



Staff Report

File #: 19-606

Version: 1

Date: 3/9/2020

Item #: a.

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Salem Municipal Airport Strategic Business Plan

Ward(s): 2

Councilor(s): Andersen

Neighborhood(s): SEMCA

Result Area(s): Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy

ISSUE:

Creation of a Business Plan to Guide Economic Development and Financial Sustainability for the Airport.

RECOMMENDATION:

Information only.

SUMMARY:

The Salem Strategic Plan, adopted by City Council in October 2017, identified a goal and action item under the Priority Area of Economic Development to create a business plan (Attachment 1) and development strategy for the Salem Airport. The report is being shared now as an information item and will be discussed on March 16, 2020 at a work session on economic development.

FACTS AND FINDINGS:

The Business Plan establishes Vision and Mission Statements for the airport, identifies its core values, and recommends six key areas on which to focus in the coming years:

- Prepare and market vacant land for development.
- Improve airport infrastructure and amenities, including terminal upgrades.
- Increase awareness of the airport and the Willamette Valley as a destination for aircraft operators.
- Strengthen the airport's role as an emergency operations and disaster response hub.
- Pursue partnerships to support STEM and aviation-focused training and education.
- Support the community effort to re-establish commercial air service.

BACKGROUND:

The Salem Airport operates as an Enterprise Fund within the City, generating its own revenue to fund expenses for airport administration, operations, maintenance and development. General Fund money is not used to support airport operations, but is sometimes used as matching funds for grants. More than 90% of all airport revenue is derived from land and other property leases. Future property development, along with other goals in the business plan, will increase revenue and help ensure financial stability and sustainability.

Increasing Airport fund revenue is critical for two key reasons. As a recipient of federal grant funds from the Airport Improvement Program, the City binds itself to several grant assurances for twenty years each time it accepts a federal grant. Included in those grant assurances are the requirement for the airport to be as financially self-sufficient as possible, to operate and maintain its airport facilities in a safe and serviceable condition, and to maintain, repair and/or reconstruct its pavements to ensure useful life is maximized. Failure to meet the requirements of federal grant assurances places the City in a position of possibly paying back all or some of the several grants the City has secured in the past twenty years. Since 2000, grant awards total approximately \$15.0 million. Federal grants require a 10% local match, which is funded out of the Airport fund and, on occasion, the City's General Fund.

Daily airport operations, maintenance and other capital improvement are not eligible for federal funding and come directly out of the Airport fund, which is insufficient to cover current and upcoming deferred maintenance expenses. A recent airport terminal facility assessment identified over \$1.0 million of needed terminal improvements, including \$805,000 in immediate needs (primarily roofing and siding), and another \$200,000 expected to be needed in the next 5 years.

During business plan preparation, staff engaged the services of two Willamette University undergraduate interns and a University of Oregon MBA intern to assist with research and data collection and organization. Staff also held several stakeholder outreach meetings and spoke to nearly two dozen individuals with active interest and participation in the growth and development of the Salem Airport and the larger aviation industry, specifically in Oregon. Staff also made site visits

to four other Oregon airports to gain an understanding of their planning and development efforts and challenges and reviewed the business plans of several airports of similar size across the country.

John Paskell
Airport Manager

Attachments:

1. Salem Municipal Airport Strategic Business Plan