



Victoria Airport Authority

**Annual Public General Meeting
Summary of Proceedings**

7:00 – 8:55 pm, Wednesday, May 13, 2009

**Held at the Mary Winspear Centre at Sanscha
2243 Beacon Avenue, Sidney, BC**

ATTENDANCE

VAA Board Members:

Chair: Christine Stoneman
Lindalee Brougham, Mel Couvelier, Glen Crawford, Peter Dolezal,
Victoria Kuhl, Chad Rintoul, Graeme Roberts, Mel Satok and Matthew Watson.
Peter Bray, Bob Coulter and Bruce Knott sent regrets

VAA Management and Staff:

Richard Paquette (President and Chief Executive Officer),
Randy Bogle (VAA Controller)
Scott Cunningham, James Bogusz, Rick Robertson, Terry Stewart,
Ian West and Anita Kardos.
Paul Connolly (Recording Secretary)

Total Attendance: approximately 80

- 1. CALL TO ORDER**
- 2. WELCOME TO ATTENDEES**

The Victoria Airport Authority (VAA) Board Chair, Christine Stoneman, welcomed and thanked the public for coming to the VAA Annual Public General Meeting.

3. WELCOME TO ELECTED OFFICIALS AND OTHER GUESTS

Christine Stoneman also welcomed elected officials and other guests to the Annual Public General Meeting of the Victoria Airport Authority including:

- District of North Saanich:
 - ✓ Mayor Alice Finall
 - ✓ Councillor Peter Chandler
 - ✓ Councillor Sheilah Fea

- Town of Sidney:
 - ✓ Mayor Larry Cross
 - ✓ Councillor Jeannette Hughes
 - ✓ Councillor Mervyn Lougher-Goodey
 - ✓ Councillor Kenny Podmore

- Transport Canada:
 - ✓ Signe Clouthier

- External Auditor:
 - ✓ Sang Kiet Ly, KPMG LLP Victoria

- Banker:
 - ✓ John Webber - CIBC

- DND 443 Maritime Helicopter Squadron:
 - ✓ Lieutenant Commander Ian Lightbody

- VAA Past Board Chair 2007-2008:
 - ✓ Gordon Denford

4. INTRODUCTION OF VAA BOARD OF DIRECTORS

Christine Stoneman recognized those Board members that stepped down at the end of their eight year terms:

Gordon Denford's eight year term on the Victoria Airport Authority Board of Directors ended December 31, 2008. He was Chair of the Planning & Development Committee until he became Board Chair for the last two years. Christine Stoneman introduced Gordon Denford at this meeting.

Mervyn Lougher-Goodey served as Board Secretary and Chair, Governance Committee 2001-2003, Board Vice Chair, and Chair, Airport Consultative Committee 2004-2006 and as Chair, Planning and

Development Committee 2007-2008. He was elected Councillor in the Town of Sidney, December 1, 2008. Christine Stoneman introduced Councillor Mervyn Lougher-Goodey at this meeting.

Christine Stoneman also welcomed two new Board members:

Graeme Roberts, Nominee, District of Central Saanich who joined the Board in June 2008.

Mel Satok, Nominee, Town of Sidney, who joined the Board in April 2009.

2009 BOARD OF DIRECTORS

There are currently 13 Board members representing nine nominating bodies.

	Director / Nominee	Nominator
1.	Peter Bray	City of Victoria
2.	Lindalee Brougham	Greater Victoria Chamber of Commerce
3.	Bob Coulter	Federal Government
4.	Mel Couvelier	Town of Sidney
5.	Glen Crawford	The Corporation of the District of Saanich
6.	Peter Dolezal	District of North Saanich
7.	Bruce Knott	Federal Government
8.	Victoria Kuhl	Capital Regional District
9.	R. Chad Rintoul	District of North Saanich
10.	Graeme Roberts	District of Central Saanich
11.	Mel Satok	Town of Sidney
12.	Christine Stoneman	Province of British Columbia
13.	Matthew Watson	Board Nominee

Board Executive for 2009

Board Chair	Christine Stoneman
Vice Chair, & Chair Airport Consultative Committee	Peter Bray
Board Secretary & Chair Governance Committee	Mel Couvelier
Chair Audit and Finance Committee	Peter Dolezal
Chair Planning and Development Committee	R. Chad Rintoul

5. CHAIR'S REMARKS

Christine stated she was honoured, pleased and proud to be elected Board Chair for Year 2009.

