



City Council

Agenda Item

Subject: Approval of a Professional Services Agreement for the Watertown Regional Airport Marketing and Air Service Development, with Volaire Aviation Consulting, in the amount of \$66,000 annually for two years, authorizing the City Manager to sign all applicable documents.

Meeting: City Council - May 02 2022

From: Heath VonEye, Public Works Director

BACKGROUND INFORMATION:

The City is currently contracted with ArkStar Aviation Consulting for marketing services. Their service contract is ending in May. Given the expiration of the current contract, City staff advertised for proposals for both Marketing and Air Service Development Consultant services to procure a new contract. There were 11 proposals submitted. Based on specific criteria identified and reviewed, reference feedback, and budget specifications; Volaire Aviation Consulting is being recommended by the selection committee of staff and Airport Board member Tomlinson. This recommendation was supported unanimously by the Airport Board on April 25th, 2022, making recommendation to the City Council for approval.

FINANCIAL IMPACT:

The proposed contract with Volaire would include a 2 year term for \$66,000 per year with a start date of June 1st. The 2022 Operating Budget for consultant services and publications will cover this contract amount. The consultant services line item would be budgeted for in 2023 to continue to sustain this contract.

SUGGESTED MOTION:

I move to approve a Professional Services Agreement for the Watertown Regional Airport Marketing and Air Service Development, with Volaire Aviation Consulting, in the amount of \$66,000 annually for two years, authorizing the City Manager to sign all applicable documents.

STAFF REFERENCE(S):

Angie Yahne

ATTACHMENT(S):

[Voltaire Aviation Consulting Proposal](#)
[ATY Marketing Selection Summary for Council](#)
[05-02-22 City Council Slides from Voltaire](#)

Watertown Regional Airport Proposal for Aviation Marketing and Air Service Development Consulting



Volaire Aviation, Inc.

Proposal Contact:

Mike Mooney
Volaire Aviation, Inc.
303-842-9496

Michael.mooney@volaireavation.com

Corporate Office

8500 E. 116th Street; Suite 728
Fishers, IN 46038
972-808-6533

info@volaireaviation.com

TABLE OF CONTENTS

| | |
|--|-----------|
| INTRODUCTORY LETTER | 3 |
| AUTHORIZED REPRESENTATIVE AND SIGNATURE OF VOLAIRE AVIATION | 4 |
| FIRM INFORMATION AND PROJECT TEAM | 4 |
| PROPOSAL SUMMARY | 5 |
| BACKGROUND INFORMATION ON PROPOSAL TEAM | 6 |
| SUMMARY OF VOLAIRE AVIATION CLIENTS AND SERVICES | 9 |
| SUMMARY OF THREE (3) AVIATION MARKETING CAMPAIGNS | 11 |
| DESCRIPTION OF PROPOSED SERVICES | 15 |
| RESPONSE TO SCOPE OF WORK | 16 |
| COST PROPOSAL FEE STRUCTURE | 25 |
| REFERENCES | 28 |

INTRODUCTORY LETTER

April 14, 2022

City of Watertown
Attn: Richard Maag
23 Second St NE
Watertown, SD 57201

RE: Proposal for Aviation Marketing and Air Service Development Consultant

Dear Mr. Maag,

On behalf of Volaire Aviation, I am pleased to present our firm's Proposal for Aviation Marketing and Air Service Development Consultant in response to the Watertown Regional Airport request for proposals dated March 23, 2022.

Volaire Aviation, Inc. is an Indiana-based S Corporation formed in December 2016, and it is with Volaire that a prospective consulting contract would be written. Four managing partners own an equal 25% share of the company. In addition to the four partners, the firm has five employees. Managing Partner Mike Mooney will be the Lead Consultant for any Air Service Development work we do with the Watertown Regional Airport. Melissa Galvan Peterson, C.M., Senior Consultant, Marketing and Development will lead our airport marketing efforts. Our primary office is located in Fishers, Indiana, but Mike would manage the day-to-day duties of the project from his location in Denver, CO and Melissa from her location near Minneapolis, MN.

While we are a young firm, we already have a broad base of existing client airports. As of today, Volaire has provided consulting services to 114 airports in the United States, Canada, and the Caribbean over the past five plus years.

Our approach to air service development consulting is methodical and driven by presenting the data airlines use to analyze route planning decisions. Our work is well-respected by airline decision-makers because the business cases we develop and present to airlines are thorough and complete. Our work translates into a proven and successful track record in developing new air service for our clients. Our team can count 104 new routes on 12 airlines for our clients since January 2017.

I am proud our marketing team has had the opportunity to assist various Airport clients not only in marketing their air service, but in guiding them through the logistical and public relations challenges COVID-19 has presented. Our approach to air service marketing, like everything else our firm undertakes, is methodical and driven by the belief that each target audience is unique in how best to communicate with them; one solution does not fit all. The thoroughness of our work translates into a proven and successful track record of attracting and retaining passengers for our clients. We feel our team has the best fundamental knowledge of marketing in the aviation industry. Our relationships with airline partners, including airline marketing personnel, is second to none.

We look forward to the opportunity to work with the Watertown Regional Airport if selected.

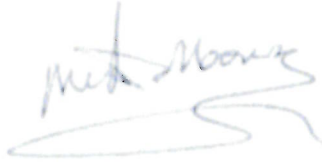
Sincerely,
Mike Mooney
Managing Partner and Director
Volaire Aviation, Inc.

AUTHORIZED REPRESENTATIVE AND SIGNATURE OF VOLAIRE AVIATION

Michael Mooney, Managing Partner – Volaire Aviation, Inc.

Headquarters Address: 8500 E. 116th Street; Suite 728; Fishers, IN 46038
303.842.9496 (office/cell) / michael.mooney@volaireaviation.com

Voltaire is headquartered in Fishers, Indiana; a suburb of Indianapolis.



FIRM INFORMATION AND PROJECT TEAM

Voltaire Aviation, Inc. is an Indiana-based S Corporation formed in December 2016. While Voltaire was formed in December 2016, the eight founding members of our team have worked together beginning in 2008 at Sixel Consulting Group; Will Berchelmann joined Voltaire in April 2019. Voltaire’s organizational structure includes four managing partners, who each own a 25% share of the company, and five employees. Voltaire is headquartered in Fishers, Indiana, a suburb of Indianapolis. Our address is: 8500 E. 116th Street; Suite 728, Fishers, IN 46038.

Size of Organization and Organizational Structure

The entire nine-member Voltaire team has extensive experience in air service development, airport marketing, promotion, advertising, corporate and community outreach, as well as geographic information systems. Organizational structure of the firm is illustrated in Exhibit 1 and our team is shown in Exhibit 2.



Exhibit 1. Voltaire Aviation Consulting Organizational Structure.

Firm Qualifications

Volaire's nine members have more than 190 years of combined experience in airline recruitment, air service expansion, airline and airport marketing and public relations, airport management and airport strategic business planning. But that is only half our story. Each team member brings unique insights based on their work history and life experiences.



Exhibit 2. The Volaire Aviation Team – left to right: Mr. Berchelmann, Mr. Nichter, Mr. Hayes, Mrs. Flores, Mr. Penning, Mr. Lum, Mr. Mooney, Mrs. Mishler, Mrs. Galvan Peterson.

PROPOSAL SUMMARY

The Watertown Regional Airport's Scope of Work for Air Service Development and Aviation Marketing Consulting Services is an excellent outline of what an Airport – Consultant relationship should include.

Through its Project Manager, Mike Mooney, Volaire would forge a partnership between the ATY team and the consultant wherein the consultant provides air service business case data and expertise in easily understood and compelling business case presentation format. We would collaborate with the ATY team for presentation of the business case to airlines. The partners and consultants of Volaire Aviation are experts in all aspects of these partnerships. If needed, we would recommend a new leakage study using new, state-of-the-art leakage data from Airline Data Inc. This new data includes a 100% passenger sample of low-cost and ultra-low-cost carrier data (Southwest, Frontier, Allegiant, and Spirit), which is not readily found in other datasets, such as ARC (Airlines Reporting Corporation). A refreshed catchment leakage study would be a foundation document for any air service business case development and assist in the marketing scope requirement for Market Determination and Analysis.

We would also be able to assist with air service marketing and community outreach. Volaire is unique among all Air Service Consulting firms in that we have our own, very talented, in-house air service marketing team to assist our clients in ensuring existing air service is marketed efficiently to as broadly a target audience as possible.

We have full access to industry data, information, and knowledge in both Air Service Development and aviation marketing/advertising. Airports and their consultants that know what is going on in the industry are better equipped to retain existing air service and recruit new air service. Volaire Aviation has its "ear to the ground" at all times and has excellent sources of information for changes and trends in the domestic airline industry. We pride ourselves on the level of industry intelligence we gather versus our competitors. We are plugged in like few other firms.

BACKGROUND INFORMATION ON PROPOSAL TEAM

For the Watertown Regional Airport project, Managing Partner Mike Mooney will be the lead Consultant holding final authority over all deliverables. Mike would assume all day-to-day work on the project, including all airline and client communications, strategic planning, data analysis, project delivery, and representation at all conference and local stakeholder events.

The Volaire Aviation marketing team for ATY will be managed by Melissa Galvan Peterson, Sr. Consultant, Marketing and Development at Volaire Aviation. Elizabeth Flores, Sr. Consultant, Marketing and Development along with Jeff Hayes, Managing Partner, will each provide additional program work and expertise in their areas of specialty. Lauren Mishler will provide in-house graphic design. Mike Mooney, Managing Partner and program ASD lead will serve as the Air Service Marketing Advisor for the ATY project team. The Volaire team has extensive experience from all aspects of aviation. This experience allows us to provide unique insight and direction.

