



Oregon

Theodore R. Kulongoski, Governor



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REVISED May 10, 2010

May 3, 2010

The Honorable Peter Courtney, Co-Chair
The Honorable Dave Hunt, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Request

The Department of Aviation submits this letter seeking:

- to satisfy the requirements of the previous budget note in SB5504-A
- to satisfy the requirements of the previous budget note from the January 2010 Emergency Board
- to increase limitation to complete the Lebanon Airport project
- to increase limitation to move forward with the Joseph Airport project
- to increase limitation to the General Aviation Entitlement program to complete projects
- to increase limitation to the Operations Federal Funds program

Agency Action

The Oregon Department of Aviation (ODA) is requested to report to the Ways and Means Committee on a number of subjects broadly summarized by the following outline:

- I. **Policy and practice improvements identified by DAS management review team and the ODA interim Director**
- II. **ODA's financial position**
- III. **Status of all construction projects**
- IV. **2009-2011 budget rebalance request**

This letter will summarize information to be provided by ODA under each of these broad subject headings. In addition, a further report directed by a budget note included in the 2009-11 Legislatively Approved Budget will also be provided:

"The Department of Aviation shall report to the Emergency Board no later than March 2010 with an update on the agency's financial position including an update on implementation of the fee increases, estimate of revenue from the Mulino Airport, and the agency's proposed policy change to reimburse administrative costs."

Your attention is also directed to language inserted in the LFO recommendation to approve an agency request for an increase in expenditure limitation heard and approved by the Emergency Board on January 14, 2010, which said in relevant part:

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“The Legislative Fiscal Office recommends an increase in Federal Funds Capital Construction expenditure limitation..... and an increase in Other Funds Capital Construction expenditure limitation for the Lebanon Airport. In addition to the financial report required through a budget note adopted during the 2009 legislative session, the recommendation is contingent on the agreement that the following actions will be taken and items will be reported during the February 2010 Special Session.

- *The DAS Management Review Team and the agency will report on policy and practice improvements identified during its review including, but not limited to, a) contracting practices, b) use and recording of expenditures (including in-kind), c) revenue collection, d) allocation of workload, e) appropriate staffing levels, and internal controls.*
- *The State Aviation Board will take a more active role in reviewing the agency’s financial position at each meeting.*
- *The agency will establish a project tracking process and procedure to ensure the financial and construction management employees are knowledgeable about the status of each project. The agency shall report on the status of each authorized project and total, current obligations for GA Entitlement Funds.*
- *During the February 2010 Special Session, the agency will provide a status report on all currently authorized capital construction projects including an assessment of the ability to stay within budget, availability of federal resources, and completion timelines.*
- *The agency will take necessary steps to reduce expenditures where possible to minimize the anticipated cash shortfall in Operations. Additional funding options may be presented during the February 2010 Special Session.”*

I. Policy and practice improvements identified by DAS management review team and the ODA interim Director

An interim Director was appointed in mid-October 2009 to work with ODA on a part time basis while a recruitment was being conducted to hire a new Director for the Department. The interim Director requested that DAS assemble a management review team to work together with him to prepare a high level assessment of needs and to guide current actions. The work product of the DAS review team is a written report intended to guide the incoming permanent ODA Director in what he/she ought to reasonably focus their attention.

The recruitment for the new ODA Director did not result in the appointment of a permanent Director. In early February of 2010 a new interim Director was appointed for a 12-month assignment. As a result of that circumstance the various reports which originally were due in the February 2010 Special Session were deferred to the May 2010 E-Board so that the incoming Director could have more time to familiarize himself with the relevant facts.

Much has been accomplished in the last 180 days in terms of identifying issues and taking some remedial actions while also implementing organizational changes intended to more closely connect portfolios and coordinate work flow. Numerous actions identified in the DAS management review report have been implemented including:

- Cash receipting, billing, and lease management have been out sourced to DAS;
- state owned airport mowing has been outsourced to ODOT;
- a new software package developed by ODOT to manage pilot and aircraft registration is nearing completion.

