

Council Orientation – Kelowna International Airport

November 21, 2022



Agenda

Kelowna International Airport

- Background
- Financial Overview
- 10-year Capital Plan



YLW

Kelowna
International
Airport

CELEBRATING

75
YEARS

Kelowna International Airport



Kelowna International Airport

- ▶ Vision

- ▶ “YLW an airport of the future”

- ▶ Strategic goals

- ▶ Operate and maintain safe and secure best in class facilities and services
 - ▶ Foster economic development for the region
 - ▶ Exceed the customers’ expectations in all levels of travel health and safety
 - ▶ Act in a financially responsible and sustainable manner

Kelowna International Airport

- ▶ Largest municipally owned airport in Canada
- ▶ 10th busiest airport in Canada

	Airport
1	Toronto Pearson
2	Vancouver
3	Montreal
4	Calgary
5	Edmonton
6	Halifax
7	Winnipeg
8	Ottawa
9	Toronto Billy Bishop
10	Kelowna
11	Victoria
12	Quebec City
13	St. John's
14	Saskatoon
15	Regina

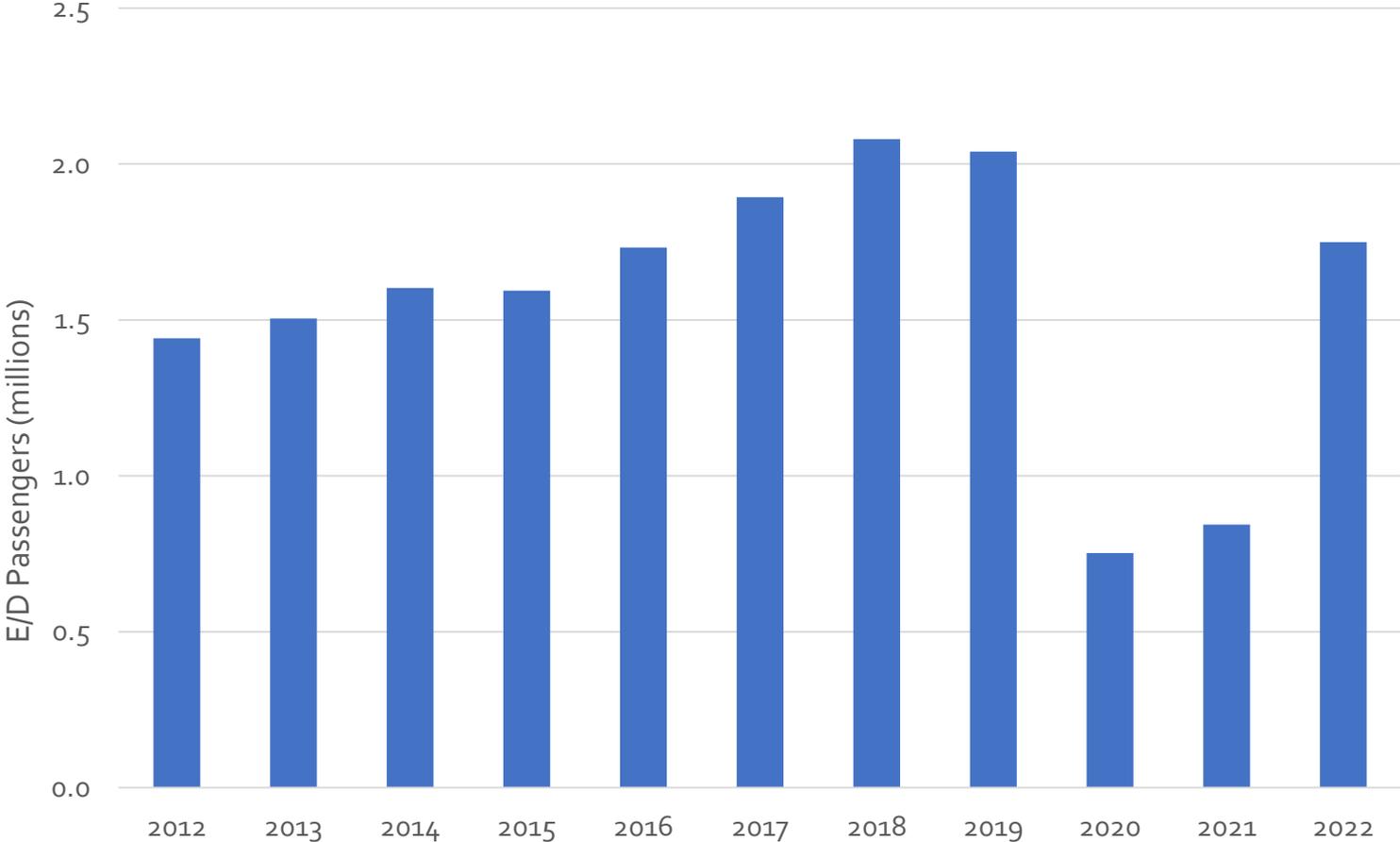
Kelowna International Airport

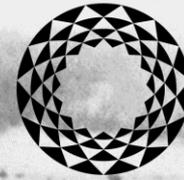
- ▶ More than 60 daily non-stop commercial flights
 - ▶ 10 airlines



Kelowna International Airport

- ▶ Yearly passenger numbers





Y.L.W.
Kelowna
International
Airport

CELEBRATING
75
YEARS

Financial Overview



Financial Overview

Funding

- ▶ Self-funded through fees and charges
 - ▶ Aeronautical
 - ▶ Non-aeronautical
- ▶ Payment to the City general fund
 - ▶ Corporate shared services cost
 - ▶ Payment in lieu of taxes

