

City of Kelowna

Regular Council Meeting

AGENDA



Monday, November 21, 2022

9:00 am

Council Chamber

City Hall, 1435 Water Street

Pages

1. **Call to Order**
2. **Confirmation of Minutes** 2 - 3
Regular AM Meeting - November 14, 2022
3. **Reports**
 - 3.1. **Kelowna International Airport - Soaring Beyond 2.5** 60 m 4 - 46
To provide Council with an overview of the Airport's finances and its 10-year Capital Plan.
4. **Resolution Closing the Meeting to the Public**
THAT this meeting be closed to the public pursuant to Section 90(1) (f) of the Community Charter for Council to deal with matters relating to the following:
 - Law Enforcement
5. **Adjourn to Closed Session**
6. **Reconvene to Open Session**
7. **Issues Arising from Correspondence & Community Concerns**
8. **Termination**



City of Kelowna Regular Council Meeting Minutes

Date: Monday, November 14, 2022
Location: Council Chamber
City Hall, 1435 Water Street

Members Present Mayor Tom Dyas, Councillors Ron Cannan, Maxine DeHart, Charlie Hodge, Gord Lovegrove, Mohini Singh, Luke Stack, Rick Webber and Loyal Wooldridge

Staff Present City Manager, Doug Gilchrist; City Clerk, Stephen Fleming; Deputy City Clerk, Laura Bentley*

Staff participating remotely
(*Denotes partial attendance) Legislative Coordinator (Confidential), Clint McKenzie

1. Call to Order

Mayor Dyas called the meeting to order at 10:02 a.m.

2. Confirmation of Minutes

Moved By Councillor Stack/Seconded By Councillor DeHart

R0773/22/11/14 THAT the Minutes of the Regular AM Meeting of October 3, 2022 be confirmed as circulated.

Carried

3. Reports

3.1 Council Committee Review 2018-2022

Staff:

- Displayed a PowerPoint Presentation summarizing the 2018 – 2022 Council committees and responded to questions from Council.

Moved By Councillor Wooldridge/Seconded By Councillor Ron Cannan

R0774/22/11/14 THAT Council receives, for information, the report from the Office of the City Clerk dated November 14, 2022 with respect to Council committees;

AND THAT Council directs staff to report back to Council with recommendations for appointments to the Board of Variance.

Carried

4. Resolution Closing the Meeting to the Public

Moved By Councillor Stack/Seconded By Councillor Singh

R0775/22/11/14 THAT this meeting be closed to the public pursuant to Section 90(1) (a), (g) (i) and (l) of the Community Charter for Council to deal with matters relating to the following:

- Personal Information - Position Appointment
- Litigation affecting the City
- Legal Advice
- Municipal Objectives and Progress Reports

Carried

5. Adjourn to Closed Session

The meeting adjourned to a closed session at 10:22 a.m.

6. Reconvene to Open Session

The meeting reconvened to an open session at 11:59 a.m.

7. Issues Arising from Correspondence & Community Concerns

7.1 Mayor Dyas, re: Issues Arising from Correspondence

There were no issues arising.

The meeting adjourned at 11:59 a.m.

8. Reconvene to Closed Session

The meeting reconvened to a closed session at 5:12 p.m.

9. Reconvene to Open Session

The meeting reconvened to an open session at 7:55 p.m.

10. Termination

The meeting was declared terminated at 7:55 p.m.

Mayor Dyas

sf/cm

City Clerk

Report to Council



Date: November 21, 2022
To: Council
From: City Manager
Subject: Kelowna International Airport – Soaring Beyond 2.5
Department: Kelowna International Airport

Recommendation:

THAT Council receives for information the report from Kelowna International Airport dated November 21, 2022, with respect to an overview of the Airport's finances and its 10-year Capital Plan.

Purpose:

To provide Council with an overview of the Airport's finances and its 10-year Capital Plan.

Background:

Kelowna International Airport (YLW or the Airport) is your link to the world, offering more than 60 daily non-stop commercial flights with nine airlines. As the 10th busiest airport in Canada, YLW's total economic impact when it had 1.6 million passengers in 2015 was 4,545 jobs and \$789 million in total economic output to the province of British Columbia. The Airport is the largest municipally owned airport in Canada and is celebrating its 75th anniversary this year.

Discussion:

The Airport will be providing a presentation that includes an overview of the Airport's finances and its 10-year Capital plan.

Conclusion:

The Airport recommends Council receive this report for information.

Internal Circulation:

Communications

Considerations applicable to this report:

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Financial/Budgetary Considerations:

External Agency/Public Comments:

Communications Comments:

Submitted by:

S. Dyrdal, Senior Airport Finance and Corporate Services Manager

Approved for inclusion:

S.S.

cc:

T. McQueenie, Airport Corporate Services Manager

Council Orientation – Kelowna International Airport

November 21, 2022



Agenda

Kelowna International Airport

- Background
- Financial Overview
- 10-year Capital Plan

Kelowna International Airport



YLW

Kelowna
International
Airport

CELEBRATING

75
YEARS



Kelowna International Airport

- ▶ Vision

- ▶ “YLW an airport of the future”

- ▶ Strategic goals

- ▶ Operate and maintain safe and secure best in class facilities and services
 - ▶ Foster economic development for the region
 - ▶ Exceed the customers’ expectations in all levels of travel health and safety
 - ▶ Act in a financially responsible and sustainable manner

Kelowna International Airport

- ▶ Largest municipally owned airport in Canada
- ▶ 10th busiest airport in Canada

	Airport
1	Toronto Pearson
2	Vancouver
3	Montreal
4	Calgary
5	Edmonton
6	Halifax
7	Winnipeg
8	Ottawa
9	Toronto Billy Bishop
10	Kelowna
11	Victoria
12	Quebec City
13	St. John's
14	Saskatoon
15	Regina

