

# Memo



**Date:** August 18, 2009  
**File:** 6640-02, 0550-05  
**To:** City Manager  
**From:** Airport Director  
**Subject:** DRIVE TO 1.6 MILLION PASSENGERS - KELOWNA INTERNATIONAL AIRPORT

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## RECOMMENDATION:

THAT Council receive the report of the Airport Director dated August 18<sup>th</sup>, 2009.

THAT Council approve the Drive to 1.6 Million Passengers Airport Development Program;

AND THAT Council authorize the program be funded from the Airport Improvement Fee (AIF) reserve;

AND THAT Council authorize the AIF to be increased to \$12 per enplaned passenger effective January 1, 2011 and to \$15 per enplaned passenger effective January 1, 2013.

AND FURTHER THAT Council give reading consideration to Bylaw No. 10229 being Amendment No. 22 to the Airport Fees Bylaw No. 7982.

## BACKGROUND:

Passenger activity is forecast to grow to 1.6 million passengers by 2015. It is proposed to accommodate this growth through a phased approach where construction is triggered by passenger traffic demand. Elements of the program include:

1. Interim Customs Facility
2. Runway Overlay
3. Relocate and Upgrade Utilities
4. Outbound Baggage System Upgrade
5. Highway 97 Intersection Improvements
6. Apron 1 Expansion and Code E Taxiway
7. International Arrivals Concourse
8. Renovate Existing Arrivals Area

The order of magnitude construction cost estimate for the above works is \$50.5M (March 2009 dollars).

## FINANCIAL/BUDGETARY CONSIDERATIONS:

Funding for the Drive to 1.6 Million Passengers Airport Development Program will be from Airport Improvement Fee (AIF) revenues. In order to be viable, the AIF will need to increase from the current \$10 per enplaned passenger to \$12 per enplaned passenger effective January 1, 2011, and to \$15 per enplaned passenger effective January 1, 2013. Despite the increase, Kelowna International Airport will continue to have one of the lowest AIF rates among Canadian airports.

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**EXTERNAL AGENCY/PUBLIC COMMENTS:**

At their meeting on April 8<sup>th</sup>, 2009 the Airport Advisory Committee approved the Drive to 1.6 Million Passengers Airport Development Program and recommended that staff forward it to Council for approval.

Additionally, the Airport Advisory Committee approved the increases to the Airport Improvement Fee (AIF) and recommended that staff forward it to Council for approval.

The Drive to 1.6 Million Passengers Airport Development Program was reviewed with the Airline Consultative Committee at a meeting on May 6<sup>th</sup>, 2009 and the committee has not provided any objections to the program.


Considerations that were not applicable to this report:

**INTERNAL CIRCULATION TO: N/A**  
**LEGAL/STATUTORY AUTHORITY: N/A**  
**LEGAL/STATUTORY PROCEDURAL REQUIREMENTS: N/A**  
**EXISTING POLICY: N/A**  
**PERSONNEL IMPLICATIONS: N/A**  
**TECHNICAL REQUIREMENTS: N/A**  
**COMMUNICATIONS CONSIDERATIONS: N/A**  
**ALTERNATE RECOMMENDATION: N/A**

Submitted by:



S. Samaddar  
Airport Director


Approved for inclusion:  (General Manager, Corporate Sustainability)

CC: Airport Finance & Administration Manager  
Airport Development Manager  
General Manager, Corporate Sustainability



**Kelowna International Airport  
Drive to 1.6 Million Passengers**

**August 24, 2009**



**Drive to 1.6 Million Passengers –  
Planning Principles**

- Based on accommodating 1.6 million passengers by 2015 as forecast in the Master Plan – “**Drive to 1.6 Million Passengers**”.
- Current economic conditions.
- Airport’s financial position – maintaining the low cost model.
- Plan on a phased approach.
- Actual construction (expenditure) will be triggered by passenger traffic demand.