OPTIONAL SUBCONSULTANT INTEGRATION

The Volaire Aviation Marketing Team has the expertise to fully guide the Watertown Regional Airport (ATY) program. Based on the scope of work in this RFP, we feel it is in the best interest of the Airport for us to include the ability to work with two trusted Volaire Aviation subconsultants on video production and Public Relations, should the research findings of the two-year strategic plan determine it relevant. GenXI Productions as well as Mary Loos are two long-standing Volaire subconsultant partners, that our team would like to include on the potential subconsultant team. Each is well respected in their field and within the aviation industry. At the approval of the airport, ATY project manager, Melissa Galvan Peterson, will liaise directly with GenXI (Alex Lynch) or Mary Loos, on any ATY-related project tasks deemed relevant through the two-year marketing plan.

Area Intentionally Left Blank

VOLAIRE'S WATERTOWN REGIONAL AIRPORT TEAM



MICHAEL MOONEY, MANAGING PARTNER, VOLAIRE AVIATION

Mike will **lead the combined ATY project team** for Volaire Aviation and serve as the airport's lead **Air Service Development Consultant**. Mike is well known in the industry, with 35 years of airline and air service development experience. He started in the industry straight out of college as a ramp and ticket agent for various commuter airlines, eventually gaining his dispatcher license and learning the fine art of air crew scheduling and planning. Mike was one of the original employees of Midwest Airlines, hired in 1984. At Midwest, he rose from Chief Dispatcher to Vice President of Planning, Pricing and Revenue Management. He spent 20 years with the airline, from 1984 to 2003. Mike then moved to air service development consulting, spending the last 14 years working with dozens of clients all over North America. He is one of the nation's most respected and influential experts in small airport air service development and strategic planning.

Mike has been named to the US Department of Transportation's Working Group on Improving Air Service to Small Communities. Mike has a Bachelor of Science degree in Aviation Transportation from the University of Dubuque.



MELISSA GALVAN PETERSON, SENIOR CONSULTANT, VOLAIRE AVIATION

Melissa will be the assigned Airport's **Marketing Project Manager**. Possessing over 16 years of direct Airport Experience, Melissa is a Senior Consultant at Volaire working with client airports across the country on strategic campaigns as well as assisting in Strategic Airport Planning initiatives. Her role will be to ensure seamless integration of team members while also developing and executing the approved marketing plan. Her expertise working with a variety of budgets, audience segments both local and out of market, and vendors during times of crisis indicates she is the right team member to lead ATY. Melissa is a Certified Member (C.M.) of the American Association of Airport Executives and was co-author of the TRB's Airport Cooperative Research Program (ACRP) Synthesis 68: Strategies for Maintaining Air Service (2015). Melissa presently resides in a suburb of Minneapolis, MN and formerly was employed by the Bismarck Airport in Bismarck, ND.



ELIZABETH FLORES, SENIOR CONSULTANT, VOLAIRE AVIATION

With over 18 years of direct Airport experience, Elizabeth is a Senior Consultant at Volaire and works on projects with several clients across the United States. Elizabeth will use her knowledge of Destination Marketing Organizations (DMOs) and other end of the route outreach tactics to **identify areas within the advertising plan that ATY could expand upon in terms of strategic outreach**. This will be incorporated into the strategic marketing plan. She is a seasoned aviation marketing consultant and former airport marketing/communications director with hands-on experience in airport marketing, advertising, and public

outreach. She has fostered solid relationships with airports and local stakeholders, helping them successfully bridge the gaps that can exist between a community and airport.



JEFF HAYES, MANAGING PARTNER, VOLAIRE AVIATION

Jeff brings more than 20 years of aviation experience to Volaire Aviation including airline/airport marketing management, business development, media placement/buying, and stakeholder relations. Jeff spent six years working for the Federal Aviation Administration and Department of Homeland Security. As Business Development Manager for BAA-Indianapolis International Airport (IND), he was responsible for conducting market analysis and securing local stakeholder support resulting in additional air service and cargo growth. He has managed media buys for dozens of Airport clients.



LAUREN MISHLER, CREATIVE DEVELOPMENT MANAGER, VOLAIRE AVIATION

Lauren brings more than 10 years of aviation creative design experience to the team. Her expertise in GIS/Mapping will assist the team in highlighting route options from the Airport and using them in a unique way through creative assets. Lauren is also well versed in creating assets for digital marketing, print advertising, social media marketing, as well as collaborating with media vendors on file formatting requirements.



ALEX LYNCH, OWNER, GEN XI PRODUCTIONS

With nearly ten years of experience producing aviation related videos and 20+ years of professional video experience, Alex Lynch, owner of Gen XI Productions, has worked with airports, airlines, and communities all over North America and the US Virgin Islands. Gen XI Productions has produced Air Service Development videos for numerous airports, showcasing communities to airline partners and assisting in acquiring new airline routes. Recently, he has developed numerous high-quality health and safety videos prominently featuring Airport tactics to instill confidence in the traveling public. Volaire will include Alex on the ATY project team on an as-needed basis, with the approval of airport management, should the two-year marketing plan find a need for video production.



MARY LOOS, INDEPENDENT PUBLIC RELATIONS PROFESSIONAL / KATU-PORTLAND

To ensure the full Marketing and Public Relations Plan is aligned with all Air Service development efforts, the Volaire project team will include seasoned public relations and media professional, Mary Loos as on-call member of the ATY project team, if determined necessary within the two-year marketing plan.

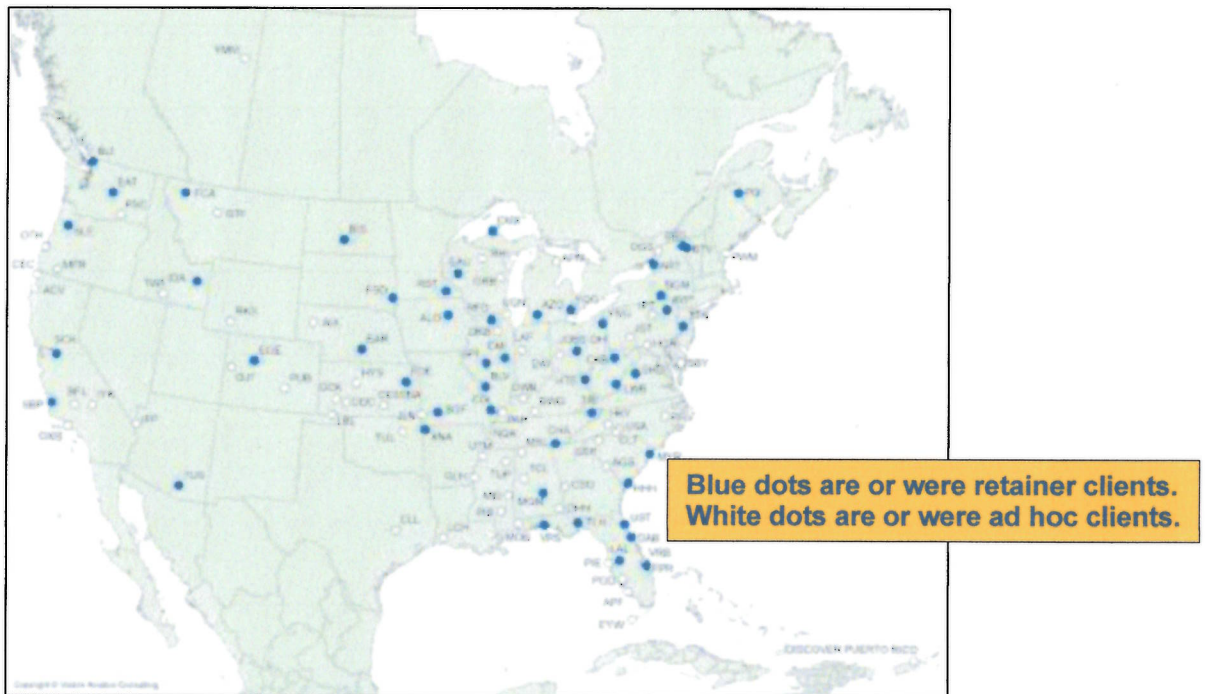
Mary Loos has 28 years of experience in television and radio journalism. Most recently, she worked as a reporter and meteorologist for KATU-TV, the ABC affiliate in Portland, Oregon. She has worked on-air in markets as large as Seattle and San Diego. Mary's experience is unique as she understands media from the inside. Mary brings specific insight and experience in knowing how newsrooms cover aviation and airports.

Mary has decades of experience as a breaking news reporter and understands how to communicate crisis information in real time – and how to filter the information to ensure the proper message is conveyed for quick dissemination in an emergency. Her expertise will be available on an on-call basis to ensure ATY has additional all hands-on-deck assistance as related to PR and media management.

SUMMARY OF VOLAIRE AVIATION CLIENTS AND SERVICES

Since January of 2017, Volaire has provided air service development services to 114 clients, primarily in the United States, but also in Canada and the Caribbean.

