

Staff Report

File #: 23-15**Version:** 1**Date:** 1/9/2023**Item #:** 5.b.

TO: Mayor and City Council
THROUGH: Keith Stahley, City Manager
FROM: Josh Eggleston, Chief Financial Officer

SUBJECT:

Transfer of appropriations within the City's Fiscal Year 2023 Budget for Airport related staff and construction costs, and the addition of 9.0 FTE to accommodate commercial air service.

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Good Governance; Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy; Welcoming and Livable Community.

SUMMARY:

An appropriations transfer is needed to move forward with preparations at the Salem Municipal Airport to support commercial air service. The resolution authorizes a transfer of \$2,366,000 from the General Fund for costs to add staff in the Airport Fund and renovate the Airport Terminal in fiscal year 2023. The resolution also authorizes the addition of 5.0 FTE in the Airport Fund and 4.0 FTE in the General Fund to support this effort.

ISSUE:

Shall City Council adopt Resolution No. 2023-2 authorizing a transfer of appropriations within the City's Fiscal Year 2023 budget for the cost of new Airport staff and terminal improvement costs, and the addition of 9.0 FTE to accommodate commercial air service?

RECOMMENDATION:

Adopt Resolution No. 2023-2 authorizing a transfer of appropriations within the City's Fiscal Year 2023 budget for the cost of new Airport related staff and terminal improvement costs, and the addition of 9.0 FTE to accommodate commercial air service.

FACTS AND FINDINGS:

The approval of this budget action will move forward the preparations for commercial air service at the Salem Municipal Airport. Approval of this request will commit the General Fund for one-time construction costs of \$1.9 million and an ongoing subsidy of the operations at the airport and General Fund services that are needed to support commercial air service (police and fire). The additional General Fund budget authority needed for operations in FY 2023 is \$466,000. This amount does not include any additional funding for the Police Department, since the department has sufficient savings to cover the additional cost of one FTE. In addition to the costs in FY 2023 an ongoing annual General Fund subsidy is expected of approximately \$900,000 initially in FY 2024 and decreasing to approximately \$720,000 as potential revenues are realized at the airport. This amount may be further reduced depending on the schedule and timing of air service operations at the airport.

The total impact to the General Fund Five-Year Forecast (FY 2023 - FY 2028) of this action and the continuing General Fund subsidy is estimated to be \$6.35 million. The General Fund Forecast (without commercial air service or continuing current homeless programs) anticipates depletion of fund balance, or reserves, by the end of FY 2026.

Every additional dollar spent reduces our flexibility for how, when, and the target for solving the ongoing structural deficit in the General Fund.

Terminal Building Improvements

Fund 101, General Fund, Non Departmental

FROM: Non Departmental, Contingency, 101-60961000-61110, \$1,900,000

TO: Non Departmental, Transfers to other funds, 101-60961000-62110, \$1,900,000

Fund 255, Capital Improvements Fund, Airport Construction

ADD: Airport Construction, Interfund transfers, 255-64903000-39110, \$1,900,000

ADD: Airport Construction, Construction contracts, 255-64903000-52620, \$1,900,000

This transfer provides funding for final project design, permitting, and a significant renovation to the passenger terminal building. This work is necessary to meet TSA regulatory requirements to begin commercial air service.

Additional Staff Costs

Fund 101, General Fund

FROM: Non Departmental, Contingency, 101-60961000-61110, \$200,000

TO: Fire EOD, Salaries and wages, 101-37202500-51010, \$200,000

Three new full-time firefighter/medic positions are required so one trained airport firefighter is always on duty and available to respond to any aircraft-related emergencies to support commercial air service. This transfer would cover the anticipated costs associated with the three new positions from March 2023 through June 2023. Staffing levels may be able to be reduced depending on the schedule and timing of commercial service.

Fund 101, General Fund

FROM: Non Departmental, Contingency, 101-60961000-61110, \$266,000

TO: Non Departmental, Transfers to other funds, 101-60961000-62110, \$266,000

Fund 160, Airport Fund, UD-Airport

ADD: UD-Airport, Interfund transfers, 160-64131500-39110, \$266,000

ADD: UD-Airport, Salaries and wages, 160-64131500-51010, \$184,100

ADD: UD-Airport, Controlled equipment, 160-64131500-52815, \$81,900

Five new full-time Airport positions are required to provide operations support and security for commercial air service. The breakdown for these positions are two Program Manager III positions, two Airport Maintenance Operator positions, and one Administrative Analyst I position. This transfer would fund the five new positions from March 2023 through June 2023.

To support commercial air service, one full-time police officer position needs to be added to provide security at the Airport when the checkpoint is open. No financial action is required this fiscal year as the Police Department has sufficient savings in the General Fund to cover the additional costs in their budget.

With the adoption of these actions, the \$3M General Fund contingency for FY 2023 would be nearly exhausted, leaving little room for further unanticipated expenses.

Staff has initiated a process to amend the Fairview Urban Renewal Area (URA) to include a the terminal in the boundary of the URA. If approved existing funds from the URA could be used to offset a portion of the cost of the proposed improvements. These funds cannot be used for operations.

BACKGROUND:

State law allows local governments to approve transfers of appropriations within the limits established by the adopted budget to address unanticipated changes.

Kali Leinenbach
Senior Fiscal Analyst

Attachments:

1. Resolution No. 2023-2