

AIRPORT

Service Description

The Eugene Airport is located at Airport Road in northwest Eugene, approximately ten miles from the city center. The Airport consists of airside facilities: runways, taxiways, and ramp area; and landside facilities: the terminal building, roadways, parking, aircraft storage facilities, and other traveler and visitor related facilities. The Airport has an operating budget of over \$5 million. The majority of the personnel are involved in maintenance and operations of the airfield and terminal systems. Other major activities include emergency services (aircraft firefighting); inspection and enforcement of Federal Aviation Administration (FAA) and Transportation Security Administration (TSA) regulations; negotiating and managing contracts with airlines and tenants; and market development activities. Major revenue sources for the Eugene Airport include airline revenue, receipts from parking, car rentals, terminal concessions, rental income, and other revenue.

The Airport serves a southern Willamette Valley regional population of approximately 700,000. The Airport strives to provide service to customers within a one-hour drive to the north of Eugene and a two-hour drive to the south. On a daily basis, the airport serves approximately 2,000 commercial airline passengers. Commercial airlines serving the Eugene Airport provide around 60 arrivals and departures daily. Annually, the Eugene Airport accommodates approximately 100,000 total aircraft operations. Daily volume of aircraft traffic varies from 100 aircraft operations per day to over 500 operations daily, depending on weather and other factors. The Eugene Airport has an excellent record in terminal and flight safety and has performed very well in FAA certification inspections and TSA security audits.

Historic Perspective

- 1943 Commercial airline service initiated in Eugene by United Airlines.
- 1964 New terminal building and airfield upgraded to accommodate jet traffic.
- 1978 Airline industry deregulated.
- 1988 Airport revenue bond (\$6,636,094) and General Obligation Bond (\$5,830,000) issued.
- 1990 New, expanded airport facility now known as the Eugene Airport completed.
- 1990 Updated **Eugene Airport Master Plan** adopted by Eugene City Council and Lane County Board of Commissioners.
- 1994 General obligation bond debt service payments moved from the General Fund to property tax base.
- 1995 **Rules Governing Use of Mahlon Sweet Airport** revised and approved by Airport Advisory Committee.
- 1999 Air Service Development Fund (ASDF) established.
- 1999 ASDF used to attract America West service to Phoenix.

- 2000 ASDF used to attract Horizon Air service to Los Angeles.
- 2000 Adoption of **Eugene Airport Master Plan** by Eugene City Council and Lane County Board of Commissioners.
- 2002 General obligation bond debt service payments moved from property tax base to Eugene Airport Operating Fund.
- 2003 ASDF used to attract America West service to Las Vegas.
- 2004 ASDF used to attract Delta Airlines service to Salt Lake City.
- 2005 Remaining balance in ASDF committed to Delta Airlines marketing.
- 2005 Parallel Runway 16L/34R opened.

Citizen Involvement

Policy guidance is provided by the Airport Advisory Committee (AAC) made up of five representatives from special interest groups, one neighborhood representative, one citizen from the voter pool, and two representatives from Lane County.

The committee provides input on airport policy, acts as a sounding board when staff is developing new approaches to service delivery, and advises and reviews capital improvement proposals. Early in 1999, the Eugene Airport and the Eugene Area Chamber of Commerce formed a partnership as part of a new approach to air service development. Realizing the significant role the airport plays in the continued economic growth and stability of Eugene, Springfield, and the southern Willamette Valley, a group of local businesses became involved in the Air Service Group, a committee that assists with various marketing efforts. Additionally, in 2000, Regional Partners was developed. This group consists of chamber of commerce and economic development representatives from the communities surrounding Eugene-Springfield, and provides an opportunity for their input, participation, and feelings of ownership in the continued success of the Eugene Airport.

Customer Input

Customers are surveyed on an annual basis to determine the importance and level of satisfaction of services available at the airport. This information is used by the airport staff and the staff of businesses located at the airport in improvement efforts and changes in traveler support services.

Information regarding traveler behavior and desired routes is also gathered in an annual analysis of passenger demand and airline ticket sales. This information is used to evaluate and develop air service that meets the needs of the Airport's target market.

Mission

The mission of the Eugene Airport is to support quality airport facilities and services that meet regional needs.

Outcomes

- Meet regional demand for commercial and private air transportation facilities in a safe, secure and cost-efficient manner.
- Support regional economic development.
- Provide facilities and services that enhance the community's quality of life.
- Generate revenues that will support operating, maintenance, and capital improvement costs.

Operating Principles

- We strive to provide and maintain a safe and effective air transportation system that meets community needs.
- We manage the airport in a cost-efficient manner and strive to maintain self-sufficiency.
- We place a high value on professionalism, quality, and courtesy.
- We endeavor to accommodate the needs of people with disabilities.
- We are open to input and feedback from user groups.
- We believe that Airport Advisory Committee participation in airport matters is vital to the successful management of the airport.
- We are responsive to change, continually learning and improving what we do as an organization.
- We maximize the strengths and diversity of the team by fostering a collaborative work environment.
- We operate as a team, and respect our manager's decision-making responsibilities.

