

# Airport Operation Review

## Public Stakeholders Meeting



January 11, 2018



# Purpose of this Meeting

- ▶ To review the existing operation of the Airport
- ▶ To determine whether the public and stakeholders needs are being met
- ▶ To gather public feedback to make an appropriate recommendation to Council regarding the future operations of the Airport

# History of Airport

- ▶ Originally opened in and around 1975, under the jurisdiction of Transport Canada
- ▶ Has always been municipally owned and operated
- ▶ There was provincial/federal dollars available for the construction of Airports, for economic development purposes, in the 1970s
- ▶ NorOntair (ONTC) was developed in the mid-1980s; provincial dollars placed into the airport
- ▶ Daily return flights throughout Northern Ontario and Toronto
- ▶ Hangar was constructed by Airdale Limited, which housed the twin otter aircraft owned by NorOntair
- ▶ Airdale Limited also did all maintenance related to the aircraft and hangar
- ▶ During this time, winter maintenance was contracted out
- ▶ 1994 – one-time only grant money was received for airport restructuring
  - Runway was extended/reconstructed from 75 feet wide by 3,500 feet long to 100 feet wide by 4,500 long to accommodate the DASH-8 Aircraft to replace the twin-otter
  - Funding also used for taxi-way, apron, navigational aids and lighting, ARCL lighting system, etc.
- ▶ In 1996, decommissioned NorOntair and gave all hard services to local municipality
- ▶ In 1997, Town was successful in attracting Pemair – daily return flights to Toronto, using a twin-engine aircraft
- ▶ Increasing costs of operation and lack of ticket sales (\$800 +tax), services cancelled in 1998.
- ▶ In late 1990s, provincial government gave municipalities money for airport operations; TKL applied for winter maintenance equipment, which we were successful in acquiring and continue to use

# Introduction of SMS

- ▶ Began process of introducing Safety Management System in 2008
- ▶ **Mandatory** for all certified airports; same process as Pearson International
- ▶ It was a change in culture to transfer proactive safety management to the Airport Operators (in our case, the municipality)
- ▶ Administrative functions at Airport became more burdensome, which required additional staff time and financial commitments

# Introduction of User Fees

- ▶ Before 2000s, municipality had very little revenue generation at the Airport
- ▶ Modified User Fees over the course of the last 18 years
  - Lease Agreements (MNRF)
  - Hangar/Land Rentals (Private planes)
  - Landing Fees
  - Fuel Sales
- ▶ Revenue of approximately \$125,000 annually

# Revenue Summary (last 5 years)

	2013	2014	2015	2016	2017*
<b>User Fees</b>	56,510	56,545	56,175	65,395	63,767
<b>Fuel Sales</b>	42,392	56,172	49,473	44,765	82,403
<b>Building Rents</b>	4,500	4,017	4,213	4,731	5,866
<b>Recoveries</b>	2,148	2,269	7,465	2,459	1,470
<b>TOTAL</b>	<b>105,549</b>	<b>119,003</b>	<b>117,326</b>	<b>117,350</b>	<b>153,506</b>

Record-breaking year in fuel sales, not typical, and not expected in future years.

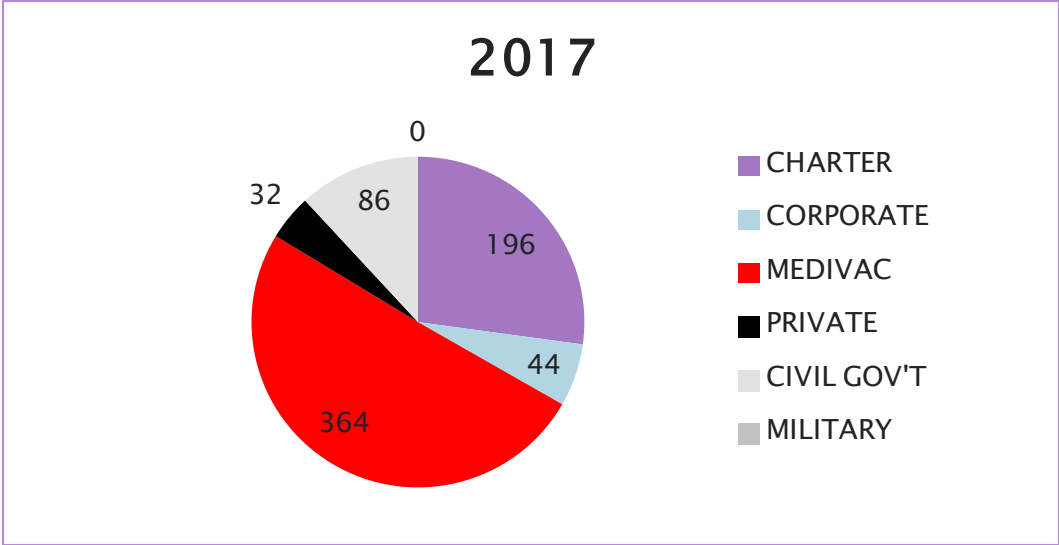
In 2017, TKL sold approximately 70,000L this year.

