon Air provided Boise service between December 1999 and April 2000 and again from December 2000 through April 2001. Both of these initiatives were successful and the service operated without subsidy. SkyWest Airlines, operating at Friedman Memorial Airport as the Delta Connection, has served a single market, Salt Lake City, from Friedman Memorial Airport the entire time that they have been in the Sun Valley/Nood River Valley market.

### **Factors That Have Affected Air Service**

Friedman Memorial Airport is an operationally challenging airport. The airport’s field elevation is 5,300 ft. and it has a single 6,600 ft. runway. The airfield is located in a valley with mountainous terrain on both sides of the runway. Additionally, the terrain requires that larger aircraft land to the north and depart to the south. Instrument approaches at Friedman Memorial Airport are problematic due to the high Minimum Descent Altitude (MDA). During winter months, many flights must divert to another airport due to low visibility conditions. Summer operations are weight-restricted due to the higher density altitude caused by warmer temperatures.

In short, Friedman Memorial Airport is a high altitude airport with a relatively short runway that is located in a mountainous area. These conditions severely limit the commercial aircraft that can operate in the Sun Valley/Nood River Valley market. *In this regard, it is important to understand that there are only a handful of commercial aircraft that, from an operational and profitability standpoint, can operate in this restricted environment.* The difficult operating environment for aircraft is the most significant factor hampering development of air service to this rural Idaho community.

The Friedman Memorial Airport Authority and the BCATAG understand the importance of the airport to the community and have aggressively worked to secure facility improvements and changes to aircraft operating procedures that will reduce operating restrictions at the airport. Most recently, they secured FAA support and funding for installation of a Transponder Landing System (TLS) that will reduce the MDA for aircraft during periods of reduced visibility. Installation of the **TLS** is expected to begin later this month, April 2002.

### Previous Air Service Efforts

In August of 2001, the Sun Valley/Ketchum Chamber & Visitors Bureau and the Sun Valley Company, through the BCATAG, jointly funded an on-site survey of six Sun Valley/Wood River Valley area travel agencies, which was conducted by consultants. A total of 2,444 airline tickets were tabulated and included in a *Ticket Lift Survey* report. Airline ticket information was collected for the months of November 2000 and January and February of 2001.

In addition to the *Ticket Lift Survey*, the Sun Valley/Ketchum Chamber & Visitors Bureau and the Sun Valley Company, through the BCATAG, jointly funded an *Air Service Evaluation*, which was conducted by consultants. The goals of the project were to provide information to maintain existing commercial air service at Friedman Memorial Airport and to explore ways to make improvements in air service for the community. The *Air Service Evaluation* was divided into three primary areas:

1. Incumbent Airline Evaluation – This section evaluated each incumbent airline’s financial performance in the Sun Valley/Wood River Valley market, each airline’s plans for Sun Valley/Wood River Valley service, and their respective aircraft fleets.
2. Market Analysis – This section provided an analysis of the Sun Valley/Wood River Valley air passenger market. This task included an analysis of the historical passenger traffic, passenger leakage *to* other airports and a survey of existing studies on Sun Valley/Wood River Valley’s tourism industry.
3. Air Service Opportunities and Priorities – This section provided an evaluation of airlines and aircraft that have the ability to serve Sun Valley/Wood River Valley to/from key destinations and provided recommendations for a best fit.

The top recommendation of the *Air Service Evaluation* was Horizon Air, Dash 8-Q400, service to/from Sun Valley/Wood River Valley and Los Angeles and/or San Jose. This recommendation supports the air service Action Plan presented in this application.

In the spring of 2001, the Sun Valley/Ketchum Chamber & Visitors Bureau and the Sun Valley Company, through the BCATAG contracted with an outside consultant to evaluate the feasibility of Great Plains Airlines service between Sun Valley/Wood River Valley and Los Angeles, San Jose, and Oakland. Great Plains Airlines operates the Fairchild Dornier 328J, an aircraft that performs exceptionally well at high altitude and could operate within the confines of the Friedman Memorial Airport.

Subsequently, the parties mentioned above entered into negotiations with Great Plains Airlines management for service to/from Sun Valley – Los Angeles. Unfortunately, Great Plains Airlines was in a start-up mode and had only two aircraft. As a result, their fixed costs were exceptionally high, which resulted in a high block hour rate. Although these discussions did not result in new service at Friedman Memorial Airport, the community remains interested in working with Great Plains Airlines at a future date.

#### 4. Community Profile

##### airport Catchment Area

The destination resort communities of Ketchum and Sun Valley are located in Central Idaho, at the northern end of the Wood River Valley. The towns of Hailey and Bellevue lie 11-14 miles to the south and are home to a majority of the residents of Blaine County. To the north lies the 750,000-acre Sawtooth National Recreation Area. Sun Valley is the site of America’s first destination ski resort, built in 1936, and the area has been a popular vacation destination for the past 60 years.

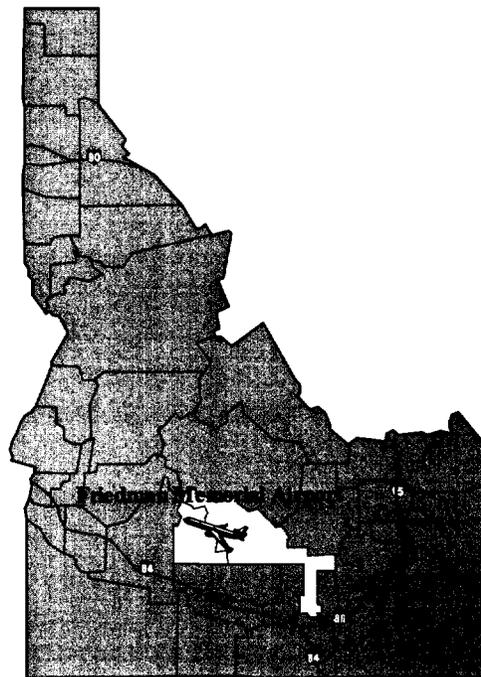
Ketchum, located one mile east of Sun Valley, is a historic mining town that now serves as the commercial hub of shops, restaurants, art galleries, theatres, museums and lodging for the area. Tourism is the main economic force in the area, although there has been significant growth in recent years in high-tech and other non placed-based industries.

The Friedman Memorial Airport catchment area<sup>1</sup> includes two counties, Camas and Blaine. The Boise Air Terminal to the west (154 miles), Magic Valley Regional Airport (64 miles) and Pocatello Regional Airport to the south (150 miles), and Idaho Falls Regional Airport to the east (140 miles) reduces the potential catchment area for Friedman Memorial Airport.

**Friedman Memorial Airport  
Catchment Area Population**

County	2001 Est. Population	Area Share
1 Blaine	18,961	95.5%
2 Camas	891	4.5%
<b>Total</b>	<b>19.852</b>	<b>100.0%</b>

Source: Woods & Poole, Inc.



##### Economic & Demographic Indicators

The economy of the Sun Valley/Wood River Valley is largely based on tourism. In the winter, visitors come to enjoy snow skiing at Sun Valley, as well as snowmobiling, cross-country skiing

<sup>1</sup> An “airport catchment area” is the geographic area surrounding an airport from which that airport can reasonably expect to draw passenger traffic. The airport catchment area is sometimes called the service area.

and ice-skating. Summer visitors enjoy golf, tennis, fishing, camping, hiking, river rafting, and summer music and arts festivals.

Peak Periods:

- Winter - Christmas week and Washington's Birthday week
- Summer - Fourth of July weekend and Labor Day weekend
- Estimated number of visitors -
  - 91,000 winter guests
  - 130,000 summer guests

Given that the Sun Valley/Nood River Valley area is primarily a tourism market, a significantly higher percentage of passengers utilizing the Friedman Memorial Airport originate from a remote location with Sun Valley/Nood River Valley as their destination. As such, the economic and demographic analysis, although useful in understanding the air service market, is not the basis of support for the proposed service.

The Friedman Memorial Airport catchment area economic and demographics was assessed and compared to other Idaho airports based on six leading economic and demographic indicators:

- Population
- Employment
- Total Earnings
- Manufacturing Earnings
- Retail Sales
- Personal Income

In comparison to the five other commercial air service airports in the state of Idaho, the Friedman Memorial Airport catchment area is ranked sixth in all six of the economic and demographic indicators. This is due to its relatively small catchment area and the proximity of Boise, Twin Falls, Pocatello and Idaho Falls airports.

