

# Report to Council



**Date:** July 8, 2024  
**To:** Council  
**From:** City Manager  
**Subject:** Kelowna International Airport 2024 Financial Plan Amendment – Combined Operations Building  
**Department:** Kelowna International Airport

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**Recommendation:**

THAT Council receives for information the report from Kelowna International Airport dated July 8, 2024, with respect to the amendment of the City of Kelowna’s 2024 Financial Plan;

AND THAT the 2024 Financial Plan be amended to include \$5,800,000 in capital costs associated with the Combined Operations Building as outlined in the report from Kelowna International Airport dated July 8, 2024.

**Purpose:**

To obtain Council’s approval to amend the City of Kelowna’s 2024 Financial Plan.

**Background:**

Combined Operations Building Project

The purpose of this project is to design and build a Combined Operations Building (COB) including Aircraft Rescue and Fire Fighting facilities. The COB is to house all Airport Operations Specialist/Firefighters, Mechanics, management personnel and all associated equipment used to provide emergency and maintenance services at the Airport.

Council Approval of the COB Project Budget

The COB project was first included in the City of Kelowna’s 10-year Capital Plan presented to Council in June 2018.

In February 2022, Council approved an amendment to the City of Kelowna’s 2022 Financial Plan to move this strategic project forward at a budget of \$16,300,000 with \$7,100,000 to be funded through a grant provided under the Airport Critical Infrastructure Program (ACIP). ACIP was a program the Federal

government designed to support the aviation industry through the significant, negative impact of the COVID-19 pandemic.

**Discussion:**

The initial budget for the COB project was developed in 2018 based on a conceptual design which included demolition of an existing cargo facility and building the new COB facility in its place.

In 2021, the Airport escalated the 2018 cost to the best of its ability in order to apply for the ACIP grant. When the ACIP grant was awarded, the Airport brought forward a budget amendment for both the grant and the budget.

In 2022, it was identified that it was in the Airport's best interest to not demolish the existing cargo facility for the new COB, given the importance of cargo to the region and the lack of facilities to relocate the cargo operations to. As a result, the Airport made the decision to build the new COB adjacent to the existing COB within the existing land footprint. In 2023 and 2024, the Airport conducted a detailed project design and costing exercise, as well as an extensive review of all substantial elements of the construction disciplines and determined that the estimated cost for the COB project was now \$22,100,000, a \$5,800,000 increase.

The increased cost of construction for the COB project is due to design changes related to the shift in location which resulted in the need for extensive enabling work, electrification requirements to align with the Airport's goal to achieve carbon neutrality by 2030 and net zero or net negative by 2040, and general cost escalation since the project budget was approved by Council in February 2022 which has been partially driven by the extent of local and regional construction projects resulting in limited trade and labour availability.

As a part of the development of the 2025 Financial Plan, the Airport will be assessing its 10-year financial model and remains committed to ensuring that it is financially sustainable.

The additional budget needed for the COB project is to be fully funded from the Airport through collection of the Airport Improvement Fee (AIF). There would be no impact on taxation.

**Conclusion:**

The Airport recommends Council approve amending the City of Kelowna's 2024 Financial Plan to include an additional \$5,800,000 in capital costs for the Airport Combined Operations Building, as outlined in this report.

**Internal Circulation:**

Financial Services  
Communications

**Considerations applicable to this report:**

***Financial/Budgetary Considerations:***

If approved, the City of Kelowna's 2024 Financial Plan would be amended to include an additional \$5,800,000 in capital expenditures. These expenditures would be funded from the Airport Fund through collection of the AIF and there would be no impact on taxation.

***Legal/Statutory Authority:***

Community Charter, s. 165

***Existing Policy:***

Council Policy No. 262 Financial Plan Amendment Policy

**Considerations not applicable to this report:**

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

***Consultation and Engagement:***

***Communications Comments:***

Submitted by:

S. Dyrdal, Director, Finance and Corporate Services

**Approved for inclusion:**

S.S.

S. Samaddar, Chief Executive Officer

cc:

P. Patel, Airport Finance Manager

T. McQueenie, Airport Corporate Services Manager

C. Brannagan, Communications Advisor

M. Antunes, Financial Planning Manager

M. Friesen, Controller