

Report to Council



Date: December 4, 2023
To: Council
From: City Manager
Subject: Kelowna International Airport 10-Year Capital Plan
Department: Kelowna International Airport

Recommendation:

THAT Council receives for information the report from Kelowna International Airport (the Airport) dated December 4, 2023, with respect to the Airport’s 10-Year Capital Plan;

AND THAT Council adopt the Airport’s 10-Year Capital Plan.

Purpose:

For Council to adopt the Airport’s 10-Year Capital Plan.

Background:

In the summer of 2023, Council adopted the City’s 10-Year Capital Plan. On page 15 of the City of Kelowna’s 10-Year Capital Plan, it was indicated that *"The Airport’s 10-year Capital Plan will continue to be updated while developing the 2024 Preliminary Budget and a further update will be provided in the fall."*

Previous Council Resolution

Resolution	Date
THAT Council receives, for information, the report from Financial Services dated July 24, 2023, with respect to this year’s annual update to the 10-Year Capital Plan; AND THAT Council adopt the 10-Year Capital Plan.	July 24, 2023

Discussion:

The City’s 10-Year Capital Plan includes \$371 million in capital investment at the Airport funded through reserves, debt and grants, as shown in Schedule A. The Airport’s 10-Year Capital Plan which supports the

2024 Preliminary budget includes \$422 million in capital investment at the Airport funded through reserves, debt and grants, as shown in Schedule A. The \$51 million increase is due to a combination of timing changes for projects, inflation and new projects that all align with the Airport's strategic plan and information available at the time the 2024 Preliminary budget was developed. Further details are included below.

Airside

The Airport anticipates it will invest \$5 million in Airside infrastructure and equipment between 2023-2032, which is a \$725 thousand decrease from the City's 10-Year Capital Plan (Schedule B). This decrease is mainly due to:

- Removal of work to be completed on Mill Creek in 2026/27 (\$2.9 million decrease)
- Addition of general aviation parking improvements in 2025 (\$2.3 million increase)

This investment will continue to be fully funded from Airport reserves with no impact on taxation.

Groundside

The Airport anticipates it will invest \$25.2 million in Groundside infrastructure and equipment between 2023-2032, which is a \$12.1 million decrease from the City's 10-Year Capital Plan (Schedule B). This decrease is mainly due to:

- Removal of work to be completed on Mill Creek in 2026/2027 (\$5.1 million decrease)
- Car rental quick turnaround facility shifted from 2027 to 2033 (\$5.0 million decrease)
- Development of phase 2 of the West Lands shifted from 2027/28 to 2034/2035 (\$4.7 million decrease)
- Inflation due to projects being shifted to later dates (\$1.6 million increase)

This investment will continue to be fully funded from Airport reserves with no impact on taxation.

Terminal

The Airport anticipates it will invest \$39.4 million in Terminal infrastructure and equipment between 2023-2032, which is a \$26.4 million increase from the City's 10-Year Capital Plan (Schedule B). This increase is mainly due to:

- Addition of carbon neutral initiatives (\$17.4 million increase)
- Improvements and rehabilitation to terminal building infrastructure and equipment (\$5.6 million increase)

This investment will be fully funded from Airport reserves and grants with no impact on taxation. Based on current projections, the Airport will need to obtain access to grant funding of approximately \$16.6 million in order to invest \$39.4 million in Terminal infrastructure and equipment between 2023 and 2032.

Airport Improvement Fee

The Airport anticipates it will invest \$352.3 million in Airport infrastructure and equipment funded by the airport improvement fee between 2023-2032, which is a \$37.6 million increase from the City's 10-Year Capital Plan (Schedule B). The major changes that led to this increase are:

- Addition of new airside pavement in 2030-32 (\$61.2 million increase)
- Phase 2 of the terminal building expansion shifted from 2029-31 to 2032-34 (\$61.0 million decrease)
- Cost increase for Phase 1 of the terminal building expansion (\$21.4 million increase)
- Apron 1 south expansion phase 2 shifted from 2031-33 to 2035+ (\$7.7 million decrease)
- Refurbishment of old combined operations building (\$5.4 million increase)
- Airside equipment (\$11.5 million increase)

This investment will continue to be fully funded from Airport reserves, debt and grants with no impact on taxation. Based on current projections, the Airport will need to increase the AIF to \$28.00 per enplaned passenger effective January 1, 2025, and \$31.00 per enplaned passenger effective January 1, 2026, and borrow an additional \$23 million in 2027/28 in order to invest \$352.3 million in Airport improvement fee infrastructure and equipment between 2023 and 2032.

The Airport is committed to its lower cost business model and intends on minimizing fee increases where possible, applying for grant funding where available, and ensuring the Airport remains in a sustainable, flexible and competitive financial position.

Conclusion:

The Airport recommends that Council adopt the Airport's 10-Year Capital Plan.

Internal Circulation:

Financial Services
Communications

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

Financial/Budgetary Considerations:

Consultation and Engagement:

Communications Comments:

Submitted by:

S.Dyrdal, Director Airport Finance and Corporate Services

Approved for inclusion:

S. Samaddar, Airport Chief Executive Officer

cc:

T. McQueenie, Airport Corporate Services Manager

J. Shaw, Asset Management & Capital Planning Manager

M. Antunes, Financial Planning Manager

Schedule A

City of Kelowna Adopted 10-Year Capital Plan

Priority 1 – Costs

Name	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2032 Total
Airside	590,000	157,900	748,400	820,500	2,440,800	189,500	154,300	203,800	211,400	219,300	5,735,900
Groundside	340,000	1,799,700	1,173,000	13,568,900	16,630,800	3,267,600	72,800	166,100	78,300	178,700	37,275,900
Terminal	4,495,000	784,800	716,300	1,217,400	757,600	815,200	1,685,000	769,800	869,000	828,300	12,938,400
AIF	33,600,000	43,445,200	58,037,600	16,995,300	24,318,200	32,211,400	30,622,300	28,989,100	36,576,400	9,934,600	314,730,100
Total	39,025,000	46,187,600	60,675,300	32,602,100	44,147,400	36,483,700	32,534,400	30,128,800	37,735,100	11,160,900	370,680,300

