



**YLW**

Kelowna International Airport

# Airport Advisory Committee Meeting

April 29, 2021

# Agenda

- ▶ Call to Order, Welcome and Introductions
- ▶ Approval of Minutes
- ▶ Operational Update
- ▶ Development Update
- ▶ Financial Update
- ▶ Recommendations
- ▶ Questions



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Kelowna International Airport

# Operational Update

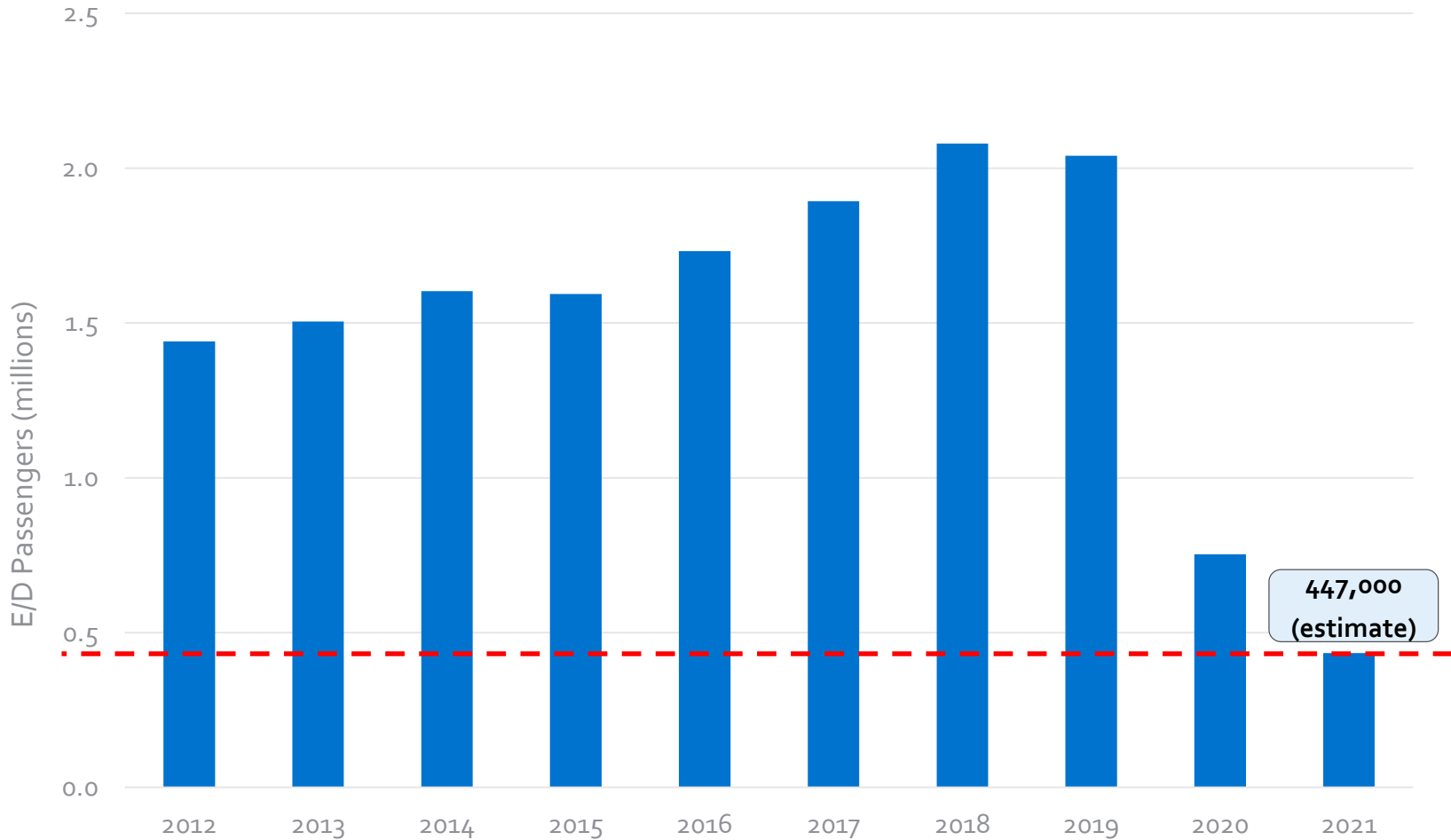
## 2021 Monthly Passengers

	Monthly	% Monthly	YTD	% YTD
January	31,417	-82%	31,417	-82%
February	26,892	-84%	58,309	-83%
March	30,339	-71%	88,648	-80%
Total (forecast)			447,000	-59%

## Annual Comparison to pre-COVID

	Annual	% Change
2019 Total	2,032,019	
2020 Total	737,447	-64%
2021 (forecast)	447,000	-39%

# 2012 to 2021 Passenger Statistics





		2021 JAN	2021 FEB	2021 MAR	12 Month Total
<b>TIER 2 AIRPORTS</b>	<b>YYJ Victoria</b>	18.4	13.4	16.9	<b>277.7</b>
	Prior Year	132.3	132.4	81.1	1,836.0
	Pct Change	-86.1%	-89.9%	-79.2%	-84.9% ▲
	<b>YXS Prince George</b>	7.8	6.8	7.9	<b>95.3</b>
	Prior Year	40.0	41.4	25.8	477.4
	Pct Change	-80.4%	-83.5%	-69.2%	-80.0% ▲
	<b>YLW Kelowna</b>	31.4	26.9	30.3	<b>372.8</b>
	Prior Year	174.8	173.5	104.9	1,930.8
	Pct Change	-82.0%	-84.5%	-71.1%	-80.7% ▲
	<b>YMM Fort McMurray</b>	12.2	11.4	13.7	<b>148.3</b>
	Prior Year	45.7	43.5	29.0	567.3
	Pct Change	-73.4%	-73.8%	-52.9%	-73.9% ▲
	<b>YXE Saskatoon</b>	14.3	10.0	12.2	<b>172.6</b>
	Prior Year	128.8	127.4	70.1	1,417.8
Pct Change	-88.9%	-92.2%	-82.7%	-87.8% ▲	
<b>YQR Regina</b>	11.3	8.4	9.7	<b>135.7</b>	
Prior Year	102.8	105.5	55.8	1,125.4	
Pct Change	-89.0%	-92.1%	-82.6%	-87.9% ▲	
<b>YXU London</b>	4.0	1.6	1.6	<b>51.3</b>	
Prior Year	61.8	59.8	36.9	721.8	
Pct Change	-93.6%	-97.3%	-95.7%	-92.9% ▲	
<b>YHM Hamilton</b>	5.5	3.2	4.4	<b>133.1</b>	
Prior Year	77.9	80.0	50.9	936.7	
Pct Change	-92.9%	-96.0%	-91.4%	-85.8% ▲	
<b>YTZ Toronto City</b>	0.0	0.0	0.0	<b>0.0</b>	
Prior Year	152.8	157.8	81.1	2,607.1	
Pct Change	#N/A	#N/A	#N/A	#N/A ▲##	
<b>YQB Quebec City</b>	13.0	7.9	8.9	<b>135.3</b>	
Prior Year	167.0	164.9	97.5	1,736.1	
Pct Change	-92.2%	-95.2%	-90.9%	-92.2% ▲	
<b>YQM Moncton</b>	6.1	4.8	5.8	<b>59.0</b>	
Prior Year	42.2	51.0	37.9	646.1	
Pct Change	-85.5%	-90.6%	-84.7%	-90.9% ▲	
<b>YYG Charlottetown</b>	2.2	1.2	1.5	<b>25.7</b>	
Prior Year	19.2	17.8	13.8	379.3	
Pct Change	-88.3%	-93.1%	-89.1%	-93.2% ▲	
<b>TOTAL TIER 2</b>	<b>126.2</b>	<b>95.5</b>	<b>112.9</b>	<b>1,606.8</b>	
	1,145.4	1,155.0	684.8	14,381.7	
	-89.0%	-91.7%	-83.5%	-88.8%	



- 6<sup>th</sup> busiest in Canada
- Ahead of Ottawa and Halifax
- Positioned for recovery

# Ongoing Staffing Reductions

## Continuing to operate with reduced staffing levels

- 10.5 positions remain unfilled (24% of total team)
- 5 staff positions working on 80% work share
- Remaining staff have taken on increased portfolios

## Staffing levels based on available “meaningful work”

- Moved groundside maintenance temporarily in house
- Airside security patrols moved in house
- Construction escorting moved in house

## Continuing to meet regulatory requirements

- Safety management system
- Aircraft rescue & fire fighting
- Wildlife control
- Runway inspections and surface condition reporting
- Operations centre



# Ongoing Operational Reductions

## Airside

- 4 of 10 operational stands remain out of service

## Groundside

- Valet service remains closed
- Several parking lots remain closed

## Agency status

- Security screening continuing to operate at reduced hours and capacity
- CBSA (customs) remains closed to arriving commercial flights
- Ambassador, Junior Ambassador and Ambassadorog programs remain suspended