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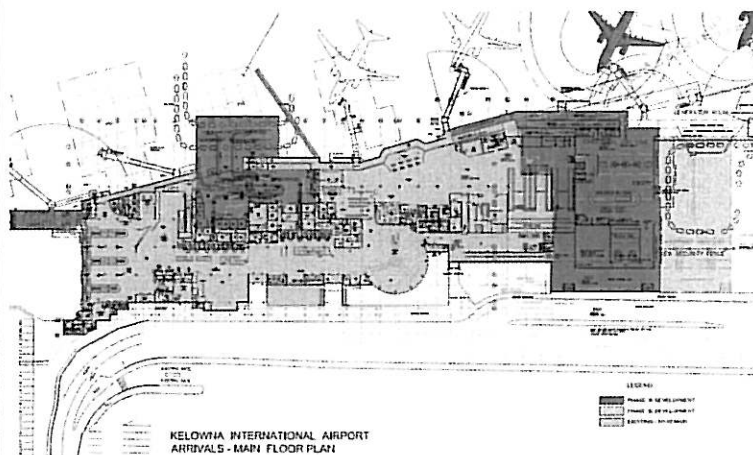
## Functional Concept Objectives

- Build what is needed based on passenger volumes
- Be ready for the future – up/down
- Maximum flexibility
- Maintain existing quality
- Green – LEED Style
- Permanent Canada Border Services Agency (CBSA) – Customs
- Stakeholder consultation

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## Phased Development



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## Drive to 1.6 Million Passengers Program – Cost Summary

1	Interim Customs Facility	\$600K	2009
2	Runway Overlay	\$3,500K	2011
3	Relocate and Upgrade Utilities	\$1,425K	2012
4	Outbound Baggage System Upgrade	\$3,215K	2013
5	Highway 97 Intersection	\$5,000K*	2013
6	Apron 1 Expansion and Code E Taxiway	\$5,000K	2014
7	International Arrivals Concourse (Phase A)	\$30,452K	2015-2016
8	Renovate Existing Arrivals Area	\$1,256K	2016
<b>TOTAL</b>		<b>\$50,448K</b>	<b>Current 2009 Dollars</b>

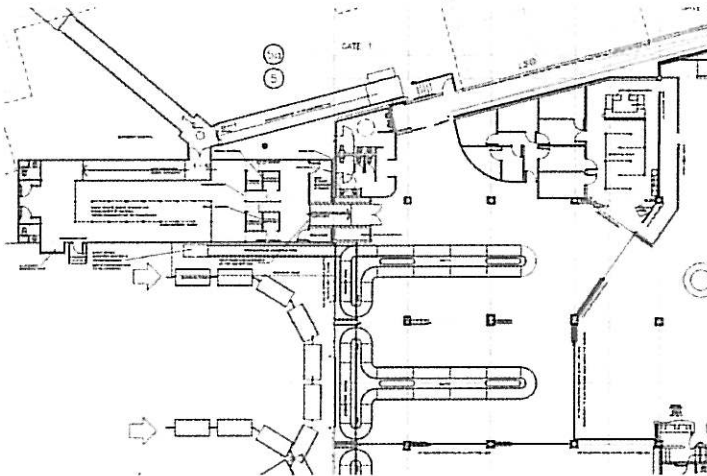
\* Estimated Airport Contribution

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## Drive to 1.6 Million Passengers Program

### 1. Interim Customs Facility:



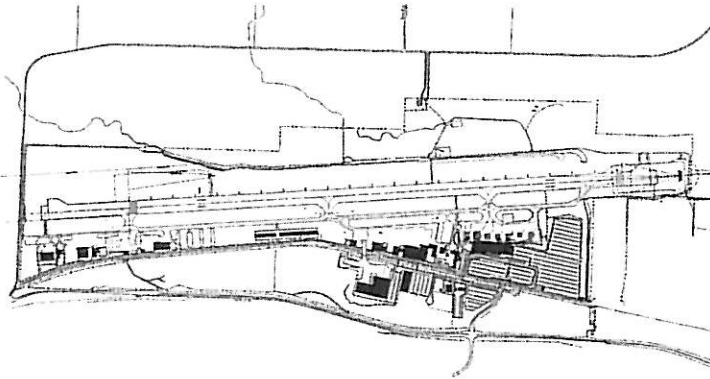
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## Drive to 1.6 Million Passengers Program

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### 2. Runway Overlay:



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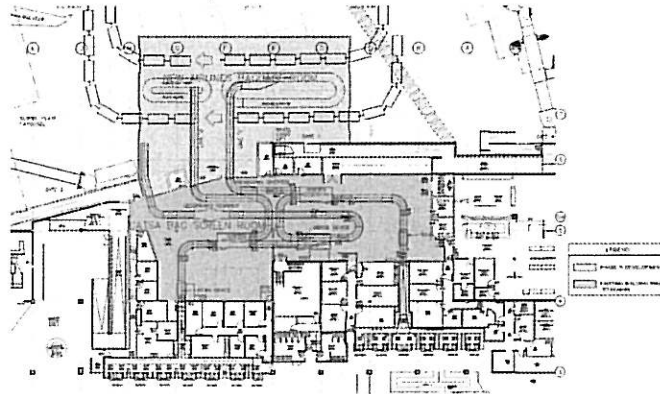


## Drive to 1.6 Million Passengers Program

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### 4. Outbound Baggage System Upgrade:

- Additional 6,577 square feet of floor space, including additional conveyors and an inclined plate accumulator



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## Drive to 1.6 Million Passengers Program

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### 5. Highway 97 Intersection:

→ Order of Magnitude Cost Estimate: \$15-20M.



