

# Report to Council



**Date:** February 27, 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 February 27, 2023, regarding the amendment to Bylaw No. 12480 being Kelowna International Airport Terminal Expansion Loan Authorization Bylaw at third reading;

AND THAT Bylaw No. 12480 being Kelowna International Airport Terminal Expansion Loan Authorization Bylaw be amended at third reading by removing the requirement for elector approval.

**Purpose:**

To amend Bylaw No. 12480 being Kelowna International Airport Terminal Expansion Loan Authorization Bylaw at third reading to remove the requirement for elector approval.

**Background:**

On January 23, 2023, Council gave reading consideration of Bylaw No. 12480 being Kelowna International Airport Terminal Expansion Loan Authorization Bylaw (Bylaw No. 12480) and directed staff to prepare to conduct an alternative approval process to achieve approval of the electors, subsequent to approval of the Inspector of Municipalities.

*Previous Council Resolution*

Resolution	Date
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;	January 23, 2023

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.	
---	--

Subsequent to approval by Council on January 23, 2023, Bylaw No. 12480 was sent to the Ministry of Municipal Affairs (the Ministry) for review. During their review, the Ministry identified that approval of the electors is not required for Bylaw No. 12480 in accordance with section 180 of the Community Charter as the liability is within the approval-free liability zone determined in accordance with section 7 of the Municipal Liabilities Regulation (BC Reg. 254/2004).

Elector approval is not required when the annual cost of servicing the aggregate liabilities is 5% or less. The annual cost of servicing the aggregate liabilities of the municipality for the year, including the loan for the Kelowna International Airport (the Airport) terminal building expansion, is 4.9% of the annual calculation revenue of the municipality for the previous year.

**Discussion:**

As outlined below, there has been extensive consultation on the expansion of the air terminal building and there has been significant public disclosure of the corresponding construction costs and debt necessary to construct the Airport terminal building expansion.

2045 Master Plan

The [2045 Master Plan](#) speaks to the need for a terminal building expansion in *Volume 1, Section 8.3 ATB Expansion*, and *Volume 1, Section 8.4 Air Terminal Building Expansion*. In addition, *Figure 56 on page 89* provides a drawing of the terminal development concept. As outlined in the Consultation Report (*Appendix C of the 2045 Master Plan*), between March 2015 and October 2016 the Master Plan 2045 communication and engagement program included:

- over 45 stakeholder meetings, presentations, and workshops
- 2 open houses
- print and electronic advertising materials, including newspaper, print ads, display boards, surveys, handouts, and presentations
- over 300 feedback forms were received, and
- advertising posts were made on YLW's website, Facebook, Twitter, and Instagram

Nine priorities were identified from the 2045 Master Plan public engagement and the Airport terminal expansion addresses three of these priorities:

- faster security screening
- greater food and beverage choices
- the ability to have more direct flights and flights overseas

Airport Advisory Committee Support

On October 29, 2019, the Airport Advisory Committee (the AAC) supported the proposed Soaring Beyond 2.5 Million Passengers Airport Improvement Fee (AIF) Program as presented, obtaining the approval of Council for a capital budget request of \$69,900,000 for the Soaring Beyond 2.5 Million Passengers AIF Program in the 2020 Financial Plan, and obtaining the approval of Council to increase the AIF to \$25, effective March 1, 2020. This meeting was open to the public and the AAC consisted of the City of Kelowna Mayor, a City of Kelowna Councilor, and a representative from the community at large, the aviation industry, UBCO, the Central Okanagan Regional District, City of Vernon, City of Penticton, City of Salmon Arm, District of Peachland, District of Lake Country, District of West Kelowna, Kelowna Chamber of Commerce, South Okanagan Chamber of Commerce, Summerland Chamber of Economic Development and Tourism, Vernon Chamber of Commerce, Greater Westside Board of Trade, Westbank First Nations, the Economic Development Commission, and Tourism Kelowna.

#### Council Approval of an Increase in the AIF to \$25

On November 4, 2019, Council publicly approved a \$5 increase to the Airport Improvement Fee in order to help fund the Soaring Beyond 2.5 Million Passengers AIF capital program, including the Airport terminal expansion.

#### AAC Update

On September 22, 2022, the AAC received a report that included an update on the Airport terminal building expansion and the enabling works currently underway. This meeting was also open to the public.

#### Council Orientation

On November 21, 2022, Council received a report that provided an overview of the Airport's finances and its 10-Year Capital Plan. This report indicated that the Airport would draw down on all of the AIF reserves and increase its debt payments outstanding to just under \$40,000,000 in 2025 in order to fund the Soaring Beyond 2.5 Million Passengers AIF capital program.

#### Council Approval of the Airport Terminal Expansion Budget

Within the City of Kelowna's 2020 Financial Plan, Council approved a capital budget of \$67,300,000 for the construction of the Airport terminal building expansion within the Soaring Beyond 2.5 Million Passengers AIF Program.

Within the City of Kelowna's 2023 Financial Plan, Council approved a capital budget of \$33,600,000 for the Soaring Beyond 2.5 Million Passengers AIF Program, of which \$22,900,000 was for the Airport terminal building expansion.

#### **Conclusion:**

The Airport and Financial Services recommend that Bylaw No. 12480 being Kelowna International Airport Terminal Expansion Loan Authorization Bylaw be amended at third reading as elector approval is not required.

#### **Internal Circulation:**

Communications  
Office of the City Clerk

**Considerations applicable to this report:**

***Legal/Statutory Authority:***

Community Charter, S. 180 – elector approval required for some loan authorization bylaws

- 180 (1) Subject to subsection (2), a loan authorization bylaw may only be adopted with the approval of the electors.
- (2) Approval of the electors is not required for the following:
- (a) money borrowed for a purpose referred to in section 179(1)(d) to (g) [loan authorization bylaws for court, arbitration and expropriation requirements];
  - (b) money borrowed for works required to be carried out under
    - (i) an order of the Inspector of Dikes, or
    - (ii) an order under section 84 [abatement of municipal pollution], 85 [environmental protection orders] or 87 [environmental emergency measures] of the Environmental Management Act.
  - (c) money borrowed for a purpose prescribed by regulation or in circumstances prescribed by regulations, subject to any conditions established by regulation.
- (3) In addition to the exception provided by section 137(2) [power to amend or repeal], a loan authorization bylaw may be amended or repealed without the approval of electors if the inspector approves and subject to any terms and conditions the inspector considers appropriate.

Municipal Liabilities Regulation, S. 7 – approval-free liability zone

- 7 Approval of the electors is not required under section 175(2) [liabilities under agreements] or section 180(1) [loan authorization bylaws] of the Community Charter if
- (a) at the time it proposes to incur the liability;
    - (i) the annual cost of servicing the aggregate liabilities of the municipality for the year, as determined in accordance with section 3 of this regulation, does not exceed
    - (ii) 5% of the annual calculation revenue of the municipality for the previous year, as determined in accordance with sections 4 and 5 of this regulation, and
  - (b) incurring the liability would not cause the annual cost referred to in paragraph (a)(i) to exceed the limit established by paragraph (a)(ii).

***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
<b>Total</b>	<b>\$90,675,000</b>

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:**

***Legal/Statutory Procedural Requirements:***

***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