Financial Overview

Financial Principles

- ▶ Maintain a low-cost business model
- ▶ Maintain less than \$40M in debt outstanding
- ▶ Move towards a debt-free position in the next 10 years
- ▶ Maintain \$10 million in cash for an urgent incident

Financial Overview

Fees and Charges

- ▶ International Civil Aviation Organisation Policies on Charges for Airports
 - ▶ Not legally bound to adhere to
 - ▶ Morally committed to follow them
 - ▶ Principles
 - ▶ Non-discriminatory
 - ▶ Cost-relatedness
 - ▶ Transparency
 - ▶ Consultation with users

Financial Overview

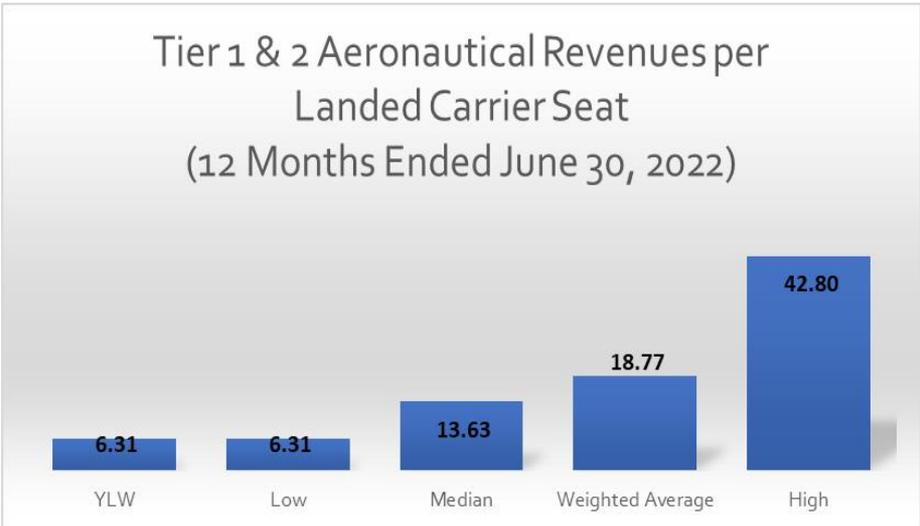
Fees and Charges

- ▶ International Civil Aviation Organisation Policies on Charges for Airports
 - ▶ Cost-relatedness
 - ▶ Users shall pay their share of the cost of providing the airport and its essential ancillary services
 - ▶ Users shall not pay charges for facilities and services they don't use
 - ▶ Revenues can exceed operating costs and provide a reasonable return on assets to secure financing for airport infrastructure
 - ▶ Capacity of users to pay should not be taken into account until all costs are fully assessed and distributed on an objective basis

Financial Overview

Fees and Charges

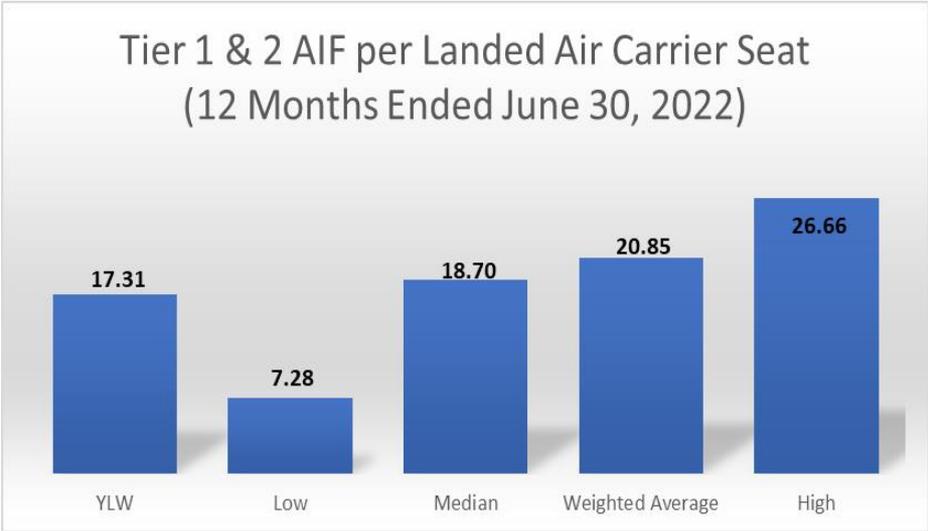
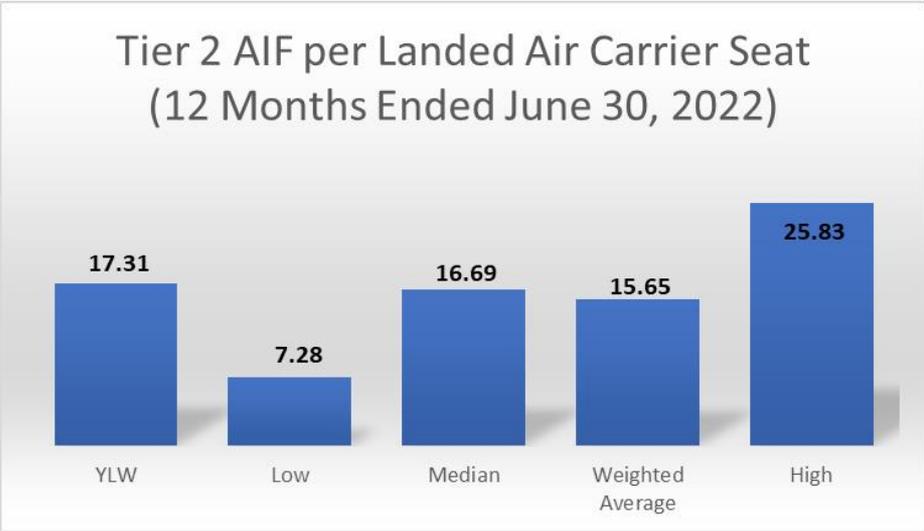
- ▶ Aeronautical revenues per landed air carrier seat



