



VICTORIA AIRPORT AUTHORITY

Annual Public General Meeting Summary of Proceedings

**7:00 – 8:30 pm, Thursday, May 8, 2014
Mary Winspear Centre
Activity Room 4
2243 Beacon Avenue, Sidney, BC**

ATTENDANCE

VAA Board Members:

Board Chair: Lindalee Brougham

Board Vice-Chair: Mel Rinald

Board Secretary: James Crowley

Chair, Audit and Finance Committee: Glen Crawford

Chair, Planning and Development Committee: Lynne Henderson

Board members: Bob Coulter, Bruce Knott, Graeme Roberts, Gordon Safarik,
and Colin Smith

Regrets: Mel Satok and Suromitra Sanatani

VAA Management:

Geoff Dickson, President and Chief Executive Officer

Randy Bogle, Chief Financial Officer

James Bogusz, Director – Airside Operations, Technology and Environment

Stephanie Long, Manager – Finance and Accounting

Melinda Orłowski, Executive Assistant and Recording Secretary

Terry Stewart, Director – Marketing and Community Relations

Ian West, Director – Security and Terminal Operations

VAA Staff:

Anita Kardos, Terminal Operations Officer

Total in Attendance: 60

1. CALL TO ORDER

The Victoria Airport Authority (VAA) Board Chair, Lindalee Brougham, called the VAA's Annual Public General Meeting to order.

2. WELCOME TO ATTENDEES

The Board Chair welcomed the public and thanked them for coming to the Annual Public General Meeting. This is Ms. Brougham's third and final year as Board Chair, and she expressed her appreciation at being able to serve in the position.

The APGM is an opportunity for the VAA to engage in dialogue with the community. A number of local elected representatives and business partners were recognized at the meeting:

- District of North Saanich:
Mayor Alice Finall
Councillor Celia Stock
Councillor Conny McBride

- Town of Sidney:
Councillor Mervyn Lougher-Goodey
Councillor Steve Price

- External Auditor:
Sang Kiet Ly, KPMG LLP Victoria

3. REPORT FROM THE VAA BOARD CHAIR

VAA BOARD OF DIRECTORS

With the assistance of a PowerPoint presentation, Ms. Brougham provided a brief background about the VAA.

The Victoria Airport Authority commenced on April 1, 1997 and was incorporated under the Canada Corporations Act. The VAA is a private, not-for-profit corporations. There are no equity shareholders, and as such VAA does not distribute any earnings as dividends. All earnings are reinvested in the business of the airport.

VAA believes in being a strong community partner and chooses to give back to the region in a number of different ways.

The 2014 Board of Directors was introduced. The members represent nine nominating bodies and one Board appointment, acting as liaisons between the community and Management.

Each member possesses a high level of knowledge, expertise and skills. The members are:

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|-----|-------------------------|--|
| 1. | Lindalee Brougham | Greater Victoria Chamber of Commerce |
| 2. | Robert Coulter | Federal Government |
| 3. | Glen Crawford | The Corporation of the District of Saanich |
| 4. | James Crowley | District of North Saanich |
| 5. | Lynne Henderson | Province of British Columbia |
| 6. | Bruce Knott | Federal Government |
| 7. | Mel Rinald | Town of Sidney |
| 8. | Graeme Roberts | District of Central Saanich |
| 9. | Gordon Safarik | District of North Saanich |
| 10. | Suromitra Sanatani | Board Appointee |
| 11. | Mel Satok | Town of Sidney |
| 12. | Colin Smith | Capital Regional District (CRD) |
| 13. | Nominee To Be Announced | City of Victoria |

The following are the Officers of the Corporation and Committee Chair positions for 2014:

Chair	Lindalee Brougham
Vice Chair, and Chair - Airport Consultative Committee	Mel Rinald
Secretary, and Chair - Governance Committee	James Crowley
Chair - Audit and Finance Committee	Glen Crawford
Chair - Planning and Development Committee	Lynne Henderson

Departing Board Members

In 2013, the VAA said farewell to District of North Saanich Nominee **R. Chad Rintoul** who retired from effective December 31, 2013 after serving seven years on the Board.

Mr. Rintoul joined the VAA Board of Directors on January 1, 2007, serving as the Chair of the Planning and Development Committee since 2009. Mr. Rintoul was a very active member during his tenure, also serving on the Steering Committee, Governance Committee, Airport Consultative Committee and Runway Extension Task Force. The VAA thanks Mr. Rintoul for his seven years of participation and leadership. We appreciate his insightful counsel, governance, community spirit and numerous other contributions.

