Staff Report to Council

Title: Kincardine Municipal Airport Review

Report Number: Operations-2025-08

Director: Infrastructure & Development

Manager: Operations

Meeting Date: Wednesday, March 26, 2025

Date to be considered by Council: Wednesday, March 26, 2025

Recommendation:

THAT Council receive report Operations-2025-08 for information purposes.

Executive Summary:

Staff have reviewed the operation of the Kincardine Municipal Airport (KMA) which includes the 2013 Airport Strategic Plan completed by Genivar Consultants as well as the Airport Service Provider (ASP) contract.A report from HM Aero Inc Aviation Consultants outlines the requirements for a registered non-certified airport. The report indicated the level of service that is provided through the airport management contract is much higher than the minimum that is required by regulation. It was determined that there would be potentially significant cost savings by not having it permanently staffed on a day-to-day basis but rather utilizing a schedule that would suffice to maintain mandatory requirements.Based on requirements for operating a municipal airport and utilizing a municipal staff, some of the impact would include adding routine inspections and maintenance at the airport to our work schedule. The full impact of utilizing a staff member would need to be evaluated on a pilot basis to understand the requirements to accommodate the tasks of the airport along with staffing needs to be considered later by Council.Council has several options to contemplate which could include consideration for a new ASP contract, hiring of contracted Municipal staff, review of volunteer based coverage opportunities or divesting of the existing asset. Should divesting of the current asset be considered, the property could be kept and considered for other purposes or the full sale and privatization of the site. Staff are seeking further direction of Council on next steps.

Strategic Priorities:

B.7-Ensure municipal facilities and owned lands make the best use of each asset

Financial Considerations:

The KMA operates with a deficit that is funded through the municipal property tax levy of the at an annual deficit of ~ $216,000 (4-year average).

The ASP contract is set to expire at the end of March in 2025 and due to the increased cost requested to extend the contract along with Council's desire to review airport services, staff do not recommend a contract extension. The current annual ASP contract cost is approximately $125,000.

Significant capital investment would be required to extend runway 13-31, obtain lands and construct additional items within the strategic plan if the Municipality were to consider an expansion.

To continue operation as status quo, without any expansion, will require capital investment to maintain the current asset in a state of good repair. Within the 6-10 year capital forecast, Runway 05-23 will require rehabilitation estimated at $1M+ in funding.

Policy:

N/A

Context and Background Information:

Kincardine Municipal Airport Overview

The KMA is owned by the Municipality of Kincardine and it supports general aviation, emergency services, and corporate air travel. The airport spans 50.89 hectares, with a significant portion allocated for airside system expansion and approximately 0.11 hectares is currently available for airside commercial development. The facility includes two runways, a terminal building, eight hangars, and fueling services, though it lacks municipal water and sewer connections.

KMA has two runways with the Primary 13-31 at 4,085 ft in length and 75 ft wide and was refurbished in 2017. Runway 05-23 is the secondary, crosswind runway for light general aviation aircraft and is 2,083 ft long and 50 ft wide constructed in 1973.

Both runways have runway edge lighting and there are 3 wind direction indicators or 'windsocks' supporting the two runways. Visual approach aids are installed on Runway 13-31 (A-PAPI). Runway 13-131 is also served by 2 RNAV satellite systems GNSS approaches. KMA has an Automated Weather Observing System (AWOS) system to assist with navigation in bad weather.

There are currently eight (8) hangars on site of varying sizes, one (1) is owned by the Municipality and seven (7) are privately owned. On the airport grounds the Municipality has a rental agreement in place with a food vendor that offers pilots, tourists and local traffic with a dining option to further promote the airport in our region.

KMA Governance and Financial Model

Governance of the airport is through the Municipality of Kincardine, with operations managed through a contracted services agreement with Phoenix AMG. This service provider handles daily operations, compliance with Transport Canada regulations, and marketing efforts.