Financial Overview

Fees and Charges

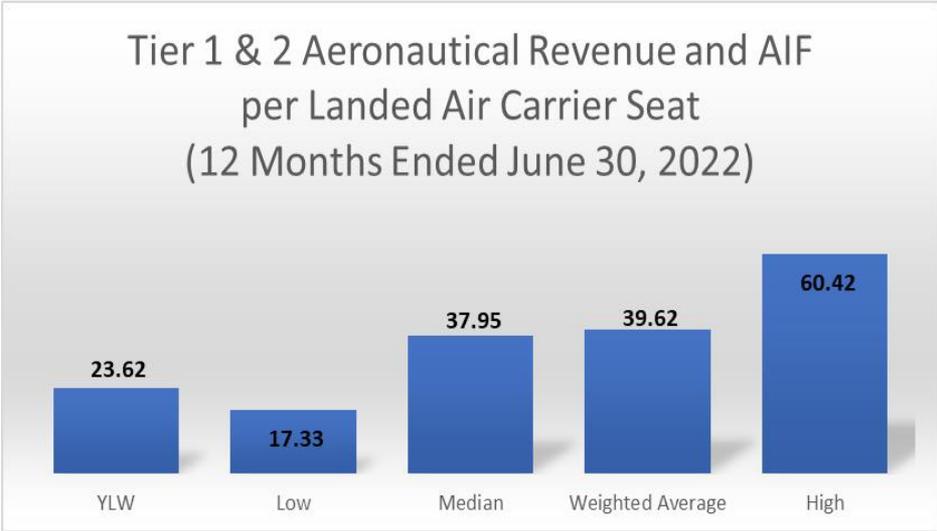
- ▶ Airport improvement fees per landed air carrier seat



Financial Overview

Fees and Charges

- ▶ Aeronautical revenues and airport improvement fees per landed air carrier seat



Financial Overview

Fees and Charges (Bylaw 7982)

Fee	Last Change	Description of Last Change	Change Proposed
Airport improvement fee	1-Mar-20	\$5 increase to \$25/enplaned passenger	None
Landing fees	1-Jan-20	2% increase	None
Terminal fees	1-Jan-20	2% increase	None
Parking fees	5-Jan-22	Inflationary and market alignment increase	Annual CPI-based increase effective January 2023
Taxi and transportation network services	1-May-21	Change to pick-up and drop-off fee of \$2.00	None

Financial Overview

10-year Financial Goals

- ▶ Stimulate the regional economy
 - ▶ Return to medium-growth passenger numbers by 2025
 - ▶ Attract additional air service
 - ▶ Attract additional business and commercial development
 - ▶ Ensure the necessary infrastructure is in place and operating effectively
- ▶ Maintain a low-cost business model
 - ▶ No more than inflationary increases to landing and terminal fees
 - ▶ No more than a \$5 increase to the AIF
 - ▶ Inflationary increases to vehicle parking fees