**Idaho Airport Catchment Area Comparisons  
2001 Statistics**

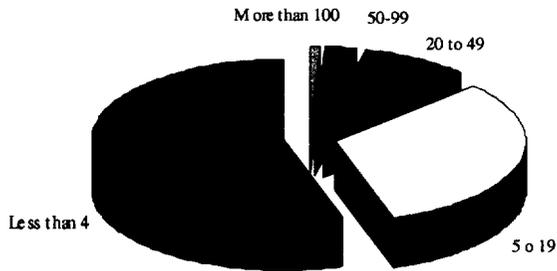
Rank	Airport Catchment Area	Population	Employment	Earnings (000's)	Manufact. Earnings (000's)	Retail Sales (000's)	Personal Income (000's)
1	Boise	586,470	377,765	\$10,563,025	\$2,212,783	\$6,241,274	\$14,526,795
2	Idaho Falls	165,070	100,420	\$2,427,015	\$118,075	\$1,563,297	\$3,175,501
3	Pocatello	158,017	82,905	\$1,951,824	\$329,397	\$1,275,982	\$2,985,864
4	Twin Falls	143,276	85,034	\$2,022,317	\$248,806	\$1,498,653	\$2,932,200
5	Lewiston	90,762	52,581	\$1,241,604	\$254,373	\$886,516	\$1,979,590
<b>6</b>	<b>Sun Valley/Wood River Valley</b>	<b>19,852</b>	<b>18,560</b>	<b>\$472,403</b>	<b>\$18,969</b>	<b>\$305,647</b>	<b>\$765,670</b>
<b>Total Idaho</b>		<b>1,163,447</b>	<b>717,265</b>	<b>\$18,678,188</b>	<b>\$3,182,403</b>	<b>\$11,771,369</b>	<b>\$26,365,620</b>

Source: Woods & Poole, Inc., Mead & Hunt, Inc.

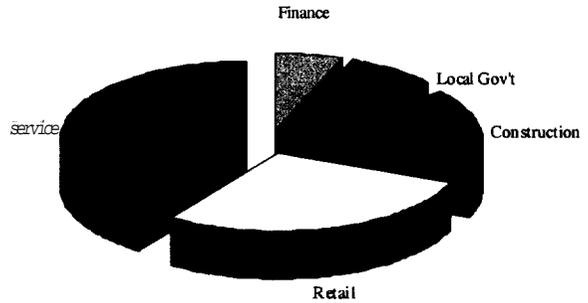
**Area Businesses**

The Sun Valley/Wood River Valley area attracts a well-educated and highly skilled work force. With one of the fastest-growing populations in the state, the Sun Valley/Wood River Valley has **11,843** people in the work force within commuting distance, with most workers earning their living in service and retail industry. Many of the workers average less than **30** minutes commuting to work, a distinct advantage in the age of the traffic jam.

**Blaine County Businesses by Staff Size**



**Blaine County Top Jobs by Category**

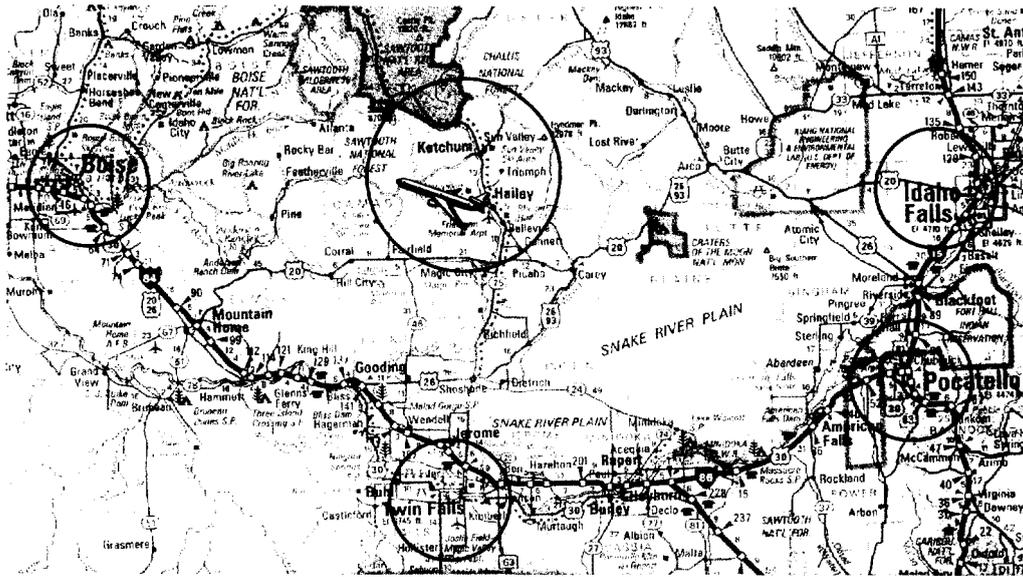


The major employers in the Sun Valley/Wood River Valley include: Sun Valley Resort, Elkhorn Resort and Golf Club, Power Engineers, Inc., St. Luke's, Marketron, Inc., Smith Sport Optics, Inc., Wood River Medical Center, Blaine County School District, Blaine County, and the U.S. Forest Service. Tourism provides the base for most employment in the valley. Ski related tourist activities and lodging offer seasonal jobs in the winter. Summer, spring and fall employment is more diverse, including construction and landscaping, in addition to warm weather tourism-related activities including tennis, golf, fishing and river rafting. The majority of businesses in the community are small sole proprietor retail and service establishments.

## 5. Market Analysis

### Proximity to Competing Airport

The closest airport for residents and visitors of the Hailey/Ketchum area is Friedman Memorial Airport. However, there are five other airports within driving distance of the Sun Valley/Wood River Valley. The largest of the competing airports, Salt Lake City International Airport, is 297 miles from the Hailey/Ketchum area, or 5 hours driving. Boise Air Terminal is 154 miles from the Hailey/Ketchum area, or 2.5 hours driving. Other competing airports include Magic Valley Regional Airport (approx. 65 miles), Idaho Falls Regional Airport (approx. 140 miles), and Pocatello Regional Airport (approx. 150 miles).

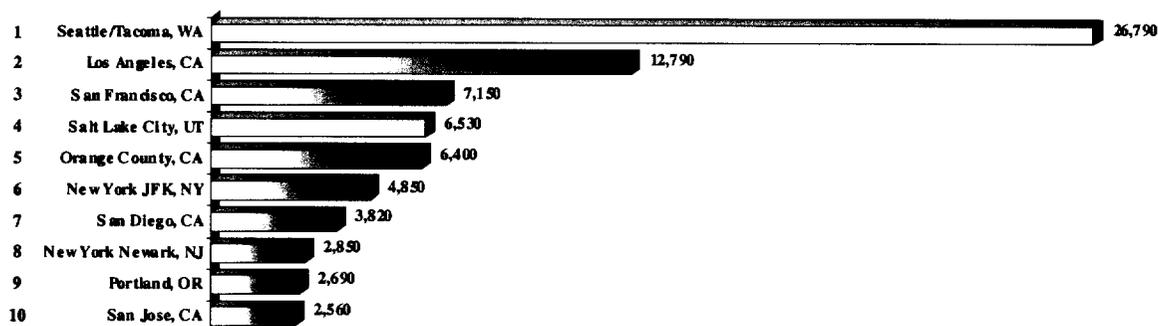


### Historical Passenger Data

Total origin and destination passenger traffic has fluctuated significantly over the past eight years, from a low for the year ended September 30, 1994 of 116,710 to a high for the year ended September 30, 2000 of 133,690. Passenger traffic decreased from the 2000 levels by 12.5%, to 118,850 for the year ended September 30, 2001. In all cases, traffic fluctuations have been the result of service changes and not passenger demand.

Based on U.S. Department of Transportation airline report data, Seattle/Tacoma has been the top origin and destination market at Friedman Memorial Airport for the past eight years. Los Angeles was the second largest origin and destination market for the past eight years. The Los Angeles market has experienced an average annual increase of 2.1% since 1994. Airline revenue for the Los Angeles market has ranked second to Seattle/Tacoma, except for the year ended September 30, 1998, when Los Angeles ranked as the top origin and destination revenue market.