Partnering with ODOT and DAS creates internal efficiencies for ODA and allows it to continue to deliver essential and important services within a downsized agency.

The Board of Aviation has reaffirmed its oversight role and has also provided direction to ODA at its December 2009 meeting. In particular, Board Chairman Mark Gardiner informed the Board that up until that point there had been an understanding that the Director ran the agency and the Board limited itself to establishing high level policy. Going forward, Gardiner informed the Board that it would assume more of a hands-on posture as envisioned by ORS 835.035(1) to work more closely in conjunction with the Department to carry out its assigned duties and functions. Further, the Board adopted the following motion at its December 2009 meeting in Portland:

“Motion: Direct the ODA Director to reform current ODA business practices related to airport management to be reasonable, consistently applied, reflect awareness of profit/loss implications, and to incorporate sound business practices in day-to-day operations, avoiding costs and maximizing the return on state assets.”

A joint review of ODA business practices by the Director, ODA managers and the DAS management review team resulted in the following summarized list of high level areas for further action:

- Migrate more resources from property management to focus on the department’s mission of enhancing aviation safety, infrastructure, and related economic development.
- Provide proper tools to manage administrative activities, assets, and resources.
- Improve audit controls.
- Better manage relationships with regulatory agencies (e.g. FAA, DOJ, DAS, LFO).
- Improve administrative rules and develop policies and supporting procedures.
- Consider realigning ODA with ODOT or have some of the administrative functions performed by ODOT and/or DAS.

A non-exhaustive sampling of specific issues that have been identified that require remedial attention and led to the above listing of themes includes the following illustrative examples.

ODA needs to develop a cost-effective system for monitoring revenue producing activities and ensuring that it receives payments that are due it. This is a matter both of fairness to lessees (taking steps to ensure that they are treated equitably) and fulfilling obligations to taxpayers by ensuring that moneys due the state are collected. There is also a current need to ensure that FAA federal grant assurances are being met. In response to this, ODA has partnered with DAS to manage its cash receipting, billing, and leasing program. This partnership will help ensure that rates and fees established by ODA represent fair market value and are equitable to all lessees. DAS will also manage the billing and collection process to ensure that ODA receives all monies due.