Financial Overview

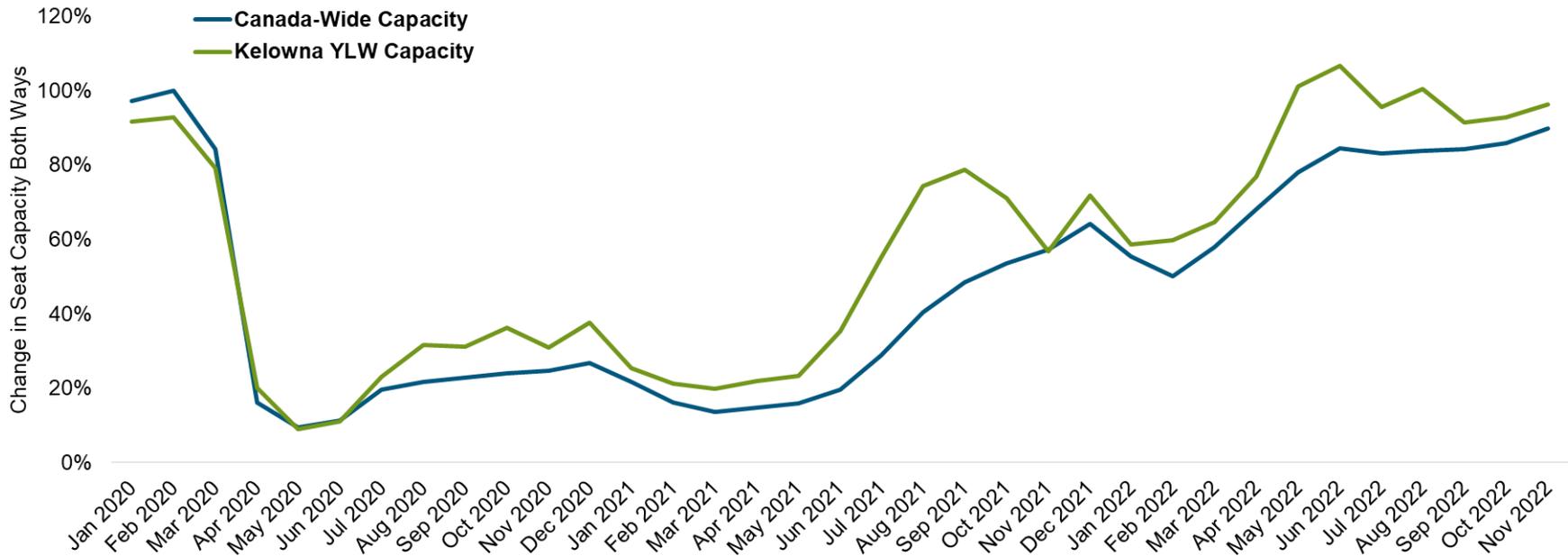
Financial History, Forecast and Budget

	2019	2020	2021	2022 Forecast	2023 Budget
Passengers	2,032	737	830	1,700	2,134
Revenues	39,918	20,531	29,530	52,679	53,879
Operating expenditures	(24,743)	(21,954)	(22,045)	(25,206)	(30,466)
Surplus (deficit)	15,175	(1,423)	7,485	27,473	23,413
Operating cash flows	8,562	8,711	2,211	7,893	7,543
Capital cash flows	(14,761)	(5,369)	(5,926)	(28,545)	(32,318)
Financing cash flows	(2,797)	(1,704)	(3,147)	(2,831)	(2,481)
Net increase in cash, cash equivalents and portfolio investments	6,179	215	623	3,990	(3,843)
Cash, cash equivalents and portfolio investments at the beginning of the year	26,369	32,548	32,763	33,386	37,376
Cash, cash equivalents and portfolio investments at the end of the year	32,548	32,763	33,386	37,376	33,533
Tangible capital assets and work in progress	153,368	150,989	149,372	177,917	210,235

Financial Overview

- ▶ Second fastest recovering Canadian Airport
 - ▶ Montreal is number one

Seat Capacity Recovery at YLW vs. Canadian Average
Capacity Levels Compared to Same Month in 2019



Source: Innovata Schedules via Diio by Cirium. Future capacity based on schedules filed as of May 30th, 2022.



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75
YEARS

10-Year Capital Plan



Financial Overview

10-Year Capital Plan

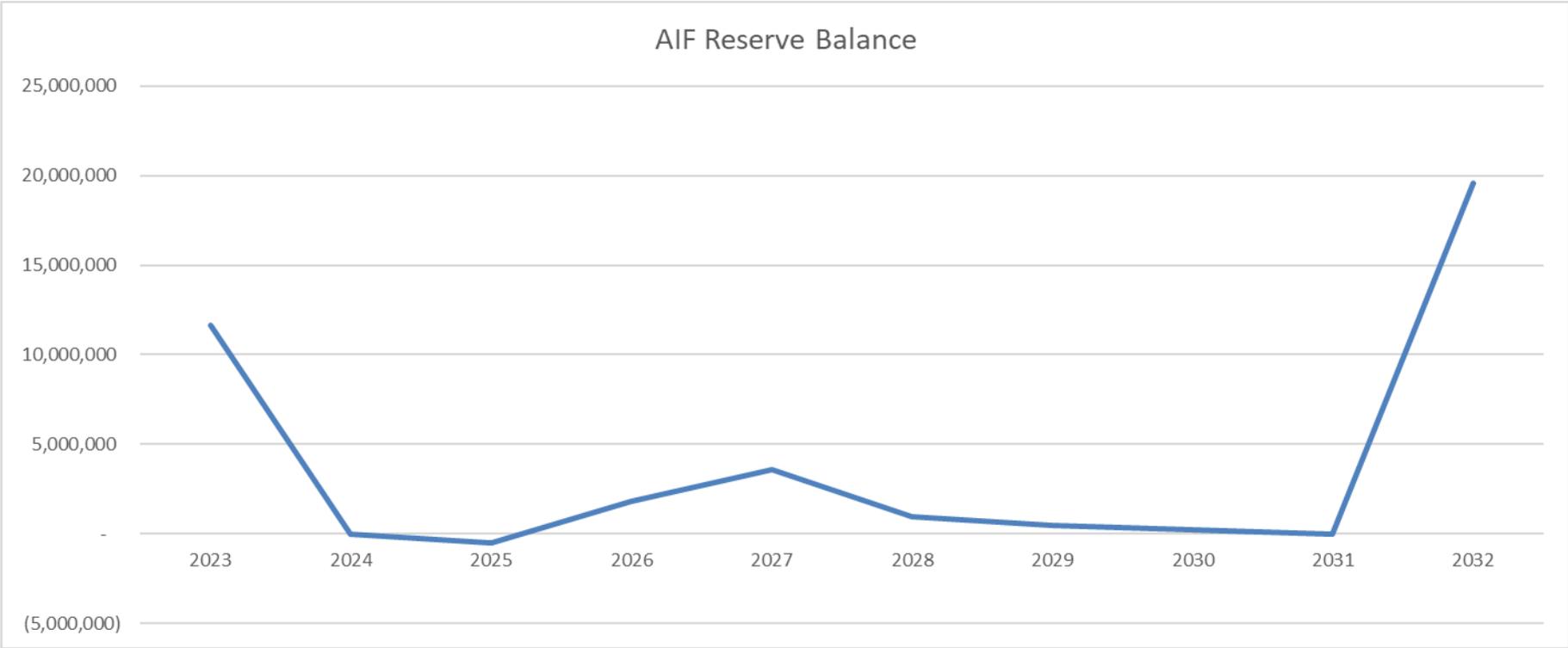
	Total	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Soaring Beyond 2.5 Million Passengers AIF Program											
Terminal expansion	162.9	12.3	30.9	34.0	11.1	9.5	-	3.7	28.1	33.3	-
Runway end safety area	1.0	1.0	-	-	-	-	-	-	-	-	-
CUSS/CUTE replacement	1.6	1.6	-	-	-	-	-	-	-	-	-
Combined operations building	14.9	2.9	5.8	6.2	-	-	-	-	-	-	-
Airside pavement rehab	61.1	5.3	0.4	3.9	3.9	3.7	21.1	22.8	-	-	-
Airside equipment	17.8	3.6	2.3	0.9	0.2	0.5	2.7	1.2	0.9	0.2	5.3
Self-serve baggage drop	2.1	-	0.7	0.7	0.7	-	-	-	-	-	-
Airside lighting and supporting infrastructure	10.3	-	-	10.3	-	-	-	-	-	-	-
Apron 1 south expansion	24.6	-	-	-	0.8	7.9	8.2	-	-	3.0	4.7
Passenger boarding bridges	6.2	-	-	-	0.3	2.7	0.3	2.9	-	-	-
Passenger boarding bridge PLC upgrades	0.4	0.4	-	-	-	-	-	-	-	-	-
Non-AIF											
Airside	4.6	0.7	0.2	0.7	0.6	1.5	0.2	0.2	0.2	0.2	0.2
Groundside	35.2	0.3	1.8	1.2	13.3	14.8	3.3	0.1	0.2	0.1	0.2
Terminal	12.8	4.3	0.8	0.7	1.2	0.8	0.8	1.7	0.8	0.9	0.8
Total	355.5	32.4	42.8	58.6	32.1	41.4	36.6	32.5	30.1	37.7	11.2