Despite these efforts, the airport operates at a financial deficit. A four-year operating budget history has been attached to this report for information. In 2024, the airport budget operated at a net deficit of $201,713 (excluding amortization expenses) which represents 1.1% of the overall taxation levy. Similar to other assets that the Municipality owns, the airport requires capital investment to maintain it to a certain level of service. Over the 8-year period between 2016-2024, capital investments for the airport required over $2.4 million in funding. This funding supported key improvements including runway rehabilitation (13-31), terminal building roof and window replacements, AWOS installation, security gate, new signage and an upgraded fuel system.

The funding for the capital upgrades was a direct contribution from SP Armow Wind Ontario (Samsung Pattern) through the Development Agreement negotiated by staff and supported by Council. This agreement (see attached by-law) established the Community Benefits Fund which allows for the funds to be used for specific municipal purposes (section 12) with a one-time lump sum (section 13) towards the KMA capital improvements.

Current Management Contract

The current contract with Phoenix is set to expire at the end of March 2025. Staff approached the service provider to explore extending the contract to the end of 2025 with the increase in compensation base equivalent to CPI. With growing increases in insurance, staffing, fuel and other business-related expenses, Phoenix requested higher compensation that does not align with the airport budget. Therefore, the contract will expire at the end of March and municipal staff will operate the airport in-house, with assistance from the Town of Goderich airport staff if required, until Council provides further direction on future operation considerations.

Minimum Requirements for Registered Non-Certified Airport

HM Aero Inc. Aviation Consultants was commissioned to outline the requirements for a registered non-certified airport. The report confirmed that the current airport management contract provides a level of service beyond the minimum required. It also detailed the aerodrome's daily, weekly, and monthly responsibilities. Based on this analysis, the report concluded that cost savings could be achieved by using municipal staff to operate the airport, rather than maintaining full-time staff. A scheduled staffing approach could be implemented to meet the mandatory operational requirements which may reduce operational expenses.

KMA Uses

The airport plays a key role in the region, facilitating operations for corporate travel, medevac services and general aviation. Medevac may utilize the KMA during inclement weather where visual navigation is obstructed and can use the guided approach instrumentation to land at the airport before continuing to the hospital or if they require refueling. Despite its importance, there are several challenges limiting its growth. The primary runway is 4,085 feet long, which is insufficient for many larger aircrafts, forcing some flights to divert to other airports such as

London or Goderich. The airport offers customs access through CANPASS programming and is officially recognized as an Airport of Entry (AOE) site which can accommodate international traffic. Expansion is also constrained by limited developable land, though some parcels remain inaccessible rather than unavailable.

Options

To enhance financial sustainability and improve service offerings, multiple strategies have been considered. Adjusting fees for landing, fuel, and hangar rentals may provide a moderate increase in revenue but could deter users if prices become prohibitive. Encouraging commercial development, such as attracting flight schools, aircraft maintenance services, and charter flight businesses, could diversify income streams. Private investment, particularly partnerships with Bruce Power and affiliated partners, may offer opportunities for long-term financial stability. Additionally, collaboration with regional municipalities could lead to shared governance or cost-sharing agreements to sustain operations.

The long-term viability of the airport depends on infrastructure investment. In the short term, priorities include terminal renovations and expanding hangar capacity. Hangar development does hinge on electrical service upgrades that have been estimated in the range of $150,000 due to the already maxed out power supply for the site that is currently developed. Currently, there are two vacant parcels on the footprint where the existing hangars are located. There have been interested individuals over the past couple of years in building a private hangar but have not fully come to fruition.

Over the next decade, alternative management models such as public-private partnerships (PPP) or full privatization where the owner enters a long-term lease, long-term concession or the sale of an airport. Fixed-base operators (FBOs), where a commercial enterprise has been granted rights by an airport authority to operate the on the airport and provide aviation services, such as fuel, parking and hangar space, should be explored to alleviate the financial burden on the municipality.

Alternative governance models have been proposed to improve operational efficiency and financial sustainability. Maintaining municipal ownership with contracted management remains an option, but transitioning to a Municipal Service Corporation could provide greater flexibility in business development. Public-private partnerships, where operations are leased to a private entity while retaining municipal ownership, may attract investment while reducing direct financial obligations. Full privatization is another alternative, though this would eliminate municipal control over the facility's future use.

