

# Victoria Airport Authority Annual Public General Meeting

## Summary of Proceedings

Thursday, May 13, 2021

1:30 – 2:32 PM

Live Streamed via GoToWebinar

### Attendance:

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#### VAA Board Members

Gordon Safarik, Board Chair

Eric Donald, Board Vice-Chair, Chair – Airport Consultative Committee and Chair – Human Resources Committee

Cathie Ounsted, Board Secretary and Chair, Governance Committee

Paul Gerrard, Chair – Planning and Development Committee

Wendy Zink, Chair – Audit and Finance Committee

Carol Brown

Wendy Everson

Allan Haynes

Frank Leonard

Charles Lovallo

Margaret Lucas

#### VAA Management

Geoff Dickson, President and CEO

Randy Bogle, Chief Financial Officer

Ken Gallant, Vice-President – Operations

Scott Cunningham, Director – Facilities

Rod Hunchak, Director – Business Development and Community Relations

Lars Olsson, Director – Airside Operations and Safety

Michelle Cooper, Manager – Human Resources

Mike Garraway, Manager – Safety and Emergency Services

Adrian Nyland, Manager – Facilities and IT

#### Recording Secretary

Emily Windebank – Administrative Assistant

**Public In Attendance: 65**

## 1. Welcome To Attendees

The meeting moderator welcomed everyone to the Victoria Airport Authority's (VAA's) Annual Public General Meeting (APGM). The moderator provided guidance around the process for asking questions of the leadership team.

## 2. Report from the Chair of the Board of Directors and Call to Order

Third term Board Chair Gordon Safarik called the meeting to order and summarized the formal presentations to follow. He informed watchers/listeners that KPMG is participating remotely if anyone has questions with respect to the information in the audited financial statements.

In February 2020, when it became apparent that COVID had the possibility of becoming a global pandemic, the Board and Management met to develop a plan that could carry staff through the crisis. This plan has proven to be an effective tool in dealing with the crisis and will serve VAA well until it is finally resolved.

In developing this plan, the focus was on simplicity and proven strengths, leading to these five major areas:

1. Personnel
  - VAA's greatest strength is its corporate culture and stellar work force, which is crucial to the continuation of YYJ's continued success. The Board unanimously decided that every possible effort must be put forth to keep the workforce intact; and this goal has prevailed.
2. Finances
  - More frequent reporting/numerous financial models have been developed to encompass the many changes as they take place.
3. Capital projects
  - After meticulous review, some projects were carried to fruition and others put on hold. Consideration is being given as to what new capital projects may be required for a post COVID world. The consensus was that VAA should rely on its own resources as potential government funding was an unknown at the beginning of the pandemic.
4. Environmental initiatives
  - VAA's environmental initiatives have been a bellwether of YYJ. A decision was made to institute a new environmental sustainability program.
5. Real estate
  - VAA continued with present real estate initiatives and vigorously pursues new ones. These initiatives have proven to be very active over the past year and the

addition of new tenants over the coming years will positively add to the economic base of the region.

This plan has served VAA and the Board well. Flexibility is built into every aspect of the plan, but the core fundamentals have remained in place and will allow VAA to proceed in an orderly manner as we continue to navigate this pandemic. Its implementation is being viewed as a standard that many other airports both admire and are aspiring to.

As mentioned previously, all planning was predicated on getting VAA through the crisis relying solely on its own resources, however, support from various levels of government has been a pleasant surprise. Thanks is extended to:

- the Federal Government for the Canadian Employment Wage Subsidy (CEWS) program which has been a great aid in keeping VAA staff whole and in place
- the Province of BC for recent unsolicited financial support and recognition of how crucial airports are to the financial success of the province as a whole
- municipal partners for the support they have given to VAA real estate projects which are an important part of its financial success

#### **Closing Remarks**

- VAA's pandemic plan has proven to be effective and will remain in place without any major modification until normal operations have been established once again
- Not one VAA staff member has been laid off because of the pandemic
- VAA's environmental initiatives are proceeding as planned
- Financial management has instituted many cost saving initiatives and made the necessary arrangements for lines of credit should any debt be needed to carry VAA through
- VAA's Real estate sector has seen unprecedented demand and new tenants will continue to be welcomed as they contribute to the economic health of the community

It is unknown when YYJ will see passenger volumes return to pre-pandemic levels, however, in the process of returning to normal, VAA will be ready and prepared to offer the airlines, passengers and others who rely on YYJ, a restart that will provide the safe, courteous, and cost-efficient service that has made YYJ the best airport in Canada and one of the best in the world.