 Design
 Construction/purchase
 Design, construction and purchase

Financial Overview

10-Year Capital Plan

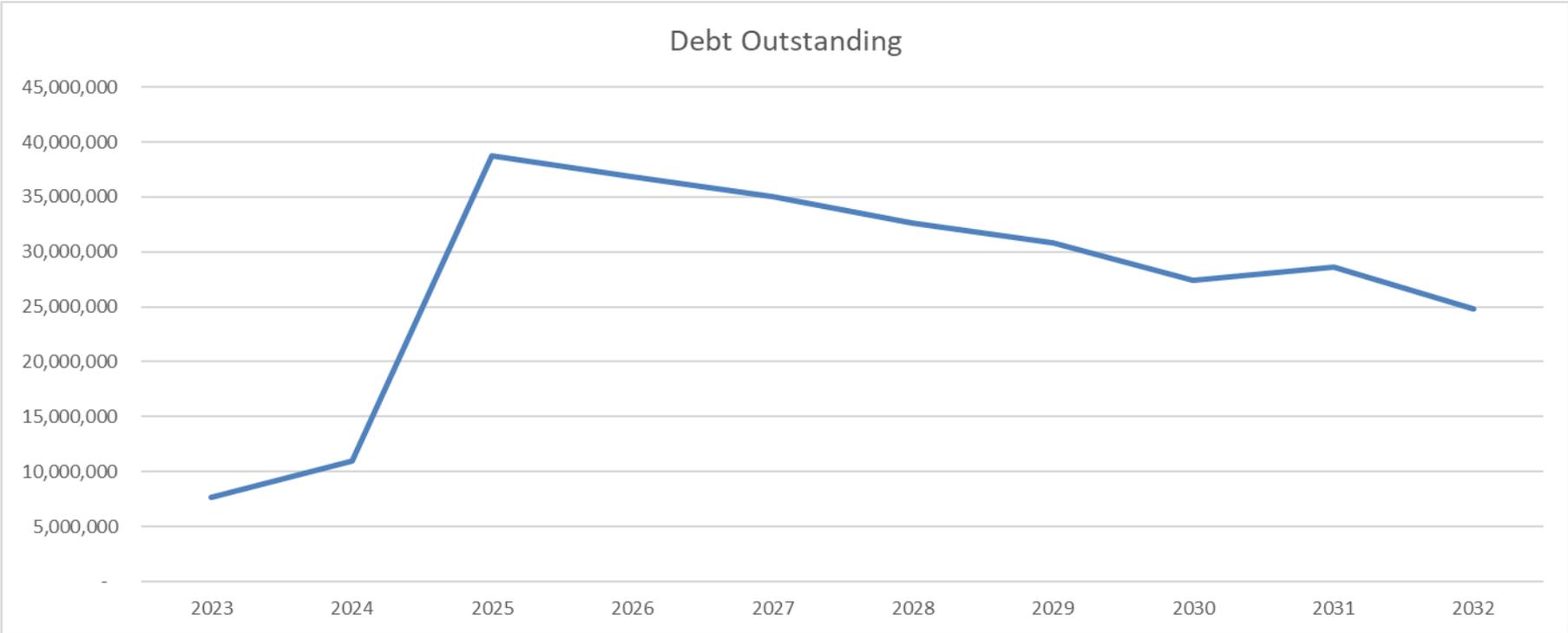
▶ AIF program



Financial Overview

10-Year Capital Plan

▶ AIF program



Financial Overview

10-Year Capital Plan

- ▶ AIF program
 - ▶ Debt outstanding (Municipal Finance Authority)

