



Staff Report

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TO: Mayor and City Council
THROUGH: Keith Stahley, City Manager
FROM: Brian D. Martin, PE, Interim Public Works Director

SUBJECT:

Commercial Air Service Project Update for the Salem Municipal Airport.

Ward(s): 2
Councilor(s): Nishioka
Neighborhood(s): SEMCA
Result Area(s): Safe, Reliable, and Efficient Infrastructure; Strong and Diverse Economy

SUMMARY:

The City of Salem must complete several tasks before the Federal Aviation administration (FAA) and Transportation Security Administration (TSA) will federalize the Salem Municipal Airport and authorize the start of commercial air service. These tasks include capital improvements to the passenger terminal building, addition of required staffing (police, fire, and airport) for commercial service operations, and development and federal approval of a new Airport Security Program. Preliminary design (30% level) of the terminal has been completed and cost estimates and schedules have been updated to identify the costs and timelines for commercial air service

ISSUE:

Information Only.

RECOMMENDATION:

Information Only.

FACTS AND FINDINGS:

AIRPORT FEDERALIZATION PROCESS

Several federal regulatory approvals from both TSA and FAA (collectively, the federalization process)

are required to accommodate commercial air service at the Salem Municipal Airport. The federalization process begins when both federal agencies have received a detailed commitment letter from the airline and a confirmation from the City of its intent to complete all necessary tasks and provide all necessary staffing. The federalization process involves several complex and interrelated regulatory approvals, including but not limited to:

- Approval from FAA to upgrade the airport from a Category 4 (unscheduled charter service) to a Category 1 (scheduled airline service)
- Development, and approval by TSA regulatory staff, of a new airport security program
- Implementation of the approved security program, including background checks, security threat assessments, and training/badging of all airport personnel, vendors, and tenants
- TSA approval of final terminal design, including layouts and operation of baggage and passenger screening equipment, and construction of terminal improvements necessary to meet building code and TSA requirements
- Installation and approval of airport and TSA IT networking, security equipment, cybersecurity systems, and badging/credentialing equipment
- Recruitment and training of new TSA and airport security staff

Development of the new airport security program is already underway. The airport has contracted with its aviation consultants to assist with the initial plan development until such time that an airport security manager is hired to finish and receive approval of the program. Once approved, and once the IT infrastructure and other equipment is installed, the airport-wide background checks and badging/credentialing can begin.

CAPITAL PROJECT SCOPE, COSTS AND SCHEDULE

CBTwo Architects have completed a conceptual design of the proposed terminal improvements, as shown in Attachment 1. The primary work elements for the renovation project are limited to the existing building footprint and include the following:

- Structural flooring upgrades to accommodate TSA screening equipment loads
- Improvements to the existing electrical and HVAC systems
- Demolition and reconstruction of baggage and passenger screening areas
- Specialized conveyor equipment for checked baggage and baggage screening
- Exterior canopies to protect the outside baggage conveyors
- Interior doors and exterior gate replacement including access control upgrades to dual authentication
- TSA procurement, installation, testing, and implementation of TSA-provided passenger and baggage screening equipment
- TSA-approved IT network connectivity, including software and servers
- TSA-approved video security and surveillance
- Installation of a secure badging and credentialing system and equipment

- Upgrades for ADA access from the terminal to the ramp
- Lighting upgrades

The terminal project cost estimate included as Attachment 2 provides an overview of the line items for capital improvements.

Construction and Equipment Estimate:	\$1,286,000
Architecture/Engineering/Project Management/Inspection	\$395,000
Project Contingency:	\$200,000
Total Capital Project Cost:	\$1,881,000

Completion of the terminal improvements is scheduled for May 2023 as shown on Salem Airport Development Schedule included as Attachment 3. This is assuming no supply chain issues or other delays in procurement of any of the specialized equipment, and is dependent on TSA's ability to procure, install, and test their baggage and passenger screening equipment.

AIRPORT FEDERALIZATION SCHEDULE

Staff met with the Federal Security Director and six other TSA officials on December 22, 2022, to provide them an update on Salem's progress and to review the various processes and requirements still to be done. TSA has its own internal process to ready itself for federalization of the airport. When the TSA receives the letter of intent and proposed schedule from the airline, they will formally request equipment and staffing approvals from headquarters, which has a 30-day review period. Once approved, TSA will need to order, receive, install, and test their equipment, as well as recruit new agents. TSA indicated that approximately 6 months is needed to recruit and train the new agents. While they expressed their willingness to work as collaboratively and efficiently as possible, the anticipated date for them to be ready to support commercial service is September 2023 as shown in the project schedule. As a result, the federalization process is likely to become the controlling factor for commercial air service readiness. TSA action items are highlighted in yellow on the schedule.

