

Report to Council



Date: November 4, 2019
To: Council
From: City Manager
Subject: Kelowna International Airport Fees Bylaw Amendment
Department: Kelowna International Airport

Recommendation:

THAT COUNCIL receive for information the report of the Senior Airport Finance and Corporate Services Manager dated November 4, 2019;

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

AND FURTHER THAT Bylaw No. 11954 being Amendment No. 35 to the City of Kelowna Airport Fees Bylaw 7982 be advanced for reading consideration.

Purpose:

To amend City of Kelowna Airport Fees Bylaw 7982.

Background:

Airport Improvement Fee

Kelowna International Airport's (the Airport's) passenger numbers increased 38 per cent between the year ended December 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 first year of the AIF Program was approved by Council as a part of the 2019 Financial Plan.

The projects within the AIF Program that have not yet commenced are anticipated to cost \$191 million (\$220 million, with inflation), be completed by the end of 2029, and consist of the following projects:

Project	Cost (Millions)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Terminal Expansion - Phase 1	60.8										
Terminal Expansion - North Bridge	6.5										
Apron Expansion	19.6										
Self-serve Baggage Drop	1.9										
Airside Lighting and Supporting Infrastructure	0.2										
Runway End Safety Area	8.6										
Combined Operations Building	12.0										
CUTE/CUSS	3.2										
Terminal Expansion - Phase 2	41.4										
Loading Bridges	2.4										
Airside Pavement Rehabilitation	50.5										
Airside Equipment	12.8										
Total	219.9										

Legend
 Design
 Construction

- Terminal Expansion (\$109 million, with inflation)
 - 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 reduction in wait times; and elimination of the airside corridor for Gates 6, 7 and 8 to help improve wayfinding and reduce walking distances.
 - 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.
 - 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.
- Apron Expansion (\$20 million, with inflation)
 - The proposed Apron Expansion 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 2021, and Gates 12 and 13 would be constructed in 2025 and 2026.
- Self-Serve Baggage Drop (\$2 million, with inflation)
 - Self-serve baggage drop equipment would 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.

- Airside Lighting and Supporting Infrastructure Design (\$200K, with inflation)
 - The proposed Airside Lighting and Supporting Infrastructure Design project would allow the Airport to understand the benefits and implications of upgrading the current medium-intensity runway and approach lighting systems to high-intensity runway and approach lighting systems.
- Runway End Safety Area (\$9 million, with inflation)
 - 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.
- Combined Operations Building (\$12 million, with inflation)
 - 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.
- Common Use Terminal Equipment (CUTE)/Common Use Self-Serve (CUSS) (\$3 million, with inflation)
 - The proposed CUTE/CUSS project would see the replacement of the existing CUTE/CUSS infrastructure, when the existing infrastructure is anticipated to be at the end of its lifecycle.
- Loading Bridges (\$2 million, with inflation)
 - The proposed Loading Bridge project would result in the replacement of Bridge 4.
- Airside Pavement Rehabilitation (\$51 million, with inflation)
 - The proposed Airside Pavement Rehabilitation project would consist of the lifecycle rehabilitation for the Airport's runway, taxiways, and aprons.
- Airside Equipment (\$13 million, with inflation)
 - 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.

In order to help fund the AIF Program, the Airport is recommending an increase to the AIF from \$20.00 per departing passenger to \$25.00 per departing passenger, effective March 1, 2020.

The AIF Program is supported by the ACC and, in October 2019, Airline's representing 95.6% of the Airport's 2018 enplaned passengers concurred with moving forward with the AIF Program projects scheduled to commence in 2020. Airline's representing 4.4% of the Airport's 2018 enplaned passengers did not respond.

On October 29, 2019, 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 2020.

Landing and Terminal Fees

The growth in passenger numbers and aircraft movements have resulted in additional infrastructure and corresponding operating costs including, but not limited to, building maintenance and technical services. As a result, the Airport is recommending a 2% increase to its Landing Fees and Terminal Fees, as shown below. The Airport intends to maintain its low-cost business model through the increase of non-aeronautical revenues.

Landing Fees

	Current	Proposed
Cost per 1,000 kg or fraction thereof	\$6.50	\$6.63

Terminal Fees

Number of Passengers	Current	Proposed
1-9	\$13.35	\$13.62
10-15	\$31.81	\$32.45
16-25	\$49.16	\$50.14
26-45	\$86.28	\$88.01
46-60	\$122.86	\$125.32
61-89	\$196.04	\$199.96
90-125	\$269.95	\$275.35
126-150	\$319.20	\$325.58
151-200	\$441.24	\$450.06
201-250	\$575.19	\$586.69
251-300	\$709.01	\$723.19
301-400	\$847.44	\$864.39
401+	\$1,044.62	\$1,065.51

On October 29, 2019, the Airport Advisory Committee supported, in principle, the Airport in obtaining approval from Council for an amendment to the Airport Fees and Charges Bylaw No. 7982 to increase the Landing Fees and Terminal Fees by 2%.