**Top 10 Origin & Destination Passenger Airports at Sun Valley**  
*Year Ended September 30, 2001*



*\*\* Markets in yellow have non-stop service from Sun Valley.*

**Ticket Lift Survey Results**

In August of **2001**, the Sun Valley/Ketchum Chamber & Visitors Bureau and the Sun Valley Company, through the BCATAG, jointly funded an on-site survey of six Sun Valley/Wood River Valley area travel agencies, which was conducted by consultants. A total of **2,444** airline tickets were tabulated and included in the *Ticket Lift Survey*. Airline ticket information was collected for the months of November **2000** and January and February of **2001**.

The *Ticket Lift Survey* estimated that **61.9%** of travelers originating from the Sun Valley/Wood River Valley area use Friedman Memorial Airport. **32.1%** drive to Boise to access air service and **5.9%** drive to Twin Falls to access air service. Twin Falls service is limited to five daily, Delta Connection flights to Salt Lake City. No travelers in the survey of **2,444** tickets originated travel in Idaho Falls, Pocatello or Salt Lake City.

**Airport Use by Community**

Community		Originating Airport			Total
		Sun Valley	Boise	Twin Falls	
Ketchum	Passengers	991	320	85	1,396
	Percent	71.0%	22.9%	6.1%	
Hailey	Passengers	523	465	60	1,048
	Percent	49.9%	44.4%	5.7%	
Total Passengers		1,514	785	145	2,444
Percent of Total Sample		61.9%	32.1%	5.9%	100.0%

*The Ticket Lift Survey determined that the number one destination for the Sun Valley/Wood River Valley area passengers was Los Angeles, with 9.3% of the total.*

**Top 10 Destinations**

Rank	Destination	Passengers	Percentage
1	Los Angeles, CA	228	9.3%
2	San Francisco, CA	134	5.5%
3	Seattle/Tacoma, WA	126	5.2%
4	San Diego, CA	114	4.7%
5	Las Vegas, NV	93	3.8%
6	Denver, CO	88	3.6%
7	Phoenix, AZ	84	3.4%
8	Salt Lake City, UT	71	2.9%
9	San Jose Del Cabo, Mexico	68	2.8%
10	Portland, OR	54	2.2%
<b>Total Top 10</b>		<b>1,060</b>	<b>43.4%</b>
<b>Total Top 25</b>		<b>1,552</b>	<b>63.5%</b>
<b>Total Top 50</b>		<b>1,961</b>	<b>80.2%</b>

*Ticket Lift Survey* results were grouped by the FAA sanctioned geographic regions. It was determined that over 56% of the Sun Valley/Nood River Valley area passengers travel to/from the west and northwestern United States. The fact that Los Angeles was identified as the number one market for the region and the concentration of travel in the west and northwest were important factors in selecting Horizon Air as the target airline for this air service initiative.

**Regional Distribution of Air Travel**

Airport		Geographic Region										Total
		West	N.West	Inter-national	S. East	S.West	East	Great Lakes	N. East	Central		
Sun Valley	Pax	594	265	197	130	89	94	74	51	15	5	1,514
	%	39.2%	17.5%	13.0%	8.6%	5.9%	6.2%	4.9%	3.4%	1.0%	0.3%	
Boise	Pax	266	163	137	66	58	20	38	13	24		785
	%	33.9%	20.8%	17.5%	8.4%	7.4%	2.5%	4.8%	1.7%	3.1%		
Twin Falls	Pax	73	27	9	15	6	3	4	4	4		145
	%	50.3%	18.6%	6.2%	10.3%	4.1%	2.1%	2.8%	2.8%	2.8%		
<b>Total Passengers</b>		933	455	343	211	153	117	116	68	43	5	2,444
<b>Total Percent</b>		38.2%	18.6%	14.0%	8.6%	6.3%	4.8%	4.7%	2.8%	1.8%	0.2%	

The *Ticket Lift Survey* also reviewed the airlines that air travelers from Friedman Memorial Airport catchment area used most frequently. It was determined that **73.4%** of the Sun Valley/Nood River Valley area passengers use Delta Air Lines and it's code share partners, while **12.2%** used Alaska Airlines/Horizon Air. *The proposed Horizon Air service will improve service and provide a higher level of competition to key Sun Valley/Wood River Valley markets, Los Angeles and San Francisco.*

Airlines Used by the Friedman Memorial Airport Catchment Area

Rank	Destination	Delta		Alaska		United		America West		Southwest		Other		Pax
		Pax	%	Pax	%	Pax	%	Pax	%	Pax	%	Pax	%	
1	Los Angeles, CA	185	81.1%	38	16.7%	3	1.39%	1	0.4%	1	0.4%			228
2	San Francisco, CA	112	83.6%	3	2.2%	19	14.2%							134
3	Seattle/Tacoma, WA	44	34.9%	81	64.3%							1	0.8%	126
4	San Diego, CA	97	85.1%	3	2.6%	14	12.39%							114
5	Las Vegas, NV	78	83.9%	1	1.1%	1	1.1%			13	14.0%			93
6	Denver, CO	74	84.1%			14	15.99%							88
7	Phoenix, AZ	67	79.8%			1	1.2%	16	19.0%					84
8	Salt Lake City, UT	69	97.2%	1	1.4%					1	1.4%			71
9	San Jose Del Cabo, Mexico	25	36.8%	18	26.5%			25	36.8%					68
10	Portland, OR	18	33.3%	27	50.0%					9	16.7%			54
Total Top 10		769	72.5%	172	16.2%	52	4.9%	42	4.0%	24	2.3%	1	0.1%	1,060
Total Top 50		1,452	74.0%	247	12.6%	148	7.5%	63	3.2%	36	1.8%	11	0.6%	1,961
Total Survey		1,795	73.4%	298	12.2%	189	7.7%	74	3.0%	42	1.7%	34	1.4%	2,444

Within Idaho, there are five airports that air travelers can reasonably use to travel between the Sun Valley/Nood River Valley area and Los Angeles. With the single exception of Pocatello, Friedman Memorial Airport consistently has higher airfares to/from Los Angeles than any of the other three Idaho airports. In short, it costs more to fly between the Sun Valley/Nood River Valley and its most important market, Los Angeles, than it does to fly between other communities and Los Angeles. The proposed air service will reduce the average, one-way airfare between the Sun Valley/Wood River Valley and Los Angeles to \$130. Only Boise has a lower airfare to/from Los Angeles. This reduction in ticket price will stimulate air travel between these two communities and in doing so will stimulate the Sun Valley/Wood River Valley's tourism based economy.

Average Airfares Between Idaho Airports and Los Angeles (LAX)  
(One-Way Airfares)

City	1994	1995	1996	1997	1998	1999	2000	2001
Pocatello	\$ 194.20	\$ 158.31	\$ 153.68	\$ 163.73	\$ 187.54	\$ 177.34	\$ 184.91	\$ 178.31
Sun Valley	\$ 168.92	\$ 166.72	\$ 152.25	\$ 155.30	\$ 159.44	\$ 155.81	\$ 160.82	\$ 173.26
Idaho Falls	\$ 173.31	\$ 148.93	\$ 135.57	\$ 148.19	\$ 145.21	\$ 147.03	\$ 158.93	\$ 155.80
Twin Falls	\$ 152.86	\$ 135.60	\$ 144.06	\$ 148.36	\$ 148.08	\$ 140.21	\$ 145.73	\$ 150.62
Boise	\$ 108.37	\$ 87.34	\$ 83.17	\$ 93.68	\$ 95.88	\$ 99.41	\$ 104.89	\$ 104.71
Average	\$ 125.52	\$ 103.06	\$ 96.66	\$ 107.91	\$ 111.30	\$ 110.78	\$ 116.31	\$ 115.95

Source: U.S. Department of Transportation

In summary, the *Ticket Lift Survey* identified the Los Angeles market as the number one origin and destination market for the Sun Valley/Wood River Valley area. In addition, the west and northwest regions are the top two demand regions for the Sun Valley/Wood River Valley area. *The proposed Horizon Air service will provide access and increased competition to these markets located in the west and northwest region, particularly the top demand point, Los Angeles.*

