

# Report to Council



**Date:** August 12, 2019

**File:** 0610-50

**To:** Council

**From:** City Manager

**Subject:** 2019 Financial Plan Amendment - Kelowna International Airport

Report Prepared by: Mira Malkowsky, Airport Corporate Services Manager

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## **Recommendation:**

THAT Council receives, for information, the report from the Airport Finance & Corporate Services Department dated August 12, 2019, with respect to a budget amendment for \$695,000;

AND THAT the 2019 Financial Plan be amended to increase facility maintenance fees by \$695,000 to be funded from the Airport's Airside, Groundside and Terminal reserves.

## **Purpose:**

To obtain Council's approval to amend the 2019 Financial Plan.

## **Background:**

In 2013, Bouygues Energies and Services Canada Limited ("Bouygues") was the successful proponent in the City's negotiated request for proposal process to provide building and technical services at Kelowna International Airport ("YLW"). As part of this agreement, Bouygues is responsible for maintenance of YLW facilities and infrastructure which includes, but is not limited to the following:

- preventative and reactive maintenance on buildings, building systems, life safety systems and equipment including: electrical, the baggage handling system, passenger bridges, aviation safety systems, and HVAC;
- airfield electrical work;
- surface maintenance;
- snow and ice control;
- janitorial maintenance;
- environmental services;
- energy management; and
- minor works.

The original term of the Building and Technical Services Master Agreement (the "Agreement") was May 1, 2013 to April 30, 2018 with two optional five-year renewals subject to the mutual agreement of both parties.

In the winter of 2017, and prior to the first optional five-year renewal, Bouygues and YLW agreed that the Agreement, which was comprised of approximately 2,346 pages and included the negotiated request for proposal document, Bouygues' proposal and the base contract, was difficult to manage and was not operationally effective. As a result, YLW and Bouygues worked together to consolidate and condense the Agreement, which is now under 75 pages in length. YLW and Bouygues also worked together to update certain aspects of the Agreement, which had changed during the initial five-year term due to changes in YLW's operations. These changes were completed with involvement from the City's Purchasing Department. Due to the time required to complete this exercise, the current Agreement is in over-holding and, subject to budget approval, the five-year extension will be executed in August 2019.

The following table provides a summary of the changes to the fee that result in the request for a budget amendment. It is important to note that the first three months of the contract will be a hybrid fee to allow Bouygues the time to adjust its workforce. The Proposed Fee in the table below represents the fee commencing in month 4 of the Agreement.

|   |                    |
|---|--------------------|
| <b>Year 5 Fee</b>                         | <b>\$2,311,435</b> |
| <b>Proposed Changes</b>                   |                    |
| Change in YLW Infrastructure <sup>a</sup> | 494,656            |
| Growth of YLW <sup>b</sup>                | 223,480            |
| Indexation <sup>c</sup>                   | 116,723            |
| Office Space <sup>d</sup>                 | 38,089             |
| Labour <sup>e</sup>                       | 31,462             |
| Snow clearing <sup>f</sup>                | (200,733)          |
| Other                                     | (9,540)            |
| <b>Subtotal</b>                           | <b>694,137</b>     |
| <b>Proposed Fee</b>                       | <b>3,005,572</b>   |

- a. Mainly due to the completion of the Outbound Baggage Hall in 2017.
- b. YLW's passenger numbers have increased 38% since 2013.
- c. Based on BC CPI.
- d. YLW is not able to provide office space within the air terminal building.
- e. Market-based increase to attract talent.
- f. Proposed to be paid for directly by YLW rather than being incorporated in the base fee.

**Internal Circulation:**

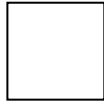
Phillip Elchitz, Senior Airport Operations Manager  
Lori Evans, Senior Buyer  
Jessica Hewitt, Airport Communications Advisor  
Jackie Dueck, Controller

**Financial/Budgetary Considerations: N/A**  
**Considerations not applicable to this report: 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:**



S. Samaddar, Airport Director  
D. Gilchrist, City Manager

cc: Genelle Davidson, Divisional Director, Financial Services  
Darren Tompkins, Purchasing Manager  
Phillip Elchitz, Senior Airport Operations Manager  
Lori Evans, Senior Buyer  
Jessica Hewitt, Airport Communications Advisor  
Jackie Dueck, Controller