OPERATIONAL AND SECURITY READINESS

Current staffing at the Salem Municipal Airport includes 4 full-time (FTE) employees plus 1 part-time employee (PTE) from the Community and Urban Development Department. In order to provide commercial air service, 5 new FTEs will be added, and the PTE will no longer be funded. Airport positions will consist of a Security Manager, Operations Manager, Badging/Credentialing Specialist, and two additional Airport Maintenance Operators. In addition, 1.0 FTE for the police department and 3.0 FTE for the fire department will be needed. These additional staff are required to

demonstrate that the airport has sufficient, qualified personnel that can meet the security and operational requirements necessary for federalization. Other airport operational expenses include increases in custodial services, utilities, building and equipment maintenance, fuel, and similar costs. Staff anticipates that increased federal capital improvement grant entitlements will occur once annual passenger enplanements exceed 10,000 and matching funds (\$95,000 per year) have been included as projected expenses.

Airport operational revenues will increase as a result of increased public parking, fuel flowage fees, terminal space rent, rental car concessions and the establishment of new rates and fees for items such as advertising, equipment use fees, and ground transportation network charges. Estimated annual revenues are expected to be insufficient to cover estimated ongoing annual expenses. In a staff report submitted to Council on October 10, 2022, a detailed revenue/expense analysis was conducted. An updated summary of that analysis is included in the table below:

	<u>Revenues</u>	<u>Expenses</u>	<u>Shortfall</u>
FY 2023	\$0	\$266,000	(-\$266,000)
FY 2024	\$634,000	\$1,530,290	(-\$896,290)
FY 2025	\$750,000	\$1,600,760	(-\$850,760)
FY 2026	\$900,000	\$1,673,380	(-\$773,380)
FY 2027	\$1,026,000	\$1,763,440	(-\$737,440)
FY 2028	\$1,150,000	\$1,871,390	(-\$721,390)

Additional information regarding revenue and expense projections are included in Attachment 4.

The bulk of these expenses are comprised of adding three fire fighters to the Fire Department's compliment (\$633,000), and one police officer to the Police Department's complement (\$150,000). Final staffing for the Fire Department could potentially be reduced to one position; however, this can't be determined until flight schedules for the commercial airline are set. While these resources are necessary to meet the operational needs of both the Fire Department and Police Department, both departments have long standing staffing challenges and are currently operating with 23 vacancies for the Police Department and 7 vacancies anticipated for the Fire Department. The addition of these positions will allow us to add commercial air service without negatively impacting our public safety functions. The addition of these positions will not have a direct budgetary impact until full staffing is achieved.

FUNDING SOURCES

Financial resources will be needed immediately to expedite additional design, procurement, and construction of needed improvements as well as funding of new staff positions. A direct General Fund allocation will be the most immediate resource.

Fairview Urban Renewal Area funds may be available to reimburse a portion of the required capital improvements but will require a plan and boundary amendment. At the October 10, 2022 Salem

Urban Renewal Agency Meeting, the URA Board formally initiated the process to undertake a substantial amendment to the Fairview URA to support this project. Depending on the final amount of acreage to be included in the amendment, a substantial amendment could take up to nine months and would require concurrence from the taxing districts. Without a substantial amendment, the process could take less than six months and concurrence would not be required. Timing of the amendment may play a role in how much can ultimately be reimbursed for the initial capital improvements. Staff will be meeting this week to start the amendment process.

A resolution to approve funding for commercial air services is included in a separate staff report should Council chose to allocate additional funding for the project.

BACKGROUND:

In July 2022, the Airport's aviation consulting firm, Mead & Hunt, completed a terminal capacity study to evaluate terminal improvements to accommodate a 50-80 seat regional jet aircraft as well as a 189-seat aircraft, which is the largest capacity aircraft likely to serve the airport. The cost estimates ranged from \$3.9 million for the regional jet renovations in the existing building footprint, to over \$10 million for a terminal expansion to accommodate the larger capacity aircraft.

In its meeting of October 10, 2022, Council directed staff to begin conceptual design efforts and provide more detailed budgetary cost estimates on minimum terminal improvements needed to accommodate a 147-seat airliner in the existing building footprint, with a stated goal of being ready by May 1, 2023.

Staff has since secured the services of CBTwo Architects and Cedar Mill Construction and continued working with Mead & Hunt and the TSA to define the scope of the project and identify minimum required terminal improvements. These organizations have been directed to provide a least-cost set of plans for improvements that meet building and safety codes, even though it may not meet aviation industry standards for terminal design or passenger experience. Future improvements can be expected both within the existing building and to expand the terminal to meet additional commercial air service demands.

Attachments:

1. Salem Airport Terminal Concept Design Plan
2. Total Capital Project Cost Estimate Airport Terminal Improvements
3. Salem Airport Development Project Schedule
4. Revenue/Expense Assumptions