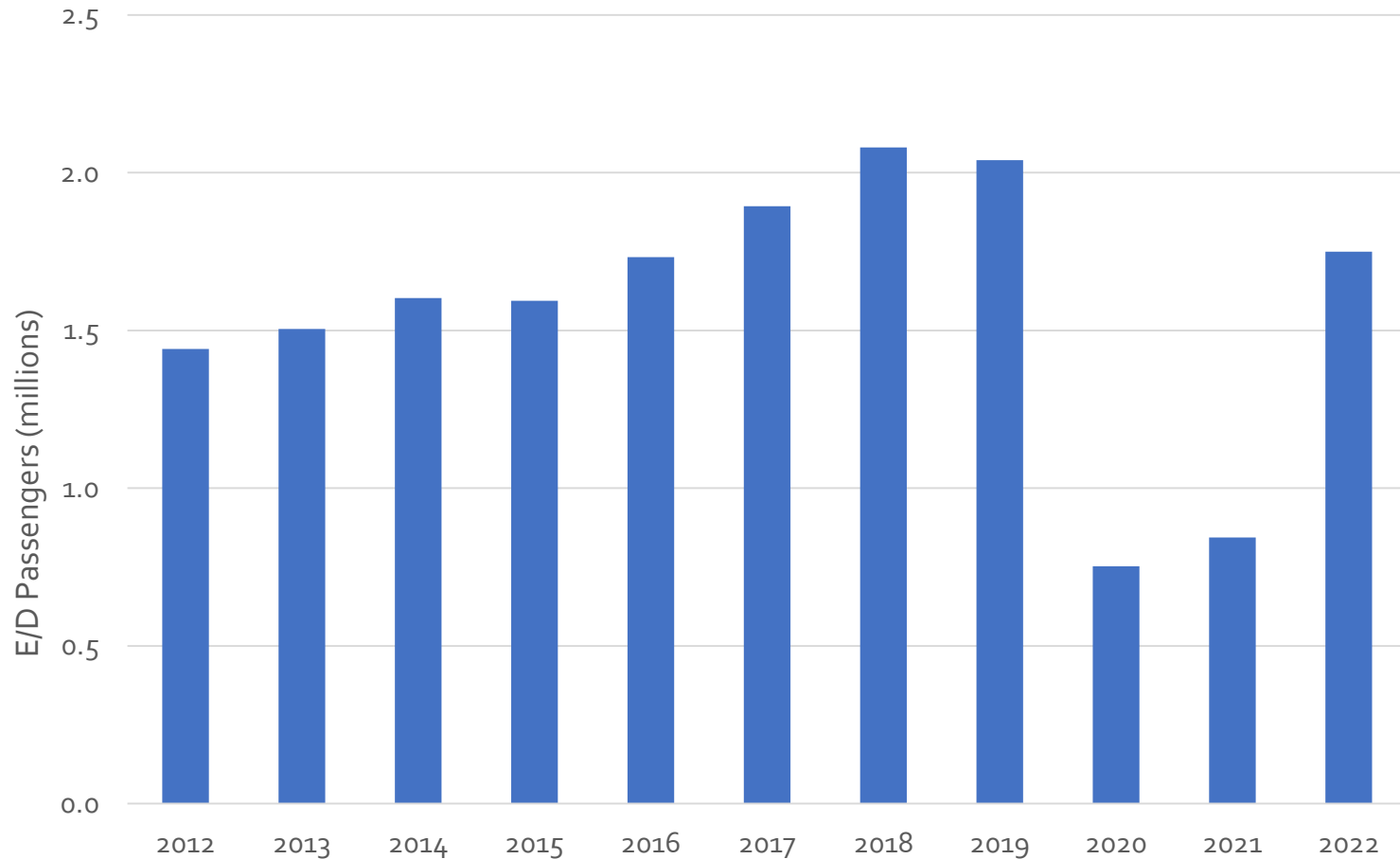
Kelowna International Airport

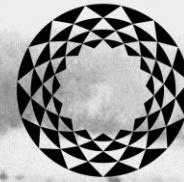
- ▶ More than 60 daily non-stop commercial flights
 - ▶ 10 airlines



Kelowna International Airport

► Yearly passenger numbers





YLW

Kelowna
International
Airport

CELEBRATING

75
YEARS

Financial Overview



Financial Overview

Funding

- ▶ Self-funded through fees and charges
 - ▶ Aeronautical
 - ▶ Non-aeronautical
- ▶ Payment to the City general fund
 - ▶ Corporate shared services cost
 - ▶ Payment in lieu of taxes

Financial Overview

Financial Principles

- ▶ Maintain a low-cost business model
- ▶ Maintain less than \$40M in debt outstanding
- ▶ Move towards a debt-free position in the next 10 years
- ▶ Maintain \$10 million in cash for an urgent incident

Financial Overview

Fees and Charges

- ▶ International Civil Aviation Organisation Policies on Charges for Airports
 - ▶ Not legally bound to adhere to
 - ▶ Morally committed to follow them
 - ▶ Principles
 - ▶ Non-discriminatory
 - ▶ Cost-relatedness
 - ▶ Transparency
 - ▶ Consultation with users

Financial Overview

Fees and Charges

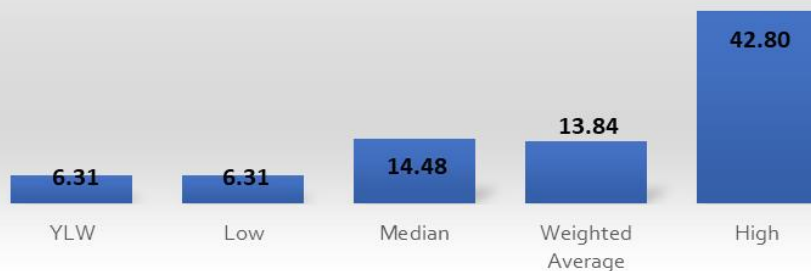
- ▶ International Civil Aviation Organisation Policies on Charges for Airports
 - ▶ Cost-relatedness
 - ▶ Users shall pay their share of the cost of providing the airport and its essential ancillary services
 - ▶ Users shall not pay charges for facilities and services they don't use
 - ▶ Revenues can exceed operating costs and provide a reasonable return on assets to secure financing for airport infrastructure
 - ▶ Capacity of users to pay should not be taken into account until all costs are fully assessed and distributed on an objective basis