Peter Bray retired from the Board on March 31, 2014 after an eight-year term. Mr. Bray was nominated by the City of Victoria and joined the VAA on April 1, 2006. He served on a number of committees including the Steering Committee, Governance Committee, Audit and Finance Committee and Airport Consultative Committee.

In addition, Mr. Bray served as Vice-Chair of the Board from 2009 to 2011. Mr. Bray held a number of board positions with national and local non-profit organizations including the Financial Management Institute of Canada, the Victoria Jazz Society and the Literary Arts Festival Society of Victoria. We thank him for his dedication to the VAA.

New Board Member

VAA is pleased to introduce its newest Board member, **Gordon Safarik**, who is nominated by the District of North Saanich. A long-time resident of North Saanich, Mr. Safarik has a strong background in business, tourism and transportation-related industries. He also has extensive experience dealing with all levels of government. We look forward to working with him and the contributions he brings to the airport.

Biographies of all current Directors and the President & CEO are available on the VAA's website at www.victoriaairport.com

Airport Updates

The role of the Board is to provide strategic guidance and oversight to Management in order to ensure fiscal responsibility, exceptional customer service, environmental stewardship and strong community relations. VAA's objective is to be one of the best airports in the world.

2013 was a truly exceptional year for the Victoria Airport Authority. Annual passenger traffic surpassed all previous records. The financial situation at Victoria International Airport has never been stronger. We are proud to say that Victoria continues to be one of the lowest cost airports in Canada.

VAA continues to be a leader with its environmental programs. As Board Chair, Ms. Brougham is particularly proud of the remediation work done on Reay Creek. A 200 meter bypass channel and new wetland complex were constructed, which has allowed the creek to restore itself from years of historic contamination.

Community

As a good community partner, VAA supports a variety of charities and worthwhile causes within our region and staff participate in a number of public events, tours and speaking engagements.

The Flight Path, a 9.3 kilometer bike and walking trail that encircles the airport, is well used and has been very well received by the community.

In 2013, VAA was recognized on the local, national and international level, details of which will be presented during the CEO's presentation.

Terminal Improvements

There are a number of significant changes taking place at Victoria International Airport. An \$8.1 million dollar terminal improvement project which started back in 2012 is nearing completion. VAA's objective is to improve the customer experience, and we believe that the renovation will accomplish this.

Concluding Remarks

Ms. Brougham concluded her presentation advising that the Board and staff are continually working to make Victoria International Airport the best airport that it can be. VAA welcomes and encourages feedback from our community.

Copies of the 2013 Annual Report were provided at the meeting. An electronic copy of the document is available on VAA's public website at www.victoriaairport.com under the document library.

4. PRESENTATION OF THE FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2013

Randy Bogle, VAA Chief Financial Officer (CFO), presented the 2013 Financial Report and went through the Financial Statements for the year ended December 31, 2013.

Representing the External Auditors at this meeting was Sang Ly, a partner with the firm KPMG LLP. VAA received an unqualified external audit opinion from its Auditors, KPMG. The Independent Auditors Report is located on page 38 of the Annual Report.

The VAA is a not-for profit corporation, and all profits generated by the Authority are reinvested in the development of the airport and the airport lands.

The CFO referenced the Statement of Operations, as reported on page 40 of the Annual Report.

The financial statements for 2013 demonstrate that the organization is in a positive financial position with a strong balance sheet and relatively low debt.

2013 Highlights

- Net income was \$6.4 million, which was \$1.2 million or 19% ahead of budget.
- 2013 was a record year for traffic, with total passengers: 1,556,960
- \$1.8 million in debt was retired, leaving a balance of \$5.85 million at year end. The debt is due to be retired in January 2017.
- Current ratio is 1 : 13
- 2012 capital additions totaled \$8.3 million.
- Total capital investment in Victoria International Airport since transfer from Transport Canada in 1997 is \$100 million, all while maintaining its \$10 AIF which remains the lowest among all major airports in the country.

Revenue

VAA saw a record year for revenue in 2013. The four primary areas which constitute 97% of VAA's revenue are concessions, rentals, aviation fees and AIF.

Landing fees were \$2.9 million.

General terminal charges were \$2.5 million.

Concession revenues were \$7.8 million.

Rental revenue was \$3.0 million.

Other revenue was \$0.7 million.

AIF revenue was \$7.6 million.

Total Revenue for 2013 was \$24.6 million, a \$850,000 increase over 2011.

Expenses

Salaries and employee benefits were \$4.2 million.

Services and Supplies were \$3.5 million.

Security and Terminal Services were \$2.3 million.

Rent paid to Transport Canada \$778,000.

Property taxes for 2013 increased by \$5,100 to \$893,000.

