



Staff Report

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TO: Mayor and City Council

THROUGH: Keith Stahley, City Manager

FROM: Brian D. Martin, PE, Public Works Director

SUBJECT:

Salem Airport Commercial Air Service - October through December 2023

Ward(s): Ward 2

Councilor(s): Nishioka

Neighborhood(s): SEMCA, SESNA

Result Area(s): Good Governance; Safe and Healthy Community; Strong and Diverse Economy.

SUMMARY:

Avelo Airlines began commercial air service at Salem Airport on October 5, 2023, with flights to and from Las Vegas, Nevada and Hollywood/Burbank, California.

ISSUE:

Provide a report to Council on air service and financial information for the first three months of commercial air service operations at Salem Airport.

RECOMMENDATION:

Information Only.

FACTS AND FINDINGS:

Air Service Information

Avelo Airlines began commercial air service at Salem Airport on October 5, 2023, with flights to and from Las Vegas, Nevada and Hollywood/Burbank, California. Both destinations had two inbound flights and two outbound flights per week, with an additional flight to and from Hollywood/Burbank per week during the Thanksgiving/Christmas holiday period. The following statistics, as reported by Avelo Airlines to the Federal Aviation Administration, are for the first three months of commercial air

service operations from October 5, 2023, through December 31, 2023:

- Total round-trip flights: 56
- Total passengers through Salem Airport terminal: 13,312
- Total enplanements (passengers boarding flights from Salem): 6,862
- Average passengers per flight: 122.5
- Average passenger load factor per flight: 83.3 percent (Avelo's 737-700 aircraft have 147 seats)
- Flights to and from Hollywood/Burbank averaged higher passenger load factors than Las Vegas

Avelo Airlines indicated that the first three months of operations in Salem were successful. However, the airline has requested \$23,800 in funds from the \$1.2 million Minimum Revenue Guarantee Fund for this period. On January 30, 2024, Avelo Airlines announced that it would extend the current list of cities served with its air service in the western United States through mid-June 2024, indicating that it intends to continue serving Salem, Oregon.

Financial Information

The City's Airport Fund received, or anticipates receiving, a total of \$81,360 in revenue directly related to the first three months of commercial air service operations. This amount includes additional fuel flowage fees, ground support fees, City's share of car rental commissions, security badge fees, and paid airport parking. While most of the fees showed modest increases, the revenue received for paid airport parking was less than originally planned. The daily parking rate was changed in October to \$10 per day, from an initial rate of \$15 per day. Customer feedback and research of comparable airports indicated that the \$15 per day rate was too high. Paid parking lot utilization averaged about 25 percent per week during the three-month period. The primary reason for less-than-anticipated parking revenue is likely due to the convenient, centralized location of the airport within the Salem-Keizer metropolitan area, making passenger drop-off and pick-up the most frequent form of travel to and from the airport. Increased marketing of Salem's commercial air service in outlying communities coupled with future growth in the number of flights and destinations should increase paid parking utilization and revenues.

The Airport Fund's additional operational expenditures, directly related to the first three months of commercial air service are estimated to be \$183,700. These expenditures are primarily personnel services resulting from the hire of 5 additional FTE staff and security badging expenses.

Current Efforts

Along with our federal and state partner agencies, Airport and Public Works staff are currently working on the following efforts to continue improvements to the overall airport facility and commercial air service operations:

- Completion of a short-term North Terminal Campus Improvements Study to align the newly acquired West One (formerly Hertz Car Sales) property with existing terminal, airport operations and space needs (Winter/Spring 2024)
- Improve vehicle directional signage throughout the airport terminal campus (Spring/Summer 2024)
- Installation of a CT80 Checked Baggage Screening Machine and associated equipment (Summer 2024)
- Installation of new carpeting/tile flooring in the main terminal building (Summer 2024)
- Perform additional security improvements around the airport perimeter and Air Operations Area (on-going)
- Advocate for increased "Fly Salem" marketing in outlying communities (on-going)
- Pursue additional Airport Fund revenue through airport terminal advertising, hanger leases, and other sources (on-going)
- Pursue capital construction funding through federal and state grants and legislative authorizations for terminal expansions, ramp facilities, and support facilities.

BACKGROUND:

Previous to October 5, 2023, Salem Airport last operated commercial air service through Delta Airlines in 2008. On January 9, 2023, City Council approved the expenditure of \$1.9 million to make capital improvements to the airport terminal to make it ready to support commercial air service and to supplement the Airport Fund with an additional \$266,000 in General Funds in FY2023 to hire additional personnel and cover additional operating expenditures. Council approved \$652,000 in General Funds to supplement airport operations in FY2024. The City entered into an operating agreement with Avelo Airlines on May 12, 2023. On August 28, 2023, Council approved the acquisition and utilization of the 3.5 acre, West One (former Hertz Car Sales) property located north of the existing airport terminal for additional paid parking, car rental space, and administrative offices. The Transportation Security Administration (TSA) gave final approval to the airport's Airport Security Plan on October 2, 2023, and commercial air service operations began on October 5, 2023.

Mark Becketl, AICP
Assistant Public Works Director - Operations

Attachments:

1. Attachment 1 - Salem Airport Revenue and Expenditures Related to Commercial Air Service, October 5, 2023, through December 31, 2023