Financial Overview

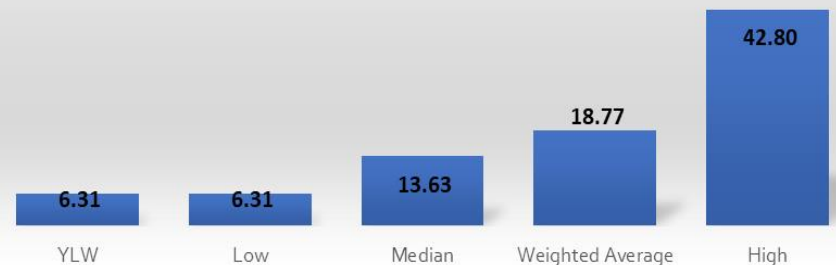
Fees and Charges

- ▶ Aeronautical revenues per landed air carrier seat

Tier 2 Aeronautical Revenues per
Landed Carrier Seat
(12 Months Ended June 30, 2022)



Tier 1 & 2 Aeronautical Revenues per
Landed Carrier Seat
(12 Months Ended June 30, 2022)

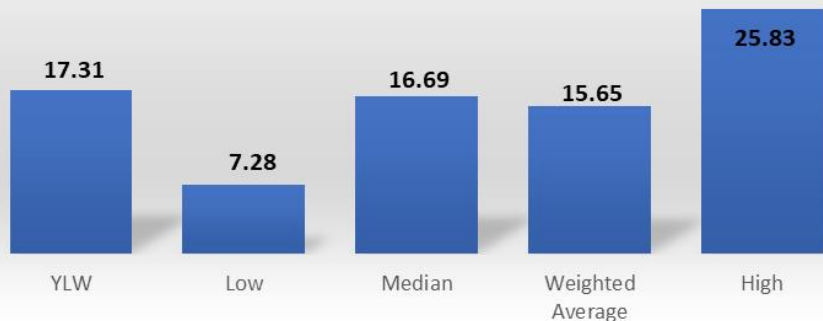


Financial Overview

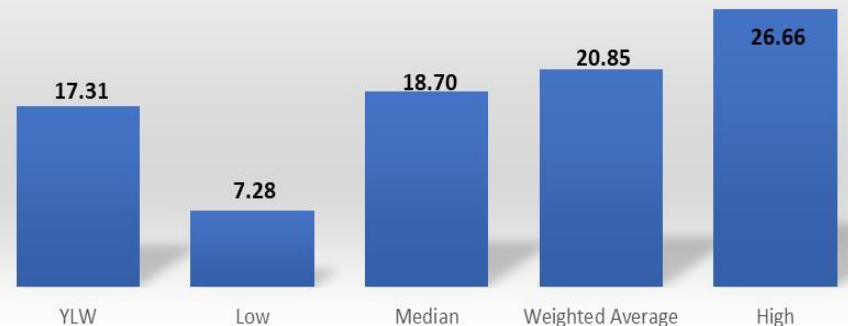
Fees and Charges

- ▶ Airport improvement fees per landed air carrier seat

Tier 2 AIF per Landed Air Carrier Seat
(12 Months Ended June 30, 2022)



Tier 1 & 2 AIF per Landed Air Carrier Seat
(12 Months Ended June 30, 2022)

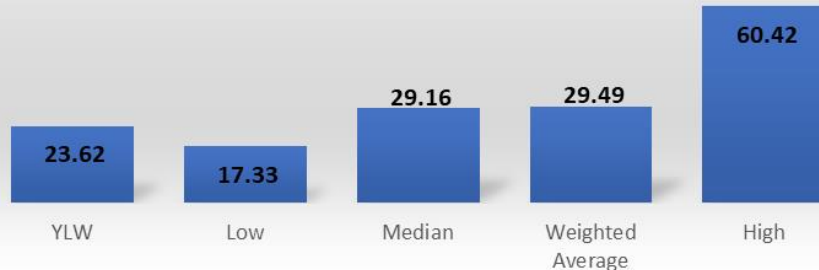


Financial Overview

Fees and Charges

- ▶ Aeronautical revenues and airport improvement fees per landed air carrier seat

Tier 2 Aeronautical Revenue and AIF
per Landed Air Carrier Seat
(12 Months Ended June 30, 2022)



Tier 1 & 2 Aeronautical Revenue and AIF
per Landed Air Carrier Seat
(12 Months Ended June 30, 2022)



Financial Overview

Fees and Charges (Bylaw 7982)

Fee	Last Change	Description of Last Change	Change Proposed
Airport improvement fee	1-Mar-20	\$5 increase to \$25/enplaned passenger	None
Landing fees	1-Jan-20	2% increase	None
Terminal fees	1-Jan-20	2% increase	None
Parking fees	5-Jan-22	Inflationary and market alignment increase	Annual CPI-based increase effective January 2023
Taxi and transportation network services	1-May-21	Change to pick-up and drop-off fee of \$2.00	None

Financial Overview

10-year Financial Goals

- ▶ Stimulate the regional economy
 - ▶ Return to medium-growth passenger numbers by 2025
 - ▶ Attract additional air service
 - ▶ Attract additional business and commercial development
 - ▶ Ensure the necessary infrastructure is in place and operating effectively
- ▶ Maintain a low-cost business model
 - ▶ No more than inflationary increases to landing and terminal fees
 - ▶ No more than a \$5 increase to the AIF
 - ▶ Inflationary increases to vehicle parking fees