**6. Action Plan**

**Public-Private Partnership**

The City of Hailey, Idaho and Blaine County, Idaho are the owners/sponsors of the Friedman Memorial Airport (SUN). These two organizations are represented by the Friedman Memorial Airport Authority, consisting of two (2) city, two (2) county and one (1) independent representative. The BCATAG is a private organization created for the purpose of supporting air service initiatives and related facility improvement efforts at Friedman Memorial Airport. The following are members of the BCATAG:

<b>Member</b>	<b>Title/Company Affiliation</b>
Baird, Rick	Friedman Memorial Airport Airport Manager
Blanchard, Tom	City of Bellevue resident, former Airport Authority member
Charlat, Maurice	City of Ketchum Council member
Davis, Rick	Hailey City Council member
Fairfax, Ron	Hailey Chamber of Commerce
Fenton, Dick	Sun Valley/Ketchum Chamber & Visitors Bureau Board member
Hinson, David	City of Ketchum resident and former Administrator of the FAA
Huffman, Wally	Sun Valley Company General Manager
Lindley, Al	City of Hailey Mayor
Mix, Mary Ann	Blaine County Commission Chair, Friedman Memorial Airport Authority Chair
Parke, Dan	City of Carey Council member
Plott, Larry	City of Bellevue resident
Renick, Lud	City of Sun Valley City Council member
Waller, Carol	Sun Valley/Ketchum Chamber & Visitors Bureau Executive Director
Walsh, Susan	Power Engineers

For the purpose of this application, the City of Hailey, Idaho, Blaine County, Idaho, the Friedman Memorial Airport Authority and the BCATAG have formed a public-private partnership. Collectively, this partnership is committed to completing the Action Plan outlined herein. As one of the grant sponsors, the City of Hailey, Idaho will execute all federal grant offers and process all associated reimbursement requests. Mayor Al Lindley and Rick Baird, Friedman Memorial Airport Manager, are the local contacts for this application.

**Project Goals**

- Stimulate year-round travel between Blaine County and its number one destination, Los Angeles.
- Balance the seasonality of the local economy by improving year-round movement of people between Blaine County and Los Angeles.
- Improve the air service options available at Friedman Memorial Airport, an airport that is significantly restricted by airfield elevation and mountainous terrain.
- Reduce the number of air travelers that must drive **154** miles to Boise to access lower airfares and non-stop service.

The proposed non-stop service between Los Angeles and Sun Valley/Nood River Valley will have a significant positive impact on the Sun Valley/Nood River Valley communities, as well as the adjacent communities in the region. Improved air access from such an important geographic market will have a strong economic impact because it will provide residents, business travelers, educators and visitors with better, more convenient access and lower prices through increased competition. Better air access will also benefit this remote, rural community by providing new opportunities for educational and cultural enrichment.

The Wood River communities would not expect this grant to meet all the needs of our communities for increased air access. We would also not expect to continue with the revenue guarantee past the initial one-year period outlined herein. Based on our extensive research on the market and backed by our comprehensive plan for marketing support, we fully anticipate this service will be able to continue on its own, profitably, after the initial one-year start-up period.

**Proposed Service**

The proposed air service includes once daily non-stop, round-trip service to Los Angeles, California using Horizon Air’s (Alaska Airlines) seventy-seat Dash 8-Q400 aircraft. The scenario utilizes one aircraft approximately 5 block hours per day. The proposed schedule provides 980 seats weekly to Sun Valley/Wood River Valley passengers. The proposed schedule takes advantage of Horizon Air’s relationship with Alaska Airlines. The schedule allows for at least one daily connection\* to five west coast markets, including Eugene, Medford, Portland, Seattle, and San Francisco. Service will begin on December 18,2002.

**Proposed Schedule by Horizon Air**

Days	Segment	Depart	Arrive
7	SUN - LAX	11:40 AM	1:10 PM
7	LAX - SUN	1:40 PM	5:20 PM

**Service Proposal & Analysis**

The Sun Valley/Ketchum Chamber & Visitors Bureau and the Sun Valley Company, through the BCATAG, jointly funded the preparation of the pro-forma analysis for Horizon Air shown below, which was prepared by consultants. Horizon Air prepared a separate in-house analysis with similar results. The pro-forma analysis included the operating and market assumptions detailed below:

- Horizon Air will capture passengers from the Los Angeles area as well as a percentage of passengers from the Orange County (25%), Ontario (25%) and Burbank (75%) areas;
- 25% of those passengers currently using Boise Air Terminal will continue to use Boise regardless of the service provided at Friedman Memorial Airport;

<sup>2</sup> Connecting flights are those within 30 to 150 minutes from the time of arrival or departure of Sun Valley flights.

- Horizon Air's market share will be slightly less than its market share to Seattle/Tacoma, 85% versus 95%, of the Los Angeles market due to more competition in the Los Angeles market by SkyWest (Delta Connection);
- The Los Angeles market will be stimulated 100% by the non-stop service;
- Horizon Air has set the SUN-LAX average airfare at \$130 one-way;
- Horizon Air's fully allocated cost per flight is estimated to be \$11,387 round trip between Sun Valley/Wood River Valley and Los Angeles;
- Load factors have been capped at 80%.

The consultant has been conservative in estimating Horizon Air traffic to Los Angeles. The following markets / passengers were excluded from the analysis:

- Passengers connecting through Los Angeles to other domestic destinations;
- Passengers connecting through Los Angeles to international destinations, although Alaska has an extensive network to Mexico;
- Interline traffic to points that are not served by Alaska/Horizon (i.e., Delta, United, etc.)

Based on the above, it is estimated that Horizon Air will capture 32,695 passengers annually in a mature market, with a load factor of 64.0%. The following is a summary of the pro-forma analysis:

Pro-Forma Analysis of SUN-LAX Service by Horizon Air  
Mature Market

(Cell)	Source / Calculation		
US DOT Reported Paxs - LAX	a	U.S. DOT	12,790
US DOT Reported Paxs - SNA	b	U.S. DOT	6,400
US DOT Reported Paxs - ONT	c	U.S. DOT	1,240
US DOT Reported Paxs - BUR	d	U.S. DOT	50
Subtotal US DOT Paxs	e	(a+b+c+d)	20,480
SUN Retention Factor	f	Ticket Lift Survey (August 2001)	71.5%
SUN Market O&D Pax	g	(e/f)	28,643
SUN Paxs <del>Leaked</del> to BOI	h	(g-e)	8,163
BOI Retention Factor		Mead & Hunt, Inc	25.0%
SUN O&D Paxs Lost to BOI	i	(h * i)	2,041
Total SUN Market Paxs Available	k	(g-i)	26,603
LA Area Share of Traffic - LAX	l	U.S. DOT	64.43%
LA Area Share of Traffic - SNA	m	U.S. DOT	14.28%
LA Area Share of Traffic - ONT	n	U.S. DOT	12.33%
LA Area Share of Traffic - BUR	o	U.S. DOT	8.96%
Total SUN Market Paxs Available - LAX	p	(k * l)	17,139
AS Market Share SUN - SEA	q	U.S. DOT	95.0%
SUN - LAX Adjustment	r	Mead & Hunt, Inc	10.0%
AS Market Share SUN - LAX	s	(q-r)	85.0%
AS Total SUN Paxs - LAX	t	(p * s)	14,568
Circuitry Factor	u	Mead & Hunt, Inc	200.0%
AS Share Circuitry Adjusted	v	(t * u)	29,136
Horizon Air Share at SNA	w	((k * m) * 25%)	949
Horizon Air Share at ONT	x	((k * n) * 25%)	820
Horizon Air Share at BUR	y	((k * o) * 75%)	1,789
<b>Estimated Total Horizon Air Pax</b>	<b>z</b>	<b>(v+w+x+y)</b>	<b>32,695</b>
SUN - LAX Fare	aa	Horizon Air	\$130.00
<b>Projected AS Revenues</b>	<b>ab</b>	<b>(z*aa)</b>	<b>\$4,250,294</b>
Miles from SUN - LAX	ac	U.S. DOT	696
Projected AS RPMs	ad	(z/ac)	22,755,418
<b>Projected AS Yield / RPM</b>	<b>ae</b>	<b>(aa/ac)</b>	<b>18,684</b>
Cost Per Round Trip*	af	Horizon Air	\$11,387
Breakeven Revenues	ag	(af * 365)	\$4,156,255
Breakeven Passengers	ah	(ag/aa)	31,971
Breakeven Load Factor	ai	(ah/(70 * 2 * 365))	62.6%
<b>Projected Load Factor</b>	<b>aj</b>	<b>(z/(70 * 2 * 365))</b>	<b>64.0%</b>
<b>Projected Surplus</b>	<b>ak</b>	<b>(ab-ag)</b>	<b>\$94,039</b>

\* Cost per round-trip includes a 10% margin.

