



# OREGON DEPARTMENT OF AVIATION

May 7, 2020

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# **CONSENT AGENDA**

## **APPROVAL**

- April 2 Board Meeting Minutes (Audio/Video and Action Agenda)



# **PUBLIC COMMENTS**

*(Limited to 2 minutes per speaker)*



# **DIRECTOR'S UPDATE**

BETTY STANSBURY

# Director's Update

May 7, 2020



Owyhee State Airport, 4/18/20

Photo Courtesy Bob Bement, Vale OR

# **PRESENTATION AGENDA**

JUNE 8, 2018

- CARES Act
- AIP 2020
- AIP 2021
- Additional federal or state assistance
- Budget Instructions/Revenue Forecasts
- Planned budget cuts
- Legislative request
- Contingency Planning



# **Coronavirus Aid, Relief and Economic Security** **(CARES) Act** March 27, 2020

\$2 Trillion in funds

\$10 Billion to Airports (3300 NPIAS) (High \$1.08B CA, low \$257K DE)

\$140 Million to Oregon airports (55 NPIAS) (High PDX \$72M, Low \$1K)

\$137M to the six commercial service airports (98%)

\$72M to Port of Portland

\$22M to Eugene

\$16.8M to Pendleton

\$15M to Medford

\$8.9M to Redmond

\$2.5M to North Bend

Can be used for any expense that airport revenues can be used for  
(including operating costs, equipment purchases).



## CARES Act funding for GA Airports

\$100M for General Aviation Airports

49 GA airports in OR (\$1.8M total, amounts varied from \$157K- \$1K)

\$157K **2 airports** - Aurora and Hillsboro

\$69K **8 airports** - Bend, Corvallis, Hermiston, Klamath Falls, McMinnville, Newport, Roseburg, Salem

\$30K **23 airports** - Albany, Ashland, Astoria, Baker City, Bandon, Brookings, Burns, Illinois Valley, Creswell, The Dalles, Florence, Grants Pass, Hood River, Independence, La Grande, Lebanon, Madras, Mulino, Ontario, Troutdale, Prineville, Scappoose, Tillamook

\$20K **12 airports** - Chiloquin, Christmas Valley, Condon, Cottage Grove, Siletz Bay, Gold Beach, John Day, Joseph, Lakeview, Lexington, McDermitt, Myrtle Creek,

\$1K **3 airports** - Boardman, Seaside, Wasco

12 state owned airports, total \$398K



## **AIP 2020 grants**

On April 30<sup>th</sup> FAA announced **\$731M in AIP grants**  
**\$7M to 11 Oregon airports**

Baker City \$333,333

Condon \$1,091,164

Corvallis \$333,333

Gold Beach \$166,667

Hermiston \$177,778

Creswell \$166,667

Hood River \$2,004,769

Lexington \$166,667

Medford \$2,176,687

Tillamook \$166,667

State of OR \$277,778

As well as **\$455M in AIP Supplemental Grants**

**\$6.8M to 2 Oregon Airports**

Salem \$3,483,333 for a taxiway reconstruction

Tillamook \$3,333,333 for an apron rehabilitation

## AIP 2021

The CARES Act included a provision suspending the federal aviation excise taxes through the end of this year. These taxes (on airline passenger tickets, fuel, cargo waybills and a few others) were generating about \$43M/day prior to the pandemic. These revenues fund 99% of the FAA's operating costs, as well as the Airport Improvement Program. The FAA is projected to deplete the remaining reserves in the trust fund and, absent another funding source, will become insolvent in October.

