

CITY MANAGER REPORT AND RECOMMENDATIONS



Meeting Date: February 19, 2019

Agenda Item:

From Airport Committee - Recommendation to Authorize an Application for a Rural Air Service Grant to the Oregon Department of Aviation for Passenger Service to the Newport Municipal Airport.

Background:

Over the years, the City of Newport periodically has had scheduled passenger air service to and from the Newport Airport. The last passenger air service was provided by Sea Port, with that service terminating about ten years ago, after the subsidiaries ended. In 2018, our Airport was contacted by the Airport Manager for Pendleton, who indicated that Boutique Air had an interest in serving the Newport community. Preliminary discussions occurred with Boutique Air, who sent us an initial proposal of how they could provide service to our airport.

After initial review by the Airport Committee, the committee recommended staff proceed with a request for proposals to other passenger carriers, to determine whether there are other services that would potentially be available to provide passenger service to Newport. An RFP (Request for Proposals) was issued on November 7, 2018, with proposals being due by December 28, 2018. Since Boutique had submitted an earlier proposal, the Request for Proposal did not require them to resubmit. Requests for Proposals were advertised on ORPIN, sent to Boutique Air, Kenmore Air, and Cape Air. The only proposal received is the proposal that Boutique Air had provided to the City earlier in the year. Based on this proposal, the City would jointly work with Boutique Air in order to prepare an application for funding through the Rural Air Service Grant Program from the Oregon Department of Aviation, which would provide a grant of \$500,000, with a local match of \$50,000 for this grant. If authorized by the City Council, then we would pursue grant funding from the State.

Boutique Air provides rural air service in 16 states nationwide at 30 different airports. Boutique has interline baggage agreements with both United and American Airlines. Boutique currently offers a daily air service between Pendleton and PDX. One of the reasons they are interested in providing service to Newport is that they would be able to utilize the same equipment for a Newport roundtrip each day. The grant funding would help with startup costs for this operation. One of the efforts during the course of the first year would be to determine whether there are any additional funds that would help sustain this service in the probable event ridership revenue is not sufficient to solely sustain this service.

As part of the review of Boutique's proposal, the Airport Committee provided a list of questions for Boutique, which Boutique responded to and is attached for your review. The proposal provides five round trips each week between Newport and Portland International

Airport. One way fares would average \$45, with the subsidiaries. Connecting flights could be booked through United Airlines directly to Newport. Please note that there is a reference in their proposal about a stop in Corvallis. This option is not being pursued.

It is my opinion that the City would be well served by pursuing this funding to establish scheduled passenger air service in and out of Newport. The Airport Committee has suggested that it be appropriate for the City Council to meet with Boutique Air prior to committing to any final contract agreements should the application be authorized, after a thorough review of Boutique's Proposal. It should be realized that ridership will likely need some level of ongoing subsidiary in the future. The amount will depend on the number of passengers that utilize this service. The Airport Committee unanimously recommended that the City Council pursue the funding through the Rural Air Service Grant Program.

Recommendation:

I recommend that the City Council consider the following motion:

I move to authorize the submittal of an application for a Rural Air Service Grant from the Oregon Department of Aviation in collaboration with Boutique Air in the amount of \$500,000, with \$50,000 being the local match.

Fiscal Effects:

If this was funded, the Airport Fund has sufficient funds -- \$81,500, in its contingency fund -- to meet the local obligation. In all likelihood, this obligation would be spread over two fiscal years.

Alternatives:

Do not pursue grant funding, or as suggested by the City Council.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "S. R. Nebel".

Spencer R. Nebel
City Manager