Volaire Client Map 2017 – March 2022

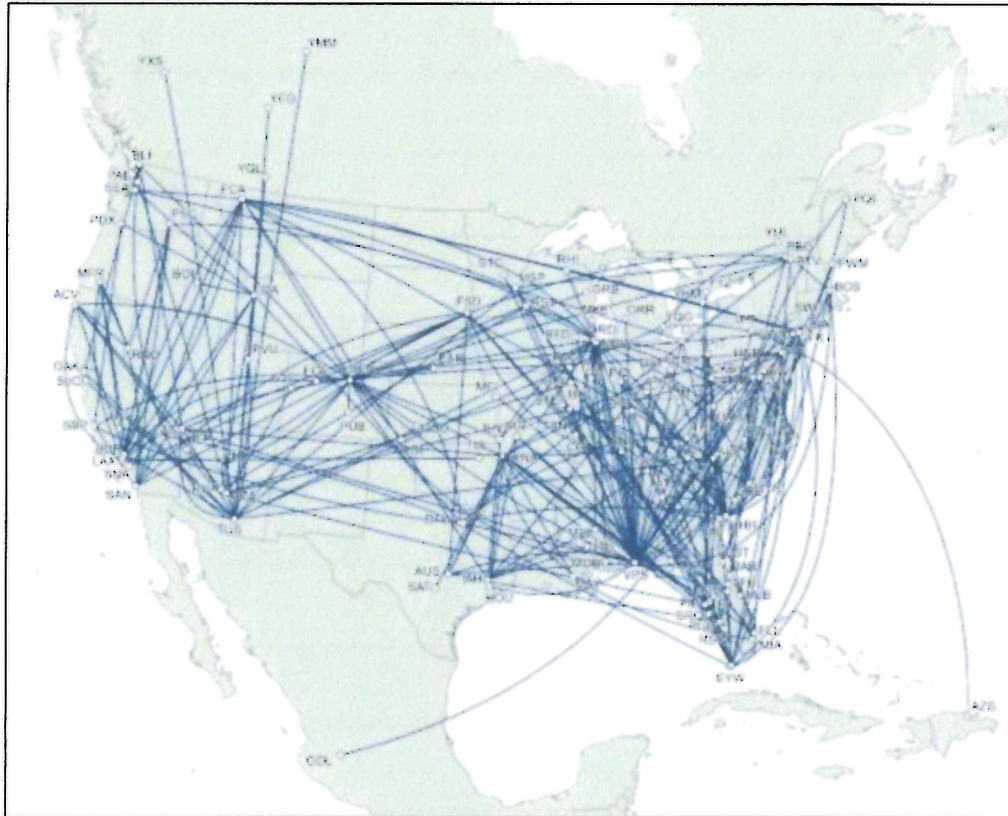


Volaire has such a large and diverse client group because we do in-depth and respected work and get results for our clients. The 114 clients include 4 small hubs, 68 non-hubs, 27 Essential Air Service (EAS) (the sector that Watertown is in) and 13 with no air service but are seeking their first air service or air service restoration.

In 2019 Volaire consultants facilitated 48 airline headquarters meetings, essentially an average of one per week given the Christmas holidays. During the pandemic the number of headquarters meetings with airlines declined, however “Zoom” or “Team” meetings have largely replaced headquarters meetings for many carriers. Airports have continued to meet with airlines at air service conferences, even during the pandemic. In August of 2021 Volaire hosted an Air Service Forum in St. Augustine, Florida. 46 airports met with 13 airlines, resulting in 158 one-to-one meetings over a two-day period. In February of 2022 Volaire assisted 26 client airports at the Routes America Conference in San Antonio and assisted with 132 airport – airline meetings.

Our new service success map (below) illustrates the effectiveness of our business case documents and client preparation for headquarters, air service conference meetings, or airline conference calls.

Volaire New Air Service Success Map; 2017 – April 2022



The success map tells part of the story. Another part of the story, not easily defined, is our ability to assist clients with retention of existing service and capacity expansion, which can be just as important to our clients as a new route might be. This is directly correlated to the expertise our firm's marketing team brings to our client airports. We make it our mission to ensure our clients' current and new routes are successful, by aligning the needs of marketing and advertising programs with the needs of each specific carrier. The day-to-day dialogue our marketing team has with the air service development team helps to ensure that each program component fits the needs of the route – and that the ROI on the advertising is tied back to load factors and key airline success metrics.

Volaire offers other professional services beyond air service development. All these additional services are focused on supporting the primary company mission of air service development.

| VOLAIRE PROFESSIONAL SERVICES SUMMARY | | |
|---------------------------------------|-------------------------|---------------------------|
| Air Service Development | Air Service Master Plan | SCASD Grant Preparation |
| Catchment Leakage Study | Airfare Pricing | Incentive Plans |
| Economic Impact | Air Service Marketing | Corporate Travel Research |
| Airport Governance | Community Outreach | Airport/Market Video |

In addition to the Air Service development client map above, Volaire Aviation team has extensive experience working with public agencies on marketing and public relations programs, including working with over 40 Airports in the past four years. Two key staff members have direct Airport experience, having served in Director and Managerial roles at various U.S. Airports. Our marketing consultants have performed duties as an extension of Airport staff for multiple clients including, but not limited to:

- > Hilton Head Island Airport (HHH)
- > San Luis Obispo County Regional Airport (SBP)
- > Northeast Florida Regional Airport (UST)
- > North Central West Virginia Airport (CKB)
- > Bismarck Airport (BIS)
- > Presque Isle International Airport (PQI)
- > Idaho Falls Regional Airport (IDA)
- > Chippewa Valley Regional Airport (EAU)
- > Rhinelander-Oneida County Airport (RHI)

SUMMARY OF THREE (3) AVIATION MARKETING CAMPAIGNS

Voltaire Aviation believes marketing an airport or new airline route is an art form, one which our team has been working to fine-tune for nearly two decades. Many advertising agencies will say they can develop unique strategies to launch or sustain service, but few do it on a daily basis, with the level of in-house expertise our team offers and even fewer have staff on hand that have worked full-time in airport/airline management. Often, other firms call us for advice and insight.

Our team understands the airport and aviation industry, as our professionals have worked directly for airports and airlines. We understand the intricacies of Federal rules allowing the use of airport funds to promote your route or airport facility. We work with airline creative departments on a daily basis using our relationships to further mutually beneficial interests of the airlines and our airport clients. Our team will keep the best interests of Watertown Regional Airport in mind when recommending media placement and assisting in stakeholder communications. Why? Because we've been in your shoes.

Our reputation for producing results on time and within a set budget allows our client airports to feel confident their programs will reach potential passengers and achieve results. Our team of air service and marketing professionals has been speaking on the aviation conference circuit for the past 15+ years, speaking and presenting on various topics including airport branding, social media, aviation marketing strategy, airport/airline marketing partnerships and more.

Airport marketing is what our team loves and what our team members have each specialized in for nearly two decades. Below is a sample of just a few of our airport partners:

1. **Hilton Head Island Airport (HHH):** Volaire has had both an air service development and airport marketing relationship with the Hilton Head Island Airport since Fall 2018.

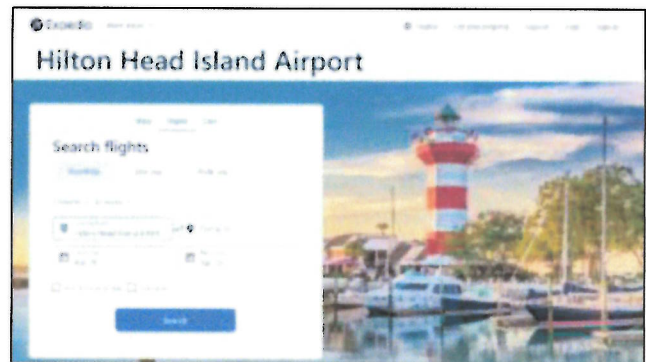
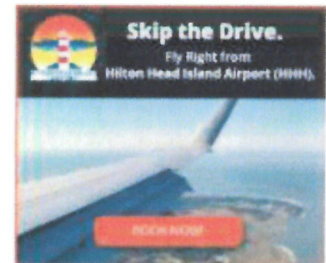
In 2019 alone, Volaire assisted HHH with route launch event planning, community partner coordination, out of market advertising, and public relations for six (6) new routes over a 12-month period. The Airport's 2019 passenger traffic showed an increase of **196.00%** over 2018 passengers.

Voltaire has helped the airport navigate through the COVID-19 pandemic, with 2021 passenger numbers coming in above 2019 numbers, despite the pandemic. Compared to year-end passenger traffic for 2020, the airport closed out 2021 with a 145% increase in passengers arriving and departing from Hilton Head Island. When evaluated with pre-pandemic passenger levels in 2019, 66% more passengers utilized Hilton Head Island, highlighting the substantial passenger growth experienced over the last few years.

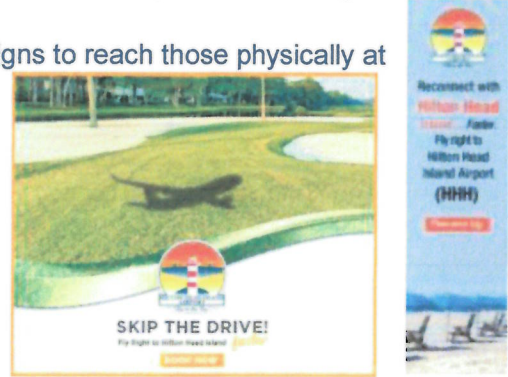
Voltaire Aviation is proud to manage all Airport Marketing, Public Relations and Advertising efforts for Hilton Head Island Airport. The Airport's advertising campaign is a dual-approach program, focused both on inbound and outbound travelers – and reaching all travelers through their trip planning, dreaming and booking process.

The initial strategy used for HHH included a targeted look at travel intenders that were overlooking options to Hilton Head Island and instead leaning to nearby airports, including Savannah/Hilton Head International (SAV) or Charleston, SC. The program used tactical approaches including but not limited to:

- Data driven search tactics, utilizing travel advertising leader, Sojern. This program allows the airport to target travel intenders based on 1st party travel search data and search patterns, before the user has booked a ticket, and instead get in front of them with the Hilton Head Island Airport message. Both Native and Display tactics were used within this program. This program element allows the airport to actively reach potential travelers as they are in the active search process and stop serving ads once a ticket has been booked.
- Point of purchase advertising tactics including a presence on Expedia/Travelocity, reaching travelers that are presently searching for flights into or out of competing airports.
- Traditional digital tactics including:
 - o Aviation customized paid search campaigns, including but not limited to Google search, to reach those that are utilizing travel search terms and supplement the airport's data-driven campaign.



- Paid Social Media Advertising including a combination of paid advertising and boosted postings.
 - The use of geo-fencing and re-messaging campaigns to reach those physically at competing airports
 - Unique campaign landing pages
- Community Advertising programs including a combination of:
 - Broadcast (TV, Radio, Print, Out of Home)
 - Local digital partnerships
 - Streaming Audio and video
 - Local sponsorships
 - Community Co-Ops
 - The airport partners with the Visitor and Convention Bureau on collaborating inbound advertising programs, to ensure alignment reach to potential travelers.