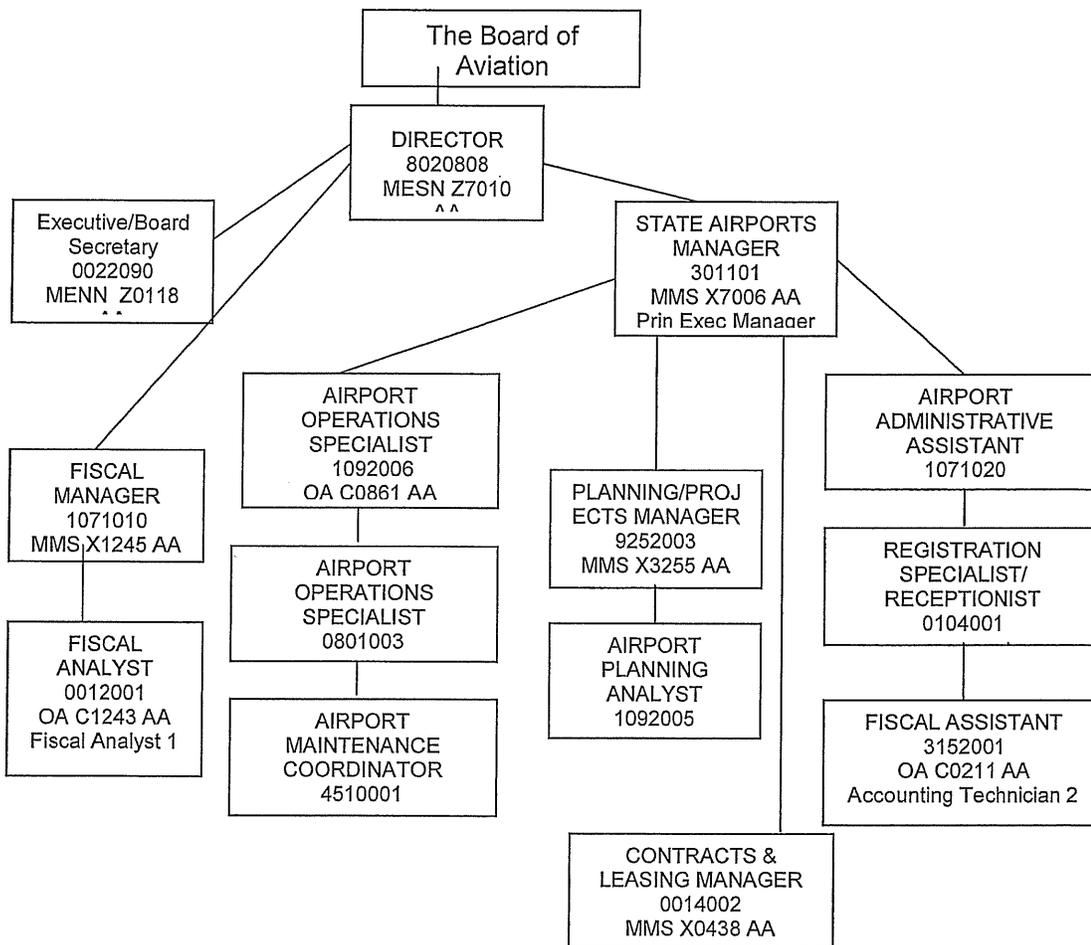
ODA needs to address the circumstances that exist in which the requirements of existing Oregon Administrative rules have been disregarded in the conduct of its business over the past 10 years. An expansive administrative rule clean up needs to occur over time in a prioritized manner to conform business practices to the requirements of OAR and vice versa however is deemed appropriate under the oversight of the Board of Aviation and with the consultation of the Department of Justice. An initial temporary rulemaking has been completed. ODA has formed an OAR Revision Advisory Committee to help develop a

list of administrative rules that need to be updated, prioritize them, and recommend revisions to the Board. Committee membership includes representatives of ODA, DAS, ODOT, and stakeholders.

ODA lacks an adequate records storage system.

ODA needs to identify and correct inconsistencies between similarly situated entities in existing lease and contractual relationships. This situation will be addressed and corrected with the newly created ODA/DAS leasing and billing partnership.

The ODA organizational chart has been revised to achieve a better integration of multidisciplinary staff work product to reduce disconnects between contracting and fiscal management. To achieve greater horizontal and vertical integration within the agency, the Oregon Aviation Board approved the organizational chart developed by the DAS Management Review Team. The new org chart has been implemented and has already made a noticeable difference in reconnecting the various disciplines within ODA. The management team has developed into a collaborative body that works together to solve problems, resolve issues, and implement Board policy.



ODA/DAS need to develop a cost allocation model that allows the costs of central administration to be allocated to the state owned airports so that ODA develops a true sense of whether or not our airports are being operated profitably. ODA needs to have an indirect cost rate approved by DAS for its use. Work is under way to accomplish this.

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ODA needs to rethink its current excess reliance on "payment in-kind" strategies which tend to under realize the fair market return to the state on its inventory of land and other aviation assets and contributes to a cash shortfall. ODA is working with DAS to provide advice as to how ODA can account on the books for the value received for in kind payments currently being accepted.

ODA needs to takes steps through an RFI process to garner the best thoughts of the external aviation community as to how to manage the aviation asset into the future and to leverage the external investments that are available through effective public/private partnerships. ODA has partnered with DAS to develop an RFP to select a Master Developer to develop state airport property that allows for immediate airport growth and provides a platform from which new and increased revenues can be generated. In addition, mid- to long-term infrastructure improvements that position the airport to respond quickly to future opportunities and changes in local business climate are encouraged.