18 of the Aviation alphabet groups and Congressman DeFazio (in his role as Chairman of the Transportation and Infrastructure Committee) have written to congressional leadership to address the shortfall. Congress is unlikely to allow FAA Operations (including the Air Traffic Control system) to cease operating, **but it is less clear if AIP will be funded in 2021, or at what level.**

## Additional assistance from federal or state government?

When I contacted Congressman Defazio's staff on April 14<sup>th</sup> to thank them for the heads up on the CARES Act details, I asked that if there was future additional assistance to airports, could it include assistance for the state aviation agencies (that are also struggling due to declining fuel tax revenues)? The response I received was "I think it'll be a tough lift for aviation departments uniquely. We did just give states and large cities \$500M to make up for lost revenue, which theoretically can help cover user fee agencies. I know its not enough and we are working to make that number higher in the next package."

Unlike most of our sister state aviation agencies – we are not a part of a DOT. As a stand-alone agency, **we receive no state funding**. We exist off the fuel tax revenues and what we can generate from leases and fees. Given the financial circumstances and needs of the other 86 state agencies, we are unlikely to receive any state funds.



## A challenging time for aviation and Oregon

Airlines are reporting a 95% reduction in passengers and are parking and retiring their fleets. Alaska Airlines has parked 80% of their fleet. American Airlines plans to retire 100 of their 950 aircraft. United just announced plans to reduce its workforce by 30% on Oct. 1<sup>st</sup>. The more financially vulnerable regional airlines may not survive past September (when the strings attached to the CARES Act expires), and bankruptcies have started. Airports are seeing aircraft operations decline by up to 95%. Port of Seattle is reporting a 90% drop. An article in Forbes is reporting a nationwide drop in aircraft ops of 62%, with airline flight operations down 74%.

The duration of the event is unknown, and recovery will be driven by consumer confidence in the safety of the air travel. Even heavy fare discounts may be insufficient to overcome the fear factor. General aviation, especially flight training, has been significantly impacted by social distancing requirements. Oshkosh 2020 has been cancelled. Business aviation travel has also declined, as companies conserve cash and reduce operating expenses.

Speculation on recovery time varies. Orlando Int'l Airport (which is heavily dependent on tourism related travel) estimated it will take **5 years** to return to pre-pandemic traffic levels. Airlines estimate nationwide it will take **3-5** years.

Unemployment is expected to reach 16-20% this summer.

**Requests for financial assistance from all sectors of the economy may outstrip federal and state capacity, regardless of need.**

# Take away?

- The storm is here.
- We are unlikely to get any additional federal or state financial assistance.
- ODA must be prepared to operate from its own resources for the foreseeable future.



## Budget Instructions

Oregon is a balanced budget state, meaning we cannot deficit spend. The next official state revenue forecast is due out on May 20<sup>th</sup>. Revenues are expected to be \$2-3B lower than forecasted. In preparation for that, the 87 state agencies have been directed to plan for budget cuts to the current two year budget (which is almost half over). General Fund agencies have been directed to prepare an **8.5% total budget cut**. Other Funded agencies (like ODA) have been directed to plan to **reduce their expenses to their expected revenues**.

For ODA, we can reach that amount in the restricted accounts, but not in the operating account. The ODOT Revenue Forecasting office is projecting the averaged drop over the remaining 15 months of the budget to be 45% (larger drops in the next three months, then gradually improving for the remainder of the budget). Since about two-thirds of our operating cost is salary and benefits, and much of the remainder is fixed or unavoidable costs, we can reach a 10-15% reduction, but a 45% reduction will result in an inability to meet state statutory requirements or federal regulations.

The budget instructions state that for all agencies, we **cannot cut or eliminate statutorily mandated services** (such as obstruction evaluation, planning coordination, aircraft registration, airport licensing and inspection, etc.).

ODA is requesting an exemption to be allowed to cut to 8.5% rather than 45%.

# Revenue & Expense snapshot

## **FY19 Revenues**

Operating Revenues	\$2,335,679
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## **Restricted Revenues**

Aircraft registration	\$390,425
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Pavement Maintenance	\$1,084,216
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GA Entitlement (ASAP grants)	<u>\$4,137,770</u>
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Total FY 19 revenues	<b>\$7,948,091</b>
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## **Operating Expenses**

Salaries and Benefits	\$1,574,500
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Supplies and services	<u>\$895,000</u>
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Total	\$2,469,500
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# Cash balances and expenses

As of May 1<sup>st</sup> , operating cash balance was \$798,270.

