

Report to Council



Date: August 27, 2018

File: 0610-50

To: City Manager

From: Shayne Dyrda, Senior Finance and Corporate Services Manager

Subject: Amendment to 2018 Financial Plan – Kelowna International Airport

Report Prepared by: Toni McQueenie, Airport Administration Manager

Recommendation:

THAT Council receives, for information, the report from the Senior Airport Finance and Corporate Services Manager dated August 27, 2018, with respect to a budget amendment for \$2,192,000.

AND THAT the 2018 Financial Plan be amended to include up to \$2,192,000 funded from various Airport reserves as outlined in the Financial/Budgetary Considerations section of the report.

AND FURTHER THAT the 2018 Financial Plan be amended to include any revenues received from the Disaster Financial Assistance.

Purpose:

To obtain Council authorization for a budget increase of \$2,192,000.

Background:

During 2018, the Kelowna International Airport (YLW or the Airport) has encountered certain circumstances that were unforeseen at the time the Airport submitted its 2018 budget. To ensure continued operational effectiveness and efficiency, the Airport would like to move forward with certain projects to mitigate these unforeseen circumstances.

As at the end of June 2018, the Airport's non-AIF revenues less expenditures are tracking approximately \$835,000 higher than was budgeted. In addition, as at the end of June 2018, the Airport's non-AIF reserves are sitting at approximately \$26,000,000.

Chiller and Cooling Tower:

The Airport's chiller and cooling tower both broke down in 2018 and the Airport is currently renting a temporary chiller in order to maintain the temperature within the terminal building. The Airport was aware that these pieces of equipment were nearing the end of their useful lives but believed that, with regular maintenance, they would remain operational until the future expansion of the terminal building. As the chiller would need to be replaced as a part of the future terminal building expansion, the Airport is recommending that the chiller be replaced with the equipment that will be needed for the future expansion. The Airport requests that the 2018 Financial Plan be amended to include a capital project for the Chiller and Cooling Tower at a cost of up to \$1,115,000 to be funded by the Airport Terminal Reserve.

Airside Pavement Rehabilitation:

The condition of taxiways Alpha and Bravo have been monitored over the 2017-2018 winter season and it has been determined that the pavement has deteriorated to a level that will require repair sooner than originally anticipated. The Airport is requesting to patch areas of these taxiways by using the mill and fill technique in 2018 to mitigate potential safety hazards as a result of current and further deterioration. This temporary measure is anticipated to extend the lifespan of the asphalt for five to six years. The Airport requests that the 2018 Financial Plan be amended to include a capital project for the Airside Pavement Rehabilitation at a cost of up to \$170,000 to be funded by the Airport Airside Reserve.

Glycol Drain Guards:

Prior to the 2017/18 winter, the Airport worked with the airlines to improve its glycol mitigation plan. The first phase of the plan saw the airlines purchase and operate a primary capture vehicle that collected glycol from the apron. Subsequent to the 2017/18 winter season, the Airport and airlines reviewed the results of the glycol mitigation plan improvements and identified ways to further improve the Airport's glycol mitigation plan. The second phase of improvements to the glycol mitigation plan is intended to be implemented for the 2018/19 winter and would see the airlines purchase a second primary capture vehicle and operate both vehicles over an extended period of time. To provide the primary capture vehicles with the opportunity to collect as much of the glycol as possible, the Airport would like to purchase and install storm drain guards that would prevent glycol and other hazardous materials from entering the Airport's storm water system. The Airport requests that the 2018 Financial Plan be amended to include a capital project for the purchase of Drain Guards at a cost of up to \$90,000 to be funded by the Airport Airside Reserve.

Culvert Replacement (2018 Freshet):

During the 2018 Freshet, the culverted roadway on Scotty Creek that provides the Okanagan Polo Club with access to the Polo Fields was partially washed away. This creek crossing can no longer be used and is the only access to the polo fields from the roadway entrance on Bulman Road. The Airport would like to replace this crossing with a box culvert crossing that is anticipated to cost \$155,000.

As the damage was incurred as a part of the 2018 Freshet, the Airport believes that the replacement of the box culvert crossing is eligible for Disaster Financial Assistance (DFA) funding. DFA is a provincial program that supports local government and private property owners to recover after catastrophic events. DFA pays 80% of eligible recovery costs to restore many types of infrastructure to pre-disaster conditions. It does not fund enhancements or upgrades that improve infrastructure or prevent future problems. Not all damage caused by a disaster is eligible for DFA: erosion, landscaping, insured assets and non-critical items are not. Enhancements over and above the pre-existing condition are at YLW's expense.

DFA has received submission from YLW for review and preapproval. No approvals have been granted yet as formal notification may take some time. If approval is granted, it is anticipated that \$124,000 would be funded through the DFA and \$31,000 would be funded by the Airport.

The Airport requests that the 2018 Financial Plan be amended to include a capital project for the construction of a box culvert creek crossing across Scotty Creek at a cost of up to \$155,000 to be funded by the Airport Airside Reserve. The Airport further requests that the 2018 Financial Plan be amended to include any revenues received from the DFA.

Airport Security and Security Related Services

A Negotiated Request for Proposal (NRFP) was issued with respect to the security and security related services at the Airport between October 1, 2018 and September 30, 2023. The NRFP closed on April 17, 2018 and six submissions were received and approved by the City's Purchasing Department to proceed with evaluation. At the conclusion of the evaluation, the highest ranking proponent became the Preferred Proponent and was eligible for contract negotiation. Negotiations included requests for supplementary information to clarify the Preferred Proponent's proposal. Negotiations have concluded and the Airport requests that the 2018 Financial Plan be amended to increase the budget for Security Expense by up to \$122,000 to be funded by the Airport Airside (\$30,500), Groundside (\$52,500) and Terminal (\$39,000) Reserves.

Airport Snow Clearing

Due to the weather patterns during the 2018 winter, the Airport incurred additional snow clearing services. The Airport requests that the 2018 Financial Plan be amended to increase the budget for Facility Maintenance by up to \$540,000 to be funded by the Airport Groundside Reserve.

Financial/Budgetary Considerations:

The capital projects noted in the report are not currently in the City's Financial Plan. The 2018 Financial Plan will need to be amended for up to \$2,192,000 funded from the following Airport reserves. The replacement of the Chiller and Cooling Tower to be funded from the Airport Terminal reserve up to \$1,115,000, the Airside Pavement Rehabilitation to be funded from the Airport Airside Reserve up to \$170,000, the Glycol Drain Guards to be funded from Airport Airside reserve up to \$90,000, the Culvert Replacement to be funded from the Groundside reserve up to \$155,000, the security and security related services to be funded from the Airside (\$30,500), Groundside (\$52,500) and Terminal (\$39,000) reserves up to \$122,000, and the snow clearing services to be funded from the Groundside reserve for

up to \$540,000. The 2018 Financial Plan will also need to be amended to include any revenues received from the DFA.

Internal Circulation:

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Considerations not applicable to this report:

Legal/Statutory Authority: N/A

Legal/Statutory Procedural Requirements: N/A

Existing Policy: N/A

Personnel Implications: N/A

External Agency/Public Comments: N/A

Communications Comments: N/A

Alternate Recommendation: N/A

Submitted by: S. Dyrdal, Senior Airport Finance and Corporate Services Manager

Approved for inclusion:



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