



Staff Report

File #: 22-352

Version: 1

Date: 7/28/2022

Item #: 2.b.

TO: Mayor and City Council

THROUGH: Kristin Retherford, Interim City Manager

FROM: Norman Wright, Interim Urban Development Director

SUBJECT:

Transitioning the Salem Municipal Airport to a full Commercial Service Airport

Ward(s): 2

Councilor(s): Anderson

Neighborhood(s): SEMCA

Result Area(s): Strong and Diverse Economy

SUMMARY:

The Salem Municipal Airport currently operates as a general aviation airport, although it does maintain the airport to an FAA-approved commercial service standard (FAR Part 139 Certification), which primarily relates to airfield compliance, safety, and emergency response training. To accommodate commercial air service aircraft and to meet increased FAA and TSA federal regulatory requirements related to commercial air service, investments in terminal improvements, ground handling equipment, site security, and increased City staffing (Airport, Police and Fire) will be required. The Airport Fund has inadequate revenues and contingency funding to accommodate these investments.

ISSUE:

Information only.

RECOMMENDATION:

Information only.

BACKGROUND:

The prospect of commercial air service to Salem brings both opportunities and risks:

Opportunities:

- Increased tourism to Salem and the Willamette Valley
- Increased potential for economic development in Salem and the Willamette Valley
- Reduction in carbon emissions by alleviating vehicle traffic to/from Portland and Eugene airports
- Convenience and quality of life improvements for Salem residents to fly from their local airport
- Increased long-term opportunity for airport financial self-sufficiency
- Increased opportunity for FAA grant funding for airport infrastructure improvements (airfield, terminal, parking, etc.)

Risks:

- Significant investment in infrastructure, staffing and equipment prior to realizing added revenue
- Increase in airport operations and maintenance costs, with no assurance of sufficient off-setting revenue
- Limited airport contingency funds available
- No airline obligation or guarantee of air service sustainability or growth
- Negative economic conditions, including inflation and rising fuel prices
- National pilot shortage
- Potential airline mergers and acquisitions
- Ongoing (or new) public health crises adversely impacting commercial aviation

FACTS AND FINDINGS:

Through this work session, staff is presenting City Council additional information concerning the required improvements and potential costs associated with allowing the airport to accommodate commercial air service. Staff is seeking City Council direction on this issue. Should the City:

- 1) Suspend further efforts to pursue funding and planning to undertake improvements at the airport to accommodate commercial air service. This option would maintain the status quo, keeping the Part 139 airport certification; or

- 2) Proceed to detailed project planning analysis consisting of:
 - a. More precise estimates for capital improvements
 - b. A funding strategy
 - c. Project implementation plan

This option will require additional staff time, consultant work, and expenditure of airport funds that have not been previously budgeted. Depending on the level of additional analysis the costs could be significant and require additional funding.

On April 25, 2022, staff sent an information report to City Council outlining several next steps to prepare for the prospect of commercial air service. Since then, staff has met with TSA Facilities and Regulatory personnel and Terminal Planning and Architectural consultants to assess terminal needs to accommodate TSA equipment and explore potential capacity/occupancy constraints to accommodate larger passenger jets (Boeing 737 and Airbus A220 and A320s). A Terminal Capacity Study was developed and provides substantial findings and a rough order of magnitude of what the project would require.

Staff also put together a rough order of magnitude estimate on other costs to accommodate air service, including increased airport staffing, additional City Police and Fire staffing, equipment purchases, as well as identifying potential revenue growth from the presence of commercial service.

1. Terminal renovation and/or expansion to accommodate TSA baggage and passenger screening equipment, and to accommodate larger passenger loads.

A terminal capacity study was recently completed by Airport Planning and Architectural consultants. The terminal was assessed both for its ability to accommodate small regional jet passenger loads (~50-80 passengers) as well as larger aircraft (up to 189 passengers). The existing terminal will require renovations to accommodate regional jet passenger loads and will require renovations *and* expansion to handle large aircraft passenger loads. A rough order of magnitude cost was provided for a terminal renovation project and three terminal expansion options. Upgrades include installing baggage conveyor systems, extending power and data lines, exterior door and window modifications or replacements, security access controls, and similar upgrades to meet minimum TSA requirements. Additionally, existing restroom facilities, gate seating, and baggage claim areas are undersized for aircraft carrying 100+ passengers.

Estimated Cost/Operational Impact (Renovation only)
\$3.9 million. Estimated design/construction time: 9-12 months.