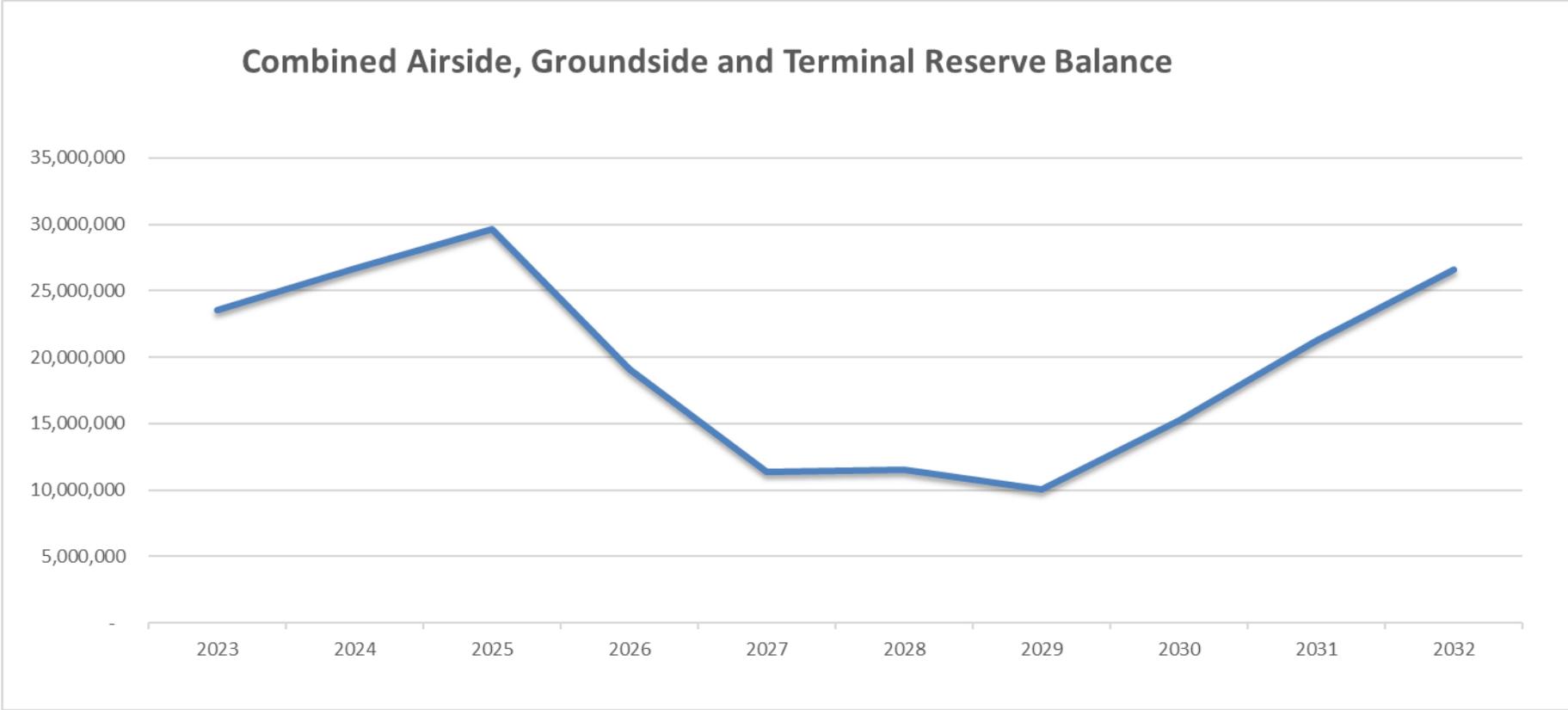
	2023	2024	2025	2026	2027	Total
Principal	1,897,000	1,897,000	1,897,000	1,258,000	698,000	7,647,000
Interest	584,000	584,000	584,000	333,000	112,000	2,197,000
Total	2,481,000	2,481,000	2,481,000	1,591,000	810,000	9,844,000

- ▶ \$7.5M (2.75%) – October 2015
 - ▶ \$3.5M (2.60%) – April 2016
 - ▶ \$3.0M (2.10%) – October 2016
 - ▶ \$8.0M (2.80%) – April 2017
- ▶ Paid in 2022
 - ▶ Principal: \$1,897,000
 - ▶ Interest: \$584,000

Financial Overview

10-Year Capital Plan

▶ Non-AIF Program



Financial Overview

10-Year Capital Plan

- ▶ Terminal expansion
 - ▶ Phase 1



Financial Overview

10-Year Capital Plan

- ▶ Terminal expansion

- ▶ Phase 1

- ▶ Expansion of pre-board screening and the departures lounge is crucial to YLW's operational ability to accept additional air service
 - ▶ Budget approved - \$67.3M
 - ▶ COVID-19 pandemic
 - ▶ Project put on hold
 - ▶ Commencement planned for 2023
 - ▶ Inflation – cost now forecasted to be \$90.2M

Financial Overview

10-Year Capital Plan

- ▶ Terminal expansion
 - ▶ Phase 2
 - ▶ Commencement planned for 2029
 - ▶ Construction of arrivals area at the south end of the building
 - ▶ Crucial to YLW's operational ability to accept additional air service

Financial Overview

10-Year Capital Plan

- ▶ Common use self serve and common use terminal equipment
 - ▶ Life-cycle replacement of existing equipment
 - ▶ Transition to full common use equipment at check-in and departures