## Drive to 1.6 Million Passengers Program

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### 6. Apron 1 Expansion:

→ Apron 1 expansion to accommodate Code E aircraft as well as Code E taxiway to runway.



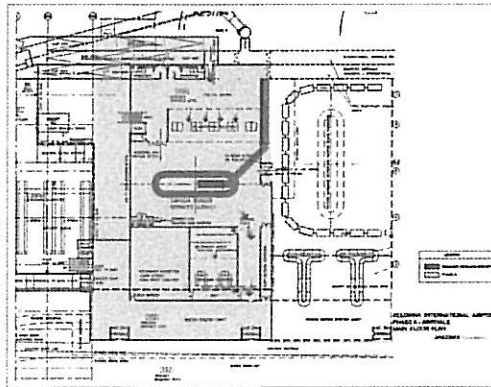


## Drive to 1.6 Million Passengers Program

### 7. International Arrivals Concourse (Phase A):

- Additional 59,880 square feet of floor space over 2 levels.

#### Lower Level - Arrivals



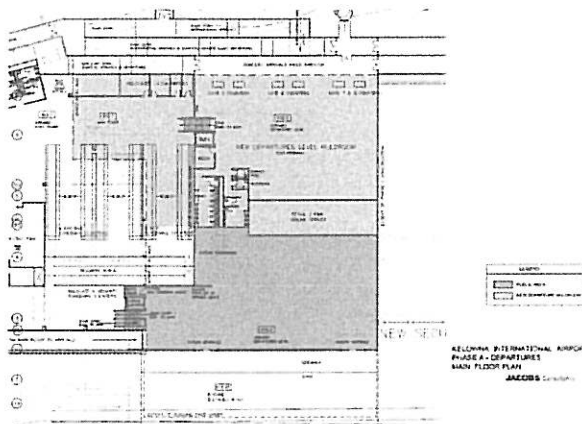
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## Drive to 1.6 Million Passengers Program

### 7. International Arrivals Concourse (Phase A):

#### Upper Level - Departures



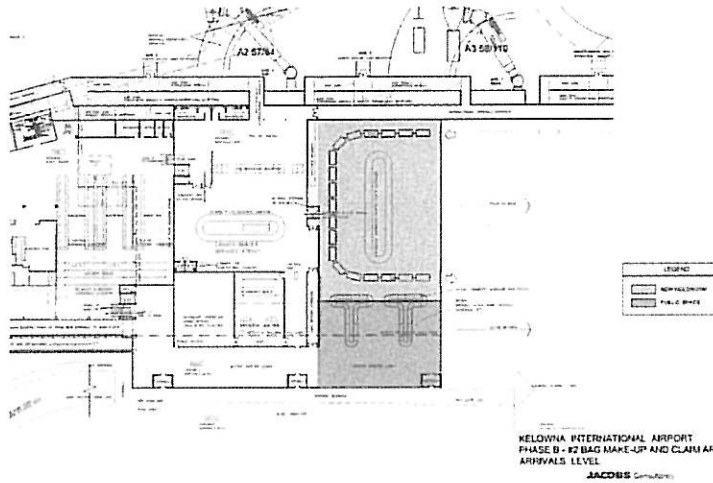
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## Phase B – Beyond 2015

### Lower Level – Arrivals

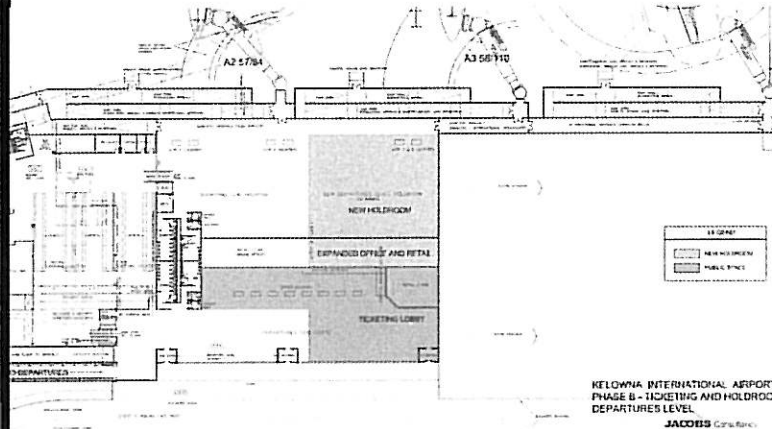


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## Phase B – Beyond 2015

### Upper Level – Departures



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## Drive to 1.6 Million Passengers Program – Implementation Plan

