

Report to Council



Date: December 10, 2018

File: 0610-50

To: Doug Gilchrist, City Manager

From: Shayne Dyrdal, Senior Airport Finance & Corporate Services Manager

Subject: Kelowna International Airport Soaring Beyond 2.5 Million Passengers Airport Improvement Fee Capital Program
Report Prepared by: Paul Crenson, Acting Airport Administration Manager

Recommendation:

THAT COUNCIL receive for information the report of the Senior Airport Finance and Corporate Services Manager dated December 10, 2018 with respect to Kelowna International Airport's Soaring Beyond 2.5 Million Passengers Airport Improvement Fee Capital Program;

AND THAT COUNCIL support Kelowna International Airport's Soaring Beyond 2.5 Million Passengers Airport Improvement Fee Capital Program;

AND FURTHER THAT Bylaw No. 11725 being Amendment No. 33 to the City of Kelowna Airport Fees Bylaw 7982 be advanced for reading consideration.

Purpose:

To obtain Council's support for Kelowna International Airport's Soaring Beyond 2.5 Million Passengers Airport Improvement Fee Capital Program and obtain Council's approval to increase the Airport Improvement Fee from \$15.00 per departing passenger to \$20.00 per departing passenger, effective April 1, 2019.

Background:

Kelowna International Airport's (the Airport's) passenger numbers have increased by 38% between the ten months ended October 31, 2013 and the same period in 2018. This increase in passenger numbers has resulted in operational capacity constraints throughout the Airport's infrastructure. In addition, some of the Airport's existing infrastructure is reaching the end of its lifecycle and requires rehabilitation or replacement. The Airport has developed a capital program to address these issues, which the Airport recommends be funded by the Airport Improvement Fee (AIF). This capital development program is referred to as the Soaring Beyond 2.5 Million Passengers AIF Program (the AIF

Program) and has been developed with significant consultation from the Airport's Airline Consultative Committee (ACC).

The AIF Program is anticipated to cost \$183 million, take approximately 10 years to complete, and consist of the following projects:

- Terminal Expansion
 - The proposed Terminal Expansion would consist of an expansion of the departures lounge (Phase 1), the addition of a bridge on Gate 2 (North Bridge), and the relocation of domestic arrivals to the south end of the terminal (Phase 2).
 - Phase 1 of the Terminal Expansion would result in: an expansion of the departures lounge to the south in order to increase operational capacity and provide additional food and beverage choices; the expansion of pre-board screening to allow for CATSA Plus equipment and a corresponding reduction in wait times; and elimination of the airside corridor for Gates 6, 7, 8 and 9 to help improve wayfinding and reduce walking distances. Construction of Phase 1 would take place between 2020 and 2022, and is anticipated to cost \$50.2 million.
 - The North Bridge would result in the addition of a fixed link and passenger loading bridge at Gate 2. This would significantly improve the ability to have domestic and international flights arriving simultaneously. Construction of the North Bridge would take place in 2021, and is anticipated to cost \$4.2 million.
 - Phase 2 of the Terminal Expansion would result in the relocation of domestic arrivals from the north end of the terminal building to the south end. This relocation would increase the operational capacity of both the domestic and international arrivals areas, including the baggage carousels and CBSA processing space, be the second step towards eliminating the airside corridor and improving wayfinding, and would further reduce walking distances. Construction of Phase 2 would take place between 2024 and 2025, and is anticipated to cost \$33.4 million.
- Runway End Safety Area
 - The proposed Runway End Safety Area project would satisfy an anticipated future Transport Canada regulation that would require the Airport to have a 150-meter safety area at each end of the runway. The construction of this project would take place between 2020 and 2021, and the project is anticipated to cost \$7.8 million.
- Self-Serve Baggage Drop
 - Self-serve baggage drop equipment will facilitate increased automation in passenger processing by allowing passengers to drop off their own bags onto the baggage belts, rather than having it processed through an airline customer service agent. The proposed Self-Serve Baggage Drop project would see the addition of three double-sided, self-serve baggage drop units. Construction of this equipment would take place between 2021 and 2023, and is anticipated to cost \$1.6 million.
- Loading Bridges
 - The proposed Loading Bridge project would result in the rehabilitation of three existing passenger loading bridges (Gates 6, 7 and 9), the rehabilitation of the passenger loading bridge currently on Gate 8 and the relocation of it to Gate 3, and the construction of a new passenger loading bridge on Gate 8. The rehabilitation would be taking place at the end of the existing infrastructure's life cycle. The passenger loading bridge