Financial Overview

Financial History, Forecast and Budget

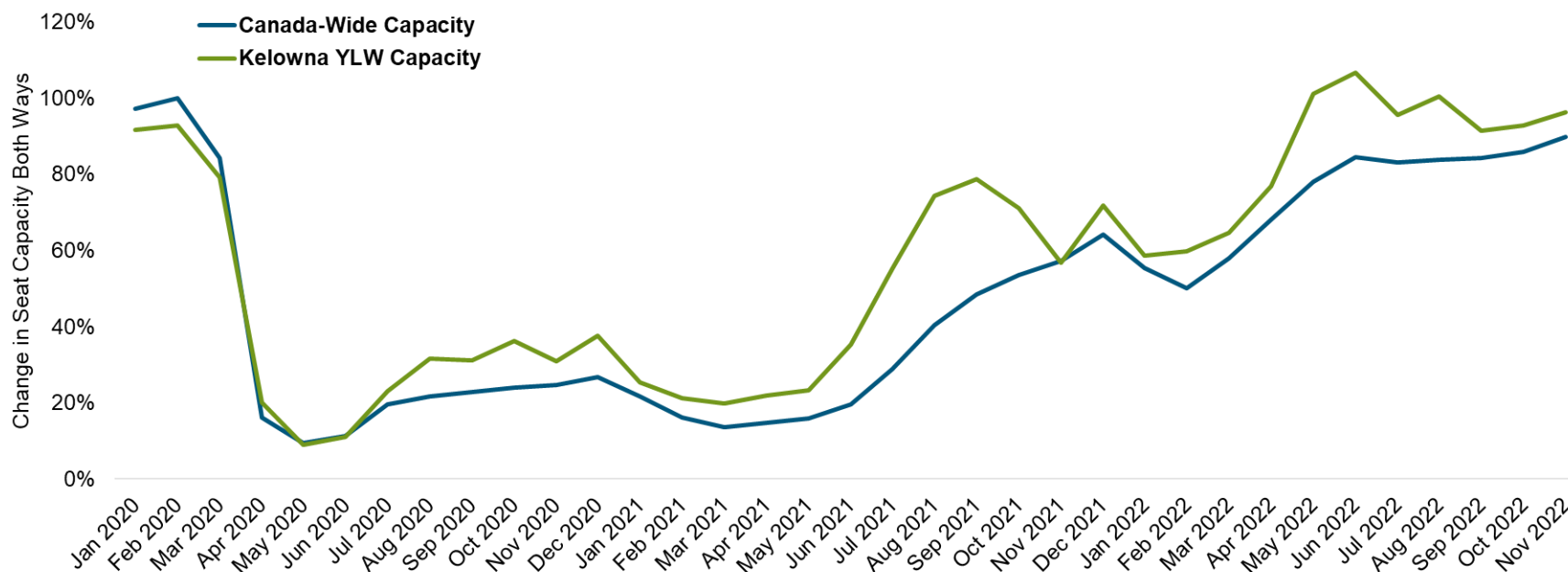
	2019	2020	2021	2022 Forecast	2023 Budget
Passengers	2,032	737	830	1,700	2,134
Revenues	39,918	20,531	29,530	52,679	53,879
Operating expenditures	(24,743)	(21,954)	(22,045)	(25,206)	(30,466)
Surplus (deficit)	15,175	(1,423)	7,485	27,473	23,413
Operating cash flows	8,562	8,711	2,211	7,893	7,543
Capital cash flows	(14,761)	(5,369)	(5,926)	(28,545)	(32,318)
Financing cash flows	(2,797)	(1,704)	(3,147)	(2,831)	(2,481)
Net increase in cash, cash equivalents and portfolio investments	6,179	215	623	3,990	(3,843)
Cash, cash equivalents and portfolio investments at the beginning of the year	26,369	32,548	32,763	33,386	37,376
Cash, cash equivalents and portfolio investments at the end of the year	32,548	32,763	33,386	37,376	33,533
Tangible capital assets and work in progress	153,368	150,989	149,372	177,917	210,235

Financial Overview

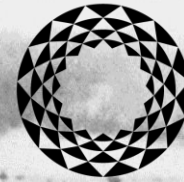
- ▶ Second fastest recovering Canadian Airport
 - ▶ Montreal is number one

Seat Capacity Recovery at YLW vs. Canadian Average

Capacity Levels Compared to Same Month in 2019



Source: Innovata Schedules via Diio by Cirium. Future capacity based on schedules filed as of May 30th, 2022.



YLW

Kelowna
International
Airport

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10-Year Capital Plan

Financial Overview

10-Year Capital Plan

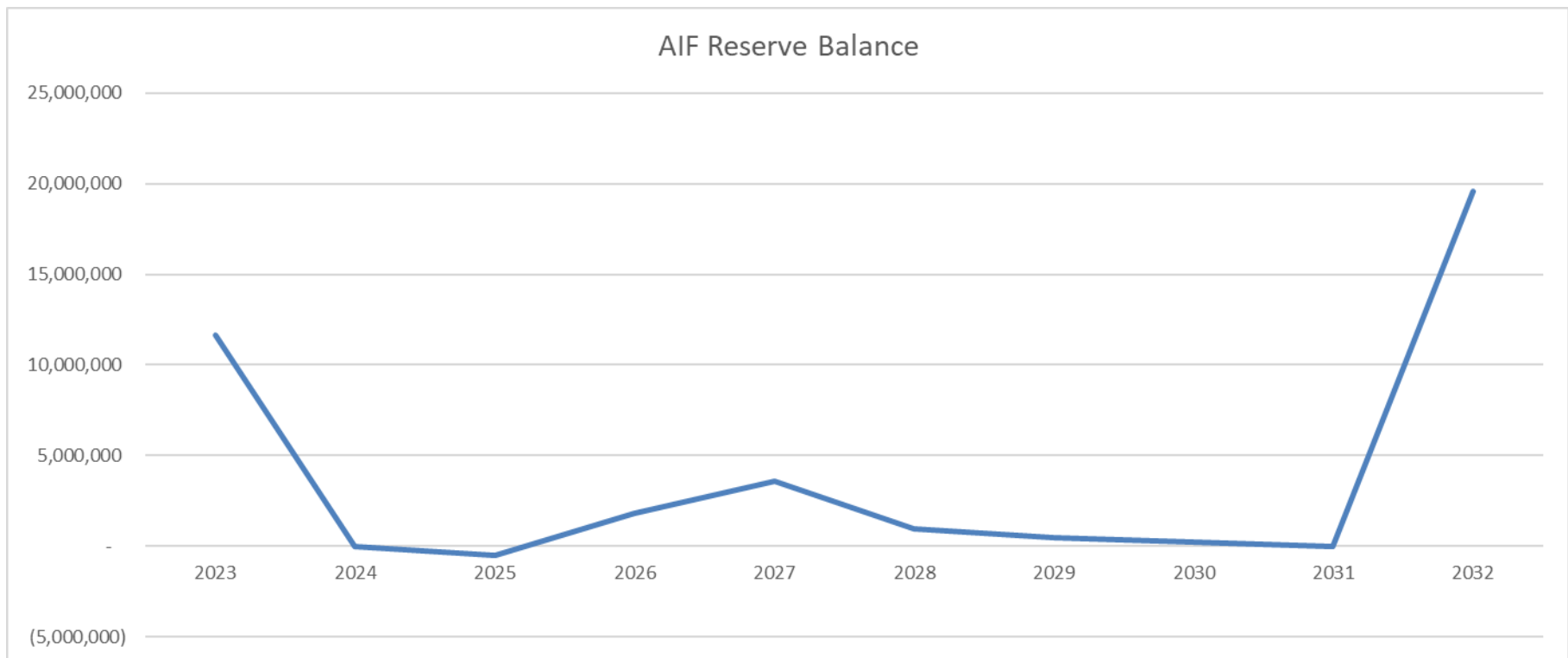
	Total	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Soaring Beyond 2.5 Million Passengers AIF Program											
Terminal expansion	162.9	12.3	30.9	34.0	11.1	9.5	-	3.7	28.1	33.3	-
Runway end safety area	1.0	1.0	-	-	-	-	-	-	-	-	-
CUSS/CUTE replacement	1.6	1.6	-	-	-	-	-	-	-	-	-
Combined operations building	14.9	2.9	5.8	6.2	-	-	-	-	-	-	-
Airside pavement rehab	61.1	5.3	0.4	3.9	3.9	3.7	21.1	22.8	-	-	-
Airside equipment	17.8	3.6	2.3	0.9	0.2	0.5	2.7	1.2	0.9	0.2	5.3
Self-serve baggage drop	2.1	-	0.7	0.7	0.7	-	-	-	-	-	-
Airside lighting and supporting infrastructure	10.3	-	-	10.3	-	-	-	-	-	-	-
Apron 1 south expansion	24.6	-	-	-	0.8	7.9	8.2	-	-	3.0	4.7
Passenger boarding bridges	6.2	-	-	-	0.3	2.7	0.3	2.9	-	-	-
Passenger boarding bridge PLC upgrades	0.4	0.4	-	-	-	-	-	-	-	-	-
Non-AIF											
Airside	4.6	0.7	0.2	0.7	0.6	1.5	0.2	0.2	0.2	0.2	0.2
Groundside	35.2	0.3	1.8	1.2	13.3	14.8	3.3	0.1	0.2	0.1	0.2
Terminal	12.8	4.3	0.8	0.7	1.2	0.8	0.8	1.7	0.8	0.9	0.8
Total	355.5	32.4	42.8	58.6	32.1	41.4	36.6	32.5	30.1	37.7	11.2