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- Build interim Customs facility in 2009.
- Complete detailed design of all the phases.
- Phased approach to each part of the project.
- Driven by passenger traffic and facility requirements.
- Maintains a low cost approach.
- Building facilities as needed.

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## Financial Summary Assumptions

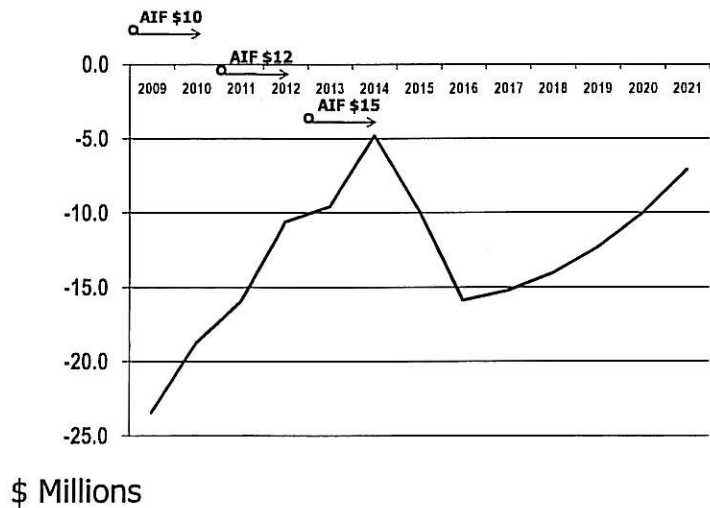
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- MFA Interest Rate - 5%
- 2% inflation rate built into capital construction costs
- 6% reduction in passengers for 2009
- 3% recovery in passengers in 2010
- 4% annual passenger growth from 2011

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## AIF Reserve Debt Load



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## AIF Rate Schedule

→ **AIF rate schedule:**

- 2009 to December 31, 2010 - **\$10**
- an 1, 2011 to Dec 31, 2012 - **\$12 \***
- Effective Jan 1, 2013 - **\$15 \*\***

\* \$12 AIF for travel Jan 1, 2011 to Dec 31, 2012 effective Jan 1, 2010.

\*\* \$15 AIF will be dependent on passenger traffic.

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## AIF Comparisons

AIRPORT	LEVEL	A.I.F.
Toronto	1	25 (effective June 9)
Calgary	1	21
Winnipeg	1	20
Montreal (Dorval)	1	20
Edmonton	1	20 (effective September 1)
Vancouver (N. America / Int'l)	1	15
Halifax	1	15
Ottawa	1	15
Saint John	2	20
Quebec	2	20
Hamilton	2	20
St. John's	2	15
Regina	2	15
Prince George	2	15
Charlottetown	2	15
Saskatoon	2	15
Victoria	2	10
Kelowna	2	10

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## Drive to 1.6 Million Passengers Program – Consultation Process

### Airport Advisory Committee Resolutions (April 8, 2009):

1. The Airport Advisory Committee approves the "Drive to 1.6 Million Passengers" Development Plan as presented and recommend that staff forward it to Council for approval.
2. The Airport Advisory Committee approves the increases to the Airport Improvement Fee (AIF) as outlined and recommend that staff forward it to Council for approval.

### Airline Consultative Committee (May 6, 2009):

The Drive to 1.6 Million Passengers Program was reviewed with the Airline Consultative Committee at a meeting on May 6, 2009 and the committee has not provided any objections to the program.

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## **Drive to 1.6 Million Passengers Program – Council Recommendation**

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### **RECOMMENDATION:**

**THAT** Council approve the Drive to 1.6 Million Passengers Airport Development Program;

**AND THAT** Council authorize the program be funded from the Airport Improvement Fee (AIF) reserve;

**AND THAT** Council authorize the AIF to be increased to \$12 per enplaned passenger effective January 1, 2011 and to \$15 per enplaned passenger effective January 1, 2013.

**AND THAT** Council approve an amendment to the Airport Fees Bylaw No. 7982 to increase the AIF as proposed.