**Seasonality/ Ramp-Up of Service**

In the previous pro-forma analysis, the passenger projections were based on a mature market, i.e., enplanements would be at 100% on the first day of service. However, it is unrealistic to expect a mature market on day one. The following table breaks down the passenger projections for the first twelve months with service beginning on December 18,2002:

Month	Seasonal %	Season Adj		Adj. Total		
		QX Pass	Ramp-Up	QX Pass	QX Pass	
December 18-31	3.0%	966	65.0%	628	14	1,960
January	7.4%	2,418	67.7%	1,637	31	4,340
February	7.5%	2,458	73.1%	1,796	28	3,920
March	11.4%	3,738	75.8%	2,832	31	4,340
April	6.9%	2,243	78.5%	1,760	30	4,200
May	4.8%	1,559	81.2%	1,265	31	4,340
June	8.6%	2,812	83.8%	2,358	30	4,200
July	11.6%	3,796	86.5%	3,285	31	4,340
August	13.1%	4,285	89.2%	3,823	31	4,340
September	10.4%	3,415	91.9%	3,139	30	4,200
October	6.8%	2,222	94.6%	2,102	31	4,340
November	4.9%	1,610	97.3%	1,567	30	4,200
December 1-17	3.6%	1,173	100.0%	1,173	17	2,380
<b>Total</b>	<b>100.0%</b>	<b>32,695</b>		<b>27,366</b>		<b>51,100</b>

At the initiation of service, it is estimated that Horizon Air will realize 65% of the potential passengers in a mature market. For each subsequent month, it is assumed that Horizon Air will increase realization by 2.7% per month until the 12th month of service, which is assumed to be a mature market.

The passenger projections calculated in the table below have been adjusted for passenger spillage. Passenger load factors have been restricted to 80% of capacity.

Month	QX Load Spill		Adjust Pax/Month	Revenue	Cst/MB	Subsidy
	Factor	Adjust				
December 18-31	32.0%	32.0%	628	\$81,645	\$159,418	-\$77,773
January	37.7%	37.7%	1,637	\$212,746	\$352,997	-\$140,251
February	45.8%	45.8%	1,796	\$233,519	\$318,836	-\$85,317
March	65.3%	65.3%	2,832	\$368,208	\$352,997	\$15,211
April	41.9%	41.9%	1,760	\$228,775	\$341,610	-\$112,835
May	29.1%	29.1%	1,265	\$164,434	\$352,997	-\$188,563
June	56.1%	56.1%	2,358	\$306,521	\$341,610	-\$35,089
July	75.7%	75.7%	3,285	\$427,041	\$352,997	\$74,044
August	88.1%	80.0%	3,472	\$451,360	\$352,997	\$98,363
September	74.7%	74.7%	3,139	\$408,134	\$341,610	\$66,524
October	48.4%	48.4%	2,102	\$273,298	\$352,997	-\$79,699
November	37.3%	37.3%	1,567	\$203,705	\$341,610	-\$137,905
December 1-17	49.3%	49.3%	1,173	\$152,524	\$193,579	-\$41,055
<b>Total</b>	<b>53.6%</b>	<b>53.6%</b>	<b>27,366</b>	<b>\$3,511,911</b>	<b>\$4,156,255</b>	<b>-\$644,344</b>

Total revenues adjusted for seasonality, ramp-up period, and passenger spillage for the first year of service total \$3.5 million. This represents a shortfall of \$644,344 for the first year of service. Friedman Memorial Airport proposes and Horizon Air has agreed to cap the subsidy at \$600,000 for the first year of service.

### **Action Plan Elements**

The goal of this Action Plan is to address issues associated with the proposed Sun ValleyNood River Valley – Los Angeles service that are critical to the long-term success of that service. In this regard, this Action Plan addresses two areas:

1. Marketing
2. Airline Start-up Support

1. **Marketing:** The target market for the proposed air service falls into two categories: (1) people living in the Los Angeles area and/or another community that has air service to Los Angeles International Airport (LAX) that connects to the proposed air service that may be interested in visiting Sun Valley/Wood River Valley for recreation or business purposes and (2) local Sun ValleyNood River Valley residents that for business or personal reasons travel to/from Los Angeles or other destinations that can be reached by connecting at LAX.

### **Target Audience**

Sun Valley/Wood River Valley is a year-round destination resort community that depends on tourists/business travelers to help the local economy, i.e., restaurants, shops, recreation providers, etc. Non-stop air service between Los Angeles and Sun ValleyNood River Valley will provide the opportunity to increase marketing efforts in the Southern California market. The Southern California target audience includes Frequent Individual Travelers (FIT), groups, business/conventions, and destination travelers.

In addition to the Southern California market, 10-15% of the marketing dollars identified in the Action Plan budget will be used to market to the local residents.

It is estimated that 60-70% of the marketing dollars will be spent prior to the launch of the new service to market to these target audiences and will continue to market service throughout the year with the remaining 30-40%.

### **Media Mix and Budget**

Direct Sales: \$15,000

- Parker Pacific and Sun Valley sales representatives
- Sun Valley CVB and community promote air service with Alaska Airlines' agents in Los Angeles area

- Corporate Meeting Planner / Travel Agent Familiarization Tours / Ski Groups

Direct Mail: \$40,000

- Mail postcard to Horizon AidAlaska Airlines' lists, Sun Valley Resort, Sun Valley Ketchum CVB, and part-time resident lists in Los Angeles area
- Inserts to Alaska Airlines/Horizon Air mailings
- Promote in Sun Valley Resorts direct mail newsletter

Print Advertising: \$70,000

- Newspaper ads (LA times)
- LA Magazine
- Sunset – S. California
- Conde Nast Traveler
- Travel and Leisure
- Horizon Air and Alaska Airlines in-flight magazine

Internet Marketing: \$10,000

- Promote on all area web sites and Horizon AidAlaska Airlines' Site
- Promote in Sun Valley Ketchum CVB e-newsletter and Horizon AidAlaska Airlines' e-newsletter
- Banner ads/other advertising opportunities

Other: \$30,000

- Banner for Horizon Air in airports (Friedman Memorial Airport and Los Angeles International Airport)
- Radio advertising in Los Angeles market: Metro traffic reports. These are the **25-30** word blurbs after traffic reports that run at many different stations.

Local advertising: \$10,000

- Ads in local papers (to inform local residents & business travelers)

Horizon AidAlaska Airlines will partner by offering:

1. Representation from Alaska Airlines' 6 Southern California sales people to the level that they would sell any other Alaska Airlines or Horizon Air destination.
2. Sun Valley/Wood River Valley non-stop service specifically called out in Alaska Airlines' Southern California print advertising. These are usually fare special ads.
3. Logistical support through Alaska Airlines' sales for finding travel agencies most likely to sell the service.
4. Extension of competitive wholesaler net rates.
5. Awareness building support through Horizon Air and Alaska Airlines' magazines, websites, and through communication to the Mileage Plan database. Consideration (Mileage Plan would have to agree) to offer "mileage burn off" specials in the off or shoulder seasons (i.e. round-trip ticket for 15,000 miles instead of **20,000** miles).

6. Cooperation from Horizon Air by way of airline seats for any awareness building media promotions (radio listener contests, etc.)

## 2. Airline Start-up Support

The pro-forma projections associated with the proposed air service are based on a mature market. However, it is estimated that it will take twelve months for passenger projections associated with the proposed air service to reach maturity and match pro-forma projections. The Horizon Air service is planned to begin December 18, 2002. Accordingly, December 2002 passenger traffic and revenue is estimated to be 65% of pro-forma projections. Passenger and revenue projections are expected to grow 2.7% per month between December 2002 and December 2003. At the end of the ramp-up period, December 2003, passenger and revenue projections are estimated to match the mature market projections shown in the pro forma. The revenue shortfall for the twelve-month ramp-up period is estimated to be \$644,344. Horizon Air staff and the applicant's consultants have studied this air service proposal. It is the consensus that the proposed service will be self-sustaining no later than the end of the first twelve months of service.

