

Report to Council



Date: January 23, 2023
To: Council
From: City Manager
Subject: Kelowna International Airport Terminal Expansion Loan Authorization Bylaw
Department: Kelowna International Airport and Financial Services

Recommendation:

THAT Council receive for information the Report from Kelowna International Airport and Financial Services dated January 23, 2023, regarding bylaw reading consideration for the borrowing of forty-eight million dollars (\$48,000,000) for the construction of the Kelowna International Airport terminal expansion;

AND THAT Bylaw No. 12480 being Kelowna International Airport Terminal Expansion Loan Authorization Bylaw be given reading consideration;

AND FURTHER THAT Council direct staff to prepare to conduct an alternative approval process to achieve approval of the electors, subsequent to approval of the Inspector of Municipalities.

Purpose:

To give reading consideration to Bylaw No. 12480 being Kelowna International Airport Terminal Expansion Loan Authorization Bylaw to forward the bylaw for statutory approval as the next step before initiating the elector approval process.

Background:

Council has approved budget of \$90,675,000 for the expansion of the terminal building at Kelowna International Airport (the Airport): \$67,275,000 within the 2020 Budget, a \$500,000 amendment to the 2022 Budget, and \$22,900,000 within the 2023 Budget.

Council received for information a report on the Airport's finances and its 10-year capital plan on November 21, 2022. This report included an overview of the terminal expansion which will expand pre-board screening and the departures lounge so the Airport will be able to accept additional air service. This report also indicated that construction of the terminal expansion is planned for 2023 with completion anticipated in 2026, that debt is anticipated to be needed in 2024 and 2025 to help fund the terminal

expansion, and that it is one of the Airport’s financial goals to maintain less than \$40M in principal loan payments outstanding.

After Council gives the Bylaw three readings, certified copies of the bylaw and the liability servicing certificate will be forwarded to the Ministry of Municipal Affairs for statutory approval.

Once the Corporate Officer receives statutory approval, a report will be provided to Council with legislative requirements and a timeline for elector approval of the loan authorization bylaw. Staff recommend using the Alternative Approval Process, initiating a City-wide petitioning period for the borrowing of forty-eight million dollars (\$48,000,000) in order to construct the terminal building expansion at the Airport.

Previous Council Resolutions

Resolution	Date
THAT the 2020 Financial Plan, Provisional – Volume 1, as amended by Council, and resulting in a 4.15% tax increase, be approved subject to Final Budget considerations.	December 12, 2019
THAT Council receives for information the report from Kelowna International Airport dated July 11, 2022, with respect to the amendment of Kelowna International Airport’s 2022 Financial Plan; AND THAT, the 2022 Financial Plan be amended to include all costs and proceeds associated with the Provincial Contribution as outlined in the report from Kelowna International Airport dated July 11, 2022; AND FURTHER THAT the Airport Director be authorized to execute all documents necessary to enter into agreements for the Provincial Contribution as outlined in the report from Kelowna International Airport dated July 11, 2022.	July 11, 2022
THAT the 2023 Financial Plan, Provisional – Volume 1, as amended by Council, and resulting in a 3.80% tax increase, be approved subject to Final Budget considerations.	December 8, 2022

Discussion:

Based on the Airport’s passenger forecasts received in December 2022 and the Airport’s current 10-year capital plan, the Airport is forecasting the need to take out approximately \$48,000,000 in debt to help fund the construction of the air terminal building expansion. As this debt will be paid back during the term, the maximum loan payments outstanding at the end of each year is forecasted to be less than \$40,000,000, which is consistent with the Airport’s financial goals. Consistent with the Airport’s historic approach, the Airport will continue to monitor forecasted passenger numbers and will ensure its 10-year capital plan will be moved forward in accordance with the Airport’s financial goals.

Conclusion:

The Airport and Financial Services recommend that Bylaw No. 12480 being Kelowna International Airport Terminal Expansion Loan Authorization Bylaw be given reading consideration.

Internal Circulation:

Communications
Office of the City Clerk

Considerations applicable to this report:

Legal/Statutory Authority:

Community Charter, S. 179 – loan authorization bylaws for long term borrowing.

Legal/Statutory Procedural Requirements:

Community Charter, S. 179 and 180 – content of loan authorization bylaws for long term borrowing and elector approval.

Financial/Budgetary Considerations:

As approved by Council in 2019 and 2022, the terminal building expansion at Kelowna International Airport has an overall budget of \$90,675,000, with funding proposed as follows:

Source of Funding	Value (\$)
Airport AIF Reserve	\$42,675,000
Borrowing (AAP) to be paid from the Airport AIF Reserve	48,000,000
Total	\$90,675,000

The terminal building expansion and payment of the corresponding debt would be funded through the Airport improvement fee and would have no impact on taxation.

Considerations not applicable to this report:

Existing Policy:

External Agency/Public Comments:

Communications Comments:

Submitted by:

S. Dyrdal, Senior Airport Finance and Corporate Services Manager
J. Sass, Finance Director

Approved for inclusion:

S.S.

cc:

T. McQueenie, Airport Corporate Services Manager

M. Friesen, Acting Controller
L. Bentley, Deputy City Clerk