currently at Gate 8 will not be able to continue to operate at Gate 8 due to the proposed Terminal Expansion; however, this passenger loading bridge could operate at Gate 3, which is why it is recommended that it be moved to Gate 3 and a new passenger loading bridge put on Gate 8. The rehabilitation of the passenger loading bridges on Gates 6, 7 and 9 would take place in 2022, and the rehabilitation and construction of the new passenger loading bridge at Gates 3 and 8, respectively, would take place in 2028. This project is anticipated to cost \$3.0 million.

- Apron Expansion
 - The proposed Apron Expansion project would result in the expansion of the main commercial Apron to the south, creating three new operations stands to accommodate an anticipated increase in aircraft gate requirements. Gate 11 would be constructed in 2022, and Gates 12 and 13 would be constructed in 2025. The Apron Expansion project is anticipated to cost \$16.6 million.
- Combined Operations Building
 - The proposed Combined Operations Building project would consist of a new Airport Operations Centre, and a vehicle storage and maintenance facility. These facilities would accommodate the anticipated growth in the fleet plan, as well as provide more efficient and effective facilities for the Airport Operations Specialist Fire Fighting team. The construction of this project would take place between 2022 and 2024, and the project is anticipated to cost \$10.4 million.
- Common Use Terminal Equipment (CUTE)/Common Use Self-Serve (CUSS)
 - The proposed CUTE/CUSS project would see the replacement of the existing CUTE/CUSS infrastructure in 2022, when the existing infrastructure is anticipated to be at the end of its lifecycle. This project is anticipated to cost \$2.8 million.
- Airside Pavement Rehabilitation
 - The proposed Airside Pavement Rehabilitation project would consist of the lifecycle rehabilitation for the Airport's runway, taxiways, and aprons. Construction would take place between 2019 and 2029, and is anticipated to cost \$41.8 million.
- Airside Equipment
 - Airside equipment includes, but is not limited to, firefighting equipment and snow clearing equipment. The proposed Airside Equipment project would see the purchase of Airside equipment to replace existing equipment at the end of its lifecycle, or expand the fleet of equipment based on anticipated growth. These purchases would take place between 2019 and 2029, and are anticipated to cost \$11.2 million.

In order to help fund the AIF Program, the Airport is recommending an increase to the AIF from \$15.00 per departing passenger to \$20.00 per departing passenger, effective April 1, 2019. The Airport anticipates that a second increase to the AIF will be recommended for 2020, and that the Airport will need to take out additional debt during the course of the AIF Program.

The AIF Program is supported by the ACC and, in November 2018, the ACC endorsed the first phase of the AIF Program, which is proposed to commence in 2019.

On October 5, 2018, the Airport Advisory Committee supported, in principle, the AIF Program and to obtain approval from Council for an amendment to the Airport Fees and Charges Bylaw No. 7982 to increase the Airport Improvement Fee in 2019.

Internal Circulation:

Jackie Dueck, Controller
Jodie Foster, Community Communications Manager

Considerations not applicable to this report:

Financial/Budgetary Considerations: N/A

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 & Corporate Services Manager

Approved for inclusion:



Doug Gilchrist, City Manager
Sam Samaddar, Airport Director

cc: Genelle Davidson, Divisional Director, Financial Services
Stephen Fleming, City Clerk