ODA needs to correct a previously noted disconnect between contracting and fiscal/grant management. A spreadsheet tracking tool has been created and put into place for each grant/project to track costs. The portfolio managers are working together to share information to ensure that projects are on track and within budget. ODA needs to acknowledge and react to a substantial decrease in projected jet fuel tax revenue incorporated into the legislatively approved budget. A combination of changes to reduce operational expenses in addition to legislative action to provide for short term availability of statutorily restricted pavement maintenance funds have been undertaken to cover operational costs and provide for an adequate operations ending fund cash balance to commence the 2011-13 biennium.

II. ODA's financial position

ODA is projecting the following ending fund cash balances:

09-11 projected Cash Flow summary
5/10/2010

	APPN	30000 Operations 450,000	31000 Search & Res.	36000 A/C Regist.	37000 PMP	60000 Ops FF	34000 GA Entitlement	64000 GA Ent FF	Cap Const.
Material outstanding A/R									
estimated BEGINNING FUND BALANCE		816,488	27,474	38,882	924,508	(2)	0	12,161	(12,226)
REVENUE	OBJEC T								
Motor Fuels Taxes	0175	2,300	0						
Other Non-Business Licenses & Fees	0210	280,334	123,859	548,160					
Fines and Forfeitures	0505			2,664					
Rehts & Royalties	0510	519,470							
Donations and Grants	0905	0							
Other Revenue	0975	296,475							
Federal Fund Revenue	0995					350,000		2,117,969	3,226,984
SUBTOTAL REVENUE		1,098,579	123,859	550,824	0	350,000	0	2,117,969	3,226,984
TRANSFER IN									
Transfer In from Other	1010	50,000	0				111,475		383,150
Non-PMP (ODOT)	1730	1,506,632							
PMP	1730	0			1,997,163				
A/C Registration	1730	0							
SUBTOTAL TRANSFERS IN		1,556,632	0	0	1,997,163	0	111,475	0	383,150
TRANSFER OUT									
Transfer out to Other	2010	0	0	(111,475)			0		
Transfer Out-Intrafund (OF Cap. Const.)	2010	0	0	(383,150)					
Transfer Out-Intrafund (OF Ltd.)	2010	0	(51,751)	0					
SUBTOTAL TRANSFERS OUT		0	(51,751)	(494,625)	0		0		
TOTAL REVENUE		2,655,211	72,108	56,199	1,997,163	350,000	111,475	2,117,969	3,610,134
EXPENDITURES									
PERSONAL SERVICES									
TOTAL PERSONAL SERVICES		2,034,118	87,715	57,715	-				
SERVICES AND SUPPLIES									
SUBTOTAL SERVICES & SUPPLIES		1,539,984	17,741	27,475	1,142,583	327,268	111,475	2,117,969	3,323,141
CAPITAL OUTLAY									
SUBTOTAL CAPITAL OUTLAY		0	-	0	-	-			-
SPECIAL PAYMENTS									
SUBTOTAL SPECIAL PAYMENTS		-	-	-	-	-			-
TOTAL EXPENDITURES		3,574,102	75,456	85,190	1,142,583	327,268	111,475	2,117,969	3,323,141
estimated ENDING FUND BALANCE		(102,403)	24,127	8,991	1,779,088	22,730	0	12,161	274,787

NOTES:

No PS in PMP at this time as projects have been stopped.

Most notably, the Operations projected ending fund cash balance is a deficit \$97,140. Those figures already take into account remedial actions ODA has already undertaken to address the deficit. The Operations deficit began at \$461,00 and has been reduced to \$97,140. **ODA will not be able on it's own to fully resolve this deficit and provide for a positive ending fund operations cash balance equal to three months operating expenses by the end of the current biennium.** Legislative approval was obtained in the 2010 Special Session (HB3696) to allow ODA to make use of the statutorily (ORS 836.072) protected revenue in the PMP account for the balance of the current biennium. ODA has already curtailed its second year PMP program activities.

The jet fuel and avgas forecast for revenues have decreased substantially. December 2008 gross transfer was estimated at \$5,024,474 and the most current estimate for December 2009 gross amount is \$4,370,744 – a decline of \$653,730. ODOT's staff stated: "Basically, things were weaker in 2009 than we had forecast before (principally second and third quarters), coupled with slow projected economic recovery and a troubled airline sector, make for a lower outlook than before."