# Terminal Building Operations

## Food and Beverage Services

- Groundside Whitespot Closed
- Groundside Tim Hortons Take out only
- Airside Subway and Tim Hortons Open (limited hours)
- Airside Whitespot Open for dine in
- Current provincial order exempts food services post security at airports

## Health protocols

- Masks mandatory in all areas of the building and on aircraft
- Passenger temperature screening at pre-board security checkpoint
- Employee temperature screening at employee security checkpoints
- Enhanced cleaning protocols for all public areas
- WCB and Health Canada protocols for all office and private leased space

## Temporary reduction of Prime Contractor Services

- Reduced terminal building operating hours
- Reduced number of contractor staff hours on site
- Reduced service level in non critical operating areas (baggage jams, general maintenance, response times)

# Mandatory Temperature Screening



# Rapid Testing Program



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WORKCAMP  
CHARTERS

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TRAVELLING  
PUBLIC

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CAMPUS  
EMPLOYEES

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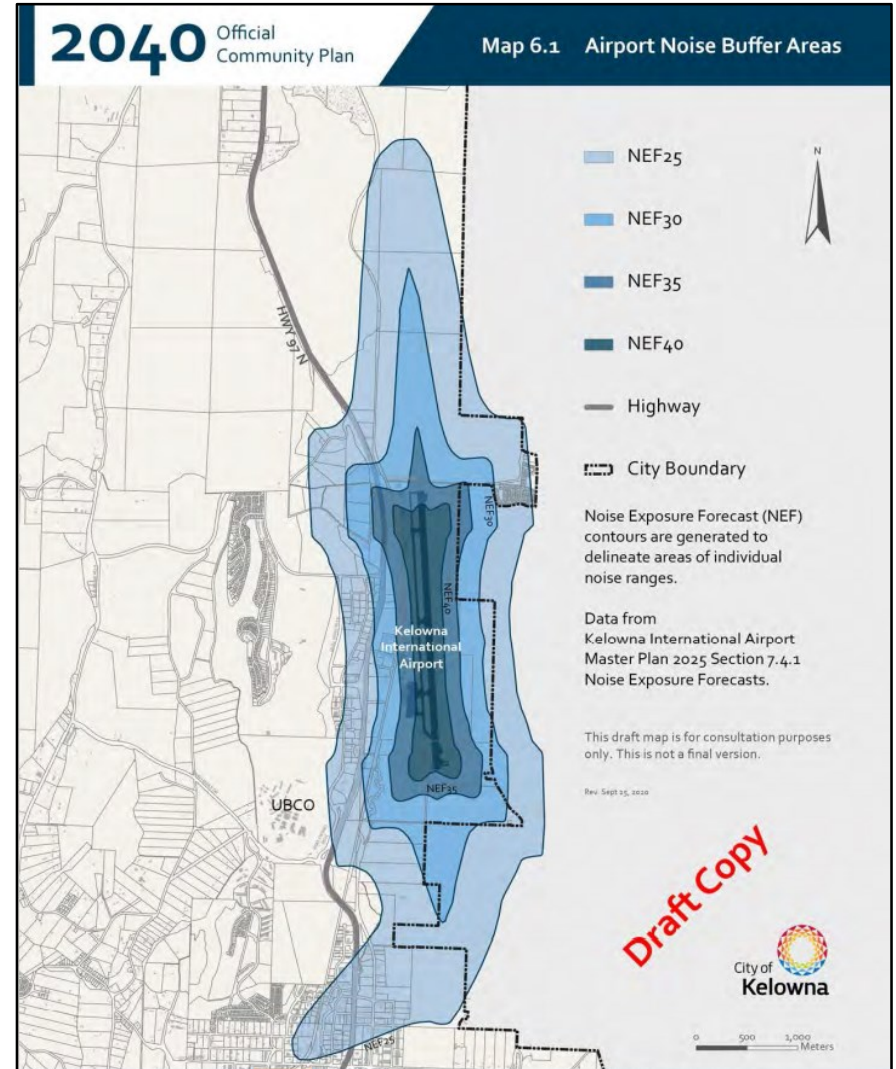
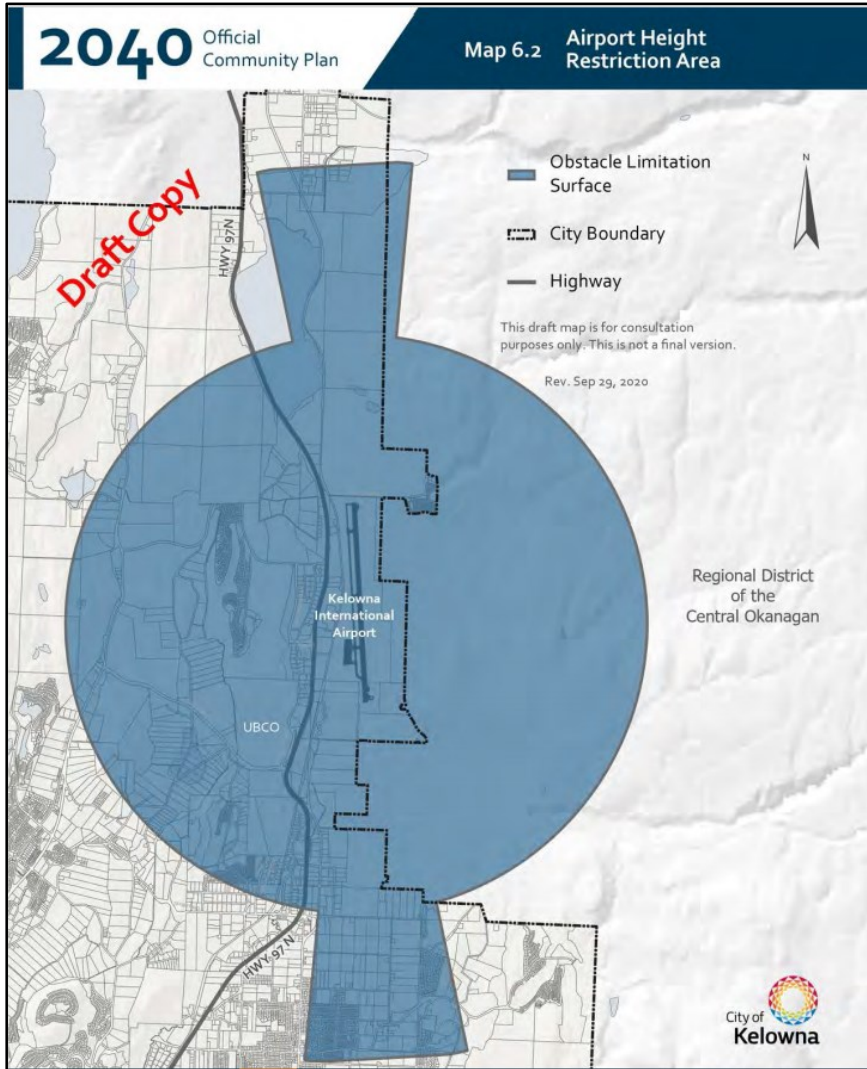
# ACI/NA Health Accreditation



- ▶ International program
- ▶ Cleaning protocols
- ▶ Employee distancing and shift changes
- ▶ Passenger queuing while collecting baggage and boarding aircraft
- ▶ Availability and location of hand sanitizer
- ▶ Public communication of the program
- ▶ Daily employee health checks
- ▶ Protocols for employees who are showing symptoms



# Official Community Plan Engagement





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# Development Update



# Project Development Update

## Soaring Beyond 2.5 Million Passengers

- ▶ Design development of ATB expansion
  - ▶ VE exercise is complete
  - ▶ Design to 90% is in the final phase
  - ▶ Current cost will be derived from the 90% design
  - ▶ Construction timeline TBD
- ▶ Airside pavement rehabilitation
  - ▶ Intersection of Delta and Alpha – complete
  - ▶ Taxiway Delta is planned for rehabilitation after contract realignment

# Project Development Update

## Soaring Beyond 2.5 Million Passengers

- ▶ Projects deferred due to COVID-19
  - ▶ Delta rehab – Phase 2
  - ▶ Apron 1 south expansion design
  - ▶ Airside lighting and supporting infrastructure design
  - ▶ Self-serve bag drop consultation
  - ▶ Airside equipment purchase
- ▶ The majority of these projects are currently being assessed for restart based on operational requirements and financial implications.