\*ongoing

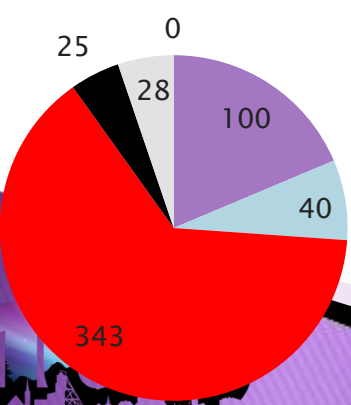
# Existing Operations

- ▶ Operates:
  - 8–4, Monday to Friday, May 1 to Oct 31
  - 8–4 , every day, Nov 1 to Apr 30
- ▶ Manned during all operating hours
  - 1 FT staff, 2 PT staff
- ▶ 500–600 flights annually
- ▶ \$250,000 to operate (not including capital costs), budgeted revenue of \$125,000 in fuel sales, hangar leases, landings, etc. (does not include program support)

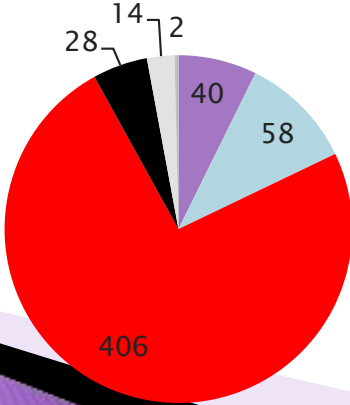
# Key Users



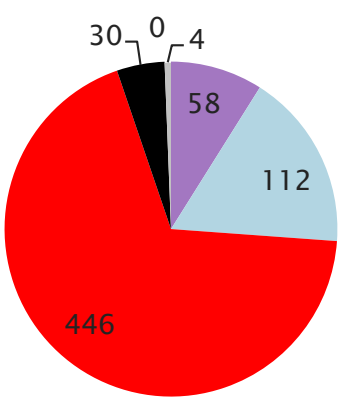
### 2016



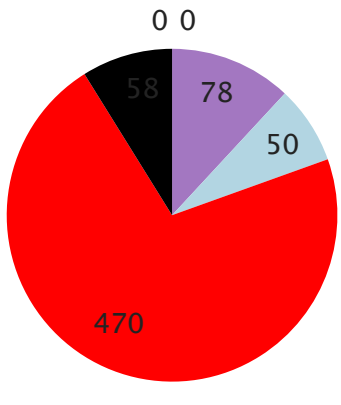
### 2015



### 2014



### 2013





# Cost Summary (last 5 years)

	2013	2014	2015	2016	2017*
<b>Salaries &amp; Benefits</b>	92,867	102,330	110,809	107,014	118,909
<b>Other Administration</b>	22,677	41,447	29,721	27,994	21,649
<b>Outdoor Operations</b>	12,835	8,282	20,598	5,351	5,687
<b>Building Operations</b>	11,403	14,260	11,430	16,700	9,455
<b>Hanger Operations</b>	9,957	15,812	5,773	15,001	8,326
<b>Large Equipment</b>	27,818	18,630	35,603	12,976	10,991
<b>Small Equipment</b>	0	0	564	350	0
<b>Supplies (Fuel)</b>	37,078	32,547	31,164	43,208	51,670
<b>TOTAL</b>	<b>214,634</b>	<b>233,308</b>	<b>245,661</b>	<b>228,594</b>	<b>226,687</b>

<b>ANNUAL DEFICIT</b>	<b>109,085</b>	<b>114,304</b>	<b>128,335</b>	<b>111,245</b>	<b>73,181</b>
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\*ongoing

# Existing Large-Scale Equipment

Asset or serial number	Item description (make and model)	Years of service left	Date purchased	Annual Expense (2012)	Annual Expense (2013)	Annual Expense (2014)	Annual Expense (2015)	Annual Expense (2016)	Annual Expense (2017)	Anticipated Costs in 2018 (Average over 6 years)	Expenses (2012-2017)	Hours/KM	Replacement Value
A201	Chev 1/2 Ton	0	2002	\$ 629	\$1,385	\$1,857	\$ 2,335	\$769	\$2,538	\$1,500	\$6,978	158,830 KM	\$35,000
T252	Case Loader (621B)	1	1997	\$2,175	\$2,103	\$2,878	\$ 7,710	\$3,708	\$4,894	\$4,000	\$23,471	10,494 HRS	\$235,000
T251	Tenco Snow blower	0	1997	\$6,294	\$13,020	\$1,497	\$23,058	\$1,956	\$1,829	\$8,000	\$47,757	3,229 HRS	\$165,000
T226	Freight Liner (w/ plow blade)	1	1999	\$4,317	\$1,465	\$3,115	\$4,168	\$3,653	\$3,070	\$3,500	\$15,908	10,073 KM	\$275,000
<b>Total Replacement Value for Large-Scale Equipment</b>												<b>\$710,000</b>	

This equipment will need to be replaced within the next year or two.

