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**Subject:** Airport Project Update

**Report to:** Committee of the Whole

**Report date:** Thursday, May 2, 2019

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## Recommendations

1. That Niagara Regional Council **APPROVE** the Action Plan outlined in Appendix 1 of this report which directs staff to enact Regional Council's direction to: pursue adopting sole-responsibility for the operations and governance of Niagara District Airport (NDA) and Niagara Central Dorothy Rungeling Airport (NCDRA);
2. That outcomes of the Action Plan and/or adoption of the operations of the airports, resulting in incremental operating and/or capital budget requirements **BE REFERRED** for consideration as part of the 2020 budget process.

## Key Facts

- The purpose of this report is to provide Council with an overview of the current status of the Airport project, as well as provide an action plan to outline the next steps.
- On September 22, 2016, Regional Council approved the following two motions:
  - That Niagara Region **SUPPORT IN PRINCIPLE** adopting sole-responsibility for operations and governance of Niagara District Airport (NDA) and Niagara Central Dorothy Rungeling Airport (NCDRA);
  - That, ***subject to completion of a phase 2 environmental assessment paid for by the current owners/operators***, Regional staff **BE AUTHORIZED** to initiate detailed negotiations with the current funding partners of both the NDA and the NCDRA to transition responsibility to Niagara Region.
- The Phase 2 Environmental Assessment reports for both airports in 2017 has been included in Appendix 3 and Appendix 4 of this report.
- Based on the financial analysis conducted in 2016 and outlined in reports TSC-C-12-2016 *Niagara District Governance and Funding Review* and TSC-C-13-2016 *Niagara Central Dorothy Rungeling Airport Governance and Funding Review*, the total annual financial impact to the Region, including capital financing, is estimated at \$2.24M which equates to a 0.6% increase to the 2019 approved Regional levy. The total capital investment forecasted through 2037 is \$35.3M with \$11M (2016\$)

identified for investment prior to 2021. This has not been included in the operating or capital budget forecasts provided with the 2019 budgets.

- The Action Plan outlined in Appendix 1 of this report outlines the planned next steps in the airport project including anticipated Council decision points. Upon approval of the Action Plan, continued Regional Council support in the pursuit of adopting sole-responsibility for the operations and governance of both airports is assumed. Staff will begin negotiations with the current funding partners to transition responsibility to Niagara Region.

## Financial Considerations

The Region’s approved budget does not currently incorporate funding related to the governance or operation of an airport. Should the Region assume such a role, there will be direct financial implications in terms of the annual operating and capital funding commitments, as well as the associated risks. Airports rely on ongoing investment to meet compliance requirements and to leverage development opportunities. As such, the needs of the airports as provided below in Table 1 will result in pressure on the existing capital funding gap of \$481M (as reported in the 2019 Budget process), debt financing and the annual repayment limit (ARL). The incremental annual impact on the budget of 100% of the costs of the airports going forward as per the tables below is \$2.24M equivalent to 0.6% increase to the 2019 Region tax levy.

**Table 1 – Total estimated annual operating budget – Base Case Scenario**

million \$	2019	2020	2021	2022	2023	2024	2025
Net Operating Cost	0.41	0.42	0.42	0.42	0.42	0.42	0.42
Capital Financing Cost	1.83	1.86	1.90	1.94	1.98	2.02	2.06
Total Operating Impact	2.24	2.28	2.31	2.35	2.40	2.43	2.47

\* Revenues exclude Municipal Grant Revenue and expenses exclude capital financing costs. All figures in 2016\$ and include inflation at 2% per year.

Based on the financial analysis outlined in reports TSC-C-12-2016, *Niagara District Governance and Funding Review* and TSC-C-13-2016 *Niagara Central Dorothy Rungeling Airport Governance and Funding Review*, the total annual operating impact to the Region, including capital financing (Table 1 above) is \$2.24M. The total capital investment between 2016 and 2037 is estimated at \$35.3M (\$2016), including \$11M identified as immediate investment prior to 2021.

As this financial overview relies on reports dating from 2016, and given that there are multiple variables involved, staff will conduct a full review with updated financial impacts and will verify or develop a capital strategy for the airports for Council’s consideration.

*Niagara District Airport*

Based on the original TSC 12-2016 report recommendation for joint governance and Regional financial contributions of 50% funding, the estimated Regional share would be \$0.7M, equivalent to a 0.2% increase to the 2019 approved Regional levy. If the Region assumes all the costs outlined in table 2 below, inclusive of the 50% municipal contribution of \$0.7 M, this would require an additional 0.2% increase to the 2019 approved Regional levy but could be mitigated with reductions in the local levy in Niagara-on-the-Lake, St. Catharines and Niagara Falls. Excluding passenger services, the capital costs were forecasted to be \$20.7M to 2037 (\$2016), with \$4.0M required before 2021.