# Project Development Update

## Soaring Beyond 2.5 Million Passengers

- ▶ Financial Goals – remain the same
  - ▶ AIF equal to or below \$25.00/enplaned passenger
  - ▶ Maximum debt level of \$40,000,000
  - ▶ Debt level less than \$20,000,000 at the end of the Program
  - ▶ Positive reserve balance at the end of the Program

# Commercial Development Update

- ▶ 14 current opportunities that we are progressing at various levels of interest.
- ▶ Large scale retail/commercial development covering 8 acres over multiple years
- ▶ Hotel and parkade complex adjoining the terminal
- ▶ Commercial development at north end of West Lands
- ▶ Airport Lounge in the airport terminal expansion
- ▶ East Lands development ready for commercial with interested developers

# Air Service Development Update

## Air Traffic Recovery: Where are we at?



**9.4%**

**Traffic Recovered**  
(versus 2019)

### Canada lags in traffic recovery with most other geographies

Traffic Recovered (versus 2019 levels)



**57%**

as of April 6<sup>th</sup> 2021



**22%**

Q1 2021



**42%**

Q1 2021

### Domestic Traffic Recovered During 2020 Peak Month

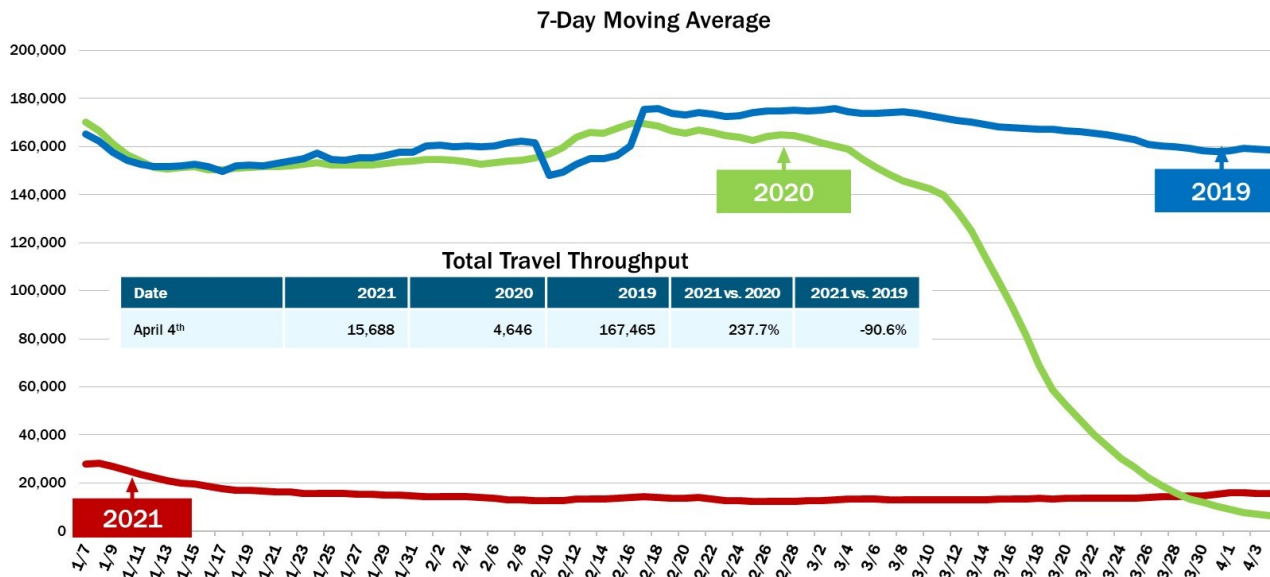
Recovered to 2019 levels



China



Russia



# Air Service Development Update

## What Will Recovery Look Like in Canada?



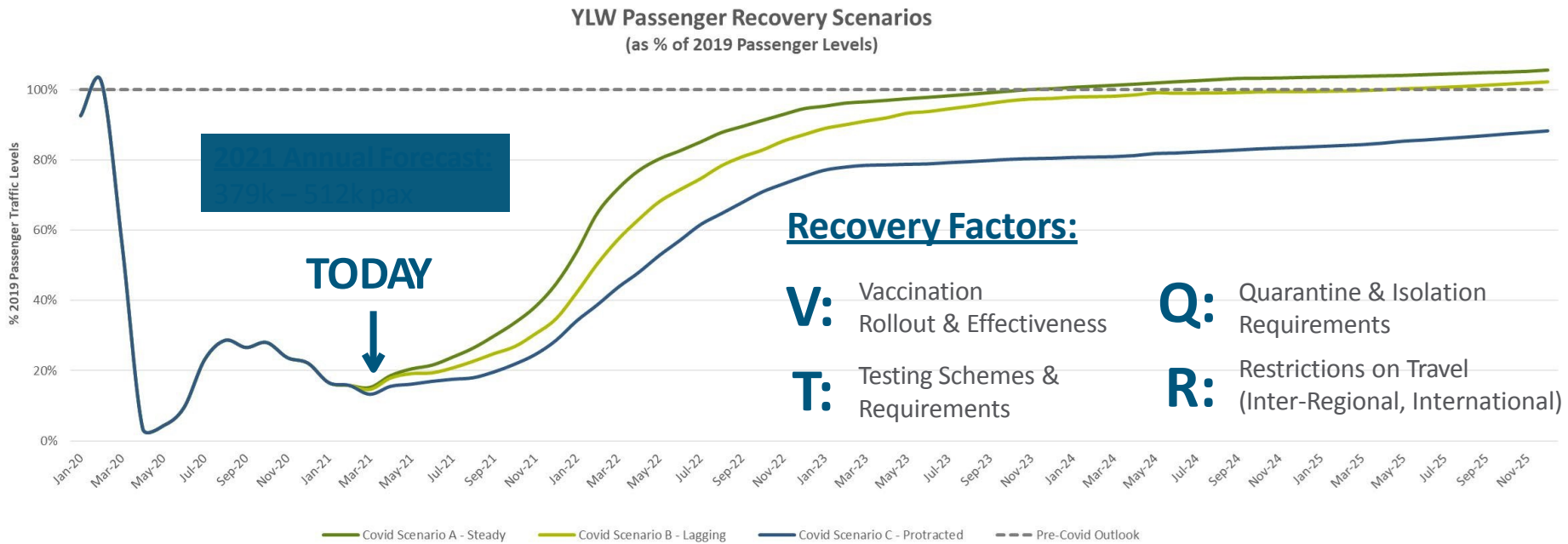
### Wide-Reaching Industry Impacts:



Source: InterVISTAS Analysis

# Air Service Development Update

## YLW Traffic Will Recover Under Various Scenarios



Source: InterVISTAS Analysis; Recovery Forecast as of 18 March 2021



# Air Service Development Update

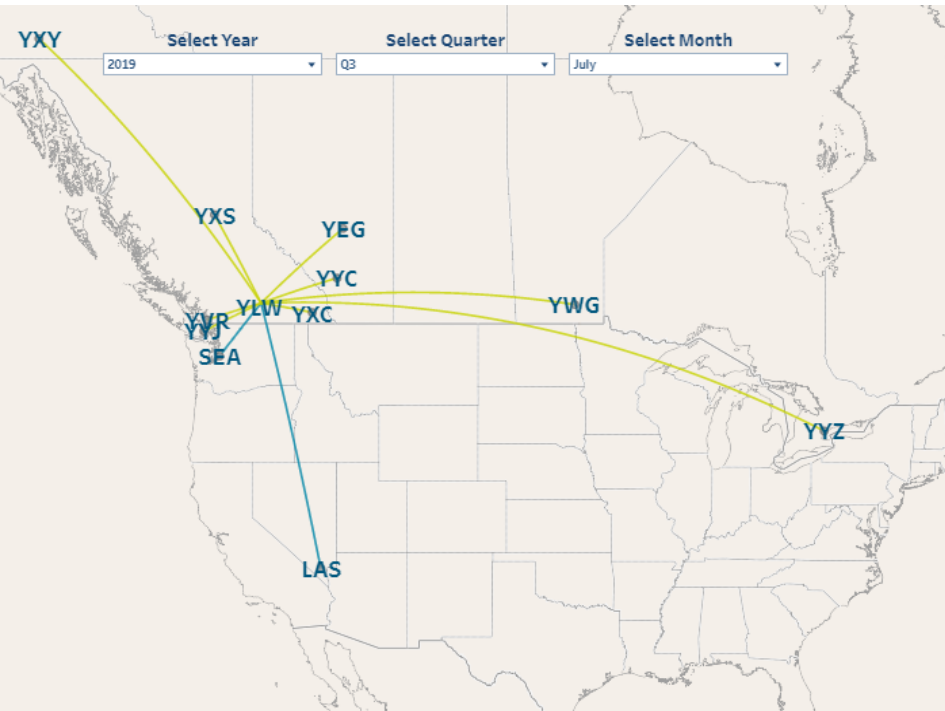
As a result of our Air Service Recovery Strategy - YLW now has thirteen non-stop domestic destinations, with multiple airlines, four more than pre-COVID!