<u>Restricted accounts</u>	<u>committed</u>	<u>uncommitted</u>
Aircraft Registration	\$226,842	\$ 637,399
Pavement Maintenance	\$888,230	\$ 115,308
ASAP Grants		\$6,921,802
ROAR	\$559,528	\$3,104,437
COAR	\$4,976,889	\$517,167
SOAR	\$1,400,000	\$3,300,197



## **Potential Budget cuts -operational**

- 1) Furlough
- 2) Salary freeze
- 3) Staff reductions
- 4) Eliminate all out of state travel
- 5) Reduce in-state travel to maintenance only  
(includes Board travel)
- 6) Eliminate employee training
- 7) Reduce office expenses
- 8) Reduce telecommunication charge
- 9) Reduce ODOT Central Services
- 10) Reduce fleet size

# **Eliminate all travel except maintenance**

All Board travel (virtual meetings for remainder of budget cycle)

OR League of Cities (unless in Salem or nearby)

OR Association of Counties (unless in Salem or nearby)

Western Region Airport Property Management

OR Airport Managers Association (unless in Salem or nearby)

National Association of State Aviation Officials

Disadvantaged Business Enterprise

FAA NW Mountain Region Conference

Contract Tower Association Annual meeting

AUVSI Exponential

American Assn of Airport Executives Annual/Chapter meetings

## **Proposed Budget Cuts**

Projects we are **postponing** (all self funded through SOAR):

- Prospect Runway Rehab (\$1.5M)

- Cape Blanco obstruction removal, pilots lounge, ALP update (\$105K)

- Cascade Locks Obstruction removal, pilots lounge, ALP update (\$285K)

- Pacific City Land acquisition, Ramp paving, Drainage impvs (\$430K)

- Toledo ramp repair (\$80K)

- Joseph tractor (\$100K)

Projects we are **proceeding** with:

- Condon Runway Rehab \$982K (100% federal)

- Siletz Bay Taxiway Rehab \$558K (100% federal)

- 2020 System Plan \$250K (100% federal)

## **Budget Cuts, continued**

Design contracts we are **continuing**:

Independence and Cottage Grove fencing

Design contracts we are **starting**:

Aurora, Mulino and Chiloquin obstruction removal and  
easement acquisition

Other cuts:

Cancelling all marketing/engagement activities, including  
100<sup>th</sup> anniversary events

Cancelling plans for ODA office building replacement

# Statutory or regulatory obligations

Federal and State regulatory requirements cannot be shed, even during budget cuts. Transferring the requirement to another agency would likely require funding to transfer with it, and is subject to staffing availability and competency at the acquiring agency.

## Statutory

Obstruction Evaluations

Master Planning

Statewide planning

Aircraft registration, airport and aircraft dealers license

## Regulatory

Maintenance at 12 federally funded airports

Airport 5010 Inspections

## Legislative Ask

Permission to use current uncommitted cash balance in the statutorily restricted accounts (aircraft registration, pavement maintenance, ASAP) for operating costs, **on an as needed basis only**, for an eighteen month period of July 1, 2020 through December 31, 2021.

Legislative Fiscal Office has determined that the request must go before the full Legislature rather than the Emergency Board.

The Legislature will go into session the last week of January, unless the Governor calls a special session sooner.

## **What happens if there is no special session before January?**

Operating Cash balance on May 1 was \$798,270.

IF the ODOT Revenue forecast is accurate, operating cash balance could be depleted by early next year. We will know in later this summer if the forecast was accurate.

The Legislature is expected to convene late January. It may take 30 days or more to push a bill through, so there could be a gap in funding authority. In discussions with DAS/CFO to borrow money from Treasury, if needed.