Estimated Cost/Operational Impact (Renovation and Expansion)
\$10-12 million. Estimated design/construction time: 12-18 months.

2. Increased airport staffing

The airport is currently managed, operated and maintained with 4.5 FTE: one airport manager, one airport operations specialist, two airport maintenance operators, and one .5 FTE staff assistant. This is inadequate for commercial air service. Consultation with both FAA and TSA have made it clear that the Salem Airport would have to hire additional staff. The airport will have to stand up a security staff that mirrors the existing operations staff, which will require at least two FTEs, and will require at least two more airport maintenance operators that can be flexed to support both airport operations and airport security. The .5 FTE staff assistant would be increased to 1.0 FTE.

A new Security Supervisor (or Manager) position would be immediately tasked with developing, implementing, and managing a new airport-wide security program. The previous airport security program is outdated and was approved by TSA only for aircraft with fewer than 60 seats. Airlines currently interested in serving Salem operate aircraft up to 189 passenger seats, which will require a new TSA-approved security program, including all general aviation tenants and others requiring unescorted access to the airport. The new airport security program must be approved by TSA *prior* to the start of scheduled air service.

Estimated Cost/Operational Impact
\$530,000 annually

Minimum estimated time to recruit and train new staff: 4-6 months, assuming successful recruitments. Development and implementation of the new security program: an additional 4-6 months, including required background checks, security threat assessments, and badging for all airport tenants.

3. Increased Salem Fire and Police staffing

The Salem Fire Department currently maintains nine fully trained Aircraft Rescue Firefighters on staff at Fire Station 6 to comply with existing FAA requirements for commercial service airports. Previously, Station 6 suspended community calls to keep personnel in the station during commercial air service operations. That model may not be possible with the increase in community calls. As such, the return of scheduled commercial service flights will require that *at least* two firefighters remain at the station during air carrier operations, irrespective of other calls for service. To ensure that the remaining firefighters are available to respond to calls off the airport, Salem Fire Department proposes to increase its staffing level by one FTE.

During commercial airline operations, the airport security plan will require that Salem Police Department have an officer on site when the TSA security checkpoint is open. Depending on number of flights per day/week that could be anywhere from .25 to .5 to 1.0 FTE.

Estimated Cost/Operational Impact
\$358,000 (\$208,000 Fire; \$150,000 Police)

4. Procurement of ground support equipment and an airport security/operations vehicle.

There is currently no ground support equipment at the Salem Airport. Ground support equipment, which is used to service aircraft upon arrival, will include a passenger boarding ramp, luggage carts and tugs, luggage loading equipment (belt loader), an aircraft pushback tractor, a ground power unit, and similar pieces of equipment.

Additionally, the airport security staff will need a new operations vehicle to conduct daily perimeter inspections, hangar inspections, random badge checks, delivery inspections, airfield escorts and similar security requirements. Most of these requirements are not currently mandated in a general aviation airport status. Existing security measures mandated by TSA general aviation security regulations are conducted by existing airport operations staff.

**Estimated Cost/Operational Impact
\$550,000.**

State of Oregon funding of \$540,388 was awarded to the Salem Airport to assist with the purchase of equipment. With judicious procurement efforts, this award may be sufficient to cover all equipment and vehicle needs without having to use City operating funds. Ground support equipment can also be used for other than commercial service activity such as charters, VIP visits, and similar aircraft operations.

5. Projected revenues.

Additional revenue would come primarily from already established parking, fuel flowage, landing and car rental fees. There would be new revenue available from ground equipment use fees and additional terminal space rental fees. However, potential carriers will request a two-year waiver on landing fees and terminal space rent, which would delay those revenue sources. Other revenue sources, which are not currently in place, could include terminal advertising fees and ground transportation fees (hotel shuttles, taxi cabs, Uber, etc.) Advertising and ground transportation programs could be appropriate once commercial service has proven itself to be sustainable.

**Estimated Revenue Increase (Years 1-2)
\$80,000-150,000 annually**

**Estimated Revenue Increase (Years 3-5, assuming sustained growth)
\$250,000-400,000 annually**

AAC Recommendation

At their Commission meeting on July 20, 2022, the Airport Advisory Commission (AAC) unanimously recommended the AAC make a statement to the City Council reaffirming its support for Commercial Air Service and that City staff continue to investigate the costs associated with this effort and identify funding sources to cover those costs. Additionally, the ACC recommended the City move forward with the purchase of ground service equipment that have already been funded by the State of Oregon.

John Paskell
Airport Manager

Attachments:
None