

AGENDA ITEM # 4

CITY COUNCIL COMMUNICATION FORM

FROM: Sandy Evans Hall, 970-875-7007, LMD Administrative Secretary

THROUGH: Julie Franklin

DATE: September 21, 2010

ITEM: **RESOLUTION: A RESOLUTION APPROVING THE STEAMBOAT SPRINGS LOCAL MARKETING DISTRICT OPERATING PLAN AND THE STEAMBOAT SPRINGS LOCAL MARKETING DISTRICT BUDGET FOR THE YEAR 2011.**

NEXT STEP: This is a resolution requiring council approval of the Local Marketing District 2011 Budget and Plan of Operation prior to September 30 per statute.

DIRECTION
 INFORMATION
 ORDINANCE
 MOTION
 RESOLUTION

I. REQUEST OR ISSUE:

The Local Marketing Board has approved the attached 2011 Budget and Plan of Operation at their August 26 meeting. Per statute for Local Marketing Districts, the City Council is also required to approve of these two items, which it has done through resolution, prior to September 30 of each year.

II. RECOMMENDED ACTION:

Approval.

III. FISCAL IMPACTS:

As this is a separate district utilizing 2% accommodations tax as passed by the voters, there is no additional fiscal impact to the City. The LMD pays the City for their accounting and auditing of these monies.

IV. BACKGROUND INFORMATION:

Of concern to the Local Marketing District Board is the 33% decrease in revenues due to the economic recession. It may be some time before sales taxes on lodging return to their 2008 level, even if occupancy levels come up. At the same time, there have been increases in costs of providing the service from the airlines to include fuel surcharges and opportunity costs. Planning ahead, the LMD established a reserve fund of \$1,000,000, which could be depleted by half in the coming year. The 2011 Winter Air Service contracts reflect a 13% decrease in seat capacity. This is in addition to a 13% decrease in 2010. Service has been cut to conform to what the LMD can afford to fund. Unfortunately, unless there are changes in revenue next year, this will be a self-fulfilling prophecy. Fewer airline seats will mean fewer visitors, will mean less revenue, will mean less airline seats. It is estimated that if lodging tax revenues do not increase significantly, the reserves could be depleted in two years or less, which would result in even more dramatic reductions in air service.

Currently there are groups working on a possible additional funding mechanism through the Regional Transportation Authority Task Force, but it is questionable that the citizens will approve another tax for this purpose.

Providing adequate air capacity into this valley as tourism demand returns is the single most important factor in bringing our community out of this recession.

V. LEGAL ISSUES:

The LMD budget and operating plan must be approved each year by September 30.

VI. CONFLICTS OR ENVIRONMENTAL ISSUES:

None.

VII. SUMMARY AND ALTERNATIVES:

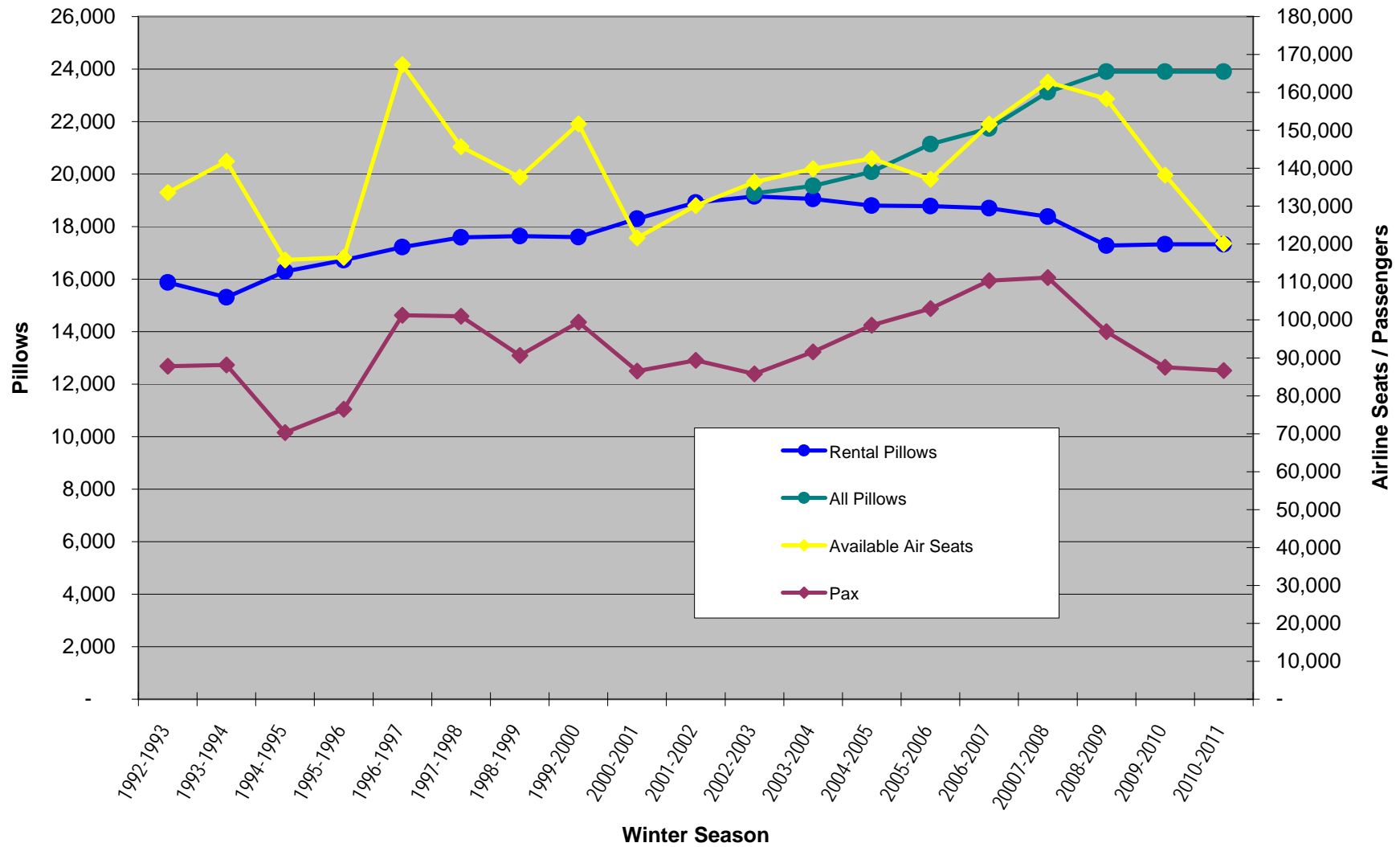
None.

