

# **The Corporation of the City of Kawartha Lakes**

## **Council Report**

**Report Number ENG2017-008**

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**Date:** September 12, 2017

**Time:** 2:00 p.m.

**Place:** Council Chambers

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**Ward Community Identifier:** All

**Subject:** Airport Core Service Review

**Author Name and Title:** Juan Rojas, Director of Engineering & Corporate Assets

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### **Recommendation(s):**

**RESOLVED THAT** Report ENG2017-008, **Airport Core Service Review**, be received;

**THAT** the City of Kawartha Lakes continues to financially support both Operating and Capital Budget, in accordance with the asset management plan, to maintain the existing Level of Service for the Kawartha Lakes Municipal Airport;

**THAT** funds be allocated to multi-year Capital Budgets for studies / options for the Airport to expand services in the future; and

**THAT** the Kawartha Lakes Airport Board reviews the governance model of the Airport and report back to Council in 2018.

**Department Head:**\_\_\_\_\_

**Financial/Legal/HR/Other:**\_\_\_\_\_

**Chief Administrative Officer:**\_\_\_\_\_

## **Background:**

At the Council Meeting of May 16, 2017, Council was provided with an overview / framework for the Airport Core Service review and adopted the following resolution:

### **10.4.1 CC2017-14.10.4.1**

Ron Taylor, CAO

Brenda Stonehouse, Strategy and Performance Specialist

Doug Erlandson, Chair, Kawartha Lakes Municipal Airport Board

Bob Hunter, City of Kawartha Lakes Airport Manager, Loomex

Core Service Review - Airport Board Presentation

CAO Taylor provided opening remarks noting that this presentation is the first phase the Core Service Review regarding the Kawartha Lakes Municipal Airport, and that this presentation is for information only. He also introduced the members of the board present. Ms. Stonehouse gave an overview of the Airport and its current operations. She highlighted several options for the Airport including retaining the status quo, investing now for growth, leasing the airport to a private company, and closing the airport. She noted that a report would be presented to Council outlining options with recommendations. A copy of the presentation is available in the Clerk's Office. Mr. Erlandson, and CAO Taylor responded to questions put forward by members of Council.

### **CR2017-425**

**Moved By** Councillor Macklem

**Seconded By** Councillor Breadner

**RESOLVED THAT** the presentation by Ron Taylor, Brenda Stonehouse, and Doug Erlandson, regarding Core Service Review - Airport Board, be received.

**CARRIED**

This report addresses and brings forward recommendations related to the Airport Core Service Review. The Airport presentation of May 16, 2017 is attached as Appendix A to this report.

As part of the City's Core Service Review, the Kawartha Lakes Municipal Airport has been reviewed by Engineering and Corporate Assets staff in consultation with the Kawartha Lakes Municipal Airport Board and the Office of Strategy Management.

The Kawartha Lakes Municipal Airport was constructed as a general aviation facility in the early 1960's. The facility was operated under a lease agreement until 2001 when the City took back responsibility for operations. The airport is

governed by the volunteer Kawartha Lakes Municipal Airport Board which includes representatives of Council.

The airport is located on 168 acres on Hwy. 35 N in Lindsay. Amenities include a primary paved runway, secondary grass runway, two 10-unit T hangar buildings, a 4500 sq. ft. hangar, a terminal building with flight school and restaurant, 40 outdoor aircraft parking spots and a self-serve Avgas and Jet-A dispensing system.

A number of plans and studies have been undertaken in the past including:

- 2002 Airport Master Plan from Marshal Macklin Monahan
- Airport Task Force Final Report 2008
- Comprehensive Airport Review 2009 with public consultation
- Business Plan – Fortin & Associates 2011
- Updates Business Plan 2012

## **Rationale:**

On July 6, 2017 various Airport Stakeholders, including City Engineering staff, Office of Strategy Management, Members of the Airport Board and Loomex Group met to review and discuss several options in regards to the Airport Core Service Review.

The following options were considered / identified and followed up with additional investigation. The following is a summary of the results of the various options that have been considered:

### **1. Status Quo**

The Kawartha Municipal Airport is overseen / managed by a volunteer board (Airport Board), with day to day activity being supported by the Loomex Group (3<sup>rd</sup> Party, under contract) and liaison with the CKL Engineering & Assets Group and Corporate Services (mainly Purchasing and Finance).

Currently the Municipal Airport is utilized by various User groups including:

- Flight school
- Ornge (support Health Care – Air Ambulance)
- OPP
- MNRF
- Canadian Military
- Private aircraft
- Tenants include restaurant, flight school and hanger tenants

The Airport is categorized as a local/regional public aerodrome and is compliant with Federal regulations and accepted industry practice, it is operational and terminal and fuel are accessible 24 hours a day.

It currently directly supports 3 small businesses and approximately 8 full and part-time jobs and provides a valuable asset in attracting businesses and professions to the area.

An Economic Impact Study for the Lindsay Airport was completed in June 2014 by “Inside Canadian Airports”. The results concluded that the total gross revenues generated by activities at the Lindsay Airport during 2006 contributed approximately \$5,500,000 to the Kawartha Lakes economy and supported an estimated 45 person years of employment.

A Study of Municipal Airports in Ontario 2006 found that 74% of airports were non self-sustaining. A goal of the Kawartha Lakes Airport is to break even in regards to their annual operating costs. This was achieved in 2015; however, as with other public organizations with aging assets, this is becoming increasingly difficult. It is anticipated that the airport would require approximately \$50,000 yearly in the operating budget in order to break even, which represents less than 0.5% of the \$11M value of the airports capital assets

## 2. Invest now for growth

This option would require significant Capital investment, i.e. construction and expansion of the runways, taxiways and facilities in order to attract new users to the Airport and new businesses to Kawartha Lakes. Land acquisition, most likely to the north, would also have to be considered.

