



Airport Advisory Committee

Minutes

Date:	Tuesday, October 29, 2019
Time:	9:00 am
Location:	Airport Administration Boardroom Kelowna International Airport 1-5533 Airport Way Kelowna, BC
Members Present	Chair, Mayor Colin Basran, City of Kelowna Chair Gail Given, Regional District of Central Okanagan Councillor Brad Sieben, City of Kelowna Mayor Cindy Fortin, District of Peachland Mayor James Baker, District of Lake Country Mayor Alan Harrison, City of Salmon Arm Mayor John Vassilaki, City of Penticton Councillor Akbal Mund, City of Vernon Andrew Kemp, City of Penticton Craig Garries, Greater Westside Board of Trade Nikki Csek, Kelowna Chamber of Commerce Deborah Buszard, UBCO Darrin Taylor, Greater Vernon Chamber of Commerce Corie Griffiths*, Economic Development Commission Grant Steven, KF Aerospace, Aviation Industry Representative Craig Garries, Greater Westside Board of Trade David Hull, Summerland Chamber of Commerce
Members Absent	Councillor Doug Findlater, City of West Kelowna Councillor Fernanda Alexander, Westbank First Nation Andre Blanleil, Kelowna City at Large Thom Killingsworth, Tourism Kelowna
Staff Present	City Manager, Doug Gilchrist Airport Director, Sam Samaddar Senior Airport Operations Manager, Phillip Elchitz Senior Airport Finance & Corporate Services Manager, Shayne Dyrdal Acting Senior Airport Development Manager, Vicki Brown Clint McKenzie, Legislative Coordinator (Confidential)

(* denotes partial attendance)

1. Call to Order, Welcome and Introductions - Mayor Basran

The Chair called the meeting to order at 9:06 a.m.

The Chair welcomed new and returning committee members, called for introductions and let the Committee know that Councillor Fernanda Alexander sends her regrets.

2. Confirmation of Minutes - Mayor Basran

Moved By Councillor Akbal Mund /Seconded By Craig Garries

THAT the Minutes of the April 25, 2019 Airport Advisory Committee meeting be adopted.

Carried

3. Reports

3.1 Operations Update

Senior Airport Operations Manager:

- Displayed a PowerPoint presentation providing an update on the operations of the airport.
- YLW is currently the 10th busiest airport in Canada and was over 2 million passengers in 2018.
- Passenger counts YTD to September show a reduction of 1.3% compared to YTD 2018. Seeing a slowing trend right across Canada, especially with Tier 2 airports. Starting to see reduction in passenger counts spread into larger Tier 1 airports as well.
- Reviewed decline in growth of passenger traffic. The industry has diversified with outbound traffic and tourism has grown with inbound traffic.
- Domestic and Transborder demand slowing in 2019. Domestic demand across Canada has reduced by 2% and our region by 1%.
- Transborder capacity slowing largely due to the Alaska direct non-stop flight to Seattle.
- Responded to questions from the Committee.
- The 2045 Master Plan forecast highlights that YLW will land in the high growth scenario in 2019.
- YLW is ahead of rest of Canada with indexed seat capacity growth with some slowing of growth. The decrease is largely due to the grounding of the 737 Max aircraft.
- Seat growth in 2019 has come from Air Canada, particularly their Edmonton service, and Swoop.
- Commented on the continuing impact the grounding of the 737 Max is having on the market.
- The grounding of the 737 Max is starting to impact inbound tourists, as direct flights are being rerouted. Carriers are trying to make up flights with smaller planes from smaller markets.
- Growth in new markets with SunWing also did not materialize due to the 737 Max delay in returning to service.
- Responded to questions from the Committee.
- YLW doing very well to service domestic non-stop markets.
- Transborder market demand – significant gaps in the service.
- Updated the committee on Delta and WestJet joint venture and the positive impact it would have on Kelowna market if they agree to share assets.

Airport Director:

- Provided an update on the purchase of WestJet by Onex and Air Canada's purchase of Air Transat.
- Provided an update on the Airbus 220/321 XLR and purchases of new aircraft by carriers.
- Provided an update on ultra-low cost carriers in the market. Two other ultra-low cost carriers, Jetlines and Enerjet are working towards launching carrier service.
- No real changes with U.S. carriers to expand into Canadian market at this time.

3.2 Soaring Beyond 2.5 Million Passengers AIF Program Update

Airport Development Staff:

- Presented a PowerPoint presentation giving an update on the AIF program.
- Reviewed the key projects being delivered in the AIF program.
- The current infrastructure for pre-board screening, departure and arrival areas is reaching operational capacity.

- Reviewed Phase 1 - 2020 plans to expand the departure holdroom and preboard screening to the south of the terminal. Phase north will reconfigure the north airside corridor. The projects will commence in 2020 with completion of construction by the end of 2023.
- Outlined the work to be completed to simplify the unloading and loading of aircraft.
- The terminal expansion will strive to focus on the local supply of material with large use of wood fiber.
- A geothermal exchange will be implemented that will allow energy operation to be 18% more efficient than what is required by national energy codes.
- Reviewed the international arrival upgrades that will enable passengers to go directly into the primary customs area. This will allow for the deferral of Phase 4 costs by another 10 years.
- Reviewed the purchase of airside equipment which will be primarily snow removal equipment.
- Reviewed airside lighting and supporting infrastructure going from the current medium intensity runway and approach lighting moving to high –intensity lighting.
- Consultation will take place to review the opportunity to implement self-serve baggage drop at YLW.
- Responded to questions from the Committee.
- A 600 stall parking lot is being built to the south to capitalize on surface parking at this time.
- Benchmarked against current airport construction costs in Victoria, YLW is comparable.
- Bus service and parking; there will be a dedicated bus and coach area as per the landside master plan.