The total \$1.4M in annual operating costs are net of land lease revenues and airport user fees, and this is an area which can be further explored to grow as a source of revenue to the airport.

**Table 2:** Niagara District Airport estimated annual operating budget – Base Case Scenario

<i>million \$</i>	2019	2020	2021	2022	2023	2024	2025
Net Operating Cost	0.36	0.37	0.37	0.37	0.38	0.37	0.38
Capital Financing Cost	1.04	1.06	1.08	1.10	1.12	1.15	1.17
Total Operating Impact	1.40	1.43	1.45	1.48	1.50	1.52	1.55

\* Revenues exclude Municipal Grant Revenue and expenses exclude capital financing costs. All figures in 2016\$ and include inflation at 2% per year.

The NDA will be eligible to apply through the January 2020 intake for capital grant funding through the Airports Capital Assistance Program (ACAP), administered by Transport Canada. This program recognizes that regional airports play an essential role in Canada’s air transportation sector, and provides funding for projects that improve regional airport safety, protect airport assets (such as equipment and runways), and reduce operating costs. The NDA has the most future potential as a Regional asset and would have a long term objective of self-sustaining operations with the correct balance of airport services.

*Niagara Central Dorothy Rungeling Airport*

The NCDRA is a registered aerodrome with a history dating back to 1941. The capital costs were forecasted to be \$14.6M to 2037 (\$2016), with \$7.2M of this cost required by 2021. Annual funding support, including capital financing, for the airport was estimated at \$0.84M (\$2017). This compared to the 2016 total municipal support of \$0.09M. The original TSC 13-2016 report recommendation was for continued Local Municipal Governance. If the Region assumes the full cost, the \$0.84M would require the equivalent of a 0.2% increase to the 2019 approved Regional levy. The increase may be mitigated through ongoing municipal contributions or reductions in the local levy in Pelham, Port Colborne, Wainfleet and Welland to offset a portion of the total costs.

**Table 3: Niagara Central Dorothy Rungeling Airport estimated annual operating budget – Base Case Scenario**

<i>million \$</i>	2019	2020	2021	2022	2023	2024	2025
Net Operating Cost	0.05	0.05	0.05	0.04	0.05	0.05	0.04
Capital Financing Cost	0.79	0.80	0.82	0.84	0.85	0.87	0.89
Total Operating Impact	0.84	0.86	0.86	0.88	0.90	0.91	0.93

\* Revenues exclude Municipal Grant Revenue and expenses exclude capital financing costs. All figures in 2017\$ and include inflation at 2% per year.

As the outlined financial implications are based on the information from the 2016 reports and have not adjusted for any capital improvements which may have been done over the last 3 years. The revised financial implications of transferring ownership from the current owners/operators of both the NDA and the NCDRA will be brought forward to Council as part of the final decision on whether or not Niagara Region takes on sole-responsibility of both airports. It is anticipated that the revised financial estimates and options will be made available to Council in a timeframe that will align with the 2020 Regional budget process.

## Analysis

### *Airports as an Economic and Development Asset*

Generally, airports are considered to be economic assets which provide community benefit by supporting economic competitiveness and connectivity. Airports support both economic growth through areas such as business development and tourism activities; as well as population and income growth. With the proper investment and strategic vision, the NDA and NCDRA have opportunity to grow this community benefit to a regional level.

It is noted that both airports have land assets which can be leveraged to support on-site airport-related development and employment opportunities. The Region's economic development strategy supports developing the airports and surrounding land to maximize economic impact. A request for proposals (RFP) has been released to contract consulting services to explore business models for the airports that will have the greatest economic benefit to the region.

Partnerships with the Region's hospitality industry and wineries will be essential to support the success and maximize economic impact. For this reason a coordinated dialogue should be initiated forthwith to advance those partnerships.

### *Niagara District Airport (NDA)*

The NDA is a certified airport and is owned and operated through a partnership between the town of Niagara on the Lake, and the cities of St. Catharines and Niagara Falls. On-site services include charters, helicopter & fixed-wing sightseeing, an

approved maintenance operator, flight training, and manufacturing of aerospace and aircraft components.

The NDA is compliant with International Civil Aviation Organization (ICAO) standards, which is a specialized agency of the United Nations that ensures internationally standardized safety regulations. A Nav Canada Flight Service Station is onsite, and is recognized as a Canadian Border Service Agency (CBSA) Airport of Entry (AOE), with customs and immigration services available for incoming flights. Additionally, the airport can accommodate night and inclement weather operations with high intensity LED runway lighting.

The most recent economic impact study undertaken for the NDA estimated an annual impact of \$18M resulting from activity that occurred at the airport. The largest driver of employment and spending at the airport related to the manufacturing, repair and overhaul undertaken by Genair.