There is an opportunity for an increased economic benefit to the community by attracting new business to the area; however, the return on investment (ROI) is difficult in the absence of an “anchor”/ major tenant.

The estimated cost of expansion is within the range of \$5-8 Million over the next 5-10 years.

## 3. Plan for the Future

As with any organization, sound and sustainable planning is key in order to maintain the longevity of the organization. A strategy would be to fund some pre-design / study cost to position the airport for future expansion once a major tenant comes to fruition.

This would facilitate a moving forward strategy and show potential investors, tenants and business professionals that the City is committed to a Municipal Airport. As well as being ready to react when a tenant commits.

This option will allow the City to proceed with limited “soft cost”, i.e studies and design but not implement construction.

Federal / Provincial grant eligibility (opportunities) would be improved for “shovel ready” projects.

#### 4. Lease or sale to a private company

The airport could be leased or sold for a private company to continue providing airport operations. This model was used in the past when the airport was leased to Lindsay Airpark until 2001.

Under this model, the private company would be responsible for all operating costs related to the airport. If it is a lease, the City would retain ownership of the land and assets. Improvement of capital assets would have to be negotiated as part of the lease.

The property could be sold with the provision that it remains an airport which would keep the asset within the community but relieve the municipality of all costs (operating and capital) associated with the airport.

There are very few privately owned airports in Ontario. There are very limited number of private companies that would be interested in leasing or purchasing the airport. As 74% of airports are not self-sustaining, it would be difficult for a company to make any profit by operating an airport.



for the future) over 3 years to maximize the potential of the Airport to attract new users and be ready for implementation once an acceptable / desirable business case is made for expansion.

### Governance Model

The Governance of the Airport has gone through various iterations with various City departments providing supporting roles. In 2001, the Airport was led by Public Works, followed by Corporate Services and most recently Engineering and Assets.

A By-Law for an Airport Board was enacted in 2010, with revisions in 2011, 2012 and 2013.

By-Law 2010-100, “A By-Law to establish a Municipal Service Board” is attached as Appendix B to this report.

The Current Governance Model is that of an Airport Board (establishing priorities) – Third Party Management (day to day operations) – CKL Staff support, with Council setting the Operating and Capital Budget on a yearly basis, with the Airport having a separate purchasing policy.

The role of the Airport Board and respective governance model should be reviewed in 2018.

### **Other Alternatives Considered:**

As indicated, Staff recommends maintaining the status quo for the Kawartha Lakes Municipal Airport and allocating funds over a multi-year capital project, for studies to allow the option for the Airport to expand services in the future, if warranted and council approved.

Other alternatives considered are mentioned above in the Rationale Section of this report.

### **Financial/Operation Impacts:**

The City’s Asset Management Plan identifies the total value of the Airport Assets at \$11,030,500.

The Airport List of Assets is attached as Appendix C to this report.

The target annual capital need for the Airport is \$274,000.

The draft proposed 2018 Capital Budget has identified the following three capital programs for the airport:

AP1801 – Airport Site Works	\$201,500
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AP1802 – Airport Facilities	\$ 10,000
<u>AP1803 – Study for possible expansion</u>	<u>\$ 35,000</u>
Total draft proposed capital budget	\$246,500

As identified above, the capital funding request is below the AMP threshold; however, in accordance with the City's Asset Management Plan Strategy to phase in the Capital Needs over 4 years, the draft proposed Airport Capital Budget meets the 4 year phasing criteria.

It is anticipated that a full study to review expansion and increased level of service would require a budget amount in the range of \$100K - 150K, this can be funded over three years, with \$35K in year 1, \$45K in year 2 and \$55K in year 3, with funding amounts being reviewed / adjusted annually during budget deliberations.

The Study would be dependent on potential tenants and/or user group(s) for the Municipal Airport which may correlate to improvements to certain airport assets such as the runway, taxi way and additional facilities.

A portion of the Study funds would be utilized for pre-design work that can be undertaken, such as geotechnical investigation, concept plans and functional servicing reports that would facilitate and plan for expansion. Some of this work is required for the Status Quo level of service for the airport.

The remaining portion of the funds could be held in abeyance until user group(s) materialize and the respective business case is made and design specific work can be completed.

The growth related elements of the study would be eligible for DC funding.

### **Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:**

The Kawartha Lakes Municipal Airport aligns with Goal 1 – A Vibrant and Growing Economy and Goal 2 – An Exceptional Quality of Life.

It also aligns with the Strategic Enablers of "Efficient Infrastructure & Asset Management" and "Responsible Fiscal Resource Management".

### **Review of Accessibility Implications of Any Development or Policy:**

There is no accessibility implications associated with the above noted recommendations.



## **Servicing Implications:**

There are no servicing implications.

## **Consultations:**

Kawartha Lakes Municipal Airport Board  
Strategy and Performance Specialist  
Loomex Group - City of Kawartha Lakes Airport Manager

## **Attachments:**

Appendix A – Core Service Review Presentation May 16, 2017



Airport - Core  
Service Review.pptx

Appendix B – Asset Management Plan – Kawartha Lakes Airport



KLMA (Airport)  
Assets .xlsx

Appendix C – By-Law 2010-100 – A By-Law to establish a Municipal Service Board to be known as “Kawartha Lakes Municipal Airport Board” to Govern, Control, Operate and Manage the City’s Provision of a Municipal Airport in the City of Kawartha Lakes



2010-100 Establish  
Kawartha Lakes Munic

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**Department Head: Juan Rojas, Director of Engineering & Corporate Assets**

**Department File: Engineering**