The public-private partnership proposes to provide Horizon Air with ramp-up subsidy for the first twelve months of service. Sun Valley Company will be entering into a contract with Horizon Air to provide the subsidy with a cap of \$600,000 for the first year of service. The contract associated with the proposed subsidy is between Horizon Air and the Sun Valley Company. This contract stipulates a one-time reimbursement due at the end of the twelve-month contract period. In terms of mechanics, Horizon Air will invoice the Sun Valley Company for any short-fall (not to exceed \$600,000) and Sun Valley Company will in turn invoice the Sponsor for reimbursement.

To support the proposed service, the Sun Valley Company will provide shuttle bus service for passengers on flights that are diverted to Magic Valley Regional Airport (Twin Falls, Idaho) for missed approaches during low visibility conditions at Friedman Memorial Airport. Typically, 10% of scheduled flights into Friedman Memorial Airport **are** diverted for weather related reasons. However, actual experience with the proposed service may be significantly improved due to the installation of the new Transponder Landing System (TLS). The Action Plan budget includes an estimate, \$36,000, for shuttle bus services.

**Action Plan Budget**

**Friedman Memorial Airport  
Small Community Air Service Development Pilot Program  
Action Plan Budget**

<b>Marketing:</b>				
Advertising/Promotion			\$ 175,000	\$ 175,000
<b>Airline Start-up Support:</b>				
12-Month Subsidy Maximum	\$ 600,000		\$ 600,000	\$ 600,000
night Diversion Bussing Costs (Estimate)			\$ 36,000	\$ 36,000
<b>Action Plan Staffing:</b>				
Airport Staff	\$ 12,500		\$ 12,500	\$ 12,500
Sun Valley/Ketchum Chamber of Commerce			\$ 23,000	\$ 24,000
Sun Valley Company			\$ 36,000	\$ 36,000
Program Administration			\$ 25,000	\$ 25,000
<b>Action Plan Research</b>				
2001 Research/Studies			\$ 25,143	\$ 25,743
<b>Grant Application:</b>				
Consulting Services			\$ 10,000	\$ 10,000
<b>Total</b>	\$ 12,500	\$ 600,000	\$ 331,743	\$ 944,243
<b>Percent of Project</b>	1.3%	63.5%	35.1%	100.0%

\* Non-cash contributions in red.

**Action Plan Staffing**

To complete the Action Plan as proposed, Friedman Memorial Airport Authority plans to utilize two Airport employees: Airport Manager (10%) and Airport Administrative Assistant (20%). No additional staff will be hired to assist with the Action Plan. The Marketing Director at the Sun Valley/Ketchum Chamber & Visitors Bureau in concert with the Sun Valley Company will coordinate the media mix and purchase of advertising. It is estimated that the Sun Valley/Ketchum Chamber & Visitors Bureau marketing staff will dedicate 1,200 hours towards this Action Plan. In addition to production and placement of media, the Sun Valley Company marketing staff will make monthly marketing trips to the Los Angeles area for the purpose of promoting the proposed service. Monthly expenses associated with this effort are estimated at \$3,000. The firm of Mead & Hunt, Inc. will provide consulting services associated with the Action Plan.

**Action Plan Research**

In 2001, the Sun Valley/Ketchum Chamber & Visitors Bureau and the Sun Valley Company, through the BCATAG, initiated research associated with the Sun Valley/Wood River Valley air travel market. The task was to analyze the strength of the market and evaluate possible air service options associated with Friedman Memorial Airport. An airline Ticket *Lift Survey* was completed in August 2001. In addition to the Ticket *Lift Survey*, the Sun Valley/Ketchum

Chamber & Visitors Bureau and the Sun Valley Company, through the BCATAG, jointly funded an *Air Service Evaluation*, which was conducted by consultants. The goals of the project were to provide information to maintain existing commercial air service at Friedman Memorial Airport and to explore ways to make improvements in air service for the community. The top recommendation of the *Air Service Evaluation* was Horizon Air, Dash 8-Q400, service to/from Sun Valley/Wood River Valley and Los Angeles and/or San Jose. This recommendation supports the air service Action Plan presented in this application.

**Facility Improvements**

Current facilities at Friedman Memorial Airport are adequate to accommodate the proposed service and anticipated increased passenger traffic.

## 7. Performance Measurement/ Action Plan Schedule

### Marketing

The marketing program outlined herein focuses on the local Sun Valley/Wood River Valley market and the more remote Los Angeles market. Since virtually the entire local population subscribes to the local newspaper, promotion in the local market will concentrate on newspaper advertisements. Based on past experience, the Sun Valley/Ketchum Chamber & Visitors Bureau feels that advertising in the local media will achieve the desired results and it is not necessary to test market penetration.

In the Los Angeles market, the Sun Valley/Ketchum Chamber & Visitors Bureau and the Sun Valley Company will use the following to track response to marketing efforts:

- **Referral Sources** – Each advertising medium will be placed in the inquiry database to track referrals from specific marketing efforts.
- **Central Reservations** – Each actual reservation will be tied to the original referral source.
- **Website** – Web Trends software identifies the number of unique and repeat visitors to the site, traffic patterns, most frequented areas of the site, and other statistics.

### Air Service Performance

The performance of the proposed air service will be tracked on a monthly and quarterly basis. The purpose of tracking is twofold: (1) measure the number of passengers utilizing the new service and, (2) monitor airline revenue and related subsidy requirements.

- **Monthly:** Horizon Air will provide flight segments flown, on-board passengers and gross revenue information. This data will be compared with pro-forma projections to measure the performance of the program.
- **Quarterly:** The sponsor will aggregate year-to-date flight segments flown, passenger statistics and gross revenue data. Gross revenue data will be compared to the cost of operations to calculate the year-to-date subsidy requirement. The goal is for passengers and revenues to exceed the pro-forma projections and the end-of-year subsidy payment to be less than projected.

It is important to note that Horizon Air has agreed to provide the proposed service for a 12-month period and has capped the maximum subsidy obligation at \$600,000. If there is a revenue shortfall that requires subsidy, the subsidy payment will come at the end of the 12-month service period. Accordingly, Horizon Air is assuming all risk should the revenue shortfall exceed \$600,000.

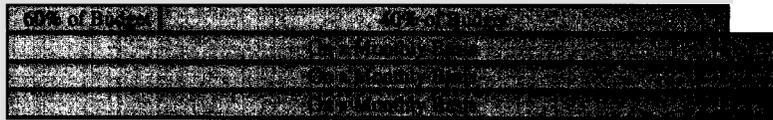
**Schedule**

**Action Plan Schedule and Performance Milestones  
Sun Valley - Los Angeles**

September      Oct   Nov   Dec   Jan   Feb   Mar   Apr   May   Jun   Jul   Aug   Sep

**Marketing:**

- Advertising & Promotion
- Track Referral Sources
- Monitor Central Reservations
- Track Website Statistics



**Horizon Air Flight**



**Service Performance:**

- Passengers, Revenue, Flight Segment



**Quarterly Milestones:**

- Passengers
- Revenue
- Subsidy Estimate



**Subsidy Payment**



## **8. Community Support**

Resolutions were passed by the Mayor and City Council of the cities of Ketchum, Carey, and Sun Valley, Idaho and Blaine County declaring support for the City of Hailey/Blaine County's application to the U.S. Department of Transportation for support of new commercial air service to Friedman Memorial Airport. Additionally, the Governor of Idaho, the Idaho Department of Commerce, Sun Valley/Ketchum Chamber & Visitors Bureau and others provided letters in support of this application. The resolutions as passed and letters of support are attached for review.

**RESOLUTION NUMBER 827**

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF KETCHUM, IDAHO, IN SUPPORT FOR THE APPLICATION FOR A GRANT OR SUPPORT OF NEW AMERICA AIR SERVICE TO FRIEDMAN AIRPORT TO BE SUBMITTED BY THE CITY OF HAILEY IN PARTNERSHIP WITH THE FREIDMAN MEMORIAL AIRPORT AUTHORITY AND THE BLAINE COUNTY AIR TRANSPORTATION ADVISORY BOARD.