Electric Vehicle Charging Stations

During 2019, the Airport opened electric vehicle charging stations at the Airport. The Airport is recommending a fee of \$1.50 per hour be implemented for the use of the electric vehicle charging stations.

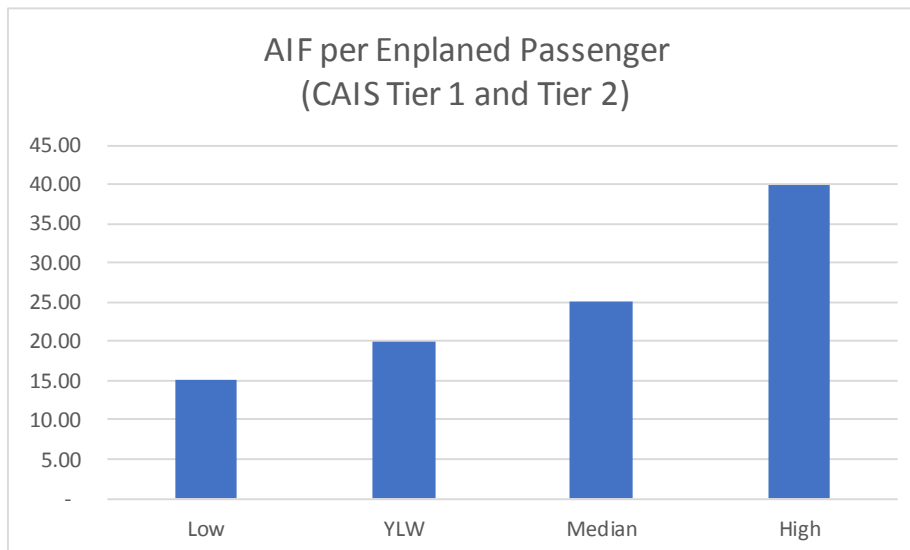
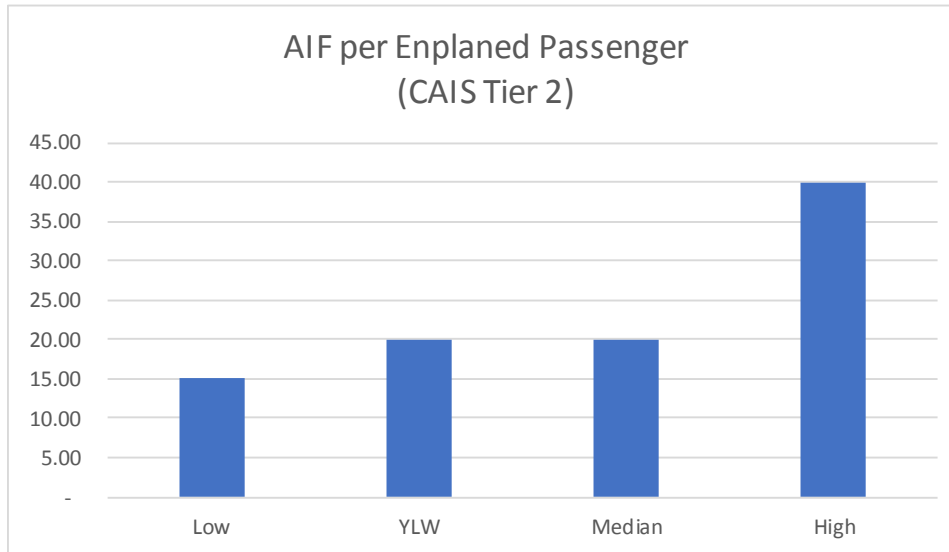
Minor Edits

The Airport is recommending certain formatting and wording changes be made within Bylaw 7982. The most significant of these changes is to the Airport Fuel Truck Licence Fee, which would see a specific rate be replaced by the need for the fee to be in accordance with Airport Traffic Regulations.