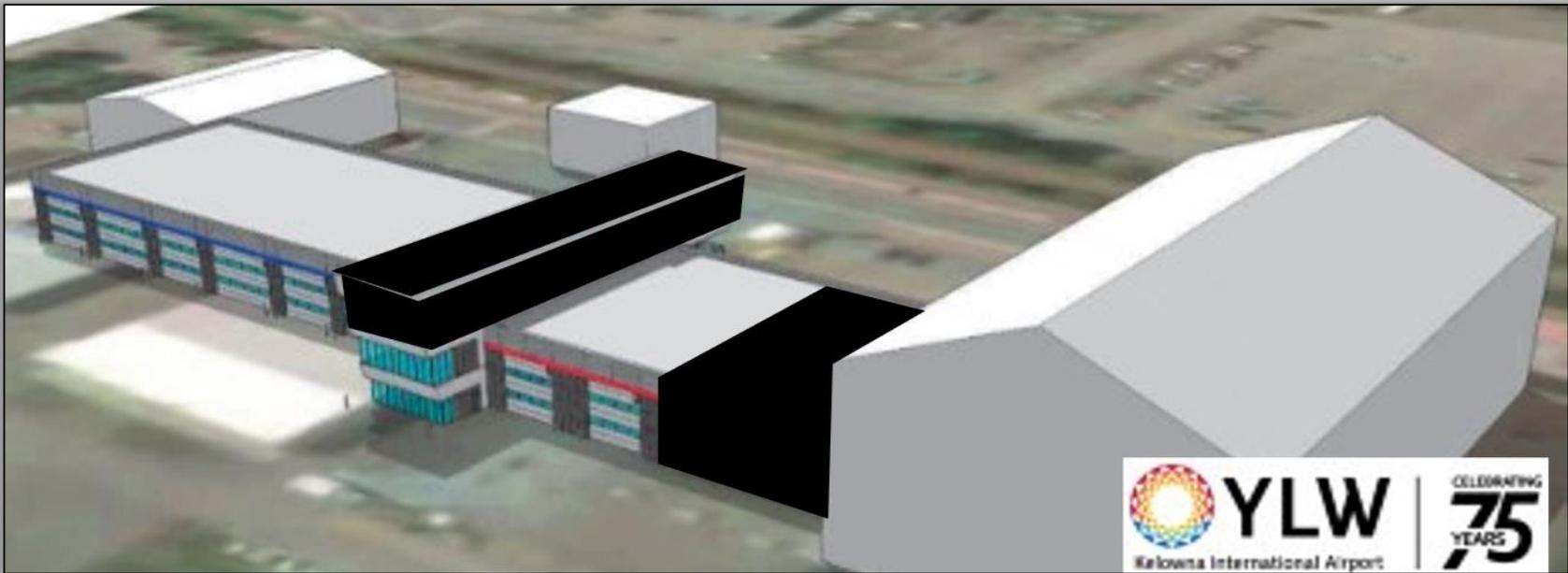
Financial Overview

Combined Operations Building

- ▶ Purpose
 - ▶ House all Airport Operations Specialist Firefighters, Mechanics and certain Management
 - ▶ House all equipment used to provide emergency and maintenance services at YLW
- ▶ Current building
 - ▶ Nearing the end of its useful life
 - ▶ Equipment has outgrown the building capacity
- ▶ Scope
 - ▶ Expansion of the existing facility

Financial Overview

Combined Operations Building



Financial Overview

Combined Operations Building

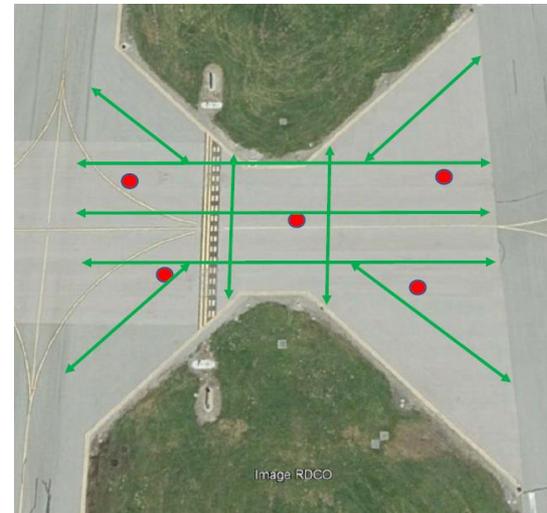
▶ Benefits

- ▶ Provide infrastructure for projected resources and fleet plan to 2045
- ▶ More direct access to the runway for aircraft rescue and firefighting vehicles
- ▶ Maximize visibility to airside surfaces
- ▶ Addition of an alternate Emergency Coordination Center
- ▶ Potential relocation of non-passenger screening for vehicles (NPS-V) facility

Financial Overview

10-Year Capital Plan

- ▶ Airside pavement rehabilitation
 - ▶ Runway, taxiways and aprons
 - ▶ End of useful life rehabilitation
 - ▶ Mitigate increased risk of safety issue and closure
 - ▶ 2023
 - ▶ Structural rehab of base with asphalt pavement
 - ▶ Apron 3
 - ▶ Taxiway Charlie West



Financial Overview

10-Year Capital Plan

- ▶ Airside equipment
 - ▶ Equipment used for snow clearing and firefighting
 - ▶ End of lifecycle replacement
 - ▶ Fleet increase due to increased operations
 - ▶ 2023
 - ▶ Two runway snowplow sweeper combos