	Design
	Construction/purchase
	Design, construction and purchase

Financial Overview

10-Year Capital Plan

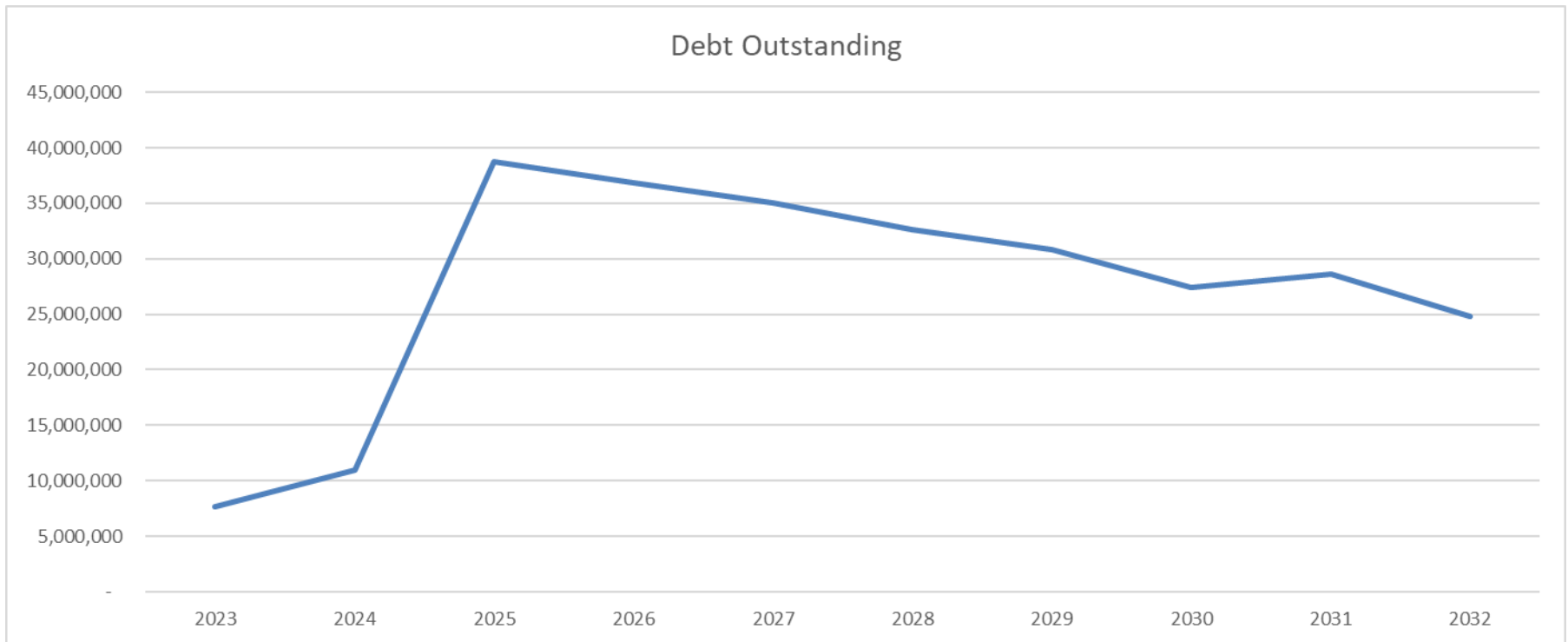
► AIF program



Financial Overview

10-Year Capital Plan

► AIF program



Financial Overview

10-Year Capital Plan

- ▶ AIF program
 - ▶ Debt outstanding (Municipal Finance Authority)

	2023	2024	2025	2026	2027	Total
Principal	1,897,000	1,897,000	1,897,000	1,258,000	698,000	7,647,000
Interest	584,000	584,000	584,000	333,000	112,000	2,197,000
Total	2,481,000	2,481,000	2,481,000	1,591,000	810,000	9,844,000