If the financial burden remains unsustainable, closure of the airport must be considered. This option carries significant financial and logistical implications. If the airport was divested this would create a single payout and would eliminate future deficit and capital expenditures that the Municipality could use towards priority infrastructure. Furthermore, the loss of the airport as a municipal asset in the region could negatively impact emergency response times, corporate travel, and economic development efforts. Another component to the ownership of an asset outside of the year-to-year operational deficit, the KMA will need capital investment over time to sustain current status and if decided to expand for future hangars the servicing will have to be either subsidized through the tax base or split between the benefiting groups.

While Municipalities have been able to rational deficits as justified to realize regional economic and social benefits, the capital and operational investments needed in the current environment often approach or exceed the Municipality’s fiscal capacity.

As noted, the Municipality has seven (7) individual airport hangar lease agreements that include municipal obligations to the owners of the hangars if divestment of the airport were to be considered. The termination clauses could be enacted, including notice, and ultimately the Municipality would have to purchase the private hangars for fair market value.

Other airports in the local region such as Goderich, Saugeen and Wiarton are where flights could be diverted if the KMA were to be divested.

Currently any funding stream for airports has restrictions that would eliminate the KMA from receiving any grants due to the size and lower number of flights than what would qualify for any provincial or federal funding. Airports without scheduled passenger air service are generally not eligible for existing airport-related infrastructure funding. This further adds a burden to the taxpayer in the Municipality that would have to pay the capital expense to keep the airport in a state of repair and expand to bring more business and revenue to the area.

On February 28th, 2025, several municipal staff met with the Kincardine Airport Interest Group (KAIG) which was formed as a representing party for a broad range of community members including: pilots, hangar owners, charter operators, business owners and public who see the value in the airport with over 30 members currently. Discussion was had around the airport and comments from Council about potentially divesting the airport as a municipal asset. KAIG’s initiative is to share with staff and Council cost saving initiatives that they have either researched through similar airport operations and through expertise of members of the group with a vast knowledge in the aviation sector. Staff have agreed to work with the group on a professional approach to share information that can positively impact the airport operation with the overall goal to reduce costs and help with essential capital investment that can help create increased revenue from other sources.

The KMA is a unique infrastructure asset that supports various aviation activities. However, ongoing financial challenges necessitate strategic planning to ensure its long-term viability. Expansion, alternative revenue sources, and governance restructuring should be prioritized to mitigate annual deficits while maintaining essential services for the community. Council must carefully consider these recommendations to determine the best course of action for the airport's future sustainability and regional economic contribution.

Consultation Overview:

Plans were reviewed amongst staff involved in airport operations. Other local airport reports were reviewed along with consultation with Goderich Municipal Airport and HM Aero Aviation Consultants for information related to airport operation requirements. Meeting was held with the KAIG to discuss potential operational efficiencies and benefits of the airport in the community. KAIG is expected to delegate before Council at the next meeting of Council. Staff recommend Council consider the presentation from the delegates prior to pursuing a particular option.

Origin:

Budget deliberations and Council request

Implementation Considerations:

Additional resources would be required to consider future development aligning with the strategic plan. Planning and development processes need to be reviewed and market assessment to understand if the recommendations are still beneficial. Operation of the airport through municipal staffing should be implemented on a pilot basis to understand the potential cost savings while maintaining a level of service that is adequate for aviation safety. Current staff utilization to assist with airport operations would see a shift to contract out some of our capital projects that we currently utilize municipal staff. Staff feel that ultimately we could see a reduction in the expenses of operating the airport by utilizing staff, but a pilot basis would be recommended to understand the full impact and to evaluate the savings to ensure that we are operating as efficiently as possible throughout the department.

Risk Analysis:

Significant investment could be made with no known interest from tenants which would result in stranded debt and a municipal asset with limited use. Runway expansion is challenging due to the location of Highway 21 and the western bluff at the site.

Attachments: Kincardine AP Strategic Plan 2013
HM Aero Aviation Consulting Letter
By-law 14 080

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