LIST OF ATTACHMENTS

- Attachment 1. Winter Available Seats, Passengers & Pillows
- Attachment 2. Historical Comparison – Available Airline Seats, Passengers Flown (PAX) and Nightly Rental Pillows

Winter Available Seats, Passengers & Pillows Into HDN & SBS Airports - Commercial Service													CONFIDENTIAL
Updated September 9, 2010													
Winter	Avail. Seats	Change	Passengers	Change	LF	Traditional Rental Pillows	Change	All Pillows	Change	Seat/ Rental Pillow Ratio	Seat/ All Pillow Ratio	Total Air Service Costs	Notes
1986/87	81,500		51,998		64%								
1987/88	102,400	26%	65,496	26%	64%								
1988/89	122,900	20%	75,580	15%	61%								
1989/90	127,100	3%	72,427	-4%	57%								
1990/91	133,400	5%	78,081	8%	59%							\$798,608	
1991/92	134,500	1%	85,418	9%	64%							\$547,000	
1992/93	133,600	-1%	87,786	3%	66%	15,876		15,876		8.4	8.4	\$612,000	
1993/94	141,840	6%	88,140	0%	62%	15,309	-3.6%	15,309	-3.6%	9.3	9.3	\$317,500	
1994/95	115,860	-18%	70,341	-20%	61%	16,294	6.4%	16,294	6.4%	7.1	7.1	\$874,000	
1995/96	121,580	5%	80,535	14%	66%	16,719	2.6%	16,719	2.6%	7.3	7.3	\$824,000	
1996/97	167,300	38%	101,231	26%	61%	17,218	3.0%	17,218	3.0%	9.7	9.7	\$1,268,883	
1997/98	145,700	-13%	100,945	0%	69%	17,587	2.1%	17,587	2.1%	8.3	8.3	\$1,042,462	
1998/99	137,600	-6%	90,665	-10%	66%	17,635	0.3%	17,635	0.3%	7.8	7.8	\$907,868	
1999/00	151,680	10%	99,423	10%	66%	17,603	-0.2%	17,603	-0.2%	8.6	8.6	\$2,253,700	
2000/01	121,660	-20%	86,547	-13%	71%	18,306	4.0%	18,306	4.0%	6.6	6.6	\$1,595,716	
2001/02	130,140	7%	89,371	3%	69%	18,917	3.3%	18,917	3.3%	6.9	6.9	\$2,186,552	
2002/03	129,690	0%	86,342	-3%	67%	19,150	1.2%	19,267	1.9%	6.8	6.7	\$2,221,000	
2003/04	139,020	7%	91,612	6%	66%	19,054	-0.5%	19,556	1.5%	7.3	7.1	\$1,708,000	
2004/05	142,600	3%	98,641	8%	69%	18,800	-1.3%	20,085	2.7%	7.6	7.1	\$1,593,311	
2005/06	137,150	-4%	103,035	4%	75%	18,782	-0.1%	21,143	5.3%	7.3	6.5	\$257,992	this year anomaly in costs
2006/07	151,660	11%	110,350	7%	73%	18,705	-0.4%	21,736	2.8%	8.1	7.0	\$1,494,625	
2007/08	162,700	7%	111,201	1%	68%	18,382	-1.7%	23,124	6.4%	8.9	7.0	\$1,749,860	
2008/09	158,349	-3%	96,890	-13%	61%	17,281	-6.0%	23,905	3.4%	9.2	6.6	\$2,110,882	
2009/10	138,182	-13%	87,549	-10%	63%	17,325	0.3%	23,905	0.0%	8.0	5.8	\$2,642,600	
2010/11	120,738	-13%				17,325	0.0%	23,905	0.0%	7.0	5.1	\$2,450,000	<i>At Forecast, Full Cap \$2,690,000</i>
2011/12												\$2,089,593	5 year average
2012/13												\$1,975,255	10 year average (without 05/06)
2013/14													

Historical Comparison - Available Airline Seats, Passengers Flown, Nightly Rental Pillows & Total Pillows



CITY OF STEAMBOAT SPRINGS, COLORADO

RESOLUTION NO. _____

A RESOLUTION APPROVING THE STEAMBOAT SPRINGS LOCAL MARKETING DISTRICT OPERATING PLAN AND THE STEAMBOAT SPRINGS LOCAL MARKETING DISTRICT BUDGET FOR THE YEAR 2011.