Financial Overview

10-Year Capital Plan

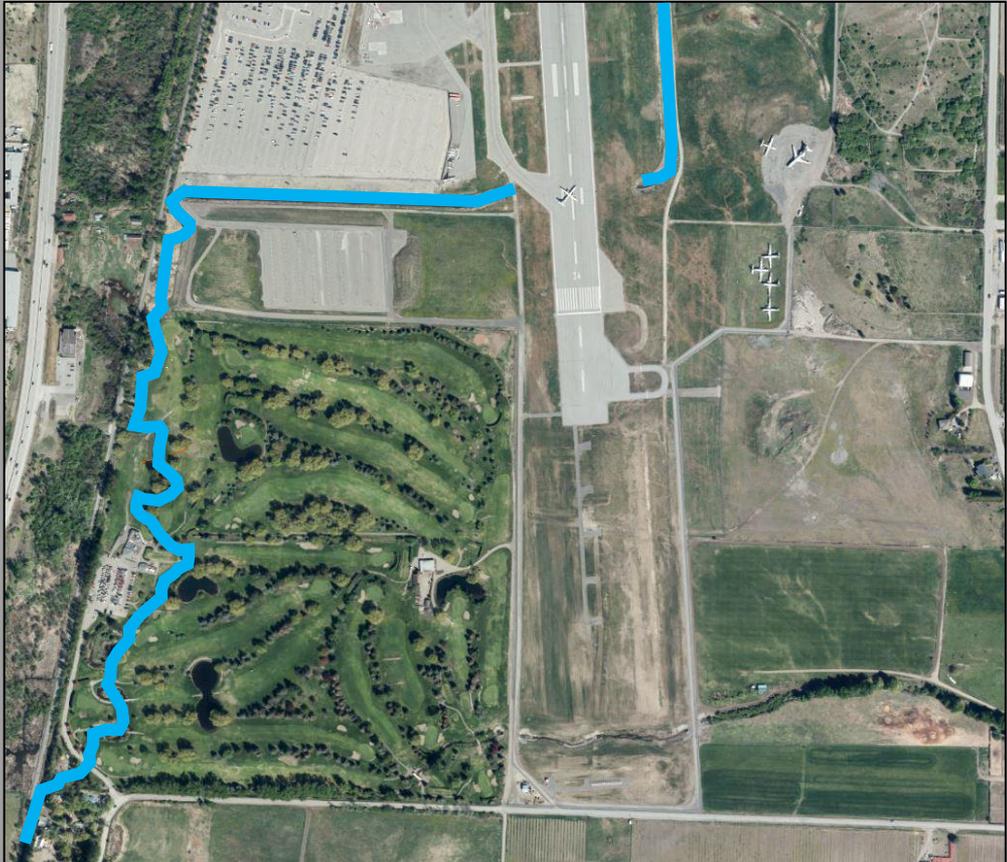
- ▶ Airside lighting and supporting infrastructure
 - ▶ Adoption of high-intensity lighting for both approaches and the runway
 - ▶ Anticipated regulation
 - ▶ Will require land to the north of Old Vernon Road



Financial Overview

10-Year Capital Plan

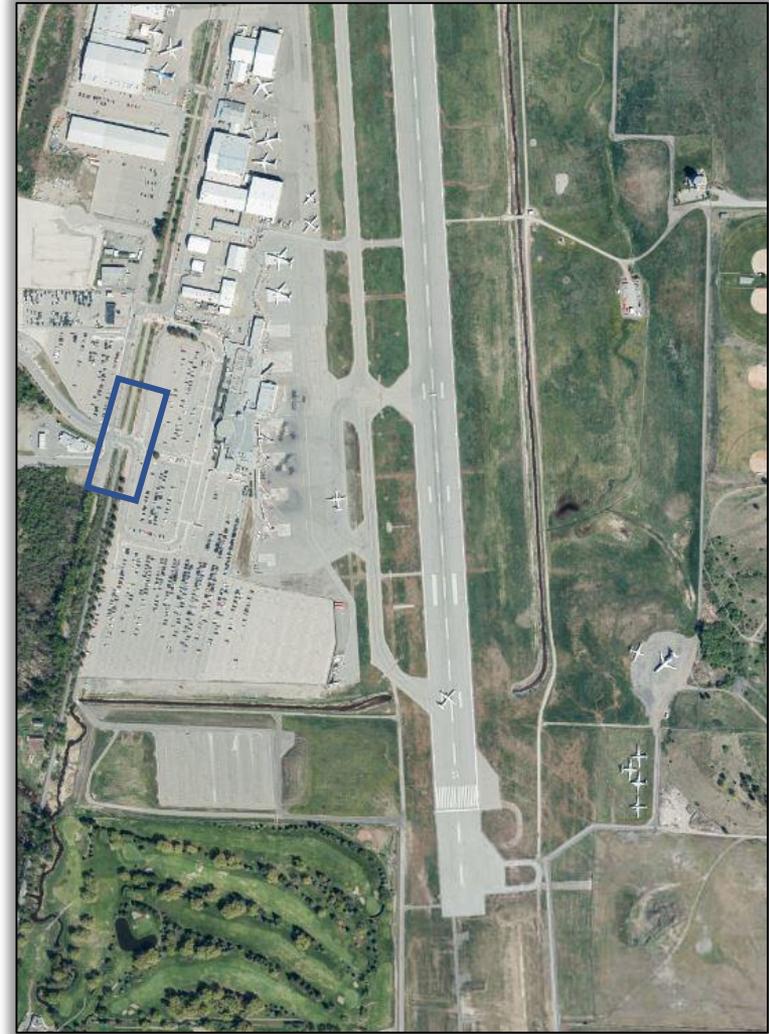
- ▶ Airside projects
 - ▶ Mill Creek



Financial Overview

10-Year Capital Plan

- ▶ Groundside projects
 - ▶ Airport quick turn-around facility
 - ▶ Airport Way roundabout



Financial Overview

10-Year Capital Plan

- ▶ Terminal projects
 - ▶ Rehabilitation
 - ▶ Roof
 - ▶ Replacements
 - ▶ HID to LED
 - ▶ Air handling units
 - ▶ Upgrades
 - ▶ PA system
 - ▶ Office allocation

Financial Overview

10-Year Capital Plan

- ▶ Environmental, Social and Governance Initiatives
 - ▶ Commitment
 - ▶ Carbon neutral by 2030
 - ▶ Carbon net zero or net negative by 2040
 - ▶ Airport Carbon Accreditation
 - ▶ Level 2 achieved



Questions?