### **3. Presentation of the Financial Report for the Year Ended December 31, 2020 by the Chief Financial Officer**

Chief Financial Officer Randy Bogle reported on VAA's audited financial results for the year ended December 31, 2020. VAA's 2020 Annual Report contains detailed financial statements and is available on the YYJ website: [www.victoriaairport.com](http://www.victoriaairport.com) under the document library.

### **2020 Passenger Traffic**

Aviation is one of the areas that has been severely impacted by the pandemic since it was declared 14 months ago. This is reflected in the 2020 financial results. Approximately 90% of airport revenue is directly or indirectly tied to passengers. Therefore, passenger decline had an immediate and direct impact on revenue. Passenger traffic at YYJ continues to be at historic lows. In 2020 total passenger traffic was just under 575,000; this is down 70% against the budget of 1.96million.

### **2020 Revenue**

For accounting purposes, overall total revenue was \$18.2million. This is down 55% or \$22.4million against the budgeted revenue of \$40.6million.

Concession revenue (including parking, rental car and terminal building concession contracts) for 2020 was \$4.2million, 68% less than the \$13.4million budget.

Aeronautical revenue (aircraft landing fees/fees charged to carriers to operate from the terminal building) for 2020 was \$3.2million, down 61% or \$4.9million against budget.

The Airport Improvement Fee (AIF) is a \$15 fee per enplaned passenger that is collected by the air carriers. Use of this fund is restricted for capital projects and for any debt servicing of these projects. As the revenue for this item is tied directly to passenger activity it too declined by 70% against budget coming in at just under \$4.2m in 2020.

Land rental income was not impacted by the pandemic as it is the one area that is not tied to passenger activity. In 2020 it came in on budget at \$3.1million.

Other revenue typically consists of items like interest income and glycol de-icing fluid sold to air carriers. Other revenue was significantly ahead of budget due to the Canada Emergency Wage Subsidy; VAA received \$1.8million in 2020. This assistance helped VAA meet payroll demands and not lay off any staff.

### **2020 Expenses**

While revenues are highly dependent on passengers, unfortunately expenses do not share the same correlation. When the pandemic hit, a thorough review of budgets was carried out and discretionary expenses reduced as much as possible. As a result, service supplies and administration costs were reduced by 25% against budget. These costs were \$4.5million, a \$1.5million decrease against budget.

Security and terminal services costs consist mainly of our security contract, cleaning contract and terminal maintenance contract. The enhanced cleaning required as a result of the pandemic resulted in an increase in cleaning costs, however overall we were still able to reduce costs in other areas resulting in a \$350k reduction against budget. Security and Terminal services costs came in at \$3.3million for the year.

Other cash expense items including Salaries & Benefits, Rent, Property taxes, Utilities and the AIF handing fees came in a combined \$4.3m or 35% under budget at \$8.5m. These cost reductions assisted out cash flow greatly and allowed us to better weather the financial impact of the pandemic

When non-cash items such as amortization are included total expenses for the year total \$26.4million, a reduction of \$6.6million against budget.

### **Concluding Remarks**

In summary for the year ended December 31, 2020, a net loss of (\$8.2million) was realized. A net income of \$7.6million had been budgeted which amounts to an almost \$16million reversal because of the pandemic. VAA entered the pandemic in a strong financial position with no debt. Some debt will be taken on in 2021 to tide the organization through until pandemic recovery. The industry will recover; however, it will likely be several years before YYJ returns to its previous passenger levels.

## **4. Report from the President and CEO**

President and CEO Geoff Dickson shared some highlights and accomplishments from 2020, as well as some of the challenges faced by the Victoria Airport Authority in the wake of the COVID-19 pandemic.