Discussion:

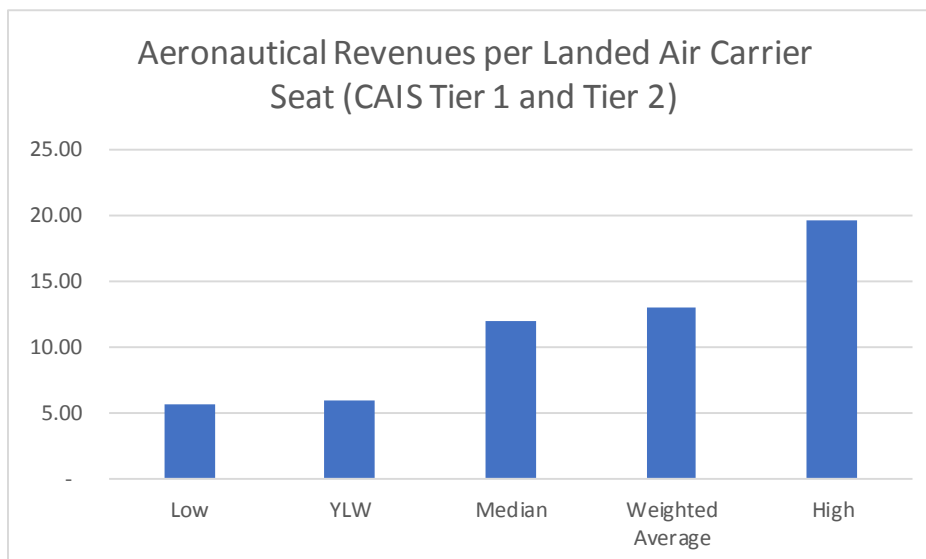
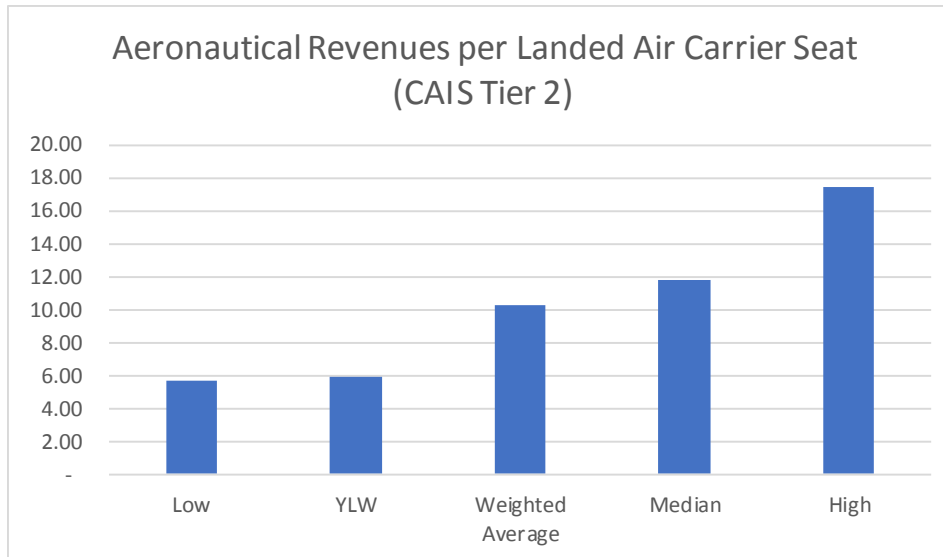
Airport Improvement Fee

An increase in the Airport's AIF to \$25.00 per departing passenger would align with the median AIF per enplaned passenger for Tier 1 and Tier 2 airports that participate in the Canadian Airports Information Sharing program, as shown on the following page. Increasing the AIF would not be a departure from the Airport's low-cost business model.



Landing and Terminal Fees

With a 2 per cent increase, the Airport's Aeronautical Revenues per Landed Air Carrier Seat would still be one of the lowest amongst the Tier 1 and Tier 2 airports that participate in the Canadian Airports Information Sharing program, as shown on the following page. If increased, the Airport's Landing Fees and Terminal Fees would remain aligned with the Airport's low-cost business model.



Conclusion:

In order to move forward with the Soaring Beyond 2.5 Million Passengers AIF Program, the Airport is recommending an increase in the AIF to \$25.00 per enplaned passenger, effective March 1, 2020. In order to help recover the annual costs associated with operating the Airport, the Airport is recommending a 2 per cent increase to Landing Fees and Terminal Fees. Both of these increases are aligned with the Airport's low-cost business model.

Internal Circulation:

J. Dueck, Controller

J. Hewitt, Communications Advisor
S. Fleming, City Clerk

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:

SS

cc:

S. Dyrdal, Senior Airport Finance and Corporate Services Manager