RESULTS:

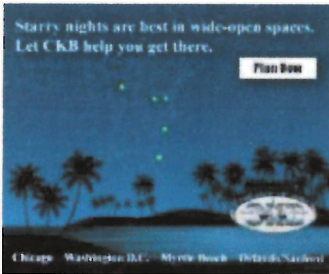
The airport saw a 2019 increase in passenger traffic of **196.00%** over 2018 passengers.

In 2021, the airport showed an increase of 145% over 2020 numbers (pandemic factors in place). When evaluated with pre-pandemic passenger levels in 2019, 2021 passenger traffic still **came in at 66%** over 2019, showing that advertising programming is working and the airport continues to see growth and decreased passenger leakage to SAV and CHS.

2. **North Central West Virginia Airport (CKB):** Volaire team members have had a relationship with the Airport dating back to 2014 while at a previous firm including air service development and airport marketing.



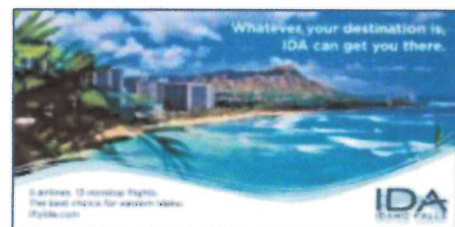
North Central West Virginia Airport contracts with Volaire for all facets of their marketing program including media placement, creative design, public relations and community outreach as well as social media engagement. In support of the program, Volaire team members participate in air service development related tasks to ensure the entire program is crafted to attract and retain airline partners. An average of \$150,000 is budgeted for marketing/advertising annually. The airport is comprised of a mix of data driven digital, search engine marketing, paid social and traditional broadcast placements. Volaire works with various media vendors for placements, including local TV, radio partners, and local digital specialists.



RESULTS: The airport has continued to see a steady increase in passenger traffic, both on their EAS operation as well as on their less than daily Allegiant operations.

3. Idaho Falls Regional Airport (IDA): Airport and Air Service Marketing Blueprint and Digital Campaign

Idaho Falls Regional Airport recently began working with the Volaire Marketing team in June 2020. Having a need to structure Airport messaging both in-market to instill confidence in traveling as well as out-of-market, IDA partnered with Volaire to develop a marketing blueprint. The blueprint is being executed digitally on various platforms and has been successful in showcasing IDA as the Airport of choice, even during the pandemic. The program has continued to expand, where Volaire now manages all media and advertising placement for IDA.



RESULTS: Since Volaire began working with IDA, American Airlines entered the market with two new routes, Allegiant expanded their flight offerings with two new routes, and Alaska Airlines entered the market with service to Seattle and intrastate service to Boise launching in June 2022. IDA continues to defy the pandemic with passenger numbers. Because of the passenger increases, new regional partnerships have formed to create synergies in attracting inbound traffic.

DESCRIPTION OF PROPOSED SERVICES

Volaire Aviation proposes air service and marketing projects as part of this retainer agreement, to help the Watertown Regional Airport meet the Scope of Work items outlined in the RFP. Each of the items below are general service descriptions and will be customized to the needs of ATY.

1. Airline headquarters meetings and presentations (up to three per calendar year)

Consultant will prepare all materials for airline headquarters meetings, including a specific business case for targeted service. Presentations will include specific demographic analysis of the airport catchment area, economic analysis of the market region, overview of current airline market conditions, and a specific business case and analysis of proposed new service or expanded service.

Consultant will attend all airline headquarters meetings with Airport and present the full business case for current, new, and expanded service. Consultant will provide all requested follow-up information requested by the airline following the meeting.

2. Air service development conference meetings (up to four meetings per conference, unlimited number of conferences per calendar year)

Volaire team will work with Airport to identify target airlines for meetings and to identify which conferences Airport should attend. Volaire will work with conference organizers to schedule meetings. Volaire will prepare all materials for airline conference meetings, including a specific business case for targeted service. Presentations will include specific demographic analysis of the airport catchment area, economic analysis of the market region, overview of current airline market conditions, and a specific business case and analysis of proposed new service or expanded service. Volaire consultant will attend all airline conference meetings with Airport and present the full business case for current, new, and expanded service. Consultant will provide all requested follow-up information requested by the airline following the meeting.

3. Data reporting: Volaire Consultant will provide Airport with specific data reports, including:

- a) Ad hoc schedule change reports detailing changes for key airlines serving competitive airports.
- b) Ad hoc air service-related data of any kind at Airport's request.

4. Conference calls: Consultant will provide access to unlimited conference calls for the term of the agreement on issues of air service development and recruitment or with airlines.

5. Leakage and Retention Study: As described in the Scope of Work section below, will prepare a comprehensive Catchment Air Travel Demand study. This study will analyze annual air travel

demand from the catchment area, using a combination of Airline Reporting Corporation (ARC) data and DOT air travel data for regional airports with existing air service. The ARC and DOT data will be combined and used to extrapolate catchment area annual air travel demand, including traffic volume, airport of use, airline of use, average fare paid, destination and point of origin.

6. **Liaison for Airport with DOT EAS Office and with airlines:** Consultant will provide ongoing liaison support between the Airport and the DOT and airlines that either serve the Airport or could potentially serve the Airport.
7. **Community visits** (one per calendar year included, others billed at per project rate listed in pricing section of proposal)

Consultant will prepare state of the industry information, market detail, and other pertinent information for community meetings at Airport's request.
8. **Marketing, advertising and program development support retainer:** Consultant will develop a full scale, two-year marketing plan for the airport, which outlines market potential, target markets, and digital and traditional media placement strategy recommendations which best fit the goals developed through the planning process. Following the completion of the plan, the consultant will provide guidance, upon request, pertaining to the Airport's overall marketing program and include items such as general airport marketing, budget management, graphic design, media buys, creation and review of press releases, airport specific events, and involvement in stakeholder communication as needed. Consultant will work with airport for approvals on media placement and media buys as part of this retainer agreement. Consultant will work with area partners on marketing initiatives that benefit the airport as directed by the Airport.
9. **Daily management of social media channels:** At the request of the Airport, Volaire's consultant team will dedicate time to assist in developing content for the Airport's social media channels.
10. **Community stakeholder communications:** At the request of the airport, should the marketing plan call for community outreach, the Volaire Consultant will regularly stay in communication with local stakeholders and airline partners to ensure all marketing program and partnership efforts are on task and determine if future community outreach programs are necessary. Industry best practices will be considered.

RESPONSE TO SCOPE OF WORK

We will endeavor to address each point of the Scope of Work document and detail how Volaire Aviation will assist the airport with the outline metrics and provide value to the ATY/Consultant partnership.

Scope of Services Items

Task 1. Determine Market Potential and Market Leakage: Volaire will work with the Watertown parties to define and map out a reasonable set of local zip codes that will constitute the market catchment area. This catchment area will be illustrated by multiple maps. One will show the drive radius, another the location of existing air service airports and a third will show population concentrations within the zip code area.

Volaire will then prepare a comprehensive Catchment Air Travel Demand study. This study will analyze annual air travel demand from the catchment area, using a combination of Airline Reporting Corporation (ARC) data

and DOT air travel data for regional airports with existing air service. The ARC and DOT data will be combined and used to extrapolate catchment area annual air travel demand, including traffic volume, airport of use, airline of use, average fare paid, destination and point of origin.

Concurrent with the Catchment Air Travel Demand study, Volaire will develop a comprehensive historical data base of airline traffic and airline service in the region, to include historic and current air service and airfare trends at nearby airports.

Task 2. Identify Core Customers and Characteristics: The primary core customer is local residents. Another component of market traffic is inbound origin traffic, that is air traffic that originates out-of-state and visits Watertown. For the past three fiscal years 47% of Watertown traffic has been inbound origin. Locally, Volaire will endeavor to identify key local air travel generators and what percentage of their air travel dollars are spent originating at Watertown Regional vs at nearby airports. That research will also seek to identify, where possible, the reasons for the use of other airports by local residents.

Customer characteristics also include seasonality of travel demand. Beyond the obvious seasonal travel demand drivers like holidays or summer vacations is South Dakota’s world-famous pheasant hunting season in the Fall, which brings significant inbound visitors.

The loss of United Express full codeshare service by SkyWest Airlines at year-end 2021, leaving only EAS carrier Denver Air Connection (DAC) independent regional carrier service (with United ticket and bag agreement) will have a negative impact on both resident (core customer) traffic and on inbound origin traffic.

Of particular concern with the loss of United Express service will be maintaining published air fares that are competitive with those at nearby airports. This challenge may be constant and sometimes not resolvable, given the limitations of DAC’s sum of two locals pricing model for connections with other airlines.

Task 3. Establish a two-year marketing strategy based on market potential and core customer characteristics:

For The Watertown Regional Airport, we propose a phased approach to the development and implementation of a strategic marketing plan.



Exhibit 3. Proposed Phased Approach for Strategic Plan

This process allows the Volaire team to ensure that the airport has advertising continuity, while doing exploratory work to develop the requested two-year strategy.

PHASE 1a: DISCOVERY PROCESS

The plan begins with a dive into the market dynamics of ATY deemed the “Discovery Phase”. The Volaire team typically requests any past marketing plans, old sample ads, the most recent true market/leakage study, any airline pricing information from the last year, and a recent air service development presentation, if available. We review all this information as well as the state tourism reports and any Convention and Visitor’s Bureau information, if available. This provides a solid foundation for us to review what may have worked in the past, look for patterns, and compare what is happening locally in the airport’s catchment area to what is occurring within the industry. Conversations with key staff members help identify short- and long-term goals that need to be included, too.

This process will allow Volaire to effectively partner with ATY and obtain data as well as a thorough understanding of the Airport’s goals. The process will include “discovery meetings” with key staff to gain input on challenges and opportunities specific to ATY. We will work to develop a list of critical objectives, informed by those conversations and through our research. It is through this phase we will pull information about potential travelers in your geographic area and explore the characteristics of the ATY traveler. The outcome of the discovery process, inclusive of findings from the air service development Catchment Leakage study, will determine the airport’s market potential and target markets.