The VAA is very pleased to see one of its long standing priorities of the VAA realized. April 7, 2009 the Provincial and Federal Governments announced funding for the \$24 million McTavish Road Interchange. VAA will contribute \$3 million towards the total cost.

VAA will continue to work with the Ministry of Transportation and Infrastructure staff, and the Councils and staff of both the Town of Sidney and the District of North Saanich to refine the design of the interchange to:

- Improve safety
- Improve access to the Airport
- Address local concerns

2008 was another good year for the VAA:

- Passenger traffic was up close to 4%.
- Revenues continued to grow.
- VAA continues to have a strong bottom line, and a stable Balance Sheet.

Air Service Improvements:

- There is increased service through United Airlines to San Francisco; as of March 2009 there are now twice daily, non-stop flights. VAA has been supporting this new route with a strong marketing effort.
- WestJet has 3 times weekly service to Los Vegas.

Master Plan:

The Board approved the Airport's Master Plan in spring 2008.

The most significant item to come from the Master Plan is the proposed main Runway Extension to enable non-stop flights to London, England. The CEO, Richard Paquette, will explain the project in his remarks later at this meeting.

The results of all the studies and public consultations will be available to the Board later this month.

VAA has already presented a partnership proposal for the runway extension as an infrastructure project to Federal and Provincial governments. VAA will be following up with them after the Board reviews all the information from the studies and confirms its position on the project.

VAA's Strategic Plan

Earlier this year the Board met for a strategic planning session to update its long term strategic direction for 2010-2014.

VAA's goals are to:

- Provide and operate a safe and secure airport.
- Retain and attract a talented and motivated team of employees.
- Be a leader in environmental protection and sustainability.
- Provide exceptional airport facilities and customer service.
- Operate in a financially sustainable manner.
- Attract and maintain air service.
- Expand and improve linkages with other modes of transportation.
- Provide the best value of any airport in Canada.

The Strategic Plan document is available on the website at www.victoriaairport.com

VAA encourages everyone to take a look at the website. VAA's objective is to be open and transparent in its affairs.

VAA's role is to serve Greater Victoria including the local community. VAA always welcomes questions and comments at any time. Christine Stoneman stated everyone at this meeting will have an opportunity to address anything they would like to bring up a little later at this meeting. VAA also welcomes comments through the website.

Red Coat Volunteers

Christine Stoneman thanked the Victoria Airport Authority Red Coat Volunteers, including Margarete Rothlisberger, Coordinator of the VAA Red Coat Host Program, who was in attendance at this APGM meeting, for their dedication and excellent customer service to travelers. The Red Coats are located at the Information Booth in the arrivals area. They are people-oriented and have a wealth of knowledge of Greater Victoria.

6. PRESENTATION OF THE FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2008

Randy Bogle, VAA Controller, presented the 2008 Financial Report and went through the Financial Statements for the year ended December 31, 2008 – the VAA 2008 Annual Report was distributed at this meeting; it is also available upon request and is posted to the VAA website.

VAA received an **unqualified external audit opinion** from its Auditors KPMG; their report is on page 18 of the Annual Report. Representing the External Auditors at this APGM is Sang Ly, a partner with the firm.

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

Statement of Operations (Reference Page 20 of the Annual Report)

The revenue earned by the VAA can be categorized into three main sources Aeronautical, Non-Aeronautical and AIF.

Aeronautical revenue consists of landing fees and terminal usage fees. In 2008 Aeronautical revenue increased by 5% to \$4.9 million. The increase is a result of increased traffic and by a 3% fee increase that became effective March 1, 2008.

The second source of Revenue for the VAA is **Non-Aeronautical revenue**; this includes income from concessions, land and terminal space rent and other income such as interest. Non-Aeronautical revenue increased by 13% to \$9.66 million in 2008. The increase was largely the result of increased parking revenues and land rental income.

The third source of revenue is the **AIF** (Airport Improvement Fee). Victoria's AIF fee of \$10 is among the lowest in the country. In 2008 AIF revenue was \$7.05 million.

Total revenue for the year was \$21.6 million, a 7% increase over 2007.