Absent funding authority or borrowed cash, we would attempt to temporarily reassign staff to other state agencies (such as ODOT and DAS). Statutorily required activities (such as obstruction evaluations) would go with the staff, life/safety maintenance of 12 federally obligated airports would continue, all other maintenance would be postponed, grant administration (including payments to local airports) would pause, construction would be minimally impact (due to time of year).

# State owned Airports

- Federally obligated (12)

Aurora  
Bandon  
Chiloquin  
Condon  
Cottage Grove  
Independence  
Joseph  
Lebanon  
McDermitt  
Mulino  
Siletz Bay  
Wasco

- Non-federally obligated (16)

Alkali Lake	Santiam Junction
Cape Blanco	Toketee
Cascade Locks	Toledo
Crescent Lake	Wakonda Beach
McKenzie Bridge	
Nehalem Bay	
Oakridge	
Owyhee Reservoir	
Pacific City	
Pinehurst	
Prospect	
Rome	



# Impact of potential Airport Closures

Federally obligated airports (12) – temporary or permanent closures **require FAA approval**

Permanent closures also require reimbursement of federal funds (prorated for the remainder of the useful life of the improvement (generally 20 years), so a grant issued in 2005 would have 5 years remaining or 25%, or for land acquisition, the current fair market value) as well as early termination compensation for affected leaseholds.

Our potential repayment for federal funds at all 12 federally obligated airports for the last 15 years (excluding land acquisition) would be over \$16.5M.

Non-federally obligated airports (16) – no FAA approval required, early termination compensation for leaseholders (27).

# Summary

- ODA faces some significant challenges ahead, as all of aviation does. The ride is about to get bumpy, but there are blue skies ahead. ODA has been in existence for almost 100 years, and we will weather this storm.
- If you want to go fast, go alone.  
If you want to go far, go together.

Oregon State Raptor, the Osprey



# QUESTIONS?

**Photo courtesy Tony Beach, ODA  
State Airports Manager**



# Legislative Update



# **AIRPORT OPERATIONS UPDATE**

TONY BEACH



# **ADMIN. & FINANCE DIVISION UPDATE**

KRISTEN FOREST

# Finance & Admin Division Update

- Operations Revenue
- FAA CARES Grant



# Finance & Admin Division Update

## Operations Revenues

Oregon Department of Aviation			
Operations			
BI 19-21 April 2020-June 2021 15 Months			
	15 mos. Projected	Average Monthly	Percentage of Forecast Before Reduction
Beginning Balance	\$ 769,335		
Revenue:			
Jet Fuel Tax	\$ 871,762	\$ 58,117	47%
Avgas Tax	\$ 109,938	\$ 7,329	58%
Mogas Tax	68,522	\$ 4,568	100%
Other NonBusiness Licenses and Fees	135,294	\$ 9,020	50%
Rebates & Recoveries	1,037	\$ 69	100%
Othr Chrgs For Servs	23,238	\$ 1,549	100%
Fines and Forfeits	2,094	\$ 140	100%
Rents and Royalties	268,801	\$ 17,920	75%
Other Revenue	147,235	\$ 9,816	70%
TOTAL REVENUE	\$ 1,627,921	\$ 108,528	55%
Expenditures:			
Personal Services	1,849,124	123,275	
Service & Supplies	1,126,403	75,094	
Capital Outlay & Special Payments		-	
TOTAL EXPENDITURES	2,975,527	198,368	
Ending Balance	\$ (578,271)	\$ (89,840)	
	BURN RATE	\$ 89,840	



# Background-

### **Coronavirus Aid, Relief, and Economic Security (CARES) Act**

Title XII of Division B of the CARES Act provides approximately \$10 billion to support U.S. airports experiencing severe economic disruption caused by the COVID-19 public health emergency. This funding will be distributed to airports to prevent, prepare for, and respond to the impacts of the COVID-19 public health emergency.