PHASE 1b: ADVERTISING CONTINUITY

The Airport may currently be running an advertising program. It is important not to lose track of that during the development of the strategy. The Airport’s current advertising program cannot be fully paused to conduct the discovery process. Instead, the project team can work with the Airport to phase into an interim ad program timed to run until the two-year strategic marketing plan is complete and in place.

PHASE 2a: DEVELOPMENT OF MARKETING STRATEGY PLAN

Once the discovery process begins, the development phase is where the fun begins. We boil down research, information, and data into an actionable marketing strategy for you. Your custom marketing strategy is a comprehensive document with recommended overall budget allocations and media plan, along with potential key performance indicators to ensure your marketing budget is spent wisely.

The plan will serve as an actionable airport marketing strategy. This program methodology not only includes a recommended overall budget breakdown, but also allows the Volaire team to work directly with the Airport to develop the vision of the program and set specific program goals and also ensure those goals and plans meet with best practices of the aviation and travel industries.

The end-product of the development phase is an actionable, custom advertising and marketing plan designed to reach your target audience, in the media formats they find most impactful to drive increased awareness, increased capacity and other business goals important to ATY.

SPECULATIVE CAMPAIGN SUMMARY



PHASE 2b: AUDIENCE ALIGNMENT AND MARKETING MIX: Our program will be implemented to reach potential area travelers within the correct phase of their travel journey. These audience segments will be determined within the Discovery phase and targeted as the program begins.

| Awareness Stage | Intent Stage | Conversion Stage |
|---|---|--|
| <ul style="list-style-type: none"> Engage the broad yet most qualified travel audiences based on previous online behaviors | <ul style="list-style-type: none"> Consumers actively researching a vacation or travel based on current online behaviors | <ul style="list-style-type: none"> Ensure that ATY stays in front of audiences that are actively researching ATY routes, offerings or competitive airports. |

The plan will include the development of a coordinated advertising strategy, designed around the need for community education and reducing passenger leakage, to develop and to deliver the Airport’s message to the correct audiences at the right time. The strategy will guide all other elements of the Airport program and is essential to a successful marketing initiative.

Best practice dictates that plan development includes at least two different budget levels are provided for the Airport to review. From there, the document is submitted to Airport staff for review and comment. The airport will work to ensure that one recommended level is based on the noted airport media placement budget of \$80,000, yet provide one additional level for consideration and benchmarking, to help guide future plans.

MARKETING MIX

The Volaire team is the first to admit any strategic marketing document is a living document. It will change as market dynamics change but the core of the strategy will live on through the life of the program period. Within the budget section of the strategic plan is a recommended allocation of funds. This allocation lists each marketing component and may or may not have a recommended vendor associated with it. Volaire firmly believes in trying to utilize a mix of local advertising vendors paired with key travel advertising programs.

Voltaire operates our media placement program as a neutral third-party, set up as an extension of airport-staff, who chooses programs and vendors we feel are best suited for the airport given the objective and budget. Voltaire also does not rely extensively on one platform or company. **Traditional and non-traditional (digital)** elements may be recommended depending on the strategic objective.

Voltaire team members, Melissa Galvan Peterson, and Elizabeth Flores, have both sat in the Airport side of the industry, working in marketing and public relations. Their aviation expertise coupled with their hands-on research and data-driven information gleaned from markets across the U.S. will prove valuable to ATY. Their aviation knowledge will guide all elements of the program and a clear path will be laid out within the Strategic Plan, to ensure each communication element aligns with the Airport's strategy. Our commitment to developing a marketing strategy within a realistic budget should also be noted. Whether working with an Essential Air Service (EAS) Airport or a small hub, our team designs effective marketing tactics making the best use of funds. Why? Because as noted before, we have been on the Airport side of the equation. Funds are not limitless and must be spent in the most fiscally responsible way to reach airport program goals.

Whether buying digital advertising, running social media campaigns or integrating traditional channels such as broadcast, TV, radio, print or out-of-home, the Volaire project team has experience in planning and buying a broad scope of digital and traditional media services. We push the definition of media buying and are constantly exploring new innovations, including DRTV, OTT, digital out-of-home, and more. We build in-house predictive models that forecast the results of advertising campaigns to ensure future marketing success.

Budget permitting, Voltaire incorporates a leader in the travel advertising space, Sojern. **Sojern is the only travel advertising partner that can incorporate true 1st party travel data into a digital program**, utilizing proprietary relationships the company has with airlines, hotel chains, car rental companies and online travel agencies (OTAs). The incorporation of this digital tactic, paired with other more common digital advertising tactics, including remarketing, 3rd party display advertising, native/SEM, and paid social, we are able to best target true travel intenders for our airport partners.

USING DIGITAL TO TARGET TRAVEL INTENDERS

Why specifically target the Travel Intender?

- 1st party data allows us to reach potential travelers that are ACTIVELY searching and convert them into ATY travelers.
- Point of Purchase ad tactics:
 - Reaching individuals searching real time for travel;
 - Target local travelers;
 - Strategically reach inbound audiences indicating intent to come to the region.

The diagram features a central profile of a man with the text 'Travel Intender' and 'Advertisement available when you search for an airport with an intention to visit the region'. To the left, under 'Digital Marketing', are icons for Search Engines, Paid Search, Location, and Targeted Ads. To the right, under 'Digital Program', are icons for Local Program, Mobile App, Facebook, and Other Content. Below the diagram, it says 'Suggested Key Digital Program Ad Partners: Data driven digital partners including Sojern and Expedia Brands'. At the bottom, it reads 'Speculative Airport Advertising & Communications Strategy Prepared by Volaire Aviation Consulting'.

Like other strategy development, the program that will be presented to ATY will begin with research, auditing and re-examining the media landscape, to find the best potential avenues for conveying the Watertown Regional Airport’s specific message to the targeted audience for the best value. Our media planning and buying team employs an unbiased approach to vendor selection letting reach and rates take precedence over relationships or benefits that firms receive when they place media internally vs finding the best advertising partners for each channel.

Social Media Services

Our team approach to Social Media Management is holistic – providing weight and emphasis to both organic and paid efforts. Both methods have a purpose and when working in harmony, the program can provide credibility to the Airport brand, give your brand a voice and showcase your brand from multiple angles. Our social media management approach is a mix between an organic and paid approach and will be customized to the airport if the service is requested. Paid media will likely be a party of the airports’ digital strategy, and will complement the airport’s organic efforts in an effort to amplify communications and reach new audience members.

Phase 3: Coordination and Execution of New Marketing Strategy

Following the completion and approval of the strategic marketing plan, the development of the updated media placement program will begin, including media program negotiations to best fit the Airport approved strategy and allow the team to maximize the Airport’s budget with the correct mix of paid media placement and earned media opportunities. This phase will continue through the length of the program as it includes continued monitoring of the program, reporting and modifications based on the program plan. The team if selected to do so, will place media in 6-month intervals which allows for flexibility.

Measuring Effectiveness of Strategic Marketing Program

Our plan maintenance philosophy is one of evolution. We do not believe in a “set it and forget it” methodology where plans are established and left to run without tweaks or improvements. Rather, the Volaire team constantly evaluates campaign performance, striving for optimal KPI (Key Performance Indicator) achievement. This process requires constant maintenance and revisions to the original plan. Regular campaign performance meetings, both internally and with the ATY team, ensures all parties are striving for the same level of achievement and have the same level of foresight needed to pivot plans and develop contingencies, keeping campaign performance on track. We utilize a collection of media tracking tools to ensure your campaigns are running without a hitch and achieving the goals set forth at the onset of your campaign. As part of your campaign on-boarding process, the Volaire team will work closely with the ATY team to develop measurable KPIs for your plan. KPIs for consideration may include click thru rates (CTRs), touch point spend, advanced booking numbers, monthly load factors, or share of voice, for example, but will be modified to best fit the monthly KPI measured requested by Airport management.

Outline of Areas for Anticipated Staff Participation

- > Strategic Marketing Development Process
 - > Data gathering for Volaire
 - > Airport Goal setting with Volaire
 - > Plan Review Process and Approval
 - > Monthly Budget and Invoice Tracking

As noted in our Phased approach to developing a Strategic Marketing Plan, our process is refined, coordinated, and designed to provide the best possible plan effectively and efficiently. Once the plan is complete, the Watertown Regional Airport will have a strategy that is immediately executable.

Task 4. Provide accurate measurement of market capture: The comprehensive catchment leakage study will provide a baseline of recent air travel demand. Raw airline enplanement and deplanement data is available via the DOT on a monthly basis, with roughly a 90-lag time. This data can provide a raw estimate of ongoing Watertown Regional Airport share of total regional traffic generation.

Watertown share of regional traffic by top city pair can be accomplished quarterly when DOT city pair traffic data is available, with approximately a 180-day lag time. This data can also contain average fare data by city pair. This data will not tell us how many Watertown catchment area passengers used another airport to accomplish travel to a specific destination, however that can be estimated from the Catchment Leakage Study baseline of traffic capture by airport for each key city pair.

Task 5. Strengthen relationships with key partners, Denver Air Connection, United Airlines and American Airlines: Volaire has close working relationships with all three airlines and working relationships with essentially every domestic airline. Our relationships allow us to communicate and provide business case data to airlines, where appropriate. Air service development is a process, it is not an event. In 2022 for most of our clients it is about retaining air service more than gaining new air service, given the significant pilot shortage among regional airlines, and even some large airlines, and the uncertainties with fuel prices due to geo-political events.

Minimum Qualifications: Volaire Aviation Consulting has been providing the finest in air service consulting since late 2016. The four partners who own and manage Volaire have a combined 120 plus years of airline industry or air service consulting experience for our clients. Volaire's five employees bring an additional 90 plus years of combined airline industry or air service consulting experience to our clients.