This is corroborated by the Department of Transportation news dated Thursday January 14, 2010 stating:

System Traffic Down 1.4 Percent from October 2008

The number of scheduled domestic and international passengers on U.S. airlines in October 2009 decreased by 1.4 percent from October 2008, declining by 0.9 million to 58.8 million, the Department of Transportation's Bureau of Transportation Statistics (BTS) today reported. October marked the 18th month out of the last 19 months with a decrease in passengers from the previous year.

BTS, a part of DOT's Research and Innovative Technology Administration, in a release of preliminary data, reported that U.S. airlines carried 1.3 percent fewer domestic passengers than in October 2008. International passengers on U.S. carriers decreased 2.8 percent.

For the first 10 months of 2009, the number of scheduled domestic and international passengers on U.S. airlines declined by 6.3 percent from the same period in 2008, dropping to 592.1 million, 39.8 million fewer than a year earlier, and the lowest January-to-October total since 2004.

U.S. airlines carried 6.2 percent fewer domestic passengers and 7.2 percent fewer international passengers in the first 10 months of 2009 than during the same period in 2008.

Increase of fees:

- Search and Rescue (pilot registration) – has provided sufficient fund balance to allow ODA to make a transfer to OEM for one-half of the budgeted amount - \$25,875 transferred in January 2010. Future projections show the ability to make the second ½ payment in August 2010 and still have an ending fund balance by June 30, 2011 of approximately \$26,000. The projections include no increases in search and rescue reimbursement requests at this time. Per the budget note, both agencies will report to the September e-board on sustainability of the program.
- Aircraft Registration – Increases have allowed us to meet the 5% match requirement for Capital Construction and General Aviation Entitlement projects and still leave an ending fund balance of \$9,892.

In September 2009, a letter was sent to Pilots and Aircraft owners informing them of the increases in fees. Sent along with the letter was the form to submit registration information. The form was returned with

payments for some who were not due at the time. This increased our collection during the month and since has tapered back to normal trends. This one time increase results in about a 4% prepaid fee for pilots and less than 1% prepaid fee for aircrafts.

Mulino State Airport:

For the last 8 months, Mulino Airport's revenues have exceeded its direct costs by \$403, excluding consideration of the one time revenue of \$450,000 from PDX In March, 2010. Noteworthy here is that absent any kind of an allocation of the costs of central overhead it is impossible to say the airport is profitable or not. Of the \$450,000 received from PDX for Mulino, \$320,000 was intended to be available for the purchase of the Cougar Development hangars. The purchase did not take place and the \$320,000 has been consumed by Operations expenditures. The purchase of the Cougar Hangars was not consummated because ODA could not come to terms with the owner.

ODA had 15 tenants in old wooden hangars at Mulino. ODA received repeated calls from tenants in this facility complaining about rampant roof leaks, non-functioning hangar doors, and problems associated with a bird infestation. ODA engaged professional staff at the State Department of Administrative Services to travel to the airport and to physically examine the buildings. Their report indicated that the building had eclipsed its serviceable lifespan and the cost of further repairs was not warranted. The hangars were over 50 years old. The hangars have been demolished and all displaced tenants were offered space in ODA's new hangars. Eleven tenants moved into the new hangars, two sold their aircraft, and two moved to other nearby airports.

ODA actions to reduce operating costs:

A temporary employee was prematurely released from his assignment. The limited duration Airport Operations Specialist FTE was informed his position would not be continued past March 31, 2010. ODA has laid off an additional permanent staff FTE effective March 31, 2010, thereby initiating two rounds of staff bumping within the agency. The Leasing Manager and Executive Secretary are both currently on one-year job rotations to ODOT. ODA does not intend to fill either of these positions at the conclusion of the rotational assignments resulting in two additional FTE reductions. Two leased vehicles have been removed from the ODA fleet.