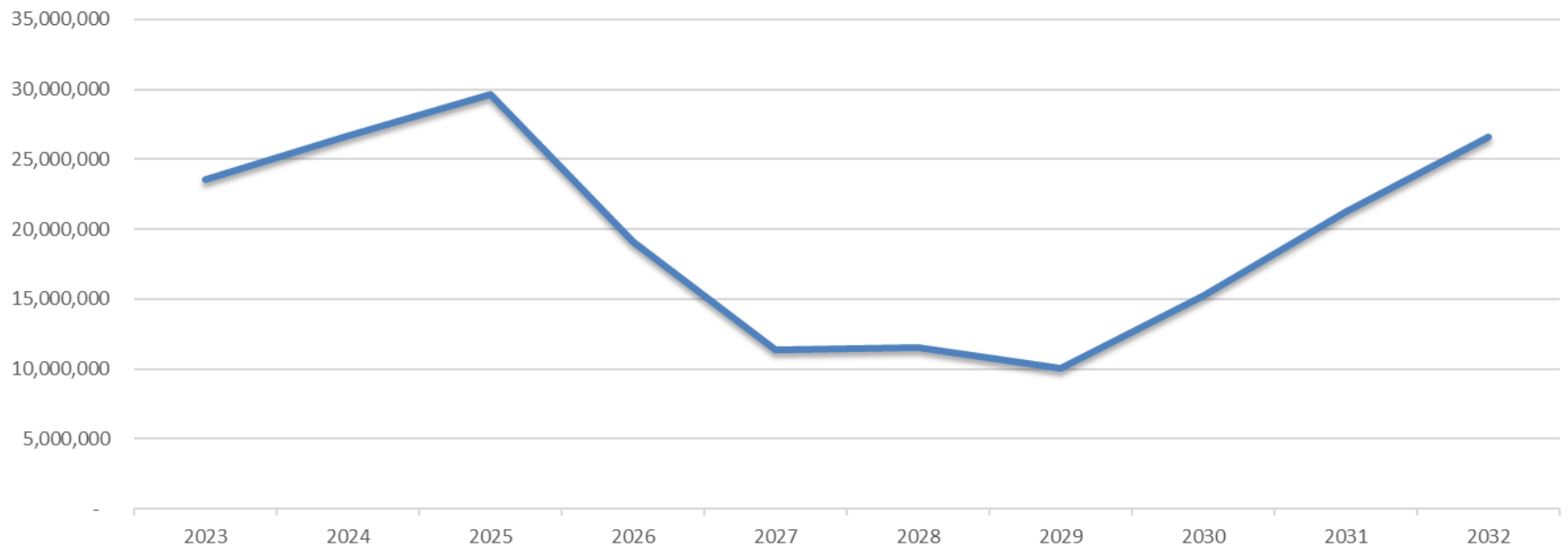
- ▶ \$7.5M (2.75%) – October 2015
 - ▶ \$3.5M (2.60%) – April 2016
 - ▶ \$3.0M (2.10%) – October 2016
 - ▶ \$8.0M (2.80%) – April 2017
- ▶ Paid in 2022
 - ▶ Principal: \$1,897,000
 - ▶ Interest: \$584,000

Financial Overview

10-Year Capital Plan

► Non-AIF Program

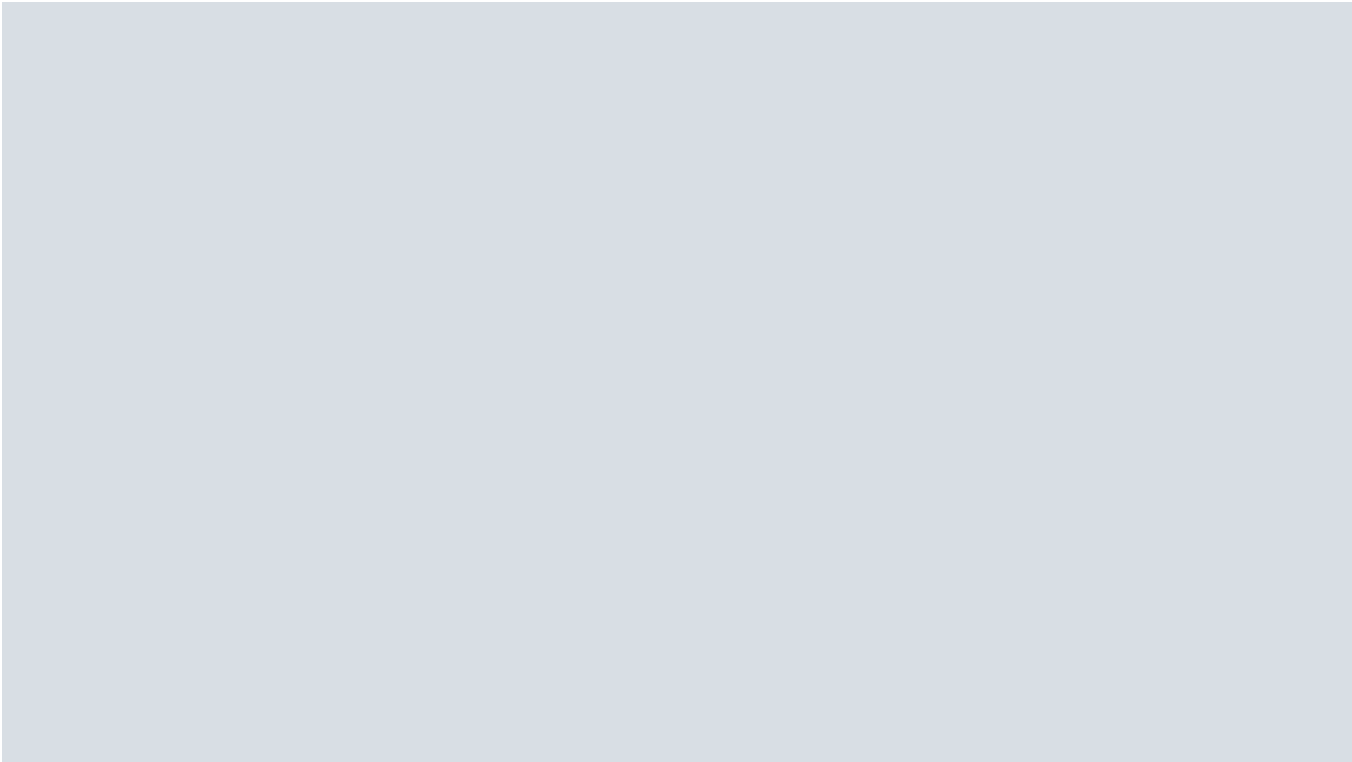
Combined Airside, Groundside and Terminal Reserve Balance