Mike Mooney, the lead consultant for any air service development work we do with Watertown, is a nationally recognized expert in Essential Air Service (EAS) and specializes in assisting small communities and EAS airports. Mike has 30 years' experience in the airline industry, including as an airline Vice President of Planning, Pricing and Revenue Management as well as 18 years' experience in air service consulting.

Melissa Galvan Peterson, the Airport Marketing lead for any air service marketing/advertising work we do with Watertown, has over 16 years of direct experience working in airport management, airport marketing and aviation consulting. Her portfolio of client airports not only includes airports in the Midwest with similar community makeups to that of the Watertown region, but also includes a vast number of EAS clients. She has worked directly in airport management and, following that, for nearly a decade in aviation marketing consulting, cultivating relationships with airline marketing and advertising departments to ensure all client airport programs are successfully tied in with the requirements of the airlines and DOT. There are few people in the industry with more direct experience marketing EAS airports or working with air carriers on the promotion of EAS routes.

Specific comments as related to Scope of Work: The Scope of Work section on the Request for Proposals outlines a three-element list of assistance with Aviation Marketing and a five-element list of assistance with Air service Development.

The Aviation Marketing elements are listed below with Volaire comments:

1. **Establishing a two-year Marketing Strategy:** Full outline of Marketing plan strategy development is outlined in the section above.
 - a. **Determining market potential:** This will be done via the leakage study, historical traffic and market research and through other proven advertising metrics, including the use of 1st party travel search data, received through recommended advertising partners.
 - b. **Best strategies in digital marketing:** The Volaire team has substantial expertise in this field, as shown in the sections above.
 - c. **Recommendations and assistance on traditional marketing:** The Volaire team has substantial expertise in this field, as shown in the sections above.

2. Partnering with ATY'S carrier to integrate their marketing with ATYs:

The Volaire team presently does this with service for dozens of clients with multiple airline partners. Our relationships with marketing and ASD teams at all US airlines are second-to-none.

3. Execution of Marketing Strategy with monthly results measurement:

Monthly results, as outlined in the sections above, will be provided to the airport in a report structure and tied directly to load factors and airline success metrics. Each advertising program will come with its own unique set of reporting metrics, which Volaire will consolidate monthly for airport review or other mutually agreed to methods.

The Air Service Development elements are listed below with Volaire comments:

1. Continually nurturing airline partner relationships and assist with EAS bid cycle air carrier recruitment and bid coaching:

Voltaire has assisted with this for more than two dozen EAS airports and would be proud to do the same for ATY.

2. Improving codeshare and interline agreements:

This program element is largely up to the airline to accomplish. While we have "connections" with airlines, the accomplishment of codeshare and T&B is largely a carrier effort, that we can only support, not accomplish ourselves, but we will work with the airport and carrier to make recommendations and support the process in full.

3. Securing more advantageous gate space at hub airports:

While this element is also largely up to the airline to accomplish, we will work with the airport to assist in all airline efforts in this space.

4. Monitoring and negotiating fare competitiveness:

Lead consultant Mike Mooney has managed an entire airline pricing department and is well versed in airline pricing strategy, tactics, methods and processes. As such, in this case, with a sum of two locals fare formula between Denver Air Connection and network carrier, "negotiating" competitiveness will be very difficult to accomplish. In a sum of two locals formula, we can assist the incumbent carrier in pricing tactics but little can be done about how that pricing integrates with the network carrier pricing beyond the hub.

5. Working with the Aviation Marketing Consultant to provide an accurate monthly measurement of market captured. We employ a Monthly KPI (Key Performance Indicators) approach to provide performance monitoring to the Airport Manager and Board. This KPI approach monitors 3-4 key pieces of data on a "one-page dashboard" style report that is easy to consume and encourages focus on key metrics.

At Voltaire the air service consultant and the marketing consultant work very closely with all clients and the same would be the case with Watertown. There are various ways to monitor market capture, we are prepared to work with Watertown on defining and using the best methods and ensuring that those metrics are captured on the planned KPI platform. The ties between the airport marketing program and the airport's air service development consultant would ensure these KPIs are adequately tracked, and that performance tracking is optimal.

COST PROPOSAL FEE STRUCTURE

The approximate media buy, marketing consultant services and air service development consulting services budget numbers, as shown in the RFP, appear to Volaire to be reasonable for the market size and consulting scope. This will all be confirmed in a final contract between Volaire and Watertown, should we be selected to provide these services. The following includes a general breakdown of fees typically charged for Volaire services. If awarded the contract, Volaire will work with the airport to develop a full fee structure and contract, that stays within the bounds of the budget noted in the RFP documentation.

COMBINED AIR SERVICE DEVELOPMENT / AVIATION MARKETING RETAINER

The Client will have the option of a fixed monthly retainer fee of **\$5,500 (\$66,000 per contract year)** based on the scope of services listed below in Exhibit A. Client can also opt for a per-project/hourly priced structure. The fixed monthly retainer fee option will be billed on a monthly basis and will be payable within 30 days of the invoice date; the per-project option will be billed upon completion of each project and will be payable within 30 days of the invoice date. The combined monthly retainer will include all Air Service Development items listed in Exhibit A and include **up to 12 hours of Marketing Staff time per month** as well as the development of an initial two-year strategic marketing plan.

Retainer will include marketing program implementation and the development of all creative and campaigns as needed within the program plan, which is priced as an upfront cost and listed below. If monthly hours are exceeded, at the Airport's request and at the discretion of Volaire, staff can add additional hours at an hourly added rate as listed in this RFP, of \$175/hour for hours added to a retainer agreement. Invoicing for media (direct advertising costs) placed in support of the program would be directed to Watertown Regional Airport for payment, not Volaire Aviation, but will be coordinated and managed by Volaire through the program plan.

Area Intentionally Left Blank

Exhibit A. Proposed Fixed Monthly Fee and Scope of Services Included in the Fee.

| Scope of Services | Cost | Notes |
|--|------------------|--|
| Monthly Retainer Fee | \$5,500 | \$66,000 per contract year |
| Airline Headquarters Meetings and Presentations | Included | Up to three per contract year; each additional charged at \$5000/meeting |
| Air Service Development Conference Meetings | Included | No limit on conferences/four meetings per conference |
| Phone Calls, Industry News and Intel | Included | Unlimited number of calls |
| <i>Ad Hoc</i> Analysis | Included | Unlimited amount of <i>ad hoc</i> analysis |
| Air Service Marketing Support - Up to 12 hours/month | Included | Up to 12 hours per month of Airport Marketing services are included |
| Marketing support in excess of included 12 hours/month | \$175/hour | As requested by client, Monthly Marketing support, in excess of 12 hours/month, billed at \$175/hour. |
| Community Visits | Included | One per contract year; each additional charged at \$3500/trip + travel expenses |
| Data Reporting | Included | See weekly, monthly and quarterly report descriptions in "Ongoing Data Analysis" section |
| Community Stakeholder and Corporate Participation in Air Service Development | Included | One annual meeting with the region's top 25 employers |
| Two-year Strategic Marketing Plan | Included | One included in contract retainer cost. Additional Strategic plans will be billed at cost of \$7000/plan |
| Small Community Air Service Development Proposal | \$15,000 | As requested by client |
| Development of formal airline incentive policy | \$7,500 | As requested by client |
| Economic Impact of Commercial Air Service | \$25,000 | As requested by client |
| Leakage and Retention Study | Included | As requested by client |
| Community Survey | \$5,000 | As requested by client |
| Strategic Business Plan | \$25,000 | As requested by client |
| Video Production | As quoted | As requested by client, to be quoted per project |
| Travel | Actual | Volaire's travel policy favors employees use nonstop flight options when available and convenient. |
| Printing (for printed airline meeting documents) | Actual | Meeting presentations are usually printed by FedEx Kinko's |
| iPad Fee (for electronic airline meeting documents) | \$50 per Meeting | A fee of \$50 per meeting is charged for any airline presentation delivered using an iPad |

Exhibit B. Proposed Per-Project Pricing and Scope of Services Included in the Fee.

| Scope of Services | Cost | Notes |
|--|------------------|--|
| Airline Headquarters Meetings and Presentations | \$6,500 | First meeting in calendar year |
| Airline Headquarters Meetings and Presentations | \$5,000 | Each subsequent meeting in calendar year |
| Air Service Development Conference Meetings | \$4,500 | First meeting at each conference |
| Air Service Development Conference Meetings | \$3,000 | Each subsequent meeting at each conference |
| Community Visits (separate from focus group and corporate meetings priced below) | \$3,750 | Each visit |
| Data Reporting (Quarterly) | \$1,875 | See weekly, monthly and quarterly report descriptions in "Ongoing Data Analysis" section |
| Small Community Air Service Development Proposal | \$15,000 | As requested by client |
| Economic Impact Analysis | \$25,000 | As requested by client |
| Passenger Leakage and Retention Study | \$15,000 | As requested by client |
| Negotiation of revenue Guarantee | \$5,000 | As requested by client |
| Audit of revenue guarantee statements and invoices | \$500 | As requested by client |
| Community Survey | \$5,000 | As requested by client |
| Strategic Business Plan | \$25,000 | As requested by client |
| Video Production (Air Service Development or Advertising) | *TBD | Quoted per project |
| Travel | Actual | Volaire's travel policy favors employees use nonstop flight options when available and convenient. |
| Printing (for printed airline meeting documents) | Actual | Meeting presentations are usually printed by FedEx Kinko's |
| iPad Fee (for electronic airline meeting documents) | \$50 per Meeting | A fee of \$50 per meeting is charged for any airline presentation delivered using an iPad |

| Description | Fee |
|--|---|
| Professional Service (if not specified below) - Hourly Rates if no Monthly Retainer Agreement | |
| Managing Partner | \$200/Hour |
| Marketing Services /Sr. Consultant | \$175/Hour |
| Demographic Analyst | \$150/Hour |
| Travel* and Printing | |
| Air Travel | Lowest available fare at time of booking for required schedule** |
| Lodging | Lowest available rate at hotel within a reasonable distance to meeting location** |
| Rental Car | Lowest available rate for midsize car |
| Meals | Not to exceed \$50/day |
| All other travel categories | Actual cost |
| Printing | Actual cost (all printing is completed by FedEx Kinko's) |
| Reports | |
| Weekly, Monthly, Quarterly | \$7,500/Year |
| Phone Calls | |
| | No charge |

* Travel time is not billed. Volaire's policy is for client to approve airline ticket cost and hotel room rate via email

** Volaire's policy is for client to approve airline ticket cost and hotel room rate via email prior to the engagement manager booking travel.

