Staff Report

File #: 20-144
Version: 1

Date: 4/27/2020
Item #: 2.3d.

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Small Community Air Service Development (SCASD) Grant Application for Commercial Air Service Development

Ward(s): 2
Councilor(s): Andersen
Neighborhood(s): SEMCA
Result Area(s): Strong and Diverse Economy

ISSUE:

Shall the City Council authorize the City to apply for a Small Community Air Service Development (SCASD) grant through the U.S. Department of Transportation for commercial air service development at the Salem Municipal Airport?

RECOMMENDATION:

Authorize the City to apply for a Small Community Air Service Development (SCASD) grant through the U.S. Department of Transportation (DOT) for commercial air service development at the Salem Municipal Airport.

SUMMARY:

The U.S. Department of Transportation's Small Community Air Service Development program is a grant program designed to help small communities address air service and airfare issues. The total grant request is $950,000. Grant funding will be used primarily for minimum revenue guarantees to attract and help sustain new airline service. City funds will not be expended on the grant. The SCASD program requires that the City serve as the grant applicant. This is a reimbursement grant program, requiring future budget authority prior to expenditure and request for reimbursement from the DOT.

It is anticipated that the applications will be submitted to the DOT in July of 2020, with awards announced in February 2021. Applying for a grant does not bind the City to any future obligations or grant assurances. The City can withdraw from the process at any time prior to entering into a grant agreement with the DOT.

FACTS AND FINDINGS:

A coalition of community members, partnering with the Salem Chamber of Commerce (Chamber), is funding consultant efforts to prepare the grant application. If the City is awarded these grant funds and commercial airline service returns to the Salem Municipal Airport, the SCASD grant funds would be used to provide a revenue guarantee along with local funding pledged by community members. These resources would not be expended unless a future air service provider failed to meet their minimum revenue threshold in a given time period, typically monthly. Should that occur, community-generated funds and grant funds would be used to reimburse the air service provider the difference between its anticipated and actual revenue.

Staff will return to Council in the Spring of 2021 if the City is awarded funds, either with a recommendation to enter into an agreement to accept funds or to decline the grant. This timeline allows for the City to confirm that:

- pledges have been raised;
- matching funds have been identified;
- budgetary authority has been granted for the expenditure and reimbursement of funds; and
- agreements are in place with either the Salem Chamber of Commerce or other entity acting on behalf of community members with regards to funding and other obligations.

Members of the Salem business community have independently funded and conducted a passenger demand analysis to determine the market demand for commercial air service, and for more than two years have been conducting fund raising for a future revenue guarantee match to a potential SCASD grant award. The Salem Area Chamber of Commerce was awarded a $500,000 State of Oregon air service development grant in April 2019.

John Paskell
Airport Manager

Attachments: None