- ▶ Fees and charges have been held without increase where other airports have increased fees by as much as 35%
- ▶ Regular and frequent airline interaction at senior level
- ▶ Community and regional partner engagement to drive seat demand

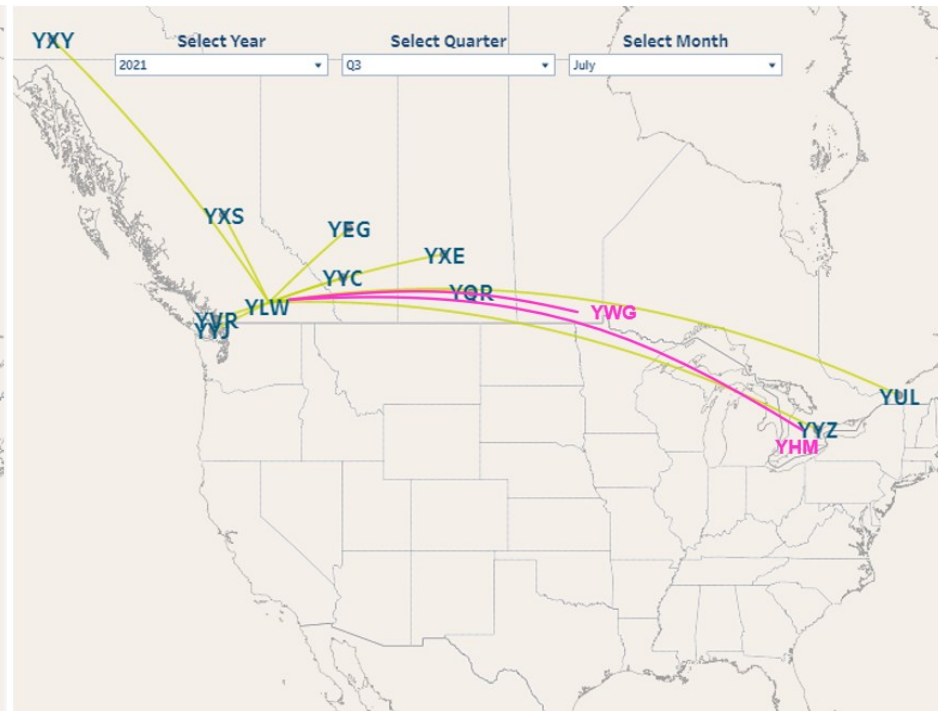
# 2019 Summer Air Service vs. 2021

2019 – 9 domestic destinations



2019:  
Canada – Whitehorse, Victoria, Vancouver, Prince George,  
Cranbrook, Calgary, Edmonton, Winnipeg and Toronto  
USA – Seattle, Las Vegas

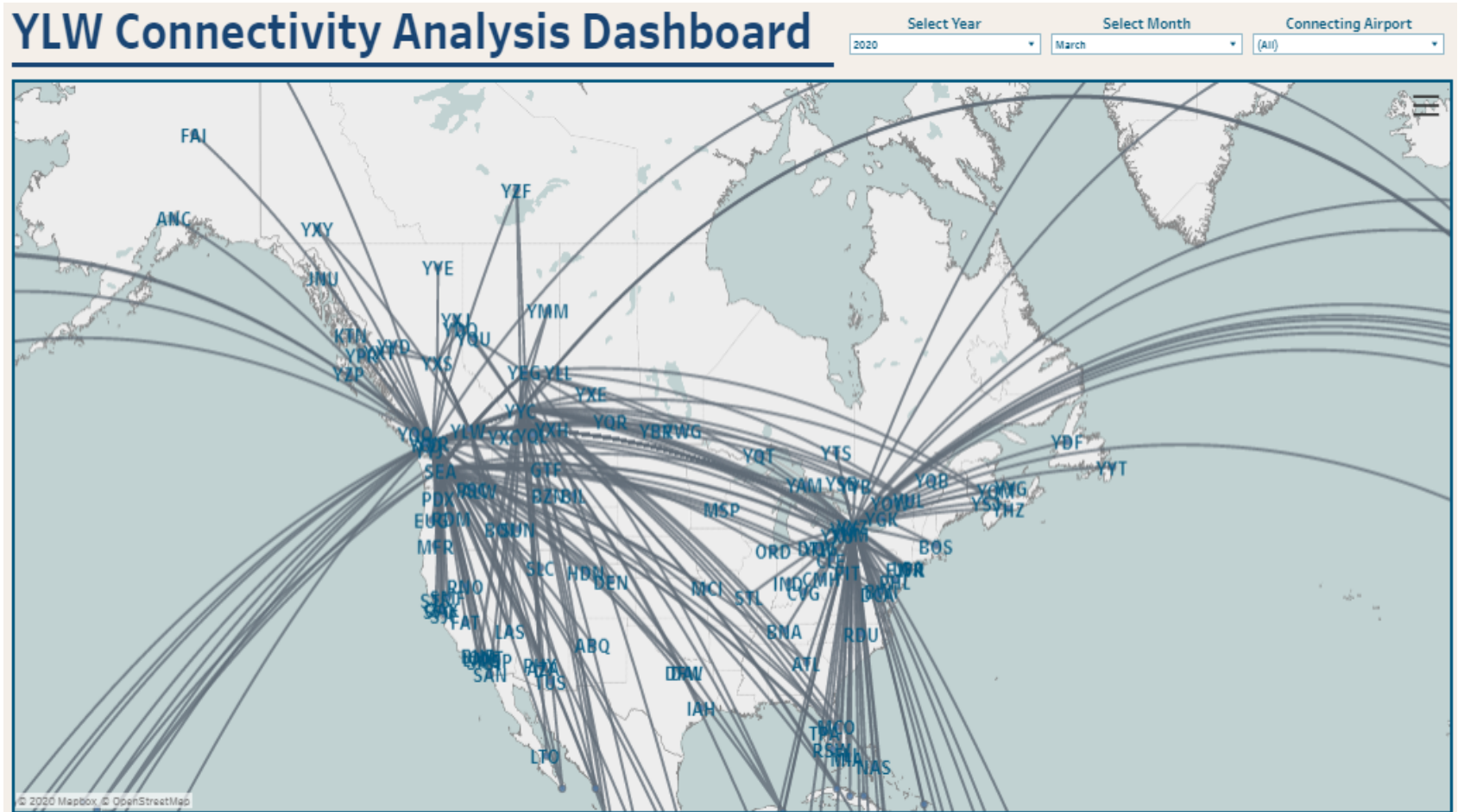
2021 – 13 domestic destinations



2021:  
Canada – Whitehorse, Victoria, Vancouver, Prince George, Calgary,  
Edmonton, Saskatoon, Regina, Winnipeg, Hamilton, Toronto,  
Ottawa, Montreal

# Air Service Development Update

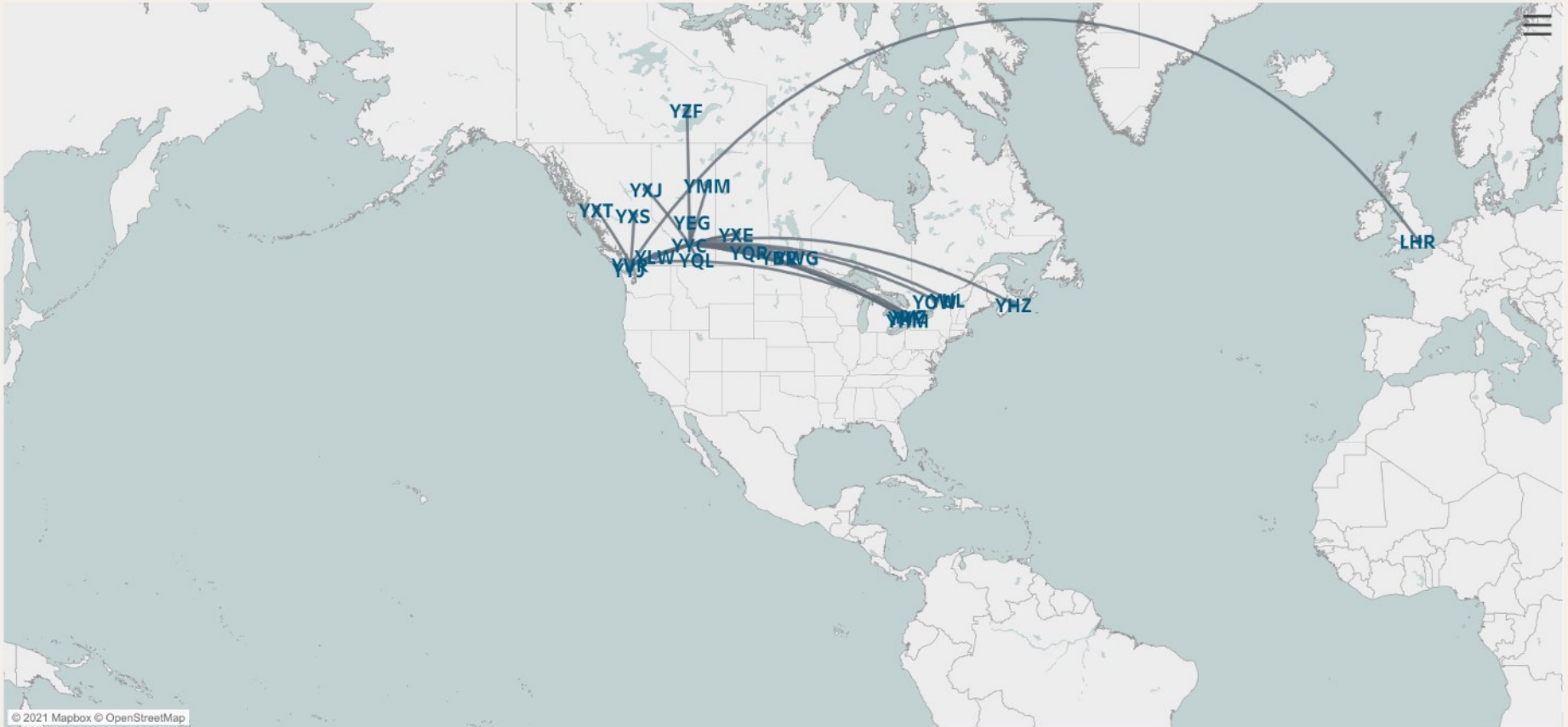
Connectivity – March 2020



# 4 hour Connectivity May 2020

## YLV Connectivity Analysis Dashboard

2020 Select Year May Select Month All Connecting Airport



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Includes any online connections within one-stop and a maximum connect time of 4 hours.