ODA examined its current service delivery model which utilizes centrally located Salem staff to travel around the state to mow grass at its airports. In past practice, ODA would hire two temporary workers to augment its two maintenance employees to support its mowing operations. Costs associated with this operation include salary, per diem expenses, and overtime for four FTE as well as fuel for vehicles and equipment, equipment repair, and non-productive travel time.

To gain internal efficiencies and reduce costs, ODA has outsourced its mowing activities via intergovernmental agreement (IGA) to ODOT. ODOT has maintenance forces and mowing equipment superior to ODA's, located throughout the state. With this IGA, ODA reduced its full time maintenance staff by one FTE as well as not hiring two temporary positions. In addition to these salary savings, the costs associated with per diem, overtime, fuel, and equipment repair are avoided and non-productive travel time is substantially reduced.

ODA will continue to perform remaining airport maintenance activities in house with existing FTE.

ODA has outsourced a significant part of its leasing program. ODA will continue to manage the leasing program but will outsource the development of the leasing documents to DAS Facilities. Prior to this arrangement with DAS, ODA did this work in house through its Leasing Manager position (now vacant) which consumed the majority of her time. The ODA Airports Manager is now responsible to manage the leasing program and will negotiate the terms and agreements and DAS will take care of leasing documents. DAS' fees are 1.2% of annual lease sales which is a fraction of the costs associated with the Leasing Manager position.

ODA Grant Funding:

ODA receives entitlement grants for capital projects, described below in the "Status of Construction Projects" section of this letter and budgeted in the GA Entitlement and capital construction program units. In addition the department receives systems planning grants for certain projects. These consist of various projects that have Oregon aviation system-wide impact. Projects for the current biennium include pavement evaluations, aerial photography, Pavement Maintenance Program historical report, and statewide Capital Improvement Planning. Grant match for projects related to Pavement Maintenance Program expenditures is paid with pavement maintenance match funds. Match for all other system planning projects is paid from operations.

III Status of Construction Projects

Project Status

Below are a listing and brief description of current and planned (2010) GA Entitlement and Capital projects, and System Planning activities. Barring unforeseen circumstances related to bid pricing, environmental conditions, Acts of God, future economic conditions, etc. the projects will remain within the noted project schedules. Federal Aviation Administration has reviewed and approved the projects and related costs either through grant award or acceptance of submitted Capital Improvement Project planning document submission.

GA Entitlement Current

Aurora Obstruction Removal – Total \$105,263; Fed \$100,000; GAE \$5,263

Project involves the removal of approximately 7 acres of trees and brush adjacent to Aurora State Airport. Project is currently on hold until October 2010 due to environmental considerations. Request for Quotes will be issued in September 2010 with work start in late October 2010. Estimated project length: 2 months

Aurora Master Plan and Air Traffic Control Tower Siting Study – Total Actual and Planned: \$603,000; Fed \$573,000; GAE \$30,000

Tower citing study is underway with final study to occur in February 2011 with ODA visit to FAA in Atlantic City, New Jersey. Master Plan currently postponed until June 2010. Master Plan completion anticipated for September 2011. Total project completion scheduled for November 2011.

Cottage Grove Obstruction Removal Phase I - \$84,000; Fed \$80,000; GAE \$4,000

Phase 1 obstruction surveying nearly complete. Remainder of work is to occur over 2 month period with restart in June 2010.

Independence ALP Update and Runway Striping - \$33,000; Fed \$31,350 GAE \$1,650

Project recently completed with final FAA approval of ALP. Grant close-out scheduled to occur by June 2010.

Joseph Beacon Tower, Automated Weather Observation System (AWOS), and ALP Update - \$336,237.00; Fed \$308,500 GAE \$16,237

Construction of new beacon tower and addition of an AWOS has been completed. Final commissioning of AWOS occurred in February 2010. Engineering update of ALP to be finalized by July 2010. Project completion scheduled for July or August 2010.

Pavement Maintenance Match – Total \$157,894; Fed \$150,000; GAE \$7,894

Airports participating in the Pavement Maintenance Program (PMP) must provide a match to PMP funds. For federally funded airports this match comes from federal grants. The grant and match are allocated to Federal match and GA Entitlement. Construction work associated with this project is anticipated to begin in June 2010 with construction being complete in early August. Project closeout is anticipated for October 2010.