### **Achievements**

YYJ had some noteworthy achievements in 2020:

- Air Transport Research Society (ATRS) most efficient airport < 5million passengers in North America
- Recognized as BC's Top 100 Employers: the CEO acknowledged the challenges of running the workforce during the pandemic and moving to remote work; he also recognized VAA's frontline workers who did not have the option to work remotely
- 4<sup>th</sup> airport in Canada to be recognized by the Rick Hansen Foundation for gold level accessibility certification
- Airport Service Quality (ASQ) Best Airport <2million passengers in North America

- Airport Service Quality (ASQ) Best Hygiene Measures By Region (North America)

### **Noteworthy Developments**

- Lower Departures Expansion was completed in 2020
- A local business, Victoria Distillers, will be operational at YYJ once passenger levels increase
- New Sustainability Plan (full copy available on YYJ website)
  - Greenhouse Gases: aiming to be fully carbon neutral by 2030
  - Waste Management: goal to keep 90% of waste from reaching landfills
  - Social Impact: a member of the Airport Fire Service arranged to have an engine from a donated airplane removed/sold and proceeds of approximately \$17k split in donations to a local school and pediatric cancer research
  - Ecology and Biodiversity: some stream remediation efforts have been put on hold as capital spending has been limited due to the pandemic
  - Water quality and conservation: YYJ is 40% below on per passenger consumption basis (North American average): there will be initiatives in coming years to reduce consumption further
  - Economic impact of the pandemic for YYJ is between \$400-600million in 2020 due to pandemic fallout

### **Management Response**

- Traffic decreases up to 90%
- Revenue from \$41million to \$18million
- Operating costs cut 27%
- Capital programs reduced over 50% except for safety related or substantially complete projects
- CEWS and rent relief appreciated but relatively small by comparison to total decrease in revenue

Thanks were extended to the Provincial Government for some relief funding; however, a large gap was still left given the financial impact of the pandemic on YYJ. Acknowledgment was given to two new upcoming federal programs for aviation. The VAA balance sheet is not what it used to be; cash reserves are virtually depleted and there will be a need to take on debt.

The contrast was drawn between current Canadian and US airport passenger levels. There are significant challenges in discussions with the federal government regarding timelines for loosening travel restrictions.

### **New Routes**

WestJet: Saskatoon, Winnipeg, Ottawa

Air Canada: Ottawa

Flair Airlines: Kitchener/Waterloo, Calgary

Swoop Airlines: Toronto and Edmonton

### **Land Development**

- Titan Boats: local world class boat manufacturer, nearly ready for occupancy
- World Fuels: fuel farm is getting upgraded and almost complete
- Blue Heron Aviation
- Western Canada Marine Response Corporation
- York Development
  - Development plan has gone to Town of Sidney. Positive and negative responses to the development through YYJ website are split down the middle.  
Positives: economic advantage; modernization; improved tax space for YYJ and Town of Sidney  
Negatives: transparency concerns, height of 22m (variance to zoning requirements); impact on neighbourhood

### **Concluding Remarks**

The CEO touched on the following points:

- Airline recovery and schedule focus
- Economic recovery, consumers willingness to travel
- Cost of travel
- Business and conference travel vs. leisure travel
- Health passports/bio/screening/touchless technologies:

The CEO discussed the complex issue of potential health passports and the validation that Canada and other countries may require regarding vaccine status and entry into the country. This is not the last pandemic to occur. It will take time as health authorities and governments examine how the pandemic was handled, and how processes and decisions can be improved upon in the future. When the market is ready to go, YYJ will be here to welcome the traveling public.

## **5. Public Comments / Questions**

The meeting moderator reviewed the questions and comments submitted by the public:



- **I note all the banners and hangers have been taken down at the airport. Any plans to put them back up in the future?**

Yes, in time. The condition of the banners has failed, however right now replacing them is not a financial priority. New panels will be going up in the coming weeks in the area between airport parking lots and the traffic circle.

- **There was some flooding on the main airport road between the main terminal and the west camp road. As more drainage ditch driveways start to get filled in, is there a water management plan for the future to prevent a repeat of this flooding?**

Yes, the piping will be upgraded. This will be built into a future plan, if and when Electra Blvd is extended due west.

- **The newer stucco front entrance sign to the airport is starting to look weathered. Any plans, please, to give it a paint job or a touch up?**

The CEO said he would take the info away and have the marketing team assess the sign and give a recommendation to improve its aesthetic.

- **If you remove the COVID factor, what is the current maximum of 1) domestic flights and 2) international flights that can be accommodated?**

As an example, in 2019 there were approximately 35k commercial flights in and out of YYJ. Total runway movements were approximately 110k (general aviation, not necessarily commercial).