General Aviation Airports. At least \$100 million is available to general aviation airports for any purpose for which airport revenues may be lawfully used. These funds are allocated based on the categories published in the most current NPIAS, reflecting the percentage of the aggregate published eligible development costs for each such category, and then dividing the allocated funds evenly among the eligible airports in each category, rounded up to the nearest thousand dollars.

## \$398,000 Available for ODA

CARES Act Airport Grant: State-Owned Airports in Oregon				
State	City	Airport Name	LOC_ID	Totals
OR	Aurora	Aurora State	UAO	\$157,000
OR	Bandon	Bandon State	S05	\$30,000
OR	Chiloquin	Chiloquin State	2S7	\$20,000
OR	Condon	Condon State Pauling Field	3S9	\$20,000
OR	Cottage Grove	Cottage Grove State	61S	\$20,000
OR	Gleneden Beach	Siletz Bay State	S45	\$20,000
OR	Independence	Independence State	7S5	\$30,000
OR	Joseph	Joseph State	JSY	\$20,000
OR	Lebanon	Lebanon State	S30	\$30,000
OR	McDermitt	McDermitt State	26U	\$20,000
OR	Mulino	Mulino State	4S9	\$30,000
OR	Wasco	Wasco State	35S	\$1,000
				\$398,000



# Finance & Admin Division Update

## Operations Revenues

Oregon Department of Aviation			
Operations			
BI 19-21 April 2020-June 2021 15 Months			
	15 mos. Projected	Average Monthly	Percentage of Forecast Before Reduction
Beginning Balance	\$ 769,335		
Revenue:			
Jet Fuel Tax	871,762	58,117	47%
Avgas Tax	109,938	7,329	58%
Mogas Tax	68,522	4,568	100%
Other NonBusiness Licenses and Fees	135,294	9,020	50%
Rebates & Recoveries	1,037	69	100%
Othr Chrgs For Servs	23,238	1,549	100%
Fines and Forfeits	2,094	140	100%
Rents and Royalties	268,801	17,920	75%
Other Revenue	147,235	9,816	70%
CARES Act Federal Funding	398,000	\$ 26,533	
TOTAL REVENUE	\$ 2,025,921	\$ 135,061	68%
Expenditures:			
Personal Services	1,849,124	123,275	
Service & Supplies	1,126,403	75,094	
Capital Outlay & Special Payments		-	
TOTAL EXPENDITURES	\$ 2,975,527	\$ 198,368	
Ending Balance	\$ (180,271)	\$ (63,307)	
BURN RATE		\$ 63,307	

# **CARES ACT Funding**

## **BOARD VOTE**

**(approve/reject)**

**the acceptance of a \$398,000 CARES Act grant from the FAA for the use of ODA's operational costs**



# OREGON DEPARTMENT OF AVIATION

ASAP Grant Program discussion  
Betty Stansbury/Heather Peck  
May 7, 2020

## **Grant Summary**

At the February 11<sup>th</sup> board meeting, the Board approved COAR grants to 21 airports for Priority 1 projects (local match on FAA AIP funded projects - \$2M) and three Priority 2 projects (\$400K). The Board also approved \$1.4M for 7 projects under the SOAR program.

On March 27<sup>th</sup>, the federal CARES Act was signed, providing \$500M to pay for the local match on FAA AIP projects.

At the April 4<sup>th</sup> Board meeting, there was initial discussion on what to do with the approximately \$2M COAR savings, and the Board directed staff to hold over the discussion until the May Board meeting.

Staff is recommending going forward with the matching share on FFY 19 AIP grants for Priority 1, as well as the Priority 2 approved grants, but carrying the remainder funds to the planned fall 2020 grant cycle. Staff is recommending pausing the SOAR projects until this fall. This will allow sufficient time to determine actual impacts of the fuel tax revenue drop, and to meet the governors mandated budget cuts.



# QUESTIONS?

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