Expenses for 2008

A portion of the non-AIF revenue is used to fund the operating expenses of the Airport. Operating expenses consist of the following categories from the **Statement of Operations**:

Salaries & Employee Benefits, Services, Supplies and Administration, Property Taxes and Utilities.

Operating expenses increased from \$9.0 million in 2007 to \$9.8 million in 2008, a 7% increase.

The VAA pays rent on the airport lands to Transport Canada; the rent expense for 2008 was \$927,000.

Interest expense for 2008 decreased by 15% to \$918K. As detailed in Note 4 to the Financial Statements the portion of this related to interest on VAA's long term debt was \$813K; the remaining portion relates to entries made in order to Market Value the interest rate contracts. The effective interest rate on VAA's long term debt for 2008 was 5.24%.

Amortization Expense increased by 400K to \$3.2 million.

The excess of revenue over expenses from operations is \$6.7 million, a 5.7% increase over 2007.

The \$1.05 million unrealized loss on derivative instrument is a non-cash loss resulting from Accounting Guidelines that require interest rate contracts be recorded at Market Value at year end. The non-cash loss is attributable to the current historically low interest rates. There is a corresponding change in the non-cash liability on the Statement of Financial Position.

As noted VAA's effective interest rate for 2008 was 5.24%. As explained in Note 14 to the Financial Statements - as a result of a new interest rate contract entered into in March 2009 VAA's effective rate of interest on its long term debt moving forward will be 4.15%.

The Excess of Revenue over Expenses for 2008 after the adjustment for the non-cash unrealized loss is \$5.6 million a decrease of 800K over 2007.

Statement of Financial Position

Significant balances of the Statement of Financial Position (page 19 of the Annual Report):

Cash and cash equivalents totaled \$7.3 million,

Accounts receivable at year end totaled \$1.18 million

Inventory and prepaid expenses were \$168,000 and \$198,000 respectively.

The Total Current Assets are \$8.9 million, a \$1 million increase over 2007.

Long term Assets

Capital assets with a NBV of \$55.3 million.

During the year \$7.2M of additions were added to capital assets

The deferred recognition of rent paid of \$256K is a result of the accounting guideline that required the VAA to straight line the rent expense from 2006 – 2009. This amount will be fully drawn down in 2009.

Total assets are \$64.4 million.

Current Liabilities

Accounts payable of \$1.89 million.

The derivative liability of \$1.1 million is the net present value of our two interest rate contracts at year end. As previously mentioned this is a non-cash liability set up entirely as a result of accounting guidelines. The amount will never be paid and will be adjusted on a yearly basis to the prevailing market value of the interest rate contracts.

The current portion of the VAA's long-term debt is \$1.8 million. The VAA is repaying \$450K per quarter on its debt.

Total Current Liabilities are \$5 million.

Long Term Liabilities & Net Assets

The long term portion of VAA's debt is \$13 million; it will be repaid in quarterly amounts between 2010–2017.

The long term portion of the retirement allowance liability due to employees is \$634,000

Future rent payments total \$134,000; this is the deferred portion of the rent relief received from 2003–2005. This liability will be repaid monthly between 2010 and 2015.

Net Assets

Final portion of the statement is the net assets section. Another way to look at the total net assets of \$45.4 million is as the total of the current and historical net income of the VAA. Of this, \$40.4 million has been invested in the purchase of capital assets such as leasehold improvements. \$5 million relates to unrestricted net assets.

Total liabilities and net assets are \$64.4 million

7. REPORT FROM THE PRESIDENT AND CEO

Richard Paquette, VAA President and Chief Executive Officer, highlighted some of the accomplishments for Year 2008 and some of plans for Year 2009.

A pictorial PowerPoint presentation accompanied the CEO's comments (the photos are posted to the VAA website)

The VAA is a not for profit corporation with a 60 year lease with Transport Canada with an option for 20 more years. Revenue is invested back into the facilities of the Airport.

There has been a steady increase in the number of passengers at YYJ, 1.5 million in 2008 with a year-over-year increase in 2008 of 3.8%.

VAA doesn't have to rely exclusively on airline fees to generate revenue; there are other sources to draw from such as land development and concessions.