REFERENCES

Voltaire Aviation Consulting Reference No. 1:

North Central West Virginia Airport (CKB); 2000 Aviation Way, Bridgeport, WV 26330

Contact Person: Richard B. Rock, Airport Director

Telephone & Email: (304) 842-3400/ rrock@flyckb.com

Dates of Service: January 2017 – Present

Type of Service: Full service Airport and Air Service Marketing

Voltaire team members have had a relationship with the Airport dating back to 2014 while at a previous firm. North Central West Virginia Airport contracts with Voltaire for all facets of their Air Service Development and marketing programs.

Voltaire Aviation Consulting Reference No. 2:

Chippewa Valley Regional Airport (EAU); 3800 Starr Avenue, Eau Claire, WI 54703

Contact Person: Charity Zich, Airport Director

Telephone & Email: (715) 836-6241 / charity.zich@chippewavalleyairport.com

Dates of Service: February 2017 – Present

Type of Service: Social Media Marketing

Voltaire team members have had a relationship with the Chippewa Valley Regional Airport dating back to 2015 while at a previous firm utilizing a SCASD grant for program implementation. In our current relationship, Voltaire team members provide Air Service Development and Marketing services.

Volaire Aviation Consulting Reference No. 3:

Bismarck Airport (BIS); 2301 University Drive, Bismarck, ND 58504

Contact Person: Matthew Remynse, A.A.E; Marketing and Operations Manager

Telephone & Email: (701) 355-1812 / mremynse@bismarcknd.gov

Dates of Service: January 2017 – Present

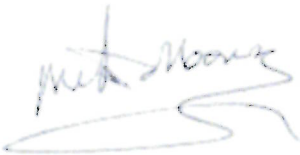
Type of Service: Marketing Assistance, New and Incumbent Strategy Development, Social Media Marketing

Volaire team members have had a relationship with the Bismarck Airport dating back to 2014 while at a previous firm for both Air Service Development and Marketing.

Summary: Thank you for considering our proposal to provide air service development and air service marketing professional services for the Watertown Regional Airport.

Please let me know any questions or comments you may have regarding our proposal.

Sincerely,



Mike Mooney
Managing Partner and Director
Volaire Aviation, Inc.

Watertown Regional Airport

Air Service Development And Aviation Marketing Consulting Contract

May 2, 2022

Rich Maag, Interim Airport Manager

Mike Tomlinson, Watertown Airport Board Member

Mike Mooney, Managing Partner, Volaire Aviation Consulting

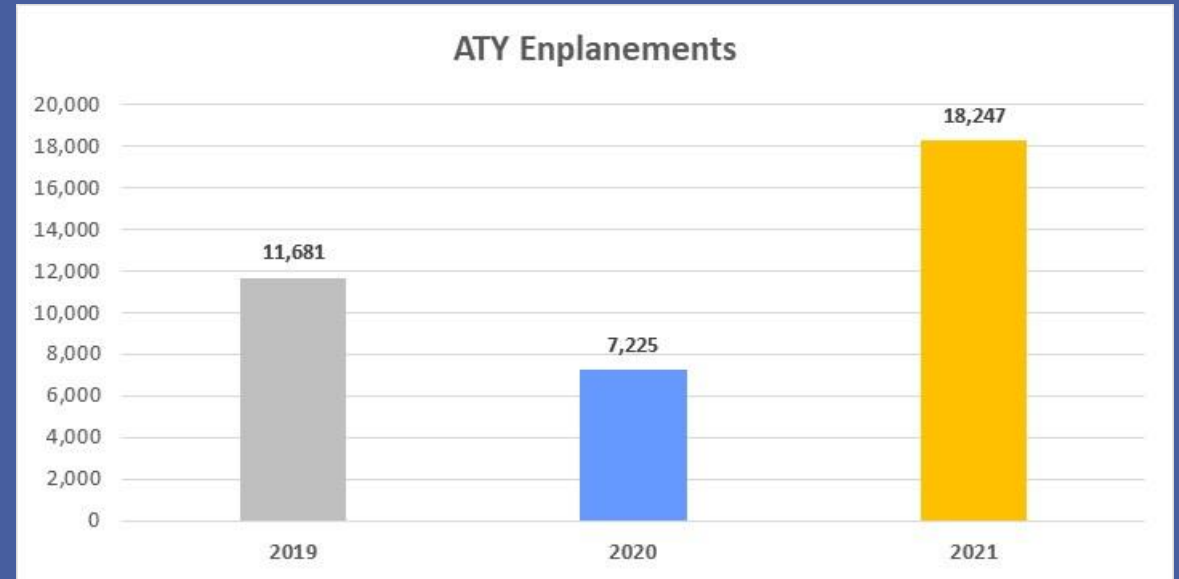


Table of Contents

| | Slide |
|---|-------|
| Waterton Regional Airport Background | |
| Enplanement History | 3 |
| Air Traveler Leakage | 5 |
| State of South Dakota Airport COVID Relief Grant | 6 |
| Seeking to Improve our Air Service Development and Aviation Marketing Consulting Services | 7 |
| Summary: Why Needed and Expected Benefits | 8 |
| The ASD and AM Consulting Selection Process | 9 |
| Cost Relative to Budget | 10 |
| Contract | 11 |

Background

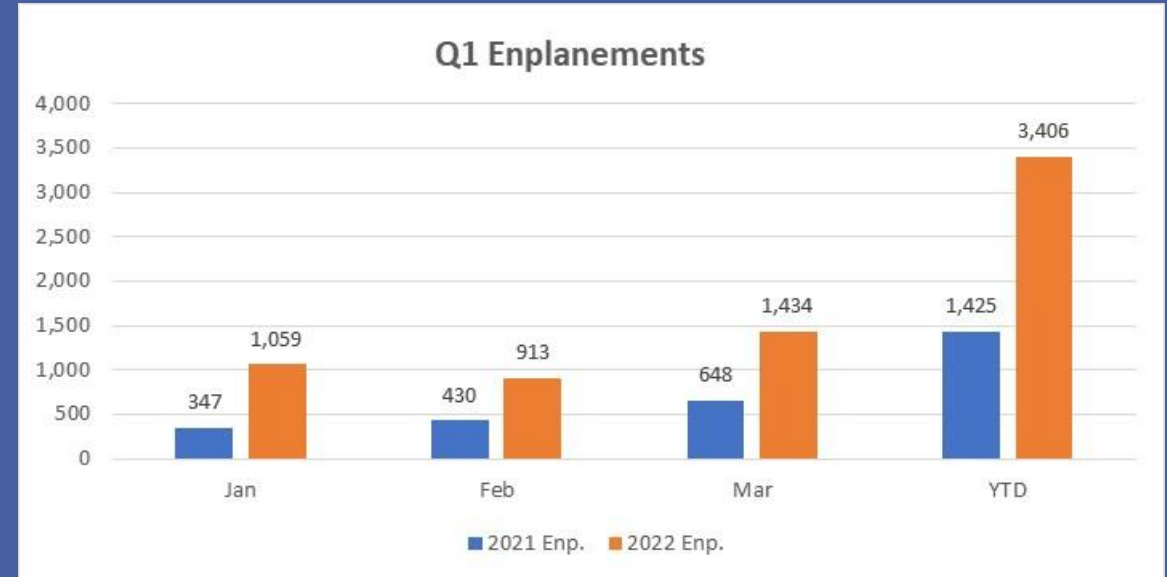
Enplanement History at ATY



- 2021, despite the ongoing pandemic, was a record year for ATY with 18,247 enplanements (outbound passengers).
 - This was up 56% over pre-pandemic year 2019
 - While the U.S. airline industry by comparison, was down 20% during this same period
 - Side Note: We did have two airlines (SkyWest and Denver Air Connection) overlapping service for six months in 2021

Background

Enplanements (continued)



- 2022's Q1 enplanements are up a whopping 239% over Q1 2021
 - And, April 2022's MTD enplanements are on track to eclipse April of 2021
- In spite of pilot shortages (especially with regional carriers), U.S. airline executives are very optimistic about travel in the last three quarters of 2022. ¹

¹. 04/22/22 AP article by David Koenig "U.S. Airlines Say They've Reached a Turning Point in Recovery"

Background

Air Traveler Leakage

According to an October 2020 Leakage Study conducted by The ArkStar Group:

- ATY's Catchment Area has 141,000 air travelers
 - This Catchment Area goes approximately 45 mins south, 90 mins west, 60 mins north and 90 mins east
- 18% of the air travelers in our Catchment Area used the Watertown Airport
 - 58% chose to drive to Sioux Falls
 - And 16% drove to Minneapolis
- While we have improved our capture rate from 18% to 22% over the past few years, there is still SIGNIFICANT growth potential.
 - 30% capture rate would be 21,000 annual enplanements
 - 40% would be 28,000
 - 50% would be 35,000
 - *Side Note: The Aberdeen Airport runs 30-35,000 enplanements per year*
- More enplanements equal more flights and options

Background

\$200,000 State of SD Airport COVID Relief Grant

We worked very hard last year (special thanks to our legislative delegation), to secure COVID relief funds for ATY and four other commercial airports in South Dakota

- The 2021 South Dakota Senate Bill #162 Entitled:
 - “An Act to appropriate funds for airport route restoration, business development, and air service marketing and to declare an emergency”
- Allocated \$200,000 to ATY to be spent within four years.
- Due to the unique, present opportunity (our growing enplanements, large leakage market, new airport terminal and pent-up travel demand from COVID), we feel that accelerating the \$200,000 spend as follows will give us the best ROI:
 - \$80k yr. 1
 - \$80k yr. 2
 - \$40k yr. 3