AIF administration and handling fees, which are the fees paid to the airlines to collect the AIF, increased by \$16,700 to \$549,700.

Amortization expenses increased by \$171,000 to \$5.07 million.

Utilities expenses increased by \$58,000 to \$684,000 as a result of increased rates.

Interest expense decreased by almost \$76,000 to \$276,000 as the VAA's long-term debt was reduced to \$4.05 million.

Total expenses for the year were \$18.2 million, an increase of \$458,000.

In summary:

Total revenue increased by \$1.09 million to \$24.7 million.

Expenses excluding amortization increased to \$13.2 million, leaving an excess of revenue over expenses or cash generated of \$11.5 million. This cash is available to fund capital improvements and contributions, as well as repay our long-term debt in the amount of \$1.8 million per year. VAA is on track to its debt by January 2017.

Amortization was \$5.1 million.

Excess revenue over expenses or net income was \$6.42 million.

During 2013, the VAA invested \$8.3 million in capital improvements to the airport and the airport lands. Since transfer, the total capital investment is in excess of \$110 million. A portion of these capital improvements are funded through the AIF. At \$10, Victoria's AIF remains among the lowest in Canada. The low AIF, landing fees and terminal fees ensure that Victoria remains competitive when attracting new air services.

In conclusion, the VAA's strong balance sheet and relatively low debt positions it well for the future.

5. REPORT FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

With the assistance of a PowerPoint presentation, Geoff Dickson, President and Chief Executive Officer of the Victoria Airport Authority, shared highlights from Year 2013 and future plans for Year 2014.

The CEO noted that 2013 was a phenomenal year for the Victoria Airport Authority. VAA manages its business on a number of dimensions: solid revenue growth, responsible cost control, a commitment to the environment, engaging and contributing to the community, and providing exceptional airport facilities and customer service.

Community

The VAA was recognized on a number of levels on a range of community, environmental and customer service initiatives.

At a local level, VAA was recognized by the Saanich Peninsula Chamber of Commerce with two Crystal Awards for Business Excellence for Business of the Year and Contribution to the Community. It was also a finalist for Green Business of the Year.

At a provincial level, the BC Aviation Council recognized VAA's efforts for the Reay Creek restoration project by bestowing their Silver Wings Environmental Award.

On an international level, VAA was recognized by Airports Council International - North America with an Environmental Achievement Award in the category of Mitigation for the Reay Creek project. VAA shared the stage with notable airports such as Vancouver, San Francisco and Detroit.

VAA received the Order of Merit from Excellence Canada for creating an outstanding healthy and safe workplace.

Most importantly on a global scale, Victoria International Airport was recognized in 2013 for efforts the year prior by Airports Council International for Best Regional Airport in North America for Service Quality. This award validates the dedication by the entire YYJ airport community – our airport tenants, security teams, cleaning staff, food and beverage partners, land tenants and VAA employees.

VAA supports a variety community initiatives. In 2013, \$46,000 was contributed to a range of charities, events and initiatives.

On July 29 2011, a tragic accident occurred at Victoria International Airport which claimed the life of Ramesh Sharma, a taxi cab operator. VAA created and commemorated a memorial garden as a way to preserve his memory.

Passenger Traffic

Connectivity through new routes and additional capacity are the key to growth. Victoria International Airport saw record passenger traffic in 2013, with the trend continuing into 2014.

Markets Served

In 2013, YYJ introduced new WestJet Encore service to Vancouver and Fort St. John, as well as a fourth Mexican market, Huatulco. In addition, WestJet moved from seasonal Las Vegas service to year-round. Air Canada added same plane to Ottawa a few years ago, and Winnipeg was added via Edmonton this past year. Encore has been a big contributor to YYJ's growth, adding 444 seats a day with the addition of Vancouver

service. Air Canada has shifted much of their aircraft to Q400s, bringing more passengers per trip.

Rouge is a new low cost Air Canada subsidiary which VAA hopes to see commence service in Victoria in 2015.

This is a very good time for the aviation industry; Air Canada is in a strong financial position, WestJet is growing, the U.S. airlines are consolidating, and VAA is seeking to be a big part of this growth.

With the current positive business climate, there are two potential new airlines starting up. Canada Jetlines and Jet Naked. Canada Jetlines is an ultra-low cost carrier that may offer airfares around half the cost of the lowest fares in the market. VAA has been engaged in ongoing discussions with the airline who have indicated Victoria is a strong possibility in their startup plans.

As noted on the route map, VAA has a number of underserved markets which include Toronto, Hawaii and Phoenix. VAA would like to see new air service to Los Angeles, the Caribbean, northern British Columbia and the prairie provinces. In addition, VAA would like to see the introduction of European charter flights.