Between 1998 to the end of 2009 VAA capital investment at the Airport is over \$80 million including the newly renovated and expanded Terminal Building. Some of improvements include the "Rotunda," a special feature, a place where greeters welcome their visitors to Victoria. It is a bright, two storey high area which overlooks a country setting, unlike many other airports where visitors enter at lower levels which are less inviting. The upper and lower "holdrooms," where passengers are seated while waiting to board an aircraft, are bright and open with views to the mountain landscape. Canada Customs was also expanded as was the pre-board security screening area. Two new passenger loading bridges were recently added bringing the total to four, and the baggage claim area was expanded. Concessions have also been improved including the retail outlet and food

and beverage services were greatly enhanced with the addition of the Airport's White Spot and Tim Hortons over the past couple of years.

Parking has also been expanded to include an additional 140 long term spots. The VAA has reduced the short-term parking rate to \$1 (from \$2) for a two-hour flat rate. Anyone who spends \$10 or more at one of the Airport's food service providers will be refunded the \$1 parking fee.

The VAA constructed a four bay Car Rental Service Facility south west of the Terminal Building. This strategic location improves the efficiency of car rental operations and reduces vehicular traffic in front of the Terminal Building and eliminates the need to take cars off airport for service.

Aware that more and more people want to bring their bicycles to the airport, VAA has made it easier by installing a covered bicycle assembly station with bicycle rack and storage lockers. A bicycle lane extends from the Airport connecting to the Lochside Regional Trail. VAA has just completed construction of a 2.5 km bike path along the entire length of Mills Road on the north side of the Airport.

VAA also realizes how critical it is to have access to public transit for employees of the various companies located at the Airport, as well as for passengers. VAA is working with BC Transit to improve its frequency and connectivity to the Airport.

Art is an important part of who we are in Victoria. The VAA has a rotating art program with the Art Gallery of Greater Victoria, and the Community Arts Council of Greater, as well as several pieces of commissioned work. Local Coast Salish artist Charles Elliott was commissioned to create several new First Nations pieces for the Air Terminal Building. The CEO invites the public to enjoy the newly renovated third floor observation area soon to be named "Eagles Landing" where they can see the artwork by Charles Elliott - the official opening of the Airport's historical museum on the third floor is May 22, 2009. Charles Elliott also created "Returning Salmon" in the area of the baggage claim carousels.

VAA constructed a new business park in the north east quadrant of the Airport lands. New tenants include Slegg Lumber and Central Island Distribution Facility.

Viking Air is nearing completion of its new manufacturing plant which will bring the DeHavilland Twin Otter back into production. Dave Curtis attended this meeting and was congratulated for his successful business enterprise and contributing greatly to the employment of the area.

443 Maritime Helicopter Squadron is planning a new facility in the West Camp to replace its outdated hangar facilities. It is anticipated to bring many construction jobs to Victoria and improve their operations at YYJ.

British Columbia Aviation Museum has expanded its display area with the addition of a 100 by 120 foot hangar.

In today's world, connectivity is the key to prosperity. Travel from Victoria to the USA became even more convenient with twice daily non-stop United Airline flights to San Francisco and WestJet seasonal flights to Los Vegas. Non-stop flights continue to Seattle, Calgary, Toronto, Edmonton, Vancouver and Kelowna.

VAA is working on increasing the number of non-stop flights to Toronto to three.

Other service possibilities are flights to Prince George, Winnipeg, Ottawa, Kamloops, Los Angeles and seasonal flights to Palm Springs, Phoenix and Hawaii.

VAA started construction of a new combined services building in the West Camp of the Airport, a new Fire Hall / Maintenance Garage facility valued at \$9.4 million. It will provide a safe, secure and effective base of operations, even in the event of a major earthquake. The building will also incorporate many environmental initiatives, including a geothermal heating and cooling system.

Early in 2008 the Board approved the Master Plan – included in the Plan are extensive developments of the terminal building, including:

- U.S. pre-clearance
- Expanded Canada Customs
- Additional departure gates
- Self-service check-in
- Realignment of Willingdon Road and airport access roads
- New parking facilities

One of the major components of the Master Plan is the Runway Extension expanding the main Runway 09/27 from 7,000 feet to 8,400 feet. It will allow YYJ to reach destinations in Europe, with the principal target being London, England.

