



VICTORIA AIRPORT AUTHORITY

**Annual Public General Meeting
Summary of Proceedings**

**7:00 – 8:15 pm, Thursday, May 11, 2017
Mary Winspear Centre
Charlie White Theatre
2243 Beacon Avenue, Sidney, BC**

ATTENDANCE

VAA Board Members:

Board Chair: Jim Crowley

Board Vice-Chair: Eric Donald

Board Secretary: Marilyn Loveless

Chair, Audit and Finance Committee: Gordon Safarik

Chair, Planning and Development Committee: Lynne Henderson

Board members: Wendy Everson, Frank Leonard, Cathie Ounsted, Mel Rinald, Colin Smith

Regrets: Rod Dewar, Sharlene Smith

VAA Management:

Geoff Dickson, President and Chief Executive Officer

Randy Bogle, Chief Financial Officer

James Bogusz, Vice-President - Operations and Development

Scott Cunningham, Director - Facilities

Ken Gallant, Director - Operations and Safety

Ian West, Director - Security and Terminal Operations

Recording Secretary:

Melinda Orłowski, Executive Assistant and Corporate Secretary

VAA Staff:

Anita Kardos, Terminal Operations Officer

Public in Attendance: 25

1. CALL TO ORDER

The meeting was called to order by Board Chair James Crowley.

2. WELCOME TO ATTENDEES

The Board Chair welcomed the attendees to the Annual Public General Meeting (APGM) of the Victoria Airport Authority (VAA). The APGM is one of three public meetings held each year to share information about VAA's successes, its financial