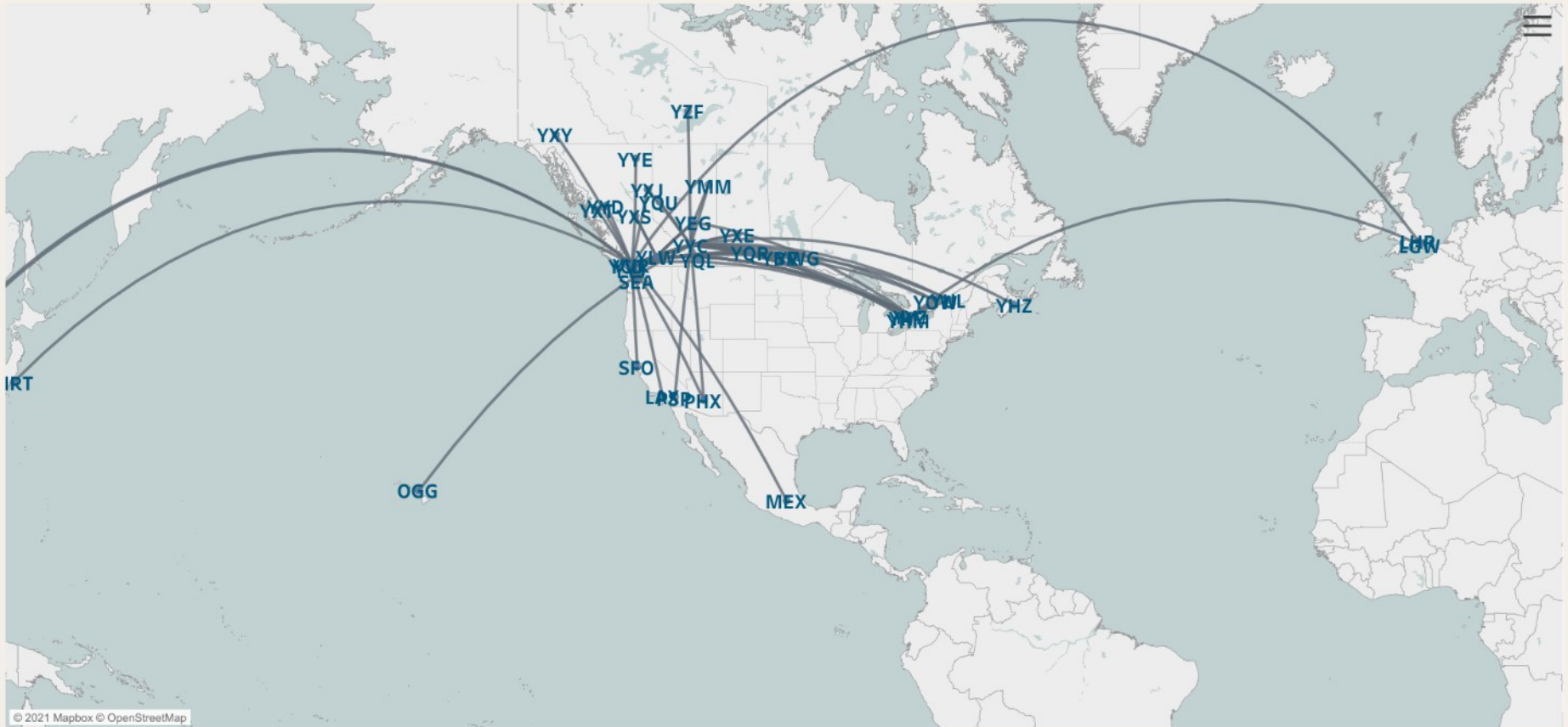
Max circuitry in view: 83%

Source: Innovata Schedules via Diio. Schedules as of April 19, 2021

# 4 hour Connectivity May 2021

## YLW Connectivity Analysis Dashboard

2021 Select Year May Select Month All Connecting Airport



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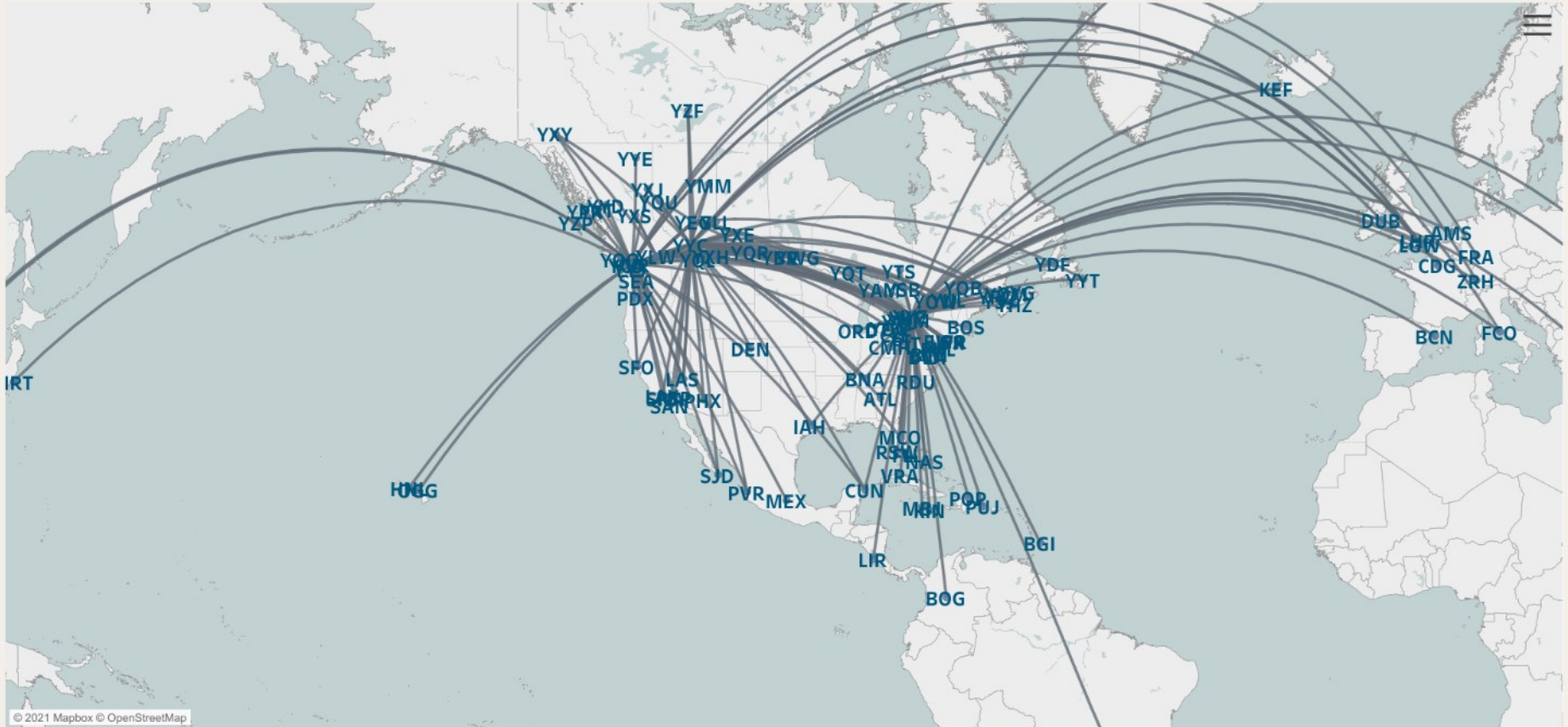
Includes any online connections within one-stop and a maximum connect time of 4 hours.  
Max circuitry in view: 83%  
Source: Innovata Schedules via Diio. Schedules as of April 19, 2021