Low Cost Airport

One of the key elements to attracting air carriers and passengers is to keep costs low. VAA strives to provide great facilities at a low cost.

The Air Transport Research Society, a global think-tank, researched the operating costs at 196 airports globally, including 65 US and 12 in Canada. Victoria International Airport is the lowest cost airport in Canada in the study, ranking near the top globally.

Terminal Improvements

Given VAA's low cost focus and mission to attract new carriers, its facilities evolve to enable growth. In 2012, VAA commenced an \$8.1 million terminal renovation project. The first phase was designed to improve circulation by adding new centralized circulation core for better passenger flows.

Next, the project saw the addition of improved food and beverage offerings. Spinnakers On The Fly opened at the end of January, and new retail shops both before and after the security checkpoint are scheduled to open in June.

VAA is working on expanding the footprint for the security screening area to double the size of the space. This will allow CATSA to add more screening lines and staff once the passenger numbers require it. VAA is working with CATSA to improve throughput and reduce wait times in the security screening lines through the introduction of new split line technology and providing a re-vesting area once passengers are screened. VAA will also be introducing a new NEXUS line later in the year.

Final component of the renovation project will see the flooring and seating refreshed to improve the overall sense of place, and two new business centres will be created.

VAA has added new climate control doors which will see the existing doors twinned for better temperature control in the terminal building. Construction is expected to be complete at the end of summer.

Passenger Forecasts

In anticipation of growth, VAA is building the airport based on 2 to 3% growth per year, or 2 million passengers by 2020. A prudent approach must be adopted, while keeping current with the technology changes in the industry.

Future At Airports

Technology is changing the way people travel: from check in, to dedicated bag tags, to self-service bag tagging, to boarding. YYJ's airport design is well positioned to adapt to this evolution.

Countdown clocks help inform the customer by showing the anticipated time passengers spend in the security lines. VAA is currently tracking this information in real time on its website, with countdown clocks to be installed this summer.

Congested Apron

Increased flights mean more aircraft, and those airplanes need somewhere to park. YYJ's current apron configuration is congested which has the potential to constrain growth. Most air carriers schedule their flights to arrive overnight and depart early in the morning. VAA will be phasing in its expanded apron plan over time, with the first two phases occurring in 2015. The first move will be to the north, with the addition of remote parking

stands. The taxiway will be widened and a dedicated de-icing area will be created.

Runway 09-27 Overlay

Victoria International Airport's largest project is the overlay its main runway 09-27, which was last completed in 1979. A three-inch overlay of a 7,000' x 200' stretch of pavement will be added for strength. In order to minimize the impact to VAA's airline partners, the runway will be closed from 11:45 PM to 6:30 AM, with the other cross runways remaining in operation. All of the work will be performed at night over a period of six to eight weeks, depending on the weather.

Parking

As the airport grows, so does the parking lot requirements. VAA will be adding a number of additional spaces over the next 20 years.

AIF Comparison

Victoria's Airport Improvement Fee is the lowest of the NAS airports in Canada.

In order to address significant upcoming capital investments, YYJ current AIF of \$10 will ultimately need to be addressed. In the interim, careful and prudent management of expenses are VAA's focus.

One of the way VAA keep terminal and aviation charges low is to grow non-aviation revenue through concessions and land developments. As part of the Air Transport Research Society's study, Victoria International Airport ranked as having the highest percentage of non-aeronautical revenue in North America, once again ranking near the top globally.

YYJ has attracted a number of world class tenants such as Thrifty Foods/Sobeys, who built their new retail support centre in 2012. Viking Air continues to grow and recently constructed a new manufacturing facility at the airport. Their Twin Otter aircraft are being sold all over the world, with a pilot training centre at YYJ.

Land Development

There are three key areas identified for development on the airport lands.

VAA recently signed a Memorandum of Understanding with the Town of Sidney regarding a potential development on a five-acre parcel of land on Beacon Avenue. A series of public consultations will be held over the

summer to engage the community on what they wish to see for the development and solicit feedback.

For the Willingdon Road business park, ideally VAA would like to see the development of aerospace industries at YYJ and will proceed with the development when the timing is right.

The new 443 Maritime Helicopter Squadron is nearing completion. Once the current lands occupied by the Department of National Defence are vacated, there will be a tremendous opportunity to reconfigure the land and create an aerospace cluster of some kind.

The existing Administration Building 11, has been assessed for future use however due to the current building condition and high levels of asbestos, the offices will be demolished.