WHEREAS, the City of Ketchum recognizes that commercial air service is critically important to maintaining the economic health and vitality of its city and other cities within the Wood River Valley of Idaho,

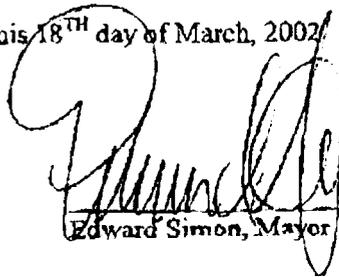
WHEREAS, the City of Ketchum has a goal of insuring that Blaine County continues to strengthen commercial air service from key geographic markets;

WHEREAS, the City of Ketchum has appointed one of its City Council members, Maurice Charlat, to a seat on the Blaine County Air Transportation Advisory Group, to serve along with other representatives from the city of Sun Valley, Hailey, Bellevue and Carey, the Friedman Airport Authority, the Sun Valley/Ketchum and Hailey Chambers of Commerce, local businesses and residents;

NOW THEREFORE, BE IT RESOLVED:

1. That the City of Ketchum supports the application of the above grant, to be submitted to the US Department of Transportation no later than April 13, 2002.
2. That duly certified copies of this Resolution shall be furnished to the City of Hailey to include with its grant application.

Passed by the City Council and signed by the Mayor this 18<sup>TH</sup> day of March, 2002.



Edward Simon, Mayor

Attest:



Sandra E. Cady, CMC, City Clerk

RESOLUTION # 2002-05

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF CAREY, IDAHO, DECLARING SUPPORT FOR THE CITY OF HAILEY AND BLAINE COUNTY'S APPLICATION OF A UNITED STATES DEPARTMENT OF TRANSPORTATION GRANT FOR SUPPORT OF NEW COMMERCIAL AIR SERVICE TO FRIEDMAN MEMORIAL AIRPORT, TO BE SUBMITTED BY THE CITY OF HAILEY AND BLAINE COUNTY, IN PARTNERSHIP WITH THE FRIEDMAN MEMORIAL AIRPORT AUTHORITY AND THE BLAINE COUNTY AIR TRANSPORTATION ADVISORY GROUP

WHEREAS, the City of Carey recognizes that commercial air service is critically important to maintaining the economic health and vitality of its city and other Cities within the Big and Little Wood River Valley of Idaho;

WHEREAS, the City of Carey has a goal of insuring that Blaine County continues to strengthen commercial air service from key geographic markets;

WHEREAS, the City of Carey has appointed one of its city council members, Dan Parke, to a seat on the Blaine County Air Transportation Advisory Group, to serve along with other representatives from the city of Sun Valley, Hailey, Bellevue and Ketchum, the Friedman Airport Authority, the Sun Valley/Ketchum and Hailey Chambers of Commerce, local businesses and residents;

NOW THEREFORE, BE IT RESOLVED:

1. The City of Carey supports the application of the above grant, to be submitted to the U.S. Department of Transportation no later than April 13, 2002.
2. That duly certified copies of the resolution shall be furnished to the City of Hailey and Blaine County to include with its grant application.

Passed by the City Council and signed by the Mayor this 19<sup>th</sup> day of March 2002.

*Robert Simpson*  
Robert Simpson, Council President

Attest:

*Mary Ann Hennefer*  
Mary Ann Hennefer, City Clerk

Post-it* Fax Note 7871		Date	3/26	# of pages	3
To	Mike Boggs	From	Carol Walker		
Co./Dept	00	Co			
Phone #		Phone #			
Fax #	541-609-7298	Fax #	208-726-4533		

**RESOLUTION NO. 2002-01**

**A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF SUN VALLEY, IDAHO. DECLARING SUPPORT FOR CITY OF HAILEY'S APPLICATION OF A UNITED STATES DEPARTMENT OF TRANSPORTATION GRANT FOR SUPPORT OF NEW COMMERCIAL AIR SERVICE TO FREIDMAN AIRPORT, TO BE SUBMITTED BY THE CITY OF HAILEY, IN PARTNERSHIP WITH THE FREIDMAN MEMORIAL AIRPORT AUTHORITY AND THE BLAINE COUNTY AIR TRANSPORTATION ADVISORY GROUP.**

**WHEREAS, the City of Sun Valley recognizes that commercial air service is critically important to maintaining the economic health and vitality of its city and other cities within the Wood River Valley of Idaho;**

**WHEREAS, the City of Sun Valley has a goal of insuring that Elaine County continues to strengthen commercial air service from key geographic markets;**

**WHEREAS, the City of Sun Valley has appointed one of its City Council members, Lud Renick, to a seat on the Blaine County Air Transportation Advrsory Group, to serve along with other representatives from the cities of Ketchum, Hailey, Bellevue and Carey, the Friedman Airport Authority, the Sun Valley/Ketchum and Hailey Chambers of Commerce, local businesses and residents;**

**NOW THEREFORE, BE IT RESOLVED:**

- 1. That the City of Sun Valley supports the application of the above grant, to be submitted to the US Department of Transportation no later than April 13, 2002**
- 2. That duly certified copies of the resolution shall be furnished to the City of Hailey to include with its grant application.**

**Passed by the City Council and signed by the Mayor this 21<sup>st</sup> day at March, 2002**



**David F. Wilson, Mayor**

**Attest:**



**Dan Pincotich, City Administrator**

**BLAINE COUNTY RESOLUTION 2002- if3  
AUTHORIZATION OF USDOT GRANT APPLICATION**

**WHEREAS, the Blaine County Commissioners seek to promote the economic viability of the community and its citizens in balance with preservation and protection of the local environment and quality of life; and**

**WHEREAS, the Blaine County Commissioners recognize that commercial air service is important to maintaining the economic health and vitality of tourism and other economic activities within the Wood River Valley; and**

**WHEREAS, participation in governing of the Friedman Memorial Airport is one of the Blaine County Commissioners' fiduciary responsibilities; and**

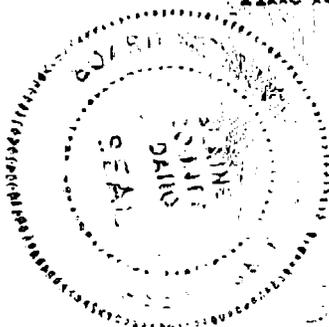
**WHEREAS, the Friedman Memorial Master Plan sites specific parameters of development and expansion at the airport designed to enhance use of the airport while protecting neighbors of the airport from its effects; and**

**WHEREAS, the Federal Transportation Department has made available grant funds to improve air service to small airports; and**

**WHEREAS, an Application for a United States Department of Transportation Grant for support of a new commercial air service to Friedman Memorial Airport has been prepared for procurement of said grant funds;**

**NOW, THEREFORE BE IT RESOLVED, that the Blaine County Board of Commissioners hereby approve the Application for a United States Department of Transportation Grant for support of a new commercial air service to Friedman Memorial Airport, and authorize the Chairman of the Blaine County Board of Commissioners to execute said Application and other materials related to the Application.**

**THIS RESOLUTION is in full effect upon its adoption this 15th<sup>TH</sup> day of April, 2002.**



*Mary Ann Mix*  
Mary Ann Mix, Chairman

*Dennis Wright*  
Dennis Wright, Vice Chairman

*Sarah Michael*  
Sarah Michael, Commissioner

ATTEST:  
*Marsha Riemann*  
Marsha Riemann, Clerk

Instrument # 463977  
HAILEY, BLAINE, IDAHO  
2002-04-15 10:41:00 No. of Pages: 1  
Recorded for: BLAINE COUNTY COMMISSIONERS  
MARSHA RIEMANN Fee: 0.00  
Ex-Officio Recorder Deputy  
Index to: RESOLUTIONS



DIRK KEMPTHORNE  
GOVERNOR

April 18,2002

Read C. Van deWater  
Assistant Secretary for Aviation  
and International Affairs  
U.S. Department of Transportation

Dear Mr. Van deWater:

I would appreciate any consideration you might give to the City of Hailey's application for a U.S. Department of Transportation (small community air service development pilot program) grant for new commercial air service to the Friedman Airport. I recognize the importance of new air service to Blaine County and the Wood River Valley, which is home to the world-renowned Sun Valley Resort and a flourishing tourism and economic region in the State of Idaho

I have charged the Idaho Department of Commerce with increasing air service in our state, and this new service would be an important step in providing improved air transportation to a rural area of Idaho that is a growing economic region.

Again, thank you for your consideration and support of the City of Hailey's grant application.