# 4 hour Connectivity August 2021

## YLW Connectivity Analysis Dashboard

2021 Select Year August Select Month All Connecting Airport



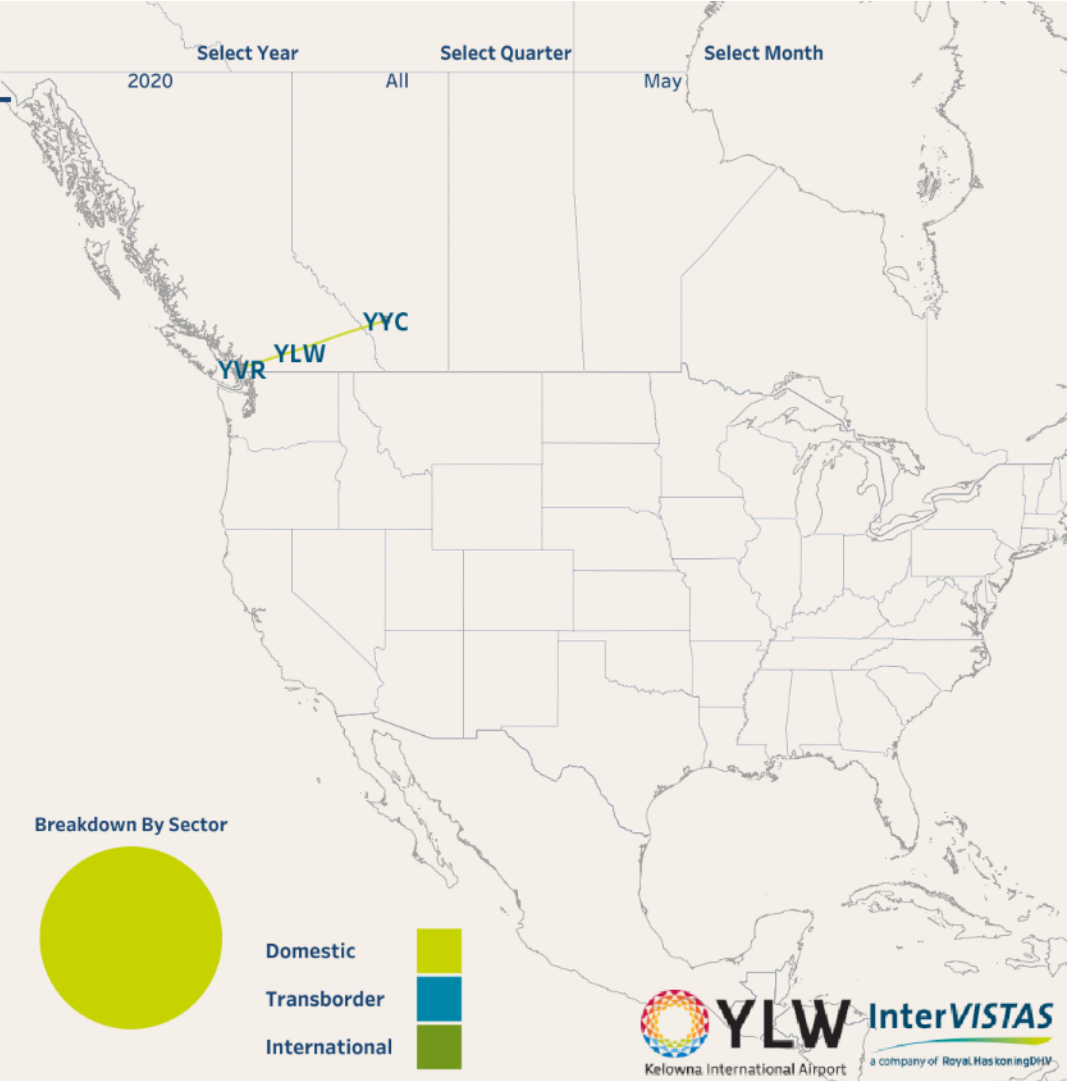
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Includes any online connections within one-stop and a maximum connect time of 4 hours.  
Max circuitry in view: 83%  
Source: Innovata Schedules via Diio. Schedules as of April 19, 2021

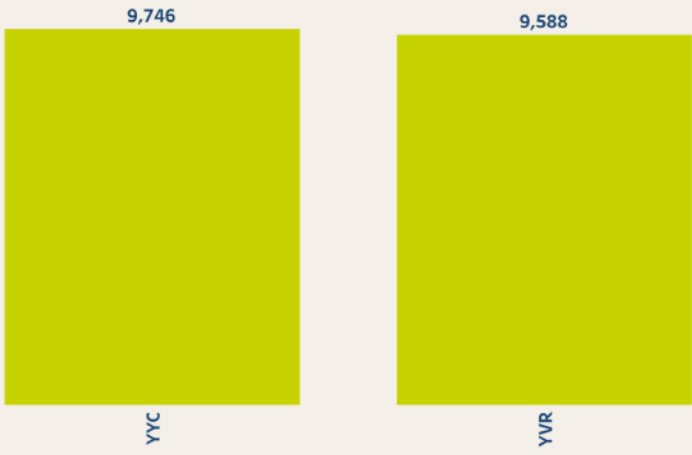
# Seat Capacity May 2020

## YLW Seat Capacity Dashboard

Select Year: 2020    Select Quarter: All    Select Month: May



Total Seats



Breakdown By Sector



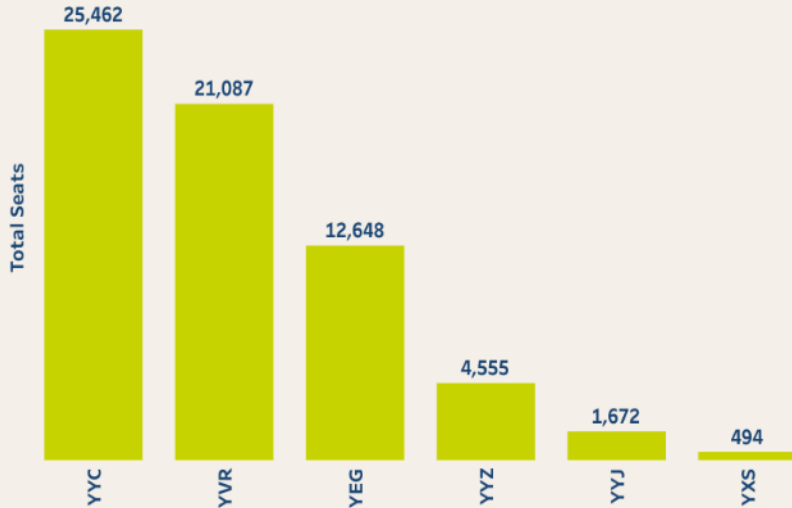
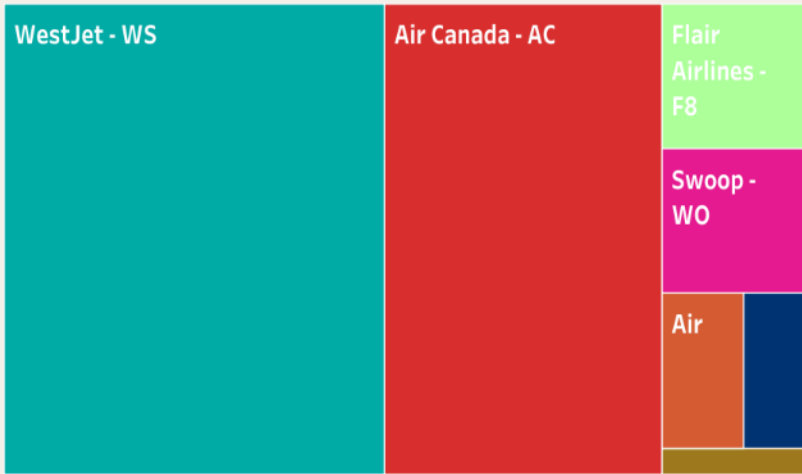
Source: Innovata Schedules via Diio. Schedules as of April 19, 2021