Opportunity to also lease or contract the winter maintenance to avoid the capital cost of new equipment.

# Other Equipment

Item description (make and model)	Condition	Years of service left	Date purchased or leased	Replacement Value
Yardworks Snow blower	Good	4	2008	\$1,500
Yardworks Lawn Tractor	Bad	1	2011	\$2,000
Honda Lawnmower	Good	4	2008	\$400
Stihl Chainsaw (036)	Good	4		\$350
Honda Gas Trimmer (UMK422)	Good	4		\$600
Weadeater Gas Trimmer	Good	4		\$600
Campbell Hausfeld Air Compressor 8 Gallon (HJ300400)	Good	9	2015	\$300

# Upcoming Capital Costs

- Constant Current Regulator (\$35,000)
- Lighting (\$250,000)
- Insulating terminal (\$100,000)
- Generator for hangar (\$2,500)
- Removal/replacement of fuel tanks (\$500,000)
- Resurfacing/lengthening runway (\$1.5 mil)
- Garage door for hangar (\$40,000 – \$100,000)
- Dedicated area for storage (\$5,000 – \$10,000)
- New equipment (\$710,000)

Roughly **\$3.2 million** worth of capital costs in next 10 years.

# If we stay certified...

- ▶ What does this mean?
  - An Airport must have a certified status if it has scheduled air services (i.e. Porter, Air Canada, Bear Skin Airlines) – KL does not receive scheduled air service.
  - Must maintain a Safety Management System (SMS).
  - Strict operating and maintenance standards
    - Winter maintenance
    - Adjacent land uses
    - Navigational aids
- ▶ What are the financial costs associated with this?
  - Administrative responsibilities with SMS
  - Proper training of Accountable Executive (CAO)
  - Annual audit
  - Escalating capital costs to ensure compliance with applicable regulations

# What Can We Do To Cut Costs?

- ▶ If we remain certified, we can reduce manned hours
  - examples
    - remove weekend operations during winter
    - Unman more regularly in the summer, when less maintenance is required
- ▶ Still have to plan for either:
  - Purchase of equipment
  - Lease of equipment
  - Hiring contracting firm for winter maintenance

# If we decertify...

- ▶ What does this mean?
  - The airport can continue to operate status quo
  - Potential elimination of staff hours as the administrative responsibility for SMS would reduce significantly
  - Revenues could potentially reduce
  - Capital costs could be reduced
  - No need for annual audit (>\$20,000)
  - Land uses surrounding the airport are less restrictive

# Decertification Options

1. Decertify, operate annually
2. Decertify, operate seasonally
3. Create an operating authority and/or hire maintenance contractors



# Decertify and Operate Annually

- ▶ Reduction to staff hours depending if manning (<\$75,000)
- ▶ No audit (savings of \$20,000)
- ▶ Requirement for heavy equipment (**\$710,000**)  
OR
- ▶ Lease equipment  
OR
- ▶ Contract winter maintenance
- ▶ Revenues should generally remain unchanged

# Decertify and Operate Seasonally

- ▶ Reduce the operating and capital budget by eliminating staffing and winter maintenance
- ▶ Winterize facilities, conduct routine inspections, request an increase in police patrols during winter months
- ▶ Reduced service level to stakeholders
- ▶ No medivac flights for 5–6 months of the year
- ▶ This would reduce revenues

# Other Options

- ▶ Decommissioning
- ▶ Selling

# Decommissioning the Airport

- ▶ Still has an operating capacity with the existing infrastructure
- ▶ 5 to 10 year timeframe
- ▶ Includes:
  - Dismantling of facilities;
  - Weatherproofing onsite infrastructure;
  - Bare necessity maintenance costs;
  - Environmental remediation;
  - Removal of fuel tanks;
  - Etc.
- ▶ Roughly **\$2 mil** to decommission (internal estimates)

# Selling the Airport

- ▶ Elimination of all capital and operating responsibilities
- ▶ Is someone interested in purchasing the airport? Can we sell it?

# What Are Other Airports Doing?

- ▶ Cochrane
  - Not certified
  - Selling 400,000L of fuel annually
  - Transfer station for grocery/food services to James Bay coastal areas
  - No scheduled service
- ▶ Earlton
  - Certified, contemplating decertification
  - Selling 107,000L of fuel annually
  - Flight school and medivac are primary users

# Any Other Options?

- ▶ What is the public's expected service level?
- ▶ Are there any options that we did not consider?
- ▶ What can we do to reduce the financial burden on the tax base while maintaining service levels?



# KIRKLAND LAKE

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for more information