Funding Sources

Name	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2032 Total
Reserves	29,092,500	33,825,100	19,675,300	32,085,300	41,443,000	36,483,700	32,534,400	30,128,800	33,735,100	11,160,900	300,164,100
Borrowing	-	9,000,000	39,000,000	-	-	-	-	-	4,000,000	-	52,000,000
Grants	9,932,500	3,362,500	2,000,000	516,800	2,704,400	-	-	-	-	-	18,516,200
Total	39,025,000	46,187,600	60,675,300	32,602,100	44,147,400	36,483,700	32,534,400	30,128,800	37,735,100	11,160,900	370,680,300

Kelowna International Airport 10-Year Capital Plan – 2024 Preliminary Budget

Priority 1 – Costs

Name	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2032 Total
Airside	590,000	215,000	2,986,000	160,000	167,000	173,000	141,000	186,000	193,000	200,000	5,011,000
Groundside	340,000	1,438,000	1,382,000	3,571,000	4,766,000	814,000	565,000	5,320,000	990,000	6,033,000	25,219,000
Terminal	4,495,000	2,768,000	14,456,000	1,542,000	6,573,000	2,855,000	3,846,000	909,000	942,000	976,000	39,362,000
AIF	33,600,000	55,029,000	55,502,000	28,027,000	44,072,000	39,121,000	19,835,000	25,434,000	27,690,000	23,985,000	352,295,000
Total	39,025,000	59,450,000	74,326,000	33,300,000	55,578,000	42,963,000	24,387,000	31,849,000	29,815,000	31,194,000	421,887,000

Funding Sources

Name	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2032 Total
Reserves	29,092,500	9,200,000	61,527,000	32,428,000	41,657,000	29,989,000	22,341,000	31,849,000	29,815,000	31,194,000	319,092,500
Borrowing	-	48,000,000	-	-	11,000,000	11,000,000	-	-	-	-	70,000,000
Grants	9,932,500	2,250,000	12,799,000	872,000	2,921,000	1,974,000	2,046,000	-	-	-	32,794,500
Total	39,025,000	59,450,000	74,326,000	33,300,000	55,578,000	42,963,000	24,387,000	31,849,000	29,815,000	31,194,000	421,887,000

Difference

Name	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2032 Total
Airside	-	57,100	2,237,600	(660,500)	(2,273,800)	(16,500)	(13,300)	(17,800)	(18,400)	(19,300)	(724,900)
Groundside	-	(361,700)	209,000	(9,997,900)	(11,864,800)	(2,453,600)	492,200	5,153,900	911,700	5,854,300	(12,056,900)
Terminal	-	1,983,200	13,739,700	324,600	5,815,400	2,039,800	2,161,000	139,200	73,000	147,700	26,423,600
AIF	-	11,583,800	(2,535,600)	11,031,700	19,753,800	6,909,600	(10,787,300)	(3,555,100)	(8,886,400)	14,050,400	37,564,900
Total	-	13,262,400	13,650,700	697,900	11,430,600	6,479,300	(8,147,400)	1,720,200	(7,920,100)	20,033,100	51,206,700

Schedule B

Airside

Name	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2032 Total
2024 Prelim Budget	590,000	215,000	2,986,000	160,000	167,000	173,000	141,000	186,000	193,000	200,000	5,011,000
COK 10-Year Capital Plan	590,000	157,900	748,400	820,500	2,440,800	189,500	154,300	203,800	211,400	219,300	5,735,900
Total	-	57,100	2,237,600	(660,500)	(2,273,800)	(16,500)	(13,300)	(17,800)	(18,400)	(19,300)	(724,900)

Groundside

Name	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2032 Total
2024 Prelim Budget	340,000	1,438,000	1,382,000	3,571,000	4,766,000	814,000	565,000	5,320,000	990,000	6,033,000	25,219,000
COK 10-Year Capital Plan	340,000	1,799,700	1,173,000	13,568,900	16,630,800	3,267,600	72,800	166,100	78,300	178,700	37,275,900
Total	-	(361,700)	209,000	(9,997,900)	(11,864,800)	(2,453,600)	492,200	5,153,900	911,700	5,854,300	(12,056,900)

Terminal

Name	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2032 Total
2024 Prelim Budget	4,495,000	2,768,000	14,456,000	1,542,000	6,573,000	2,855,000	3,846,000	909,000	942,000	976,000	39,362,000
COK 10-Year Capital Plan	4,495,000	784,800	716,300	1,217,400	757,600	815,200	1,685,000	769,800	869,000	828,300	12,938,400
Total	-	1,983,200	13,739,700	324,600	5,815,400	2,039,800	2,161,000	139,200	73,000	147,700	26,423,600

AIF

Name	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2023-2032 Total
2024 Prelim Budget	33,600,000	55,029,000	55,502,000	28,027,000	44,072,000	39,121,000	19,835,000	25,434,000	27,690,000	23,985,000	352,295,000
COK 10-Year Capital Plan	33,600,000	43,445,200	58,037,600	16,995,300	24,318,200	32,211,400	30,622,300	28,989,100	36,576,400	9,934,600	314,730,100
Total	-	11,583,800	(2,535,600)	11,031,700	19,753,800	6,909,600	(10,787,300)	(3,555,100)	(8,886,400)	14,050,400	37,564,900