Financial Overview

10-Year Capital Plan

- ▶ Terminal expansion
 - ▶ Phase 1



Financial Overview

10-Year Capital Plan

- ▶ Terminal expansion

- ▶ Phase 1

- ▶ Expansion of pre-board screening and the departures lounge is crucial to YLW's operational ability to accept additional air service
 - ▶ Budget approved - \$67.3M
 - ▶ COVID-19 pandemic
 - ▶ Project put on hold
 - ▶ Commencement planned for 2023
 - ▶ Inflation – cost now forecasted to be \$90.2M

Financial Overview

10-Year Capital Plan

- ▶ Terminal expansion
 - ▶ Phase 2
 - ▶ Commencement planned for 2029
 - ▶ Construction of arrivals area at the south end of the building
 - ▶ Crucial to YLW's operational ability to accept additional air service

Financial Overview

10-Year Capital Plan

- ▶ Common use self serve and common use terminal equipment
 - ▶ Life-cycle replacement of existing equipment
 - ▶ Transition to full common use equipment at check-in and departures



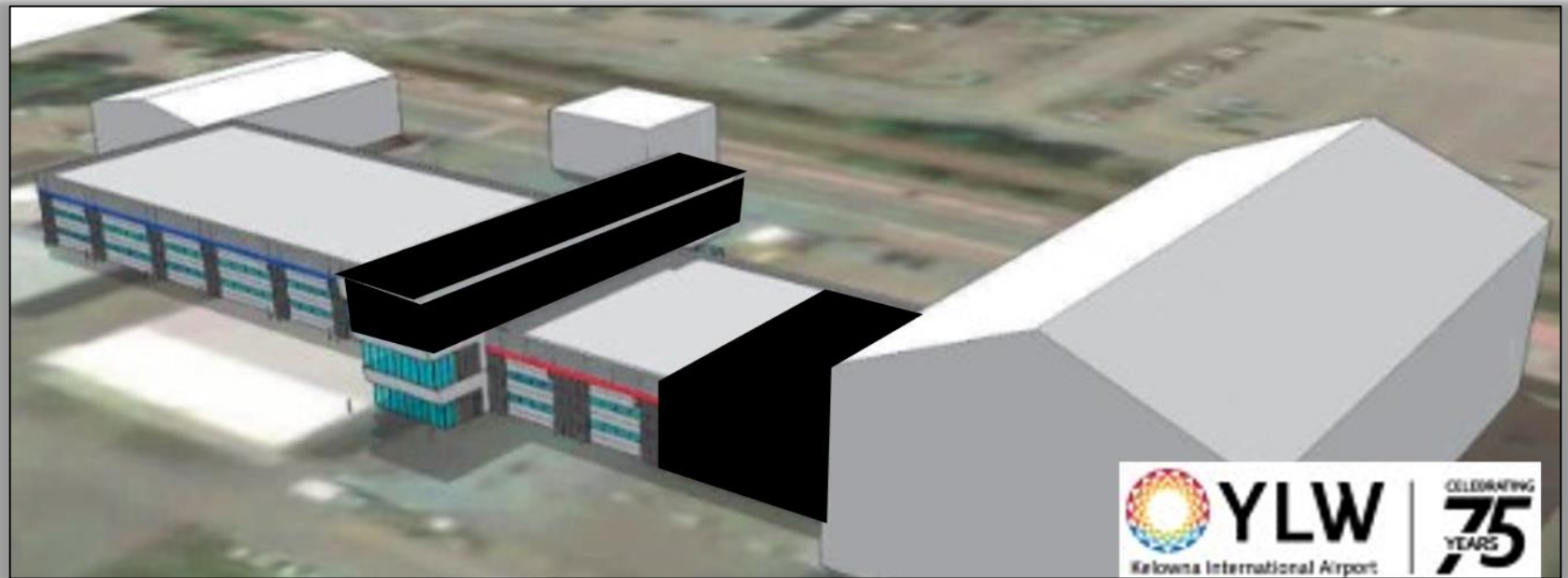
Financial Overview

Combined Operations Building

- ▶ Purpose
 - ▶ House all Airport Operations Specialist Firefighters, Mechanics and certain Management
 - ▶ House all equipment used to provide emergency and maintenance services at YLW
- ▶ Current building
 - ▶ Nearing the end of its useful life
 - ▶ Equipment has outgrown the building capacity
- ▶ Scope
 - ▶ Expansion of the existing facility

Financial Overview

Combined Operations Building



Financial Overview

Combined Operations Building

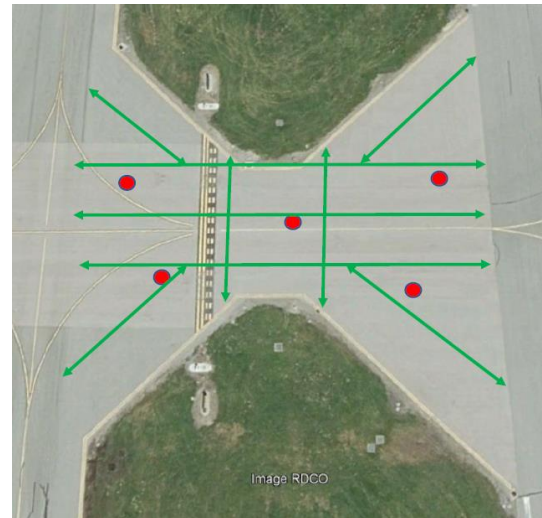
▶ Benefits

- ▶ Provide infrastructure for projected resources and fleet plan to 2045
- ▶ More direct access to the runway for aircraft rescue and firefighting vehicles
- ▶ Maximize visibility to airside surfaces
- ▶ Addition of an alternate Emergency Coordination Center
- ▶ Potential relocation of non-passenger screening for vehicles (NPS-V) facility