The capacity of the runway system is approximately 220k movements per year. As growth occurs and commercial flight levels increase to approximately 50k-100k movements, decisions would then need to be made on how to integrate general aviation operations (this would be many years from now). There is a lot of life left at the airport in terms of flight accommodation.

- **What are your flight number projections over the next 5 years? 1) domestic 2) international**

On average, pre-pandemic, there was an average of 100 flights a day. During the pandemic the airport saw days as low as only four flights. Currently the airport is seeing 22-30 flights per day. The CEO estimated 2024 as a potential return to pre-pandemic flight levels but a determination of when YYJ will be back to steady state is challenging at this point.

- **What is YYJ's 5 and 10 year plan currently in place which will allow for expansion of the airport facility and runways. Are these plans reasonable when we consider the estimated population increase expected in the greater Victoria area?**

Given the physical footprint of the 1200 acres of airport land, the terminal can be built out to accommodate 12-14million passengers over a 70-100year time frame, taking into consideration the many unknowns with how aviation technology could change. The next build outs will likely be west with new bridges added and the upper departures area expanded. A new master plan will be launched likely in 2022. A roads and parking master plan has been completed.

- **A comment was made thanking the operations crew for the well-maintained airport trail.**
- **Are their green roofs on the new developments?**

There are not. One of the issues with green roofs are the potential for bird attraction.

- **Will the last mile project be using zero emissions delivery vehicles?**

The current understanding is that the tenant has planned to have their fleet electrified within the first five years.

- **What is the timeline for phase 4 and 4A and 5 on the apron?**

The timeline is not as clear as it was in 2019. Many future investments will be tied to growth and will be coming in the next five years, but an accurate timeline is not possible at this stage.

- **Is the VAA concerned with the lack of return of Sunwing and Air Transat late this fall?**

It is difficult to say. Once travel returns and vaccine rates increase, the CEO is optimistic that there will be a robust winter charter program, however, it remains difficult to predict.

- **What do you see as the VAA's role in supporting and championing the economic recovery of our region?**

Primarily, the mission is to get people flying as this drives trade and connectivity. YYJ needs to keep pushing safely, guided by federal and provincial health authorities, to get the business and leisure markets moving again. YYJ will be here, ready to facilitate the movement of goods and people when this happens.

- **I understand that one of the runways 03-21 may be closed in the future? How will this impact the airport's operations and how will it benefit the community?**

A lot of analysis has been completed. There would be very little impact as far as aircraft movements. Movements on 03-21 are down exponentially compared to five years ago. Closing the runway would create the ability for potential expansions and more robust development.

➤ **Update on the taxiway Echo extension project?**

It has become a complex issue, however a decision is close to being made and should be implemented by the start of summer at the latest.

➤ **How can the VAA promote a sustainability plan that includes: sustainable cities and communities, responsible consumption, life on lands, GHGs, Social Impact and Waste Management and at the same time be considering the last mile warehouse project and the obvious negative impacts this will have on each of the formerly mentioned issues? How can the VAA suggest the perceived “economic benefits” will outweigh this proposed development - add to it the negative reputation the likely tenant has already demonstrated with poor employment conditions, overwork, under pay and negative effects on the environment- this doesn’t seem to align with your sustainability goals.**

It is difficult to see how technology will progress over the years. Given plans for electrification of vehicles and solar energy, the development does not seem out of step with VAA’s sustainability plan.

➤ **What are your views on the future flights to international destinations? Will we continue to be an international airport?**

It will likely be a number of years before any long-haul international flights come to YYJ. Potential future opportunities for non-stop destinations may be: Honolulu, Los Angeles, Denver, San Francisco.

➤ **Why hasn’t the tenant of the proposed distribution centre been shared with the public?**

Generally, businesses prefer to have a lease officially signed before disclosing their name.

## 7. Concluding Remarks

The Board Chair thanked the moderator for overseeing the meeting. He also thanked the public for their valued questions, comments, and feedback. The continued interest and support of YYJ is appreciated.

## 8. Adjournment

There being no further business, the meeting was adjourned.

A video recording of the Annual Public General Meeting is available on the YYJ website:

[Victoria Airport Authority - Virtual Annual Public General Meeting 2021 \(May 13, 2021\) - YouTube](#)