The NDA, as a certified airport, is part of the Southern Ontario Airport Network (SOAN). Toronto's Pearson airport will reach capacity by 2032, and surrounding airports have partnered up with Pearson to work together to ready themselves to take on the excess capacity: Billy Bishop, Hamilton, Kingston, London, Niagara, Oshawa, Peterborough, Simcoe (Barrie), Waterloo, Windsor. By working together, Southern Ontario airports will be in a better position to support local economic development, and in doing so, increase the competitiveness of those in the partnership. As a member of this partnership, NDA has the potential to leverage these future opportunities to further the region-wide benefit for Niagara.

#### *Niagara Central Dorothy Rungeling Airport (NCDRA)*

The NCDRA is a registered aerodrome that is owned and operated through a partnership between the cities of Welland and Port Colborne, the town of Pelham, and the township of Wainfleet. On-site activities include skydiving, flight training, aircraft repair & maintenance, and a cadet program.

An economic impact study was undertaken in 2014 for the NCDRA, which estimated the annual economic impact of \$4.5M per year (i.e. direct, indirect and induced spending). The primary driver of the economic impact was the Niagara Skydive Centre, as they contribute to both the direct expenditures that occur at the airport, as well as the indirect expenditures estimated for the visitors to the airport each year.

#### *Transfer of Responsibility of NDA and NCDRA to Niagara Region*

In 2016, Regional staff conducted an extensive overview of the Region's role in the operation and ownership of both NDA and NCDRA. The recommendations from staff following this review was to participate in a joint ownership role with local municipal

owners for the NDA based on the regional benefits derived from airport activity (in addition to local benefits), and the airport's long-term ability to explore opportunities that could advance Regional Council's strategic priorities. The recommendations from staff on the NCDRA identified that although some degree of regional benefit is recognized (in addition to the local benefits), given the significant costs relative to those benefits, and the fact that the airport is considered limited in its future opportunities and ability to advance Regional Council's strategic priorities, a Regional role in governance was not recommended. As part of the 2016 work, public consultation was conducted to get an understanding of the public's perceptions and ideas around the future opportunities of the two airports. Three public open houses and an online survey resulted in a total of 613 respondents. Respondents were favourable towards a justification for a Regional role based on the current and potential future role of the airports.

With these recommendations in mind, Regional Council approved a motion that the Region support in principal, pursuit of sole ownership of both airports, and directed that both airports complete a Phase 2 Environmental Assessment (EA). The results of the EAs have indicated that was soil and groundwater contamination identified for both airports. The consultant recommendations regarding contamination at NDA included additional soil sampling and monitoring of wells. It was noted that exceedances in groundwater may be naturally occurring or related to road salting practices. The consultant recommendations regarding contamination at NCDRA included additional soil sampling to estimate a remediation area, if the operator elects to complete a remediation of the metal-impacted soils. It was noted that metals in groundwater may be naturally occurring.

Based on Council's motion, and the completion of these EAs, staff will begin negotiations to transition responsibility of the two airports to Niagara Region, the results of which will be brought back to Regional Council for consideration. It is the understanding of staff that the commissions and owners of both airports are in favour of the Region pursuing sole-responsibility.

#### *Next Steps*

Attached in Appendix 1 of this report is an action plan that outlines the activities required to transfer responsibility of the NDA and NCDRA to Niagara Region. During the implementation of this action plan, Regional Council will have an opportunity to review the proposed Terms of Transfer, Operational and Capital Budget impacts, and recommended Governance and Administrative models before final approval is made to transfer ownership solely to Niagara Region.

Upon approval of the Action Plan, staff will work to complete the tasks outlined. As part of this, a Taskforce will be established to inform the terms of transfer negotiations and governance model review. The Taskforce will be made up of two (2) CAOs from the current funding municipalities from the NDA; two (2) CAOs from the current funding

municipalities from the NCDRA; two (2) CAOs from municipalities who are not currently funding partners of either airport; and Niagara Region's CAO, Commissioner of Enterprise Resource Management Services and Commissioner of Planning and Development Services. The Taskforce will be provided support from staff as required to address the terms of transfer and governance model development.

Staff will work to prepare the capital and operating budget scenarios, and it is anticipated that budget options will be brought forward for Council's consideration in alignment with the Region's 2020 budgeting process. Budget options will include short and long term financial outlooks and will outline the expected incremental budget impacts required should the Region move forward with ownership and operation of the airports.

### **Alternatives Reviewed**

Should Regional Council decide not to continue pursuit of sole-responsibility of one or both the NDA and the NCDRA, responsibility would remain with the current owner/operator municipalities.

### **Relationship to Council Strategic Priorities**

Not applicable at this time.

### **Other Pertinent Reports**

- TSC-C 12-2016
- TSC-C 12-2016
- PWC-C 22-2016
- PWC-C 23-2016

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**Appendices**

Appendix 1	Airport Project Action Plan
Appendix 2	Airport Project Timeline
Appendix 3	NDA Phase II Environmental Assessment Report
Appendix 4	NCDRA Phase II Environmental Assessment Report