WHEREAS, pursuant to Colorado Revised State Statutes 29-25-110; an operating plan and budget is required to be submitted to the local government by September 30 of each year; and

WHEREAS, the local government is required to approve or disapprove the operating plan within thirty days after receipt of such submittal.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STEAMBOAT SPRINGS, COLORADO, THAT:

Section 1. The City hereby approves the Steamboat Springs Local Marketing District Operating Plan (Exhibit A) and Steamboat Springs Local Marketing District Budget for 2011 (Exhibit B) as presented.

PASSED, ADOPTED AND APPROVED this _____ day of _____, 2010.

ATTEST:

**Cari Hermacinski, President
Steamboat Springs City Council**

**Julie Franklin, CMC
City Clerk**

Steamboat Springs Local Marketing District

2011 Operating Plan

Services

- Provide funding for winter air service and contract for marketing of winter air service in conjunction with agreed upon participation from the Steamboat Ski & Resort Corp. and participating businesses
- Provide a portion of the funding for management of the winter air service
- Contract with air service carriers to encourage competitive air service to the marketplace, including funding appropriate guarantees

Tax

- Tax to be levied would be 2%

Other Information

- All funds would be deposited in a segregated fund by the City Finance Director with a goal to achieve the highest possible interest
- An annual audit would be performed each year by the City to be submitted to City Council
- A reserve account of \$1,000,000 has been established over the past 5 years and will be depleted by up to \$500,000 in 2011 due to recessionary decrease in lodging revenues combined with increasing cost of providing air service. The Local Marketing District Board has determined that unless revenues in lodging tax increase significantly, the reserves will be completely depleted in two years, resulting in dramatic reduction in air service to the Yampa Valley.

Steamboat Springs Local Marketing District

2011 Budget Planning - Updated 8-24-10

	2008 Actual	2009 Actual	2010 Budget Approved 8-27-09 tax est. -20% off 2008 actual	2010 Forecast tax est. -33% off 2008 actual	Variance	2011 Budget tax est. -33% off 2008 actual
Revenue						
Projected carry over	\$686,833	\$755,371	\$372,672	\$468,799	\$96,127	
2% Tax Jan - December	\$1,486,584	\$1,135,662	\$1,189,267	\$996,081	(\$193,186)	\$996,081
Interest	\$40,271	\$10,000	\$10,000	\$10,000	\$0	\$10,000
Subtotal	\$2,213,688	1,901,033	\$1,571,939	\$1,474,880	(\$97,059)	\$1,006,081
3.3% collection fee to state						
Contributions to summer from other communities		\$0	\$0	\$0	\$0	
Total Revenue	\$2,213,688	\$1,901,033	\$1,571,939	\$1,474,880	(\$97,059)	\$1,006,081
Expenses						
Winter Air Service	\$653,981	\$787,034	\$1,135,000	\$1,135,000	\$0	\$1,295,000
Winter Cap		\$0	\$175,000	\$93,957	(\$81,043)	
Winter Air Service Marketing	\$400,000	\$400,000	\$300,000	\$300,000	\$0	\$0
Summer Air Service	\$300,000	\$170,000	\$300,000	\$0	(\$300,000)	\$0
Fall Service						
Summer/Fall Air Service Marketing	\$49,182	\$0	\$15,000	\$21,312	\$6,312	\$0
Winter Air Service Mngmnt Fee	\$50,000	\$50,000	\$58,000	\$52,687	(\$5,313)	\$50,000
Summer Air Service Mngmnt Fee		\$20,000	\$10,000	\$0	(\$10,000)	\$0
Administration/Legal	\$3,154	\$4,000	\$6,000	\$6,000	\$0	\$6,000
Annual Accounting/Audit	\$2,000	\$1,200	\$1,200	\$1,200	\$0	\$1,200
Miscellaneous						
Total Expenses	\$1,458,317	\$1,432,234	\$2,000,200	\$1,610,156	(\$390,044)	\$1,352,200
Revenue less Expenses	\$755,371	\$468,799	(\$428,261)	(\$135,276)		(\$346,119)
Winter Air Reserve Balance	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000		\$864,724
Winter Air Reserve Activity	\$0	\$0	(\$428,261)	(\$135,276)		(\$346,119)
2011 Reserve Balance			\$571,739	\$864,724		\$518,605
Carry over to next FY	\$755,371	\$468,799	\$0	\$0		\$0