Financial Overview

10-Year Capital Plan

- ▶ Airside pavement rehabilitation
 - ▶ Runway, taxiways and aprons
 - ▶ End of useful life rehabilitation
 - ▶ Mitigate increased risk of safety issue and closure
 - ▶ 2023
 - ▶ Structural rehab of base with asphalt pavement
 - ▶ Apron 3
 - ▶ Taxiway Charlie West



Financial Overview

10-Year Capital Plan

- ▶ Airside equipment
 - ▶ Equipment used for snow clearing and firefighting
 - ▶ End of lifecycle replacement
 - ▶ Fleet increase due to increased operations
 - ▶ 2023
 - ▶ Two runway snowplow sweeper combos



Financial Overview

10-Year Capital Plan

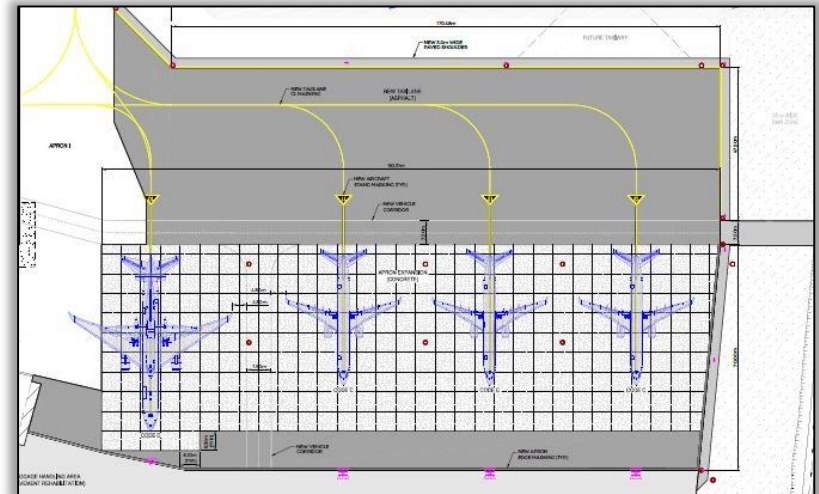
- ▶ Airside lighting and supporting infrastructure
 - ▶ Adoption of high-intensity lighting for both approaches and the runway
 - ▶ Anticipated regulation
 - ▶ Will require land to the north of Old Vernon Road



Financial Overview

10-Year Capital Plan

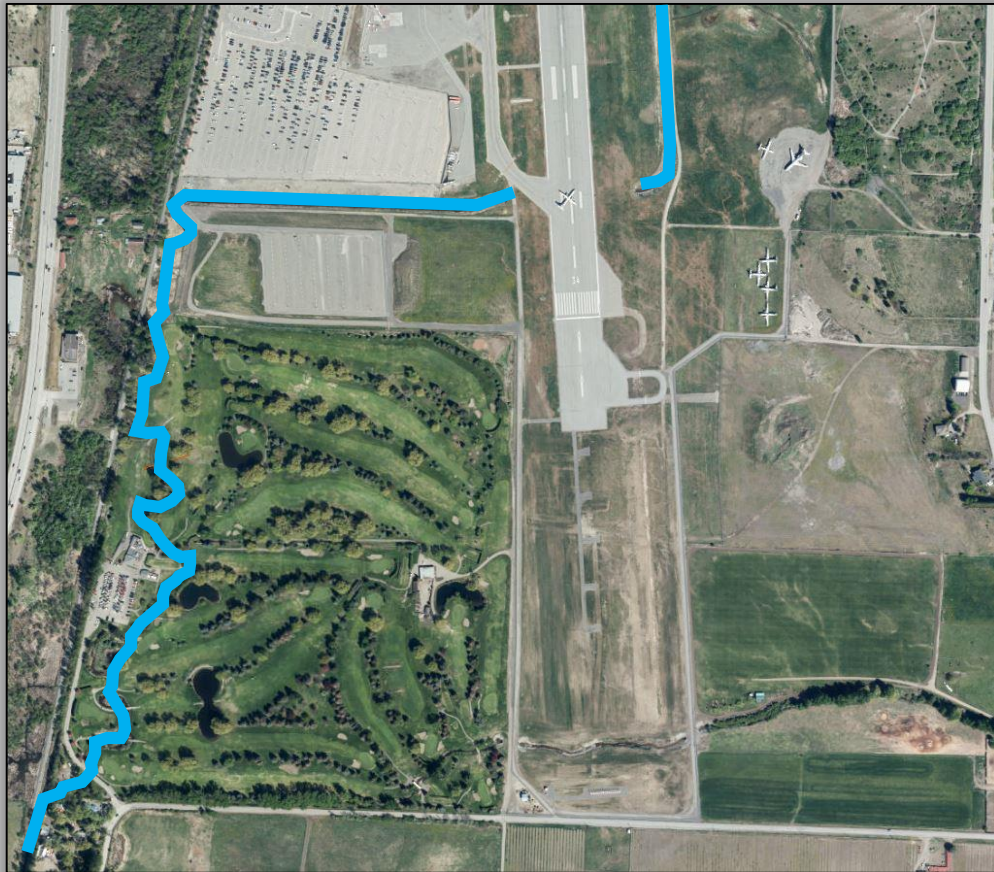
- ▶ Apron 1 south expansion
 - ▶ Addition of gates 11, 12 and 13



Financial Overview

10-Year Capital Plan

- ▶ Airside projects
 - ▶ Mill Creek



Financial Overview

10-Year Capital Plan

- ▶ Groundside projects
 - ▶ Airport quick turn-around facility
 - ▶ Airport Way roundabout



Financial Overview

10-Year Capital Plan

- ▶ Terminal projects
 - ▶ Rehabilitation
 - ▶ Roof
 - ▶ Replacements
 - ▶ HID to LED
 - ▶ Air handling units
 - ▶ Upgrades
 - ▶ PA system
 - ▶ Office allocation

Financial Overview

10-Year Capital Plan

- ▶ Environmental, Social and Governance Initiatives
 - ▶ Commitment
 - ▶ Carbon neutral by 2030
 - ▶ Carbon net zero or net negative by 2040
 - ▶ Airport Carbon Accreditation
 - ▶ Level 2 achieved



Questions?