Current Operating Environment

External Trends

Customer Feedback

Data on desired routes provides valuable information on the potential passenger volume on routes not currently served by airlines operating out of Eugene. The Airport's market development efforts involve linking the traveling needs of regional customers with the operational needs of airlines which could, or currently do, serve this region. There continues to be unmet demand for air service in our region, most notably, the reduced capacity to Denver, a less than desirable service to Las Vegas, and insufficient capacity to southern California (Los Angeles, San Diego, San Jose). Direct Hawaiian destinations are provided out of hub cities, though considerable traffic comes from the immediate vicinity. The airport continues to work with existing carriers and meet with new carriers in an effort to serve these routes from Eugene.

Airline Industry

Although airline traffic has nearly returned to pre-September 11th levels and airplanes are becoming full once again, the airline industry has had to contend with fiercer competition from new low-cost carriers, historically high fuel costs, rising labor costs, and low yields. As a result, many airlines have filed for bankruptcy protection in an effort to restructure their obligations, leaving the airlines faced with strategic decisions about route structure and capacity reductions.

Despite ongoing financial turmoil in the airline industry, most airports can remain stable given the fact that air transportation is an essential service in our economy. However, the Eugene Airport must maintain solid liquidity levels, increase non-airline revenues, manage operating and capital budgets, and strengthen the underlying origin and destination (O&D) service economies.

Air Service Development

The current environment necessitates airlines to seek limitations to airport rates and charges, shorter contract periods, and incentives for new air service. The essential tools for air service recruitment include market demand, community commitment (travel bank, revenue guarantee, marketing assistance) and competitive airport rates. The Air Service Development Fund (ASDF) created in 1999 successfully attracted service to Phoenix, Los Angeles and Salt Lake City. However, all ASDF funds have now been committed and there are no longer funds available to support new initiatives. The Eugene Airport must seek a sustainable and dedicated source of revenue to replenish the ASDF that is not derived from airport revenues in compliance with FAA regulations. The Eugene Airport will need to obtain both public and political support through outreach and educational efforts.

Capital Funding

Funding for airport capital projects originates from three sources: the FAA's Airport Improvement Program (AIP), Passenger Facility Charges (PFC), and airport generated revenue. The FAA federal authorization approved for 2004 – 2007, established that the FAA entitlement grant program would provide 95% funding with a 5% local match requirement. This current level of commitment provides significant support for airport capital needs. AIP and PFC funds are, however, dependent on federal legislation and are subject to changing political and federal financial priorities. In recent years, both AIP and PFC funding has been sufficient. However, the President's Budget for FY06 proposed a reduction in the appropriation for the AIP program by \$600 million. A reduction has also been discussed as a way to fund the cost of natural disasters (Hurricane Katrina) in the US. As a result, the Eugene Airport could see a reduction of entitlement and discretionary grants by as

much as 50%. While this is speculative, this type of action would significantly reduce the Airport's ability to advance projects already identified in the Capital Improvement Plan (CIP) and the Eugene Airport Master Plan. In addition, this would force the Airport to postpone some capital projects, reevaluate its development strategies, and potentially rely more heavily on airport generated funding for other projects. The Airport will initiate a new master plan in FY 2007.

Internal Conditions

Airport Finance

The Eugene Airport is self-sufficient and generates revenue to cover expenses. FAA revenue diversion regulations require that all airport-generated revenues be utilized for direct airport-related expenses. Airport revenues come from a variety of sources including terminal concessions, parking, leasing of airport property, and commercial airline charges. All of these revenue streams depend on a healthy, vital airline industry. The revenue generated funds the operation of the Airport, supports local capital building and improvements, and funds debt service on airport general obligation and revenue bonds. Because of this delicate balance of revenues to expenses, changes in local commercial air service have a direct impact on the airport's financial health. The airport's dependence on airline revenue has risen to a disproportionate share of total revenue and can only be changed by an increase in non-airline revenue or by cutting essential services. In addition, it is important to maintain a prudent level of reserves in order to fund any unanticipated events or downturns in the economy or reduction in passenger activity. The Eugene Airport's operating and capital reserves are at their lowest level in the past decade and an effort should be made to increase the balance.

Operating Costs

Airport cost centers are categorized as Airfield, Terminal/Facilities, Administration, Marketing, Operations, Police, Aircraft Rescue and Fire Fighting (ARFF), and Other Areas. The Airport management is committed to holding operating costs within industry norms in each of these areas. Annually, staff conducts a benchmark survey of similar-sized airports to compare Eugene's relative performance on a number of measures.

Airport management is also committed to effecting cost reductions where possible in order to create a net surplus income at the end of the fiscal year. If successful, there is a transfer of funds to capital reserves that allows the cycle of airport improvement to continue. In addition to new capital investments, these funds are invested each year for enhancements to safety and security, customer service improvements, and the preservation and maintenance of existing assets—primarily the airfield pavements and the terminal building.