Sincerely,

DIRK KEMPTHORNE  
Governor

DK:mr

DIRK KEMPTHORNE  
Governor

GARY MAHN  
Director



700 West State Street  
P.O. Box 83720  
Boise, ID 83720-0093  
Phone: (208) 334-2470  
FAX: (208) 334-2631  
<http://www.idoc.state.id.us>

## DEPARTMENT OF COMMERCE

April 5, 2002

Read C Van de Water  
Assistant Secretary for Aviation  
and International Affairs  
U.S. Department of Transportation

Dear Sir:

The Idaho Department of Commerce is pleased to submit this letter of support for the City of Hailey's application for a U.S. Department of Transportation (small community air service development pilot program) grant for new commercial air service to the Friedman Airport. The State of Idaho recognizes the importance of new air service to Blaine County and the communities within the Wood River Valley of Idaho. The area is not only the home of the famous Sun Valley Resort and other premiere tourism destinations, but is also an important and growing economic region.

The department has been working with Governor Kempthorne and the Idaho Department of Transportation to increase air service to the state. This new service, consistent with this effort, is especially important in helping provide needed service to an important and growing rural area of the state.

We look forward to building on our partnership with the community and business leaders in the Valley to insure a successful project.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Mahn", written over a horizontal line.

Gary Mahn  
Director

GM:ct

# IDAHO



April 10, 2002

**Read C. Van dewater**  
Assistant Secretary for Aviation and Internal Affairs  
US Department of Transportation

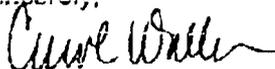
Dear Sir:

The Sun Valley/Ketchum Chamber & Visitors Bureau is fully supportive of the City of Hailey's grant application for a U.S. Department of Transportation (small community air service development program pilot program) grant for new commercial air service to the Friedman Airport in Hailey, Idaho, which serves the greater Sun Valley/Wood River Valley area. The Sun Valley/Ketchum Chamber & Visitors Bureau recognizes the importance this new air service could have in enhancing our economy through increased access for destination visitors and our local area businesses, organizations and institutions and residents.

Several years ago the Sun Valley/Ketchum Chamber & Visitors Bureau created the private-public sector partnership group known as Blaine County Air Transportation Advisory Group. The purpose of BCATAG is to address important air service concerns in a collective, cooperative fashion with all communities throughout the Wood River Valley.

We are pleased to have the opportunity to support this grant application, and we will make sure we work diligently to insure the long-term success of this proposed new air service to our community.

Sincerely,



Carol Waller  
Executive Director

P.O. Box 2420 • Sun Valley, Idaho, 83353 USA  
[www.visitsunvalley.com](http://www.visitsunvalley.com) • [www.visitketchum.com](http://www.visitketchum.com) • [chamberinfo@visitsunvalley.com](mailto:chamberinfo@visitsunvalley.com)  
800.634.3347 • 208.726.3433 • fax 208.726.4533

# Hailey Chamber of Commerce

April 10, 2002

Read C. Van deWater  
Assistant Secretary for Aviation and Internal Affairs  
US Department of Transportation

Dear Sir:

The Hailey Chamber of Commerce and Visitor Center is fully supportive of the City of Hailey's grant application for a U.S. Department of Transportation (small community air service development program pilot program) grant for new commercial air service to the Friedman Airport in Hailey, Idaho, which serves the greater Hailey/Ketchum/Wood River Valley area. The Hailey Chamber & Visitor Center recognizes the importance this new air service could have in enhancing our economy through increased access for destination visitors and our local area businesses, organizations and institutions and residents.

We recognize the great efforts that have taken place to ensure communication and cooperation throughout the Wood River Valley, such as the Blaine County Air Transportation Advisory Board. We feel confident in this board and are very pleased with the information they have been able to provide the community as a result of its existence.

We are pleased to have the opportunity to support this grant application, and we will make every effort to support its purpose.

Sincerely,



Jan Kelsch  
Executive Director

13 W Carbonate • Hailey, Idaho 83333  
Direct (208) 788-2700 • FAX (208) 578-1595 • e-mail: visithailey@juno.com

## **9. Airport Financial Information**

On a Generally Accepted Accounting Principles (GAAP) basis, the Friedman Memorial Airport Authority operates at a loss, from a loss of \$149,981 for fiscal year 2000 to a projected loss of \$509,980 in fiscal year 2002. If GAAP depreciation were excluded, the Friedman Memorial Airport Authority would operate with a surplus ranging from \$542,963 in fiscal year 2000 to a projected \$342,295 surplus in fiscal year 2002. The table on the following page provides a detailed review of the Friedman Memorial Airport Authority's operating revenues and expenses:

**Friedman Memorial Airport Authority  
Statement of Revenue and Expense**

	<b>Year Ended September 30,</b>		
	<b>2000 Audited</b>	<b>2001 Audited</b>	<b>2002 Budget</b>
<b>Operating Revenue</b>			
Airlines	\$ 141,721	\$ 136,346	\$ 142,863
Passenger facility charge revenue	190,991	190,702	180,000
Automobile rental	308,550	281,139	320,085
Auto parking	77,008	76,841	80,000
Rents, fees, commissions and leases	381,804	406,433	417,976
Fuel flowage fees	174,499	179,917	183,000
Miscellaneous	1,188	8,977	
Total Operating Revenue	<u>\$ 1,275,761</u>	<u>\$ 1,280,355</u>	<u>\$ 1,323,924</u>
<b>Operating Expenses</b>			
Salaries and wages	\$ 355,009	\$ 381,779	\$ 418,070
Payroll taxes and benefits	130,533	145,316	151,787
Supplies	21,324	21,788	34,000
Postage	2,750	2,944	4,500
Equipment rent	1,376	1,691	1,500
Utilities	41,519	50,309	59,560
Fuel	13,266	9,674	14,000
Dues and publications	8,469	10,092	12,000
Professional services	48,187	48,878	96,000
Travel, food and lodging	3,536	8,304	10,000
Education	8,394	26,594	31,500
Contracted labor	18,000	30,075	18,000
Repairs and maintenance	66,488	51,389	92,000
Depreciation	692,944	804,822	852,275
Insurance	23,456	25,507	28,712
Air traffic control service	28,450	30,213	30,000
Security	3,846	3,880	10,000
Landscaping	1,604	2,032	3,000
Miscellaneous	8,564	6,433	12,000
Total Operating Expenses	<u>\$ 1,477,715</u>	<u>\$ 1,661,720</u>	<u>\$ 1,878,904</u>
Operating Income (Loss)	<u>\$ (201,954)</u>	<u>\$ (381,365)</u>	<u>\$ (554,980)</u>
<b>Non-Operating Revenue and Expenses</b>			
Interest income	<u>51,973</u>	<u>50,928</u>	<u>45,000</u>
Net Income (Loss)	<u>\$ (149,981)</u>	<u>\$ (330,437)</u>	<u>\$ (509,980)</u>

## 10. Assurances

The City of Hailey and Blaine County, co-sponsors of the Friedman Memorial Airport, provide the U.S. Department of Transportation with the following assurances:

1. It will comply with all applicable Federal laws, regulations, executive orders, policies, guidelines, and requirements as they relate to the application, acceptance and use of Federal funds for this project.
2. It has legal authority to apply for the grant, and to finance and carry out the proposed project; that a resolution, motion or similar action has been duly adopted or passed as an official act of the applicant's governing body authorizing the filing of the application, including all understanding and assurances contained therein, and directing and authorizing the person identified as the official representative of the applicant to act in connection with the application and to provide such additional information as may be required.
3. It has sufficient funds available for that portion of the project costs, which are not to be paid by the United States. It has sufficient funds available to assure operating and maintenance of items funded under the grant agreement, which it will own or control.
4. It shall keep all project accounts and records which fully disclose the amount and disposition by the recipient of the proceeds of the grant, the total cost of the project in connection with which the grant is given or used, and the amount or nature of that portion of the cost of the project supplied by other sources, and such other financial records pertinent to the project. The accounts and records shall be kept in accordance with an accounting system that will facilitate an effective audit in accordance with the Single Audit Act of **1984**.
5. It shall make available for the purpose of audit and examination, any books, documents, papers, and records of the recipient that are pertinent to the grant.
6. It will execute the project in accordance with the approved program narrative contained in the project application or with the modifications similarly approved.
7. It will furnish such periodic reports as required pertaining to the project and activities.