After a number of individuals expressed concern over the removal of this building, VAA met with the stakeholders on a number of occasions to try to come to a resolution and somehow preserve the memory of the building and the war effort.

An area on Hospital Hill has been identified as a new monument site, with a plan to use approximately 5,000 of the original bricks from Administration Building 11. VAA is working with the stakeholders on the design for the memorial, and the North Saanich Heritage Society has given its support to this initiative.

The Flight Path

VAA recently completed its 9.3 km bike and walking trail around the airport, with the recent installation of signs speaking to the military history, environment, First Nations and points of interest regarding the airport.

The sign directly across from the DND features a photo of Mr. George DuTemple, one of the pilots to land at the airport and a former military commander of the base.

75th Anniversary of Victoria International Airport

This year marks the 75th anniversary of the Victoria International Airport. To commemorate that event and to celebrate the grand opening of 'The Flight Path', VAA is hosting a community event on Saturday, May 31, 2014. All members of the community are welcome to attend.

In closing, the CEO noted that it has been a very positive year. VAA will continue to work to be the best airport anywhere.

6. QUESTION PERIOD

The floor was opened up to questions from the public.

Comment / Question:

A member of the public asked if VAA had any plans to extend the runway.

A runway extension has been identified in VAA's Master Plan but is not currently a priority.

A member noted VAA's debt capacity and financial position, asking if the future expansion plans could be accomplished with its cash flow.

VAA's Board and Management are continually reviewing its financial situation and have identified a number of potential levers it can use to pay for the upcoming capital projects.

A member of the public inquired about noise abatement.

Aircraft in general are quieter today than in the past. There are a few noisier legacy aircraft that are due to be retired in the near future, and general aviation activity is 30% less than ten years ago. The Chair of the Noise Management Committee explained the runway procedures and training circuits to the group.

VAA provides information around noise management on its website, including a web form to submit noise complaints. The Noise Management Committee meets twice a year to review issues relating to noise and aviation operations.

A member of the public inquired if VAA had plans to fast-track passengers through security.

As noted, VAA plans to implement the NEXUS trusted traveler program in the coming months. As security requirements change, technology will play a part.

A member of the public reviewed VAA's Environmental Management Plan and noted that air quality and noise did not form part of that document. A suggestion was made to include this as a component, and that VAA may wish to set the types of aircraft it will allow to land in Victoria.

Transport Canada conducts air quality research studies which are available online. With respect to noise, VAA publishes noise exposure forecasts and actively engage the local municipalities with respect to the planning of future developments.

With respect to limiting the type of aircraft that can fly into Victoria, as long as the aircraft is certified by Transport Canada and meets the minimum government requirements, VAA can't prevent them from flying.

It should be noted that the military is exempted from any regulations related to noise, however we do forward any concerns around helicopter noise to the DND so they are aware of the issues.

A member of the public inquired whether VAA would consider a parkade.

VAA has enough physical space to accommodate a number of parking spots to the outer boundary of Willingdon Road. Once we reach that area, shuttle service will be introduced. The cost of a parkade is extremely expensive, and the current agrarian setting would be lost.

A member of the public inquired about transit services.

Three years ago VAA worked with BC Transit to triple the frequency to the McTavish Road interchange. VAA continues its dialogue with BC Transit to encourage more frequency, however with low ridership they are focused on improving services to the West Shore and downtown core.

A member of the public was supportive of non-stop service but as a resident was concerned about longer runways and larger aircraft.

YYJ currently has approximately 120 flights per day; by adding new charter flights, it would only mean one or two flights per day. For the European destinations, it would be one extra flight per week. The impact would be minimal.

A member of the public expressed concern around fossil fuels and the carbon footprint.

The aviation industry continues to grow as people choose to travel more. However airlines are looking toward more fuel efficient aircraft for their fleets.

A member of the public complained about smokers at the airport.

To accommodate the smokers, VAA has identified a dedicated smoking area far enough away from the terminal so as not to offend non-smokers but close enough to provide shelter. VAA continues to explore solutions.

The Executive Coordinator for the Peninsula Streams Society commended the VAA for its efforts on the restoration of Reay Creek and ongoing education activities. They presented the VAA with a plaque in appreciation for VAA's support of the Society.

The Board Chair accepted the plaque on behalf of the VAA and thanked the Peninsula Streams Society for their consideration.

7. ADJOURNMENT

This concluded the Victoria Airport Authority Annual Public General Meeting at which time the Financial Statements and 2013 Annual Report were presented.

The Board Chair noted that this was her last Annual Public General Meeting as her term on the board ends on December 31, 2014. She thanked the public for attending and for their interest in the Victoria International Airport.

The meeting was adjourned.