Governance

The issue of airport governance has surfaced numerous times throughout the airport's history. Generally, a change in governance for an airport is evaluated when the airport is under extreme financial duress or need, i.e. the need for a new terminal building requiring substantial investment. Aggregating as many participants as possible throughout the region tends to be the desired outcome. Practically, for the Eugene Airport, this has been difficult to accomplish with little interest county-wide for this type of investment. This is illustrated by the voter-approved bond measure from City of Eugene residents to finance the construction of the Eugene Airport terminal which opened in 1990. At that time, the support did not appear from a majority of county residents. Inquiries to the surrounding communities solicited in 2003 resulted in very little interest in participating financially in the operations of the airport. Currently the Eugene Airport is not supported by a local tax base, but a regional airport would have the ability to establish a tax base if approved by the voters. The Eugene City Council held a work session on this matter in 2004 and staff recommended to delay any action regarding a port authority or special district until a later date. The Eugene Airport will retire its bond debt in fiscal year 2008 and that would be an appropriate and opportune time to discuss the possibility of a change in governance. Another reason for governance to be examined is to gauge the level of political support. It is imperative for an airport to have consensus with regard to its vision, mission and support from its elected officials. A port authority or special district could provide a unified political support system with regional participation.

Performance Measures

Core Processes

Operate and Maintain the Airfield

- Landing fees per 1,000 lbs. of landed weight.
- Total aircraft operations.
- Meet FAA safety requirements.

Provide Traveler Support Facilities and Services.

- Customer satisfaction rating or quality and importance of terminal services.
- Airline passenger related revenue per enplaned passenger.
- Meet TSA security requirements.

Provide General Aviation Facilities and Services.

- Change in based aircraft.
- Gallons of fuel sold.

Plan and Develop Regional Air Service and Facilities.

- Market demand for air service.
- Demand triggers as identified in the Airport Master Plan.
- Percent of regional trips through Eugene airport.

Total System

Effectiveness

- Number of passengers using the Eugene Airport.
- Percent of regional trips through Eugene Airport.

Efficiency

- Average airline cost per enplaned passenger.

Financial

- Operating expense per enplaned passenger.

Customer Satisfaction

- Customer satisfaction rating of signage, cleanliness and, appearance of the terminal (scale of 0 to 5; 5 defined as excellent).
- Number of Eugene passenger top-ten destination markets receiving direct service from Eugene.

Strategy 1: Recruit and retain air service providers that meet regional needs.

Objectives: Increase the number of passengers using the Eugene Airport by 2% annually.

Establish a sustainable Air Service Development Fund with \$250,000 in annual contributions.

Work Activities:

- Promote the regional market to qualified airlines through the provision of high-quality information and support for service improvements.
- Maintain regular contact with Air Service Group, Regional Partners, and travel agents regarding air service needs and possibilities.
- Work with the Airport Advisory Committee to develop strategies/policies for the use of any newly obtained Air Service Development Funds.
- Retire bond debt.

Strategy 2: Develop Airport facilities and infrastructure to accommodate operational, safety, and security requirements and to meet projected demand.

Objectives: Within four years meet airfield development needs as identified in the new Airport Master Plan.

Within four years complete the projects identified in the terminal rehabilitation plan.

Annually meet FAA and TSA safety and security mandates.

Work Activities:

- Develop aviation support facilities: taxiway, apron and taxilanes for general aviation.
- Plan and identify funding for repaving and improvements to Runway 16R/34L.
- Work with interested developers in association with projects identified in the Eugene Airport Master Plan.
- Design and construct necessary infrastructure.
- Maintain adequate security in conformance with Part 1542 requirements.
- Maintain airfield in conformance with Part 139 requirements.

Strategy 3: Provide the products and services needed by customers at the Eugene Airport.

Objective: Maintain at 80% the percentage of customers surveyed who are satisfied with their ability to find the products and services they need.

Work Activities:

- Evaluate improvement to security screening facilities.
- Evaluate how to effectively develop conference room at terminal.
- Evaluate new or different services the airport could provide.
- Install Wi-Fi and other new technology in the terminal to meet the needs of tenants and passengers.
- Evaluate terminal and fixed-base services for General Aviation.

Airport System Map

Key Supporting Processes

Management Processes (e.g. Finance, Budget, Rates, HR) Work Order System, Contract Management, Training and Certification, Marketing and Research, Advisory Committee Support, Program Development, Policy Development, Tenant Relations, Inspection and Enforcement, Security and Safety

Stakeholders

Citizens
Business
Policy Groups
Other Public Agencies
Neighbors
Regulators
Travel Industry

Improvement Information

Program Evaluation, Inventory Management
Performance Measures, Customer Complaints
and Comments, Survey Data, Operations
Analysis, Marketing Reports

