



RPT 21-39

TITLE: 2021 Airport Fund Operating and Capital Budget

DATE: **January 25, 2021**

TO: City Council - Special

PUBLIC: X

INCAMERA:

RECOMMENDATION:

1. That the 2021 Airport Fund operating budget be approved as follows:
 - a. Operating revenues of \$887,610;
 - b. Operating expenses of \$1,028,120;
 - c. Capital and interfund transfers of \$306,670; and
 - d. A deficit of \$447,180. After adjusting for non-cash amortization, there is a surplus of \$152,820 to fund capital projects and reserve transfers;
2. That the 2021 Airport Fund capital expenditures of \$8,383,800, be approved;
3. That the motions from the 2021 Airport Fund Budget Committee deliberations be ratified and that Administration proceed as authorized; and,
4. That the 2021 Airport Fund Budgeted expenditures be approved for disbursement effective January 1, 2021.

TOPIC & PURPOSE:

For City Council to approve the 2021 Airport Fund Operating and Capital Budget along with the resolutions of the Budget Committee.

BACKGROUND:

The City Of Prince Albert received ownership of the Airport in 1996 and since that time, has attempted to operate the facility as a self-funding entity. In 2006 City Council authorized a transfer of 30 percent of the total cost of the Airport operation to be funded from the City's General Fund, and in 2010 implemented the Passenger Facility Fee (PFF) as a means to fund capital Airport improvements.

On January 21, 2021 the Budget Committee considered the 2021 Airport Fund Operating and Capital Budgets and recommended that the 2021 Airport Fund Operating and Capital Budget, along with the Resolutions of the Budget Committee, be forwarded to City Council for final approval.

PROPOSED APPROACH AND RATIONALE:**COVID-19 Pandemic Impact**

The Airport has experienced a decrease in revenue related to the COVID-19 pandemic. The pandemic and its impact on the Airport will continue into 2021. The financial impact for 2021 can only be estimated based on what we know today.

The 2021 Budget numbers provided are based on the assumption that the Airport is operating as normal (with the exception of a budgeted decrease in PFF revenue which has been adjusted). This allows for better estimates of the financial impact of COVID-19.

The estimated financial impact of COVID-19 for 2021 is a reduction to revenues of \$53,600. In 2020, The City received funding from the Saskatchewan Government Municipal Economic Enhancement Program (MEEP) and funding from the Federal Government Safe Restart Program. The 2020 remaining funds from these sources is estimated at \$2.9 million depending on the final year-end financial impact due to the pandemic. The remaining funds will be able to cover the estimated \$53,600 of revenue loss projected for 2021.

2021 Changes to Budget Revenues and Expenses

The Director of Finance presented the budget package to the Budget Committee that included a format that provided budgeted 2021 revenues and expenditures along with the changes relative to the previous years approved budget. For 2021 there are budgetary adjustments to the revenues and expenditures of this fund which include the items highlighted below.

Budgeted Revenue – Decrease of \$47,100

The most significant budgetary adjustments to revenue are discussed below:

- \$44,000 decrease to PFF revenue based on a review of passenger counts in 2020 and expectations for 2021 considering the impact of COVID-19. PFF revenue is transferred to the PFF Reserve.
- \$10,000 decrease to parking revenue related to an adjustment in annual parking rates for 2021 from \$720 per month to \$650 per month. This was approved by Council in 2019 in order to provide consistent rates to all City owned parking lots.
- (\$6,900) increase to Airport lease revenue.

Budgeted Expenses – Increase of \$67,440

Some of the significant budgetary adjustments to expenses are discussed below:

- \$32,000 increase to salaries wages and benefits related to base adjustments, a review of actual costs charged, and provisions for future collective bargaining negotiations.
- \$70,000 increase to contracted and general services for airfield marking painting, pavement load rating testing, and other one-time expenditures. The increase is offset by a \$50,000 transfer from the Airport Maintenance Reserve.
- \$26,210 decrease to maintenance materials and supplies primarily due to the removal of one-time expenditures budgeted in the prior year. There are also new one-time expenditures budgeted for 2021 including replacement of air-band radios and a budget for LED lighting.

2021 Capital Budget

Administration is requesting \$8,383,800 in capital spending at the Airport for 2021. A brief description of the projects and their funding source is provided below.

A total of \$45,000 is to be funded from the Passenger Facility Fee. These projects have been reviewed with the Airline Users:

- Airport support vehicle parking pad - \$30,000
- Low/reduced visibility operations plan - \$15,000

A total of \$471,000 is to be funded from the Airport Improvement Fund. These items include the following:

- Airport Maintenance Garage renovation - \$250,000
- Airport air blower attachment - \$150,000
- Emergency generator - \$50,000
- Airport street signs - \$21,000

A total of \$45,000 is to be funded from the Equipment Fleet Reserve.

- Replacement of Airport truck - \$45,000

A total of \$3,372,800 of capital projects are to be funded from the Airport Capital Assistance Program (ACAP) subject to approvals being received.

- Runway lighting/informational signage - \$2,887,800
- Replacement of runway plow truck and sander - \$420,000
- Apron I drainage improvements - \$65,000

A total of \$4,450,000 of capital projects are to be funded from external financing such as the Canada Infrastructure Program or other funding sources to be identified. These projects would be conditional on obtaining external funding.

- Apron II rehabilitation and expansion - \$3,500,000
- Apron II utilities construction - \$950,000

CONSULTATIONS:

A media release notified the public that the Budget Committee meetings for the 2021 Water Utility, Sanitation, Airport, and Land Fund Budget were scheduled for January 20 and January 21, 2021.

In addition, the budget submissions to the Budget Committee were available on eagenda.citypa.ca and the City's website for the public's review.

COMMUNICATION AND/OR ANNOUNCEMENT PLAN:

Once the 2021 Airport Fund Budget is approved by Council it will be posted on The City of Prince Albert website.

FINANCIAL IMPLICATIONS:

The 2021 budget reflects decreased revenue of \$47,100 and increased operating expenses of \$67,440.

A summary of the 2021 Budget's impact on the Airport Improvement Fund Balance is as follows:

- The budgeted deficit from operations to be funded from the Airport Improvement Fund in 2021 is \$57,180.
- A transfer in from the Maintenance Reserve of \$50,000 to offset the expense for airfield line painting.
- A transfer of \$471,000 to the Capital Committed Reserve is required for 2021 capital expenditures.
- This results in an estimated decrease to the Airport Improvement Fund in 2021 of \$478,180 and an estimated closing surplus of \$261,588.

OTHER CONSIDERATIONS/IMPLICATIONS:

There are no options to the recommendation, official community plan, policy, or privacy implications or considerations.

STRATEGIC PLAN:

Fiscal Management & Accountability: Administration's recommendation is based on cost effectiveness and the belief that the City's current level of service will be maintained or improved as a result of the submitted budget.

PUBLIC NOTICE:

Public Notice pursuant to the Public Notice Bylaw No. 24 of 2015 is not required.

ATTACHMENTS:

1. 2021 Airport Fund Budget
2. January 21, 2021 Budget Committee Meeting Minutes – Airport Budget (Unofficial)

Written by: Cheryl Tkachuk, Director of Financial Services

Approved by: City Manager