# Seat Capacity May 2021

## YLW Seat Capacity Dashboard

Select Year: 2021 | Select Quarter: All | Select Month: May



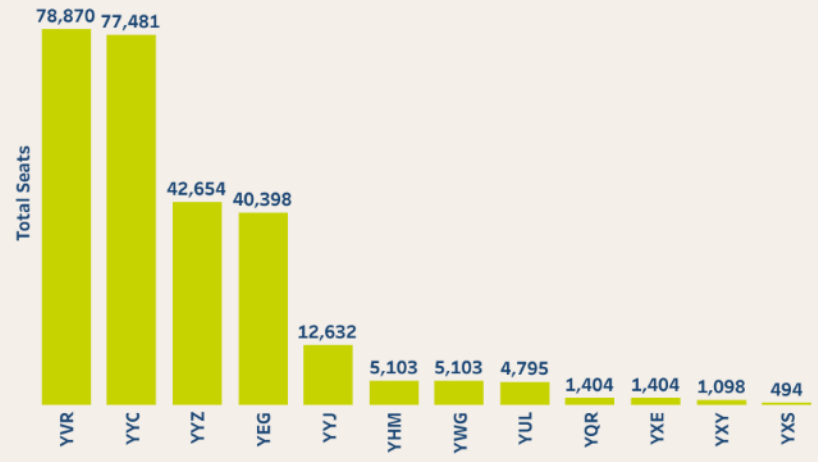
Breakdown By Sector



# Seat Capacity August 2021

## YLW Seat Capacity Dashboard

Select Year: 2021 | Select Quarter: All | Select Month: August



### Breakdown By Sector



Source: Innovata Schedules via Diio. Schedules as of April 19, 2021

# May Year on Year seat capacity growth

## YLW Monthly Seat Benchmark

Select Timeframe  
Monthly

Select Year  
2021

Select Quarter  
None

Select Month  
May

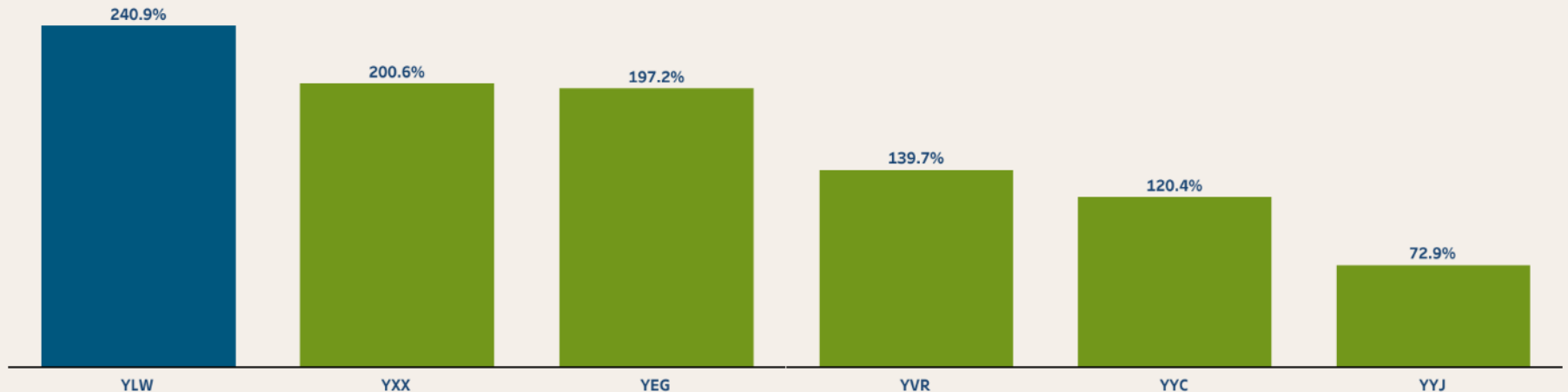
### Kelowna International Airport, by destination served

Select a destination airport to filter Seat Benchmark

	Grand Total	YYC	YVR	YEG	YYZ	YYJ	YXS
May 2020	19,334	9,746	9,588	0	0	0	0
May 2021	65,918 240.9%	25,462 161.3%	21,087 119.9%	12,648	4,555	1,672	494

### Monthly Seat Benchmark, by selected airports

YoY Growth in Seats, Monthly (%)





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Kelowna International Airport



# Financial Update



# Financial Update – 2020

## KELOWNA INTERNATIONAL AIRPORT

### Statement of Operations and Accumulated Surplus For the Year Ended December 31, 2020

	Budget 2020	Actual 2020	Actual 2019
<b>Revenue</b>			
Sale of services (Note 12)	\$ 22,244,000	\$ 11,536,000	\$ 22,217,000
Interest earned	158,000	301,000	660,000
Government transfers (Note 13)	216,000	1,149,000	297,000
Actuarial increase	-	194,000	128,000
Gain on disposal of tangible capital assets	-	-	7,000
	<u>22,618,000</u>	<u>13,180,000</u>	<u>23,309,000</u>
Airport Improvement Fee (Note 11)	23,810,000	7,351,000	16,609,000
	<u>46,428,000</u>	<u>20,531,000</u>	<u>39,918,000</u>
<b>Expenses (Note 14)</b>			
Administration	5,076,000	3,592,000	4,433,000
Interest	584,000	584,000	584,000
Terminal operations	5,380,000	5,445,000	6,267,000
Airport improvement fee	31,000	5,144,000	5,445,000
Airport policing	197,000	173,000	193,000
Groundside operations	3,036,000	3,305,000	3,437,000
Airside operations	4,295,000	3,711,000	4,188,000
Write-down of tangible capital assets	-	-	196,000
	<u>18,599,000</u>	<u>21,954,000</u>	<u>24,743,000</u>
<b>Annual Surplus (Deficit)</b>	<u>\$ 27,829,000</u>	<u>(1,423,000)</u>	<u>15,175,000</u>
Accumulated Surplus, beginning of year		<u>168,160,000</u>	<u>152,985,000</u>
Accumulated Surplus, end of year		<u>\$ 166,737,000</u>	<u>\$ 168,160,000</u>

# Financial Update – 2020

## Statement of Cash Flows For the Year Ended December 31, 2020

	Actual 2020	Actual 2019
<b>Net inflow (outflow) of cash and cash equivalents related to the following activities:</b>		
<b>Operating</b>		
Annual (deficit) surplus	\$ (1,423,000)	\$ 15,175,000
Adjustment for non-cash items		
Amortization of tangible capital assets	7,748,000	7,850,000
Actuarial adjustment on debenture debt	(194,000)	(128,000)
Write-down of tangible capital assets	-	196,000
Decrease (increase) in assets		
Accounts receivable	2,397,000	(483,000)
Inventory and prepaid expenses	138,000	6,000
(Decrease) increase in liabilities		
Accounts payable	(1,012,000)	793,000
Performance deposits	(99,000)	5,000
Deferred revenue	(267,000)	323,000
	<u>7,288,000</u>	<u>23,737,000</u>
<b>Capital</b>		
Acquisition of tangible capital assets	(5,369,000)	(14,773,000)
Proceeds from disposal of tangible capital assets	-	12,000
	<u>(5,369,000)</u>	<u>(14,761,000)</u>
<b>Investing</b>		
Change in investments	2,381,000	(6,364,000)
<b>Financing</b>		
Increase in long term payable	1,093,000	-
Repayment of mortgage payable	(900,000)	(900,000)
Repayment of debenture debt	(1,897,000)	(1,897,000)
	<u>(1,704,000)</u>	<u>(2,797,000)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,596,000</b>	<b>(185,000)</b>
Cash and cash equivalents, beginning of year	1,080,000	1,265,000
Cash and cash equivalents, end of year	<u>\$ 3,676,000</u>	<u>\$ 1,080,000</u>



# Financial Update – 2020

## Statement of Financial Position As at December 31, 2020

	Actual 2020	Actual 2019
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 3,676,000	\$ 1,080,000
Accounts receivable	2,052,000	4,449,000
Portfolio investments	29,087,000	31,468,000
	<u>34,815,000</u>	<u>36,997,000</u>
<b>Liabilities</b>		
Accounts payable	2,904,000	3,916,000
Performance deposits	211,000	310,000
Deferred revenue	214,000	482,000
Mortgage payable (Note 3)	900,000	1,800,000
Long term payable (Note 4)	1,093,000	-
Debenture debt (Note 5)	14,062,000	16,153,000
	<u>19,384,000</u>	<u>22,661,000</u>
<b>Net Financial Assets</b>	<u>15,431,000</u>	<u>14,336,000</u>
<b>Non-Financial Assets</b>		
Prepaid expenses	107,000	179,000
Inventory	210,000	277,000
Work in progress (Note 6)	6,557,000	7,047,000
Tangible capital assets (Note 7)	144,432,000	146,321,000
	<u>151,306,000</u>	<u>153,824,000</u>
<b>Accumulated Surplus (Note 8)</b>	<u>\$ 166,737,000</u>	<u>\$ 168,160,000</u>