Statewide Small Projects/Equipment Acquisition - \$89,000; Fed \$84,550 GAE \$4,450

This project involves the purchase of various navigational aids for federally funded airports within ODA's ownership. Acquisition scheduled to occur by June 2010 with ODA staff installing equipment during the summer of 2010.

2009-2011 Statewide System Planning – Total \$368,421 Fed 350,000 Operating Funds Match \$18,421
The FAA System Planning grant consist of various projects that have Oregon aviation system impacts. Projects include pavement evaluation, aerial photography, and a Pavement Maintenance Program review report. Projects vary from year to year depending on available FAA funding and system needs. Recently FAA has requested a partnership with ODA to develop a statewide Capital Improvement Program. To accomplish this, \$100,000 of additional FAA System Planning grant funds will be necessary. The total new Operations Federal Funds limitation will increase to \$350,000. The 5% state match for this grant is from ODA's operations budget. An additional ODA match of \$5,263 will be necessary for the increased federal funds. ODA is requesting an increase of \$100,000 for Operations Federal Funds.

GA Entitlement Planned

Planned GA Entitlement projects have recently been reorganized to compensate for additional expected costs associated with the Joseph Runway Rehabilitation project. Projects previously submitted for consideration have been delayed to future years in ODA's project planning schedule.

Cottage Grove Obstruction Removal Phase II - Total \$105,263; Fed \$100,000; GAE \$5,263

Due to timing of FAA grants Phase II only consisting of permitting and removal design to occur in 2010. Phase II to begin in June 2010 with a 6 month expected project timeline.

Cottage Grove Obstruction Removal Phase III - Total \$105,263; Fed \$100,000; GAE \$5,263

Due to timing of FAA grants and environmental considerations, actual removal is scheduled to occur in 2011. While work may not commence until after the next biennium, FAA applications will need to be submitted in the current biennium.

Pavement Maintenance Match – Total \$263,158; Fed \$250,000; GAE \$13,158

Airports participating in the Pavement Maintenance Program (PMP) must provide a match to PMP funds. Airport match requirements vary from 5% to 50% based on an airport's classification within the Oregon Aviation System Plan. For federally funded airports this match comes from federal grants. The grant and match are allocated to Federal match and GA Entitlement. Match projections are based on historical PMP data and level of participating airport match.

Siletz Bay Obstruction Removal Phase I - Total \$105,263; Fed \$100,000; GAE \$5,263

This project will involve obstruction survey work and preliminary design for obstruction removal. Anticipate start is scheduled for July 2010 with completion in December 2010.

Siletz Bay Obstruction Removal Phase II – Total \$184,000; Fed \$175,000 GAE \$9,000

Due to timing of FAA grants and environmental considerations, actual removal is scheduled to occur in 2011. While work may not commence until after the next biennium, FAA applications will need to be submitted in the current biennium.

Capital Project

Aurora State Airport Land Acquisition and Taxiway Relocation - \$4,356,816.00 Fed; \$229,306 State

This project involved land acquisition and relocation of the airport's parallel taxiway to meet current FAA safety standards for taxiway/runway separations. ODA is in the process of closing federal grants for this project with total project close-out anticipated for June 2010.

Bandon State Airport Taxiway and Apron Rehabilitation – \$900,000 Fed; \$47,368 State

Due to FAA compliance inspections, this project has been modified to address safety and security concerns first. Runway Safety Area (RSA) improvements, obstruction removal, fencing, and Automated Weather Observation System (AWOS) are currently under design. Project to be phased with Obstruction Removal to occur in 2010, RSA improvements in 2011, and fencing and AWOS postponed indefinitely. ODA is requesting a title change from the currently authorized capital expenditure authorization to reflect the actual scope of work.