VAA has been consulting with its stakeholders on this project including a Public Open House held at the Mary Winspear Centre on Saturday, April 4. Out of the top 16 airports in Canada, Victoria has the shortest runway.

Surveys were conducted both in Britain and in Victoria; they indicate strong support for this initiative. CFAI conducted a poll in 2008 – 84% of people supported a runway expansion.

Non-stop air service would not only benefit Victoria, but all of Vancouver Island. There is significant tourism potential for economic development, and a consultant's report reaffirms that the demand is there. However, the VAA can't undertake this project alone. A three-way cost sharing partnership is being proposed with the Provincial and Federal governments.

8. GENERAL QUESTION PERIOD

- The financial statements of the VAA show long term debt of approximately \$15 million. Can it afford the runway extension project and other projects it envisages in the Master Plan? Will these future expenditures put the VAA further into debt?

The projects noted in the Master Plan will be constructed when demand is there and over many years. VAA has a prudent Business Plan to ensure projects are affordable and can be accommodated within its financial capability. The projects can be handled through VAA's present borrowing capacity without material increases in long term debt. VAA has no plans to increase its AIF which is one of the lowest in the Country.

- Nanaimo Airport received funding from governments for its runway extension project. What are the chances the two senior levels of government will join in partnership funding with the VAA to construct YYJ's runway extension?

VAA has held talks with both senior levels of government and they are interesting in strengthening the economy and creating jobs. YYJ is seen as one of the major engines of the local economy. VAA remains optimistic as there is a growing demand for service to Europe and there are several economic benefits to the local economy and the Region.

Nanaimo did receive funding as part of the Provincial government's plan to counteract the depressed forestry industry. There was also issue in respect to getting into Nanaimo during the many foggy, inclement days. The advanced technology provided through funding will assist to improve access to Nanaimo Airport.

VAA does not see Nanaimo as a competitor. Marketing promotions could promote “open jaw” travel whereby visitors fly into Victoria, travel on Vancouver Island and fly out of Nanaimo. This will increase tourism and benefit all regions.

- Where are the initiatives coming from overseas, which airlines support the runway project? Has market research been undertaken to ensure the feasibility of the project? It is unlikely a prior commitment will be made by an air carrier.

The Canadian Tourism Commission survey indicates visitors are interested in coming to the West Coast, particularly if direct service is available (the VAA CEO presented a couple of slides in his presentation which showed the survey results).

Air service is critically important for Victoria. Companies locate, have meetings and visit in cities with good, convenient, low cost air access.

The target is not the scheduled carriers but the charter carriers. There are several low cost air carriers in Europe and VAA has targeted a couple of them who have expressed interest in the London England/Victoria BC route. A decision by an air carrier is eventually made on probabilities after assessing the various benefits and risks.

There are economic benefits as well to the local economy and the region when new visitors fly to Victoria. VAA would market outbound flights and Tourism organizations inbound flights, as was done with the new San Francisco route.

- This Airport has been very successful over the years connecting passengers to hubs such as Vancouver, Calgary and Seattle. Perhaps it is reaching too far by trying to attract overseas markets at considerable expense. It should stick to developing regional markets.

In the past legacy air carries developed their hubs but there is a trend now to direct / non-stop flights, overflying hubs by low cost carriers.

If the runway is not extended the service available to the community is limited. Travelers throughout the Island prefer convenience and would likely travel to Victoria for a direct connection to Europe.

- What is the technical feasibility of the project? There is a risk for airlines, particularly in respect to departure off runway 27. It's difficult for larger aircraft to take off with a full load, considering the terrain west of YYJ. Airlines may decide it is just not worth the risk. Will any airline risk operating into Victoria without a CAT 2 landing system?

With older aircraft there was a concern; however, the topography to the west of YYJ is not considered a constraint anymore with the newer generation aircraft currently in use.

With the proposed CAT 1 system YYJ will be fully compliant with all regulations. CAT 2 lighting system which would provide the ultimate in lighting system (landing limits down to 100' and ¼ mile visibility); however, CAT 2 would add an additional \$6 million to the project including additional lighting towers. CAT 2 is considered unnecessary at YYJ considering the weather patterns, as well as there will be new inset runway centerline lighting for the full length of the runway. The engineering report states CAT 1 lighting system being proposed for YYJ will achieve appropriate landing and visibility limits. This makes it reliable and adequate for year round access.