Background

Seeking to Improve our Airport Consulting Services

- Due to these multiple opportunities, we want to improve our Aviation Consulting partnership. We have worked with The ArkStar Group out of Plano, TX since 2019. While ArkStar has helped us achieve several positive enplanement drivers, we feel it is good stewardship to go out for bids to see how we can improve our consulting services (through ArkStar or others). Specifically, those services entail two key areas:
 1. **Air Service Development** (the product)
 - Good carrier (jet service)
 - Competitive fares
 - Good flight schedules
 - Improved Interline and Codeshare Agreements with the airline (for booking ease, baggage transfer and frequent flyer program integration, to mention a few)
 2. **Aviation Marketing** (selling the product)
 - Developing a Strategic Two-Year Marketing Plan
 - How to identify and target the air travelers in our catchment area leaking to FSD and MSP



Summary:

Why Needed and Expected Benefits

1. Why Needed:

- a. Recapture lost air travelers from FSD and MSP
- b. Attract non-air travelers to use ATY
- c. Attract more “Inbound Travelers” to ATY
- d. The right consulting partner brings experience and expertise that airport staff nor board possess
- e. The right consulting partner frees up airport staff for other essential duties

2. Expected Benefits:

- a. Continue to grow enplanements at ATY to 30,000, 40,000 or more to:
 - a. Increase flights (and potentially additional airlines)
 - b. Solidify airport’s future
- b. Support business, economic development, tourism and quality of life in Watertown



The Process: ASD and AM RFP and Search

1. We've defined the Consultant Qualifications, Scope of Services desired and our Budget (see budget on following page)
2. Spoke with 13 upper Midwest airport managers regarding how they are using consultants
3. Based largely on these recommendations, we spoke with 16 consulting firms and invited 14 to bid. A few more consulting firms found us through the online bid portal.
4. We received proposals/bids from 11 consulting firms
5. Formed a committee to evaluate and score proposals/bids using a subjecting, comprehensive and quantifiable process
6. Committee's recommendation was for **Voltaire Aviation Consulting, Inc.** to provide both Air Service Development and Aviation Marketing consulting services
7. Voltaire made a presentation to the airport board on Mon, Apr 25. Board unanimously recommends approval of this contract to the Watertown City Council
8. A contract between the City of Watertown and Voltaire Aviation Consulting, Inc. has been developed and vetted by both parties



Cost Relative to Budget



Contract



Additional Q&A

Rich Maag

Interim Airport Manager

Mike Tomlinson

Watertown Airport Board Member

Mike Mooney

Managing Partner,
Voltaire Aviation Consulting

Thank You!

CONSULTING SERVICES AGREEMENT

This Consultancy Agreement (the “Agreement”) is made and entered into by and between Volaire Aviation, Inc. (the “Consultant”) and the City of Watertown, a South Dakota municipal corporation, acting by and through its Watertown Regional Airport (the “Airport”) (Hereafter referred to individually as a “Party” and collectively as “the Parties”).

1. Engagement and Services

(a) Engagement. The Airport hereby engages the Consultant to provide and perform the services set forth in this section of the Agreement (the “Services”), and the Consultant hereby accepts the engagement.

(b) Term. This Agreement will begin June 1, 2022, and be in effect through May 31, 2024. This contract can be extended after that for one-year terms by mutual agreement. Either party can terminate the contract on 90 days’ notice.

(c) Scope of Work. Consultant will complete the following projects as included in the monthly retainer fee and at the discretion of the Airport and only as directed by the Airport according to the professional services fee structure in this document.

(d) Limitation of Engagement. It is specifically understood and agreed that this agreement is binding upon the Airport if, and only if, each year’s financial obligations are approved and authorized by the Watertown City Council then holding office. If at any time during the life of this agreement the Watertown City Council shall fail or refuse to approve or authorize the funds due hereunder for the following municipal fiscal year, then this agreement shall terminate upon the end of the fiscal year for which funds were approved and authorized. Such a termination shall be without penalty to the Airport.

1) Airline headquarters meetings and presentations.

Consultant will develop a comprehensive business case document for prospective airlines to review. The document will outline the Watertown Regional Airport market air service metrics and assist the prospective airline with decisions related to improving existing air service or providing new air service.

2) Air service conference meetings.

Consultant will support the Airport at air service conferences with meeting document preparation and airline meeting facilitation.

3) Phone calls and industry updates.

Consultant will support Airport on phone calls with airlines and DOT as needed.

4) Ad Hoc analysis

Consultant will provide relevant analysis for Airport as needed.

5) Community visits

Consultant will visit the community for an in-person presentation of the state of the industry information, market detail, and other pertinent information for community meetings at the Airport's request. Presentation will include, as needed, presentation of and facilitation of community discussion of air service options.

6) Data Reporting

Consultant will provide ongoing data analysis as agreed to with Airport, including monthly market capture reporting as requested in the RFP.

7) Community Stakeholder Participation in Air Service Development

One annual meeting with the region's top air travel generators.

8) Air Service Marketing Support

Up to 12 hours of Airport Marketing support. If greater than 12 hours are requested by client airport, the client will be billed at \$175/hour. Retainer will include marketing program implementation (including but not limited to advertising placement/management, budget development, creative direction, social media management and public relations support). Includes monthly advertising recap reporting. If allotted monthly hours are exceeded, at the Airport's request and at the discretion of Volaire, staff can add additional hours at an hourly added rate as listed in this RFP, of \$175/hour for hours added to a retainer agreement. Invoicing for media (direct advertising costs) placed in support of the program would be directed to Watertown Regional Airport for payment, not Volaire Aviation, but will be coordinated and managed by Volaire through the program plan.

9) Two Year Strategic Marketing Plan

Consultant will develop a two-year air service marketing plan as part of the annual retainer agreement. Strategic marketing plan will guide the implementation of the marketing program work.

10) Leakage and Retention Study

Consultant will prepare a passenger leakage and retention study detailing airport use for catchment area passengers. Consultant will work with Airport to define the catchment area at the zip code level. The study will include zip code level detail, including passengers, average fares, revenue, top markets, and carrier usage by Airport.

The analysis will include both filed passenger data and booking data by zip code. The study will use the Consultant's proprietary methodology to determine the drive diversion

of passengers to and from other airports and to develop an actual market size for the catchment area.

2. Consultancy Fees and Expenses

(a) Fee Schedule. Consultant will perform any or all of the work options noted as “included” at the direction of the Airport. The Airport will pay the Consultant \$5,500 per month (\$66,000 per 12-month period). Appendix A items listed as “upon request” are performed for an added fee, outside of the retainer, as priced in the appendix. There will be two monthly invoices; \$3,500 for air service consulting and \$2,000 for air service marketing.

(b) Expenses. Consultant shall be entitled to reimbursement for expenses reasonably incurred in the performance of the Services upon submission and approval of written statements in accordance with the then regular procedures of the Airport. Reasonable expenses include but are not limited to travel (airfare, hotel, rental car, and meals), the printing of materials, and the use of IPADS in an airline meeting. Consultant will invoice all expenses at cost plus a 10% administrative fee.

(c) Payment. The Consultant shall submit the Airport invoices on the first of the month outlining the Services performed, expenses, and the amount due. All such invoices shall be due and payable within thirty (45) calendar days after receipt thereof by the Airport. Consultants can impose a \$100 late fee for proper invoices not paid within 30 days.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement by their authorized representatives as of the date first written above.

Signed for and on behalf of
City of Watertown

Signed for and on behalf of
Volaire Aviation Consulting

Name: Amanda Mack
Title: City Manager

Name: Mike Mooney
Title: Managing Partner

ATTEST:

Kristen Bobzien
Finance Officer

| Appendix A: Price List for Scope of Services Under Retainer Agreement | | |
|--|------------------|--|
| Scope of Services | Cost | Notes |
| Monthly Retainer Fee | \$5,500 | \$66,000 per contract year |
| Airline Headquarters Meetings and Presentations | Included | Up to three per contract year; each additional charged at \$5000/meeting |
| Air Service Development Conference Meetings | Included | No limit on conferences/four meetings per conference |
| Phone Calls, Industry News and Intel | Included | Unlimited number of calls |
| Ad Hoc Analysis | Included | Unlimited amount of ad hoc analysis |
| Air Service Marketing Support - Up to 12 hours/month | Included | Up to 12 hours per month of Airport Marketing services are included |
| Marketing support in excess of included 12 hours/month` | \$175/hour | As requested by client, Monthly Marketing support, in excess of 12 hours/month, billed at \$175/hour. |
| Community Visits | Included | One per contract year; each additional charged at \$3500/trip + travel expenses |
| Data Reporting | Included | See weekly, monthly and quarterly report descriptions in "Ongoing Data Analysis" section |
| Community Stakeholder and Corporate Participation in Air Service Development | Included | One annual meeting with the region's top 25 employers |
| Two-year Strategic Marketing Plan | Included | One included in contract retainer cost. Additional Strategic plans will be billed at cost of \$7000/plan |
| Small Community Air Service Development Proposal | \$15,000 | As requested by client and eligible for application |
| Development of formal airline incentive policy | \$7,500 | As requested by client |
| Economic Impact of Commercial Air Service | \$25,000 | As requested by client |
| Leakage and Retention Study | Included | As requested by client |
| Community Survey | \$5,000 | As requested by client |
| Strategic Business Plan | \$25,000 | As requested by client |
| Video Production | As quoted | As requested by client, to be quoted per project |
| Travel | Actual | Volaire's travel policy favors employees use nonstop flight options when available and convenient. |
| Printing (for printed airline HQ meeting documents) | Actual | Meeting presentations are usually printed and bound |
| iPad Fee (for electronic airline meeting documents) | \$50 per Meeting | A fee of \$50 per meeting is charged for any airline presentation delivered using an iPad |