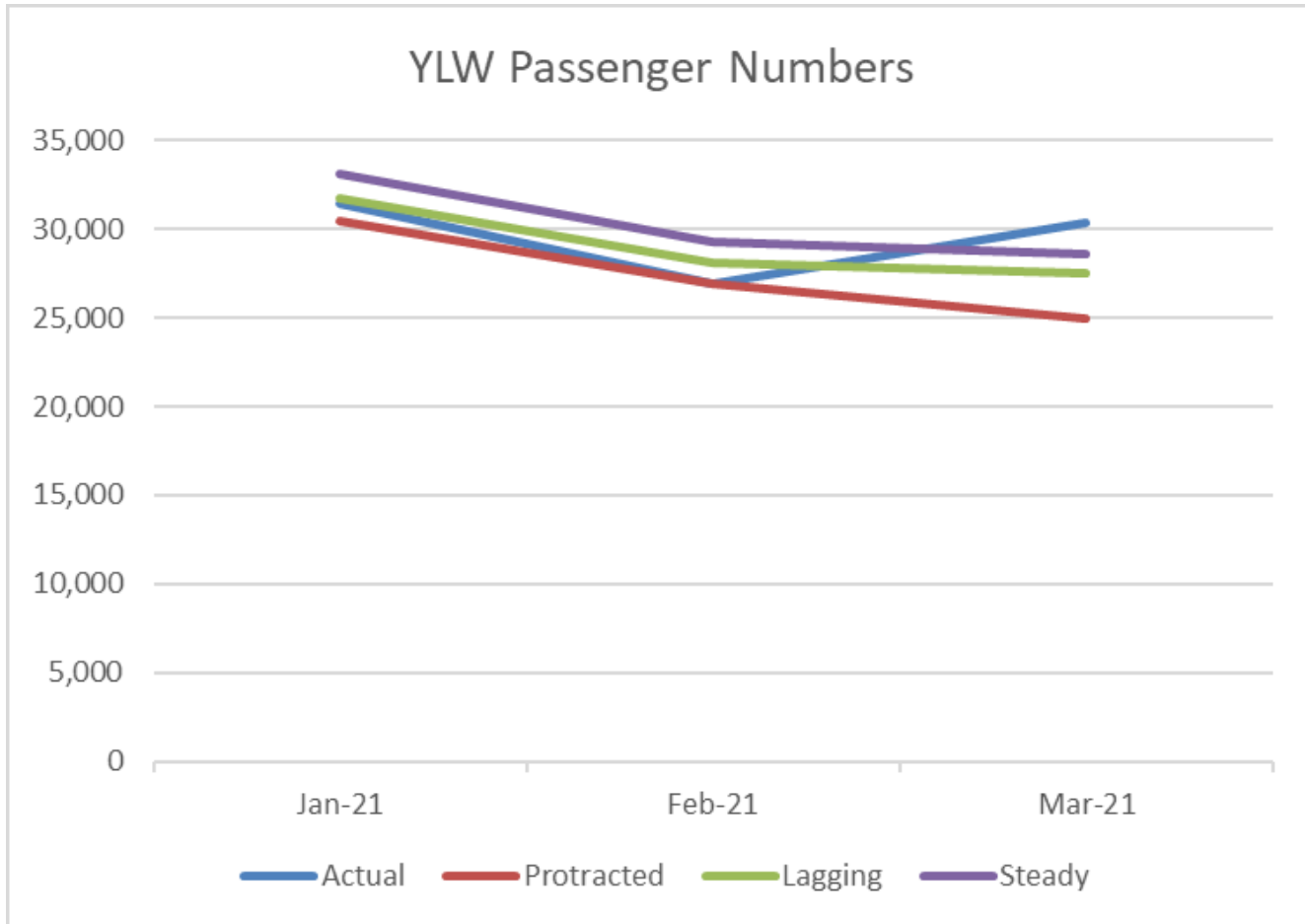
# COVID-19 Financial Forecasting

## ▶ 3 Passenger Scenarios for 2021

Month	Steady	Lagging	Protracted
	Total	Total	Total
<b>Total</b>	<b>514,176</b>	<b>447,242</b>	<b>384,556</b>
	Pre 1996 -30%	Pre 1996 -39%	Pre 1996 -48%

- ▶ Lagging scenario is being used for decision making purposes
  - ▶ Forecasting 39% decrease in passengers compared to 2020

# COVID-19 Financial Forecasting



# COVID-19 Financial Forecasting - Non-AIF

	2021 Budget	Steady	Lagging	Protracted
Revenues	8,982,000	9,624,000	8,799,000	8,025,000
Interest Income	155,000	155,000	155,000	155,000
Operating Expenditures	(14,181,000)	(13,750,000)	(13,750,000)	(13,750,000)
Payment to COK	(1,989,000)	(1,989,000)	(1,989,000)	(1,989,000)
Capital Expenditures	(434,000)	(599,000)	(599,000)	(599,000)
Acquisition of Property	-	-	-	-
Debt Payments*	(900,000)	(900,000)	(900,000)	(900,000)
<b>Total</b>	<b>(8,367,000)</b>	<b>(7,459,000)</b>	<b>(8,284,000)</b>	<b>(9,058,000)</b>
Opening Reserve	17,638,000	20,212,000	20,212,000	20,212,000
<b>Ending Reserve</b>	<b>9,271,000</b>	<b>12,753,000</b>	<b>11,928,000</b>	<b>11,154,000</b>

# COVID-19 Financial Forecasting - Non-AIF

- ▶ Forecasted operating expenditures (\$15.7M)
  - ▶ Salaries and wages (\$4.0M)
  - ▶ Facility maintenance (\$3.6M)
  - ▶ Municipal Admin and Services Fees (\$2.0M)
  - ▶ Security expense (\$0.8M)
  - ▶ Professional and consulting services (\$0.8M)
  - ▶ Purchase services (\$0.6M)
  - ▶ Electricity (\$0.6M)
  - ▶ Software maintenance (\$0.5M)

# COVID-19 Financial Forecasting - Non-AIF

- ▶ Forecasted capital expenditures (\$600k)
  - ▶ ATB improvements (\$280k)
  - ▶ Small capital projects (\$170k)
  - ▶ Airside equipment attachments (\$80k)
  - ▶ Long-term and Convair Way parking lot upgrades (\$40k)
  - ▶ Integrated security network (\$30k)

# COVID-19 Financial Forecasting - AIF

	2021 Budget	Steady	Lagging	Protracted
Revenues*	5,860,000	5,759,000	5,002,000	4,294,000
Interest Income	131,000	131,000	131,000	131,000
Operating Expenditures	-	-	-	-
Capital Expenditures	(7,562,000)	(7,555,000)	(7,555,000)	(7,555,000)
Debt Payments**	(2,481,000)	(2,481,000)	(2,481,000)	(2,481,000)
<b>Total</b>	<b>(4,052,000)</b>	<b>(4,146,000)</b>	<b>(4,903,000)</b>	<b>(5,611,000)</b>
Opening Reserve	11,591,000	11,591,000	11,591,000	11,591,000
<b>Ending Reserve</b>	<b>7,539,000</b>	<b>7,445,000</b>	<b>6,688,000</b>	<b>5,980,000</b>

# COVID-19 Financial Forecasting - AIF

- ▶ Forecasted capital expenditures (\$7.6M)
  - ▶ Taxiway Delta rehab (\$5.0M)
  - ▶ ATB expansion design (\$1.7M)
  - ▶ Parking lot equipment replacement (\$0.5M)
  - ▶ Taxiway Echo rehab (\$0.3M)
  - ▶ Bridge mechanical upgrades (\$0.05M)
  - ▶ Self-serve bag drop consultation (\$0.05M)
  - ▶ Light-standard replacement (\$0.03M)

# Financial Update

## ▶ Debt Repayment Schedule

	2021 (Remaining)	2022	2023	2024	2025	2026	2027	Total
Principal	901,000	1,897,000	1,897,000	1,897,000	1,897,000	1,258,000	698,000	10,445,000
Interest	292,000	584,000	584,000	584,000	584,000	333,000	112,000	3,073,000
<b>Total</b>	<b>1,193,000</b>	<b>2,481,000</b>	<b>2,481,000</b>	<b>2,481,000</b>	<b>2,481,000</b>	<b>1,591,000</b>	<b>810,000</b>	<b>13,518,000</b>

### ▶ Paid in 2021

- ▶ Principal: \$996,000
- ▶ Interest: \$292,000

### ▶ Municipal Finance Authority Loans

- ▶ \$7.5M (2.75%) – October 2015
- ▶ \$3.5M (2.60%) – April 2016
- ▶ \$3.0M (2.10%) – October 2016
- ▶ \$8.0M (2.80%) – April 2017



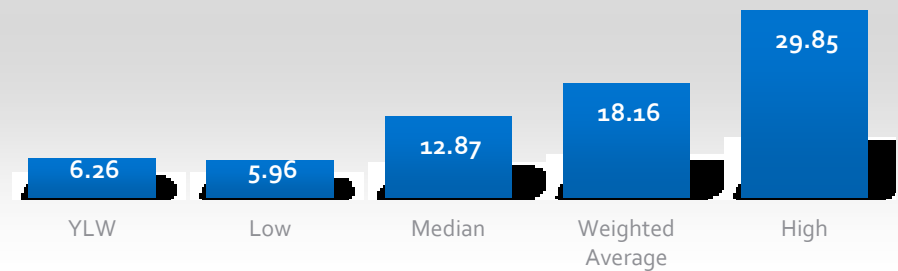
# Fees and Charges

## ► Aeronautical Revenues per Landed Air Carrier Seat

Tier 2 Aeronautical Revenues per Landed Carrier Seat  
(12 Months Ended Sept. 30, 2020)



Tier 1 & 2 Aeronautical Revenues per Landed Carrier Seat  
(12 Months Ended Sept. 30, 2020)



# Fees and Charges

## ▶ Airport Improvement Fee

AIF	Airport(s)
\$ 42.00	St. John's
\$ 40.00	Fort McMurray
\$ 38.00	Winnipeg
\$ 35.00	Montreal, Calgary, Ottawa, Halifax, Quebec City
\$ 30.00	Edmonton
\$ 29.00	Moncton
\$ 25.00	Pearson, Vancouver, Kelowna, Hamilton, Prince George
\$ 23.00	Saskatoon
\$ 15.00	Victoria, Billy Bishop
\$ -	Abbotsford



# Recommendations

# Recommendations

- ▶ That the Airport Advisory Committee receive, for information, the report from Kelowna International Airport, presented on April 29, 2021.



Kelowna International Airport

*Questions?*

For more information, visit [ylw.kelowna.ca](http://ylw.kelowna.ca).