The VAA Board will be doing its due diligence by reviewing all the plans and reports before it makes a final decision on the feasibility of the project. It consults with the experts; it assesses the information provided by the experts in their respective fields and ensures information provided is correct. One of the Board members is a Cathay Pacific pilot; he asks similar type questions.

- Will other businesses on the Airport lands be saddled with the costs of the expenditure on the runway expansion?

VAA cannot do the project on its own; it does need a partnership with the two senior levels of government to proceed.

- 50% of Viking Air's business is directly tied to an accessible, functional seaplane base. It is vitally important to our business that the runway extension not detrimentally affect the use of the Pat Bay Seaplane Base.

VAA appreciates the contribution Viking Air and other users of the Seaplane Base make to the community. The new approach lighting system for Runway 09 extending into Pat Bay will not likely adversely affect current or future users of the Pat Bay Seaplane Base. VAA will be consulting with users to try and accommodate all concerns. A meeting is scheduled with them in early June.

- This is a tranquil area; by encouraging growth through the runway expansion the quality of life and environment will diminish as a result.

There are certainly different perspectives on the quality of life and what that means. New generation aircraft engines are much more fuel efficient and

cleaner. Thirty years ago aircraft were much noisier and caused more pollution; overall emissions have improved. There are still some older aircraft in service such as the Purolator 727 aircraft. WestJet's new generation aircraft are a good example of improvement in noise quality and emissions.

- A comment was made that there is aircraft residue on buildings in Sidney.

VAA's Director, Airside Operations & Development will arrange to meet with the local resident who made this comment to assess the situation.

- By encouraging oversea flights, does that mean flights will be arriving / taking off during the night? Is this airport open 24 hours?

YYJ is a 24 hour airport but VAA anticipates air carriers will market based on convenience to passengers and that means service during normal hours of operations.

- With the extension to the runway, does that mean jets will be taking off and landing at a lower altitude over populated areas, resulting in increased noise?

With the longer runway, noise impact will not likely increase because a longer runway allows pilots to take off using less thrust and / or be higher up when over populated areas off the main runway. Also, new generation aircraft have reduced noise impact.

- The roundabout at East Saanich and Willingdon Roads is causing some confusion for some drivers who do not know how to drive in roundabouts.

There is definitely a learning curve in Victoria for roundabouts. That intersection was in fact one of the most accident prone in the area until the roundabout was constructed; now there have been no accident injuries that have come to the attention of the VAA.

The Ministry of Transportation is aware of the educational component of the roundabouts but is confident, with time, drivers will learn how to safely use them. VAA will continue to do its part to educate the public. One possibility is having a video come up on the screens in the arrivals area of the Terminal Building where travelers wait to claim their baggage.

Roundabouts do have a positive environmental affect, as cars are not stopped idling at a stop sign or traffic signal.

- A local resident who originally lived in Scotland commented that people make choices to live near airports. He used to hear similar comments

about Airport activities when he lived near Gatwick's Airport. People who move into an area of an airport should expect noise issues and be aware communities grow and with that so does infrastructure to support those communities. He also commented about studies of the barn owl at the University of South Hampden – the barn owl makes no noise when it dives. Perhaps its "undercarriage" will teach something to engineers designing the aircraft of the future.

- An airport tenant asked if notice of an AGM can be given at least 30 days prior to the meeting.

VAA does provide advanced notice of at least 30 days in the local newspapers as required by regulation. The date is also posted to VAA's website. VAA will ensure a notice of an AGM is more prominent on the website.

9. CONCLUDING REMARKS

Chad Rintoul, Chair of the Board's Planning and Development Committee, gave the concluding remarks.

He thanked everyone who came out to the meeting. VAA appreciates the good turn out and input by those in attendance. The VAA Board and staff clearly heard all the remarks which is important for a Board which takes pride in consulting with the public and other stakeholders.

No project is cast in stone; projects are market driven and subject to community consultation.

The Board is proud of the service the Airport provides and its economic impact in the community.

10. ADJOURNMENT

This concluded the Victoria Airport Authority Annual Public General Meeting at which time the Financial Statements and the VAA 2008 Annual Report were presented.