Chiloquin State Airport Apron Rehabilitation and Obstruction Removal – \$645,000 Fed; \$33,947 State

After consultation with FAA, project as originally submitted will be changed to address poor pavement conditions of the runway. While the anticipated total project will cost approximately \$2.5 million, design work of \$200,000 only will occur in the current biennium. Once engineering design services are complete and an engineer's estimate is in hand, ODA will seek further limitation and project name change during the next budget cycle.

Cottage Grove Runway Safety Area Improvement, Fencing, and Security Lighting – \$910,000 Fed; \$47,894 State

Construction for this project is complete. Project remains open to allow for expenditures associated with necessary environmental monitoring.

Independence Land Acquisition – \$743,350 Fed; \$39,124 State

Project involved acquisition of approximately 40 acres adjacent to Independence State Airport. This project has been cancelled due to high appraised value of land and potential environmental implications.

Lebanon Runway, Taxiway and safety improvements– \$2.135M Fed; \$141,488 State

Project involves ditch relocation, runway widening, runway overlay, Medium Intensity Runway Lights (MIRLs), taxiway rehabilitation, taxiway overlay, Precision Approach Path Indicators (PAPIs) Installation, electrical improvements, and drainage improvements. Project was initially phased over 2 years due to insufficient FAA funding. ODA added additional work in Phase II of the project to address failed taxiway pavement conditions realized during the project’s initial phase. ODA anticipates final work to begin in June of 2010 with complete project close out to occur in December 2010. Total project cost is approximately \$3.1 million.

Joseph Runway Rehabilitation – \$1,500,000 Fed; \$75,000 State

This project is currently in design phase with bids expected to be released in January 2011 and construction to begin in 2011 as weather permits. Initial projects estimates were based on assumption after conversations with engineers and the FAA that partial runway reconstruction and entire overlay were necessary for sufficient rehabilitation. After completion of contracted engineer’s design report it has become apparent that a full runway reconstruction is necessary. ODA is requesting approval to allow for a total project cost (engineering and construction) of \$2.5 million.

Action Requested

The Department of Aviation respectfully requests the following:

1. Acknowledge receipt of this report to meet the requirements of the budget notes.
2. Increase the following limitations:

	Federal Funds	Other Funds
Lebanon State Airport		
Capital construction	\$ 711,353	\$ 118,320
Joseph State Airport		
Capital Construction	\$1,000,000	\$ 50,000
General Aviation Entitlement	\$1,397,696	\$ 75,472
Operations Federal Funds	\$ 100,000	\$ 5,263*

*Other Funds are from existing operations

Legislation Affected

For Lebanon Airport, increase Other Funds Capital Construction expenditure limitation established by chapter 742, section 1(10f), Oregon Laws 2007 for the Department of Aviation.

For Lebanon Airport, increase Federal Funds Capital Construction expenditure limitation established by chapter 742, section 2(2f), Oregon Laws 2007 for the Department of Aviation.

For Joseph Airport, increase Other Funds Capital Construction expenditure limitation established by chapter 904, section 1(8), Oregon Laws 2009 for the Department of Aviation.

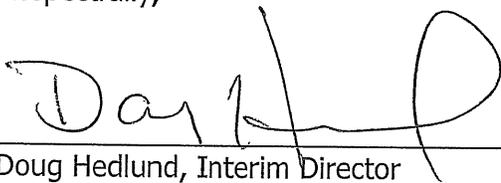
For Joseph Airport, increase Federal Funds Capital Construction expenditure limitation established by chapter 904, section 2(2), Oregon Laws 2009 for the Department of Aviation.

For General Aviation Entitlement, increase Other Funds expenditure limitation established by chapter 645, section 1(5), Oregon Laws 2009 for the Department of Aviation.

For General Aviation Entitlement, increase Federal Funds expenditure limitation established by chapter 645, section 2(2), Oregon Laws 2009 for the Department of Aviation.

For Operations Federal Funds, increase Federal Funds expenditure limitation established by chapter 645, section 2(1), Oregon Laws 2009 for the Department of Aviation.

Respectfully,



Doug Hedlund, Interim Director
Oregon Department of Aviation

Scott L. Harra, Director
Department of Administrative Services