



Staff Report

File #: 21-525

Version: 1

Date: 12/6/2021

Item #: 3.3b.

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

SUMMARY:

Federal grant application to provide a minimum revenue guarantee fund in support of commercial air service development at the Salem Municipal Airport

ISSUE:

Shall 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 for commercial air service development at the Salem Municipal Airport.

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. City funds will not be expended on this effort. The SCASD program requires that the City serve as the grant applicant. This is a reimbursement grant program, which would require future budget authority prior to expenditure and

request for reimbursement from the DOT.

Total grant request is \$850,000.

By consenting to this application for SCASD funds, the City of Salem is not incurring any commitment or obligation. The City retains the option of rescinding the application prior to grant award should funds from the community does not materialize or if there are other unresolved issues. 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 following a potential grant award in July 2022.

Staff will return to Council in the summer of 2022 if the City is awarded a grant, either with a recommendation to enter into an agreement to accept funds or to decline the grant.

In its meeting of October 27, 2021, the Airport Advisory Commission voted to recommend that City Council continue to support ongoing commercial air service development efforts (Attachment 1).

Should the City be awarded these grant funds and should commercial airline service be established at the Salem Municipal Airport, the SCASD grant funds would be used to provide a revenue guarantee along with the 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. Grant funds would be advanced by the City; the City would then seek reimbursement from the DOT.

It is anticipated that the applications will be submitted to the DOT in January of 2022, with awards announced in July 2022. 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.

BACKGROUND:

The U.S. Department of Transportation's (DOT) Small Community Air Service Development (SCASD) program is a grant program designed to help small communities address air service and airfare issues. Grant funding is used primarily for Minimum Revenue Guarantees to attract and help sustain new airline service.

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 nearly four years have been conducting fund raising for a future revenue guarantee match to a potential SCASD grant award. On October 17, 2018, the Salem Area Chamber of Commerce's Board of Directors voted unanimously to function as the fiduciary agent and applicant for State aviation grants to support commercial air service development at the Salem Municipal Airport/McNary Field. A \$500,000 State of Oregon air service development grant was awarded to the Chamber in April 2019 and continues to be used as the primary resource to recruit commercial airline service.

It is not yet determined if the Chamber or another entity will function as fiduciary agent for pledged revenue guarantee funds or the mechanism for holding these funds in the future. These details will be resolved prior to the City entering into any agreement or obligation relating to SCASD grant funds.

John Paskell
Airport Manager

Attachments:

1. Airport Advisory Commission Letter of Support