City Manager commented alternative options to parkades and transit are being reviewed given continued changes in the industry.

Airport Director commented on the Montreal parkade which is currently being built with the ability to be converted to office space in the future

Responded to questions from the Committee.

3.3 Financial Update

Senior Airport Finance and Corporate Service Manager:

- Presented a PowerPoint presentation providing a financial update.
- Outlined the airport's low-cost business model and recognized the AIF program is not a stand alone program. Further development will be needed into the future.
- Reviewed financial goals including an AIF not higher than \$25/passenger, a maximum debt level of \$40 million with debt less than \$20 million at end of 2019 and a positive reserve balance at end of 2019.
- Reviewed total anticipated AIF Capital expenditures. Showed payments outstanding with low, medium and high growth rates and the AIF reserve balances over time to 2029.
- Reviewed the proposed increase to a \$25 AIF in comparison to other airports. The highest Canadian AIF is \$40 (Fort McMurray) and the lowest is \$0 (Abbotsford, Whitehorse). YLW will be comparable to other similar sized airports while not moving away from a low-cost business model.
- Comparable AIF fees to YVR and additional transportation and time costs will make it a less desirable option to drive and fly from Vancouver.

Airport Director commented that the \$25 increase to the AIF at YVR resulted in passengers commenting positively citing all the improvements to the airport they have experienced. All capital projects at YLW are carefully phased so they can be delayed if need be due to a downturn in the economy.

Senior Airport Finance and Corporate Service Manager:

- Reviewed how \$25 AIF was determined in order to maintain a low-cost business model.
- Provided background on the AIF and support from the airlines to implement the right infrastructure. Presented the Airline Consultative Committee Ballot – airlines representing 95.6% of YLW's 2018 enplaned passengers concurred with moving forward with the projects. Airlines representing 4.4% of YLW's 2018 enplaned passengers did not provide a response to the ballot.

Airport Director:

- Commented that air carrier input on the AIF increase and infrastructure improvements as well as ongoing operating costs continue to be requested and factored into the AIF program.
- Responded to questions from the Committee.

- Commented on government funding being considered. An application is in for the terminal expansion. Any successful funding is not currently reflected in the financials.

City Manager commented that seeking senior level government support of infrastructure improvements is a consistent City practice.

The meeting adjourned at 10:33 a.m.

The meeting reconvened at 10:46 a.m.

Senior Airport Finance and Corporate Service Manager:

- Presented the YTD financial statement of operations.
 - The statement of operations shows an increase in revenue of 25% being largely driven by \$1.4M in AIF and \$1.2M in parking revenues.
 - Largest decrease in expenditures was with the interest on debt.
 - Responded to questions from the Committee.
 - A credit has been received on electricity which accounts for the 38% decrease reflected.
 - Spoke to other variances in expenditures. Conscious effort to reduce costs wherever possible. It is anticipated that net income will be very close to what was budgeted for 2019.
 - Reviewed debt repayment schedule. Interest rates for municipal loans vary but are consistently lower than market rates.
 - Reviewed fees and charges and highlighted the recommendation to implement a 2% increase to landing and terminal fees effective Jan 1, 2020, and a \$5 increase to the AIF effective March 1, 2020.
 - Confirmed the landing and terminal fees had been increased 1.5% per year over the last 3 years. Fee increases were communicated to the carriers in September with no concerns voiced.
- Discussion ensued regarding proposed AIF and fee increases.

Airport Director:

- Summarized how the proposed improvements will impact passengers directly, including faster processing through preboard screening. The departure area will improve, with passengers no longer regularly getting on the wrong aircraft, additional amenities and, washrooms and improvements to the arrivals area. The build-up of passengers in arrivals will be reduced as the separation of international from domestic passengers will improve processing times. The walking distance for passengers to get their baggage and to the parking lot will be significantly reduced. The inoperability of domestic and international flights will be rectified as passengers won't need to be held to avoid mixing international and domestic flights. Preboard screening will no longer be a pinch point as more capacity will be able to keep up with the demand. The opportunity to provide self boarding with facial recognition will also reduce passenger check-in time.

Discussion ensued regarding the Chambers of Commerce throughout the Okanagan Valley coordinating and expressing their support for the airport improvements and AIF increase.

4. Recommendations

Moved By Councillor Akbal Mund/Seconded By Mayor James Baker

THAT the Airport Advisory Committee supports, in principle, the proposed Soaring Beyond 2.5M Passenger AIF program as presented to the Airport Advisory Committee on October 29, 2019.

Carried

Moved By Councillor Akbal Mund/Seconded By Mayor James Baker

THAT the Airport Advisory Committee supports obtaining the approval of Council for a capital budget request in the amount of \$69,910,000 for the Soaring Beyond 2.5M Passengers AIF Program in the 2020 Financial Plan.

Carried

Moved By Councillor Akbal Mund/Seconded By Mayor James Baker

THAT the Airport Advisory Committee supports obtaining the approval of Council for the amendment to the Airport Fees and Charges Bylaw No. 7982 to increase the Airport Landing and Terminal Fees by 2%, effective January 1, 2020, as presented to the Airport Advisory Committee on October 29, 2019.

Carried

Moved By Councillor Akbal Mund/Seconded By Mayor James Baker

THAT the Airport Advisory Committee supports obtaining the approval of Council for the amendment to the Airport Fees and Charges Bylaw No. 7982 to increase the Airport Improvement Fee to \$25.00 per departing passenger, effective March 1, 2020, as presented to the Airport Advisory Committee on October 29, 2019.

Carried

5. Questions & Wrap Up

There were no questions.

6. Termination of Meeting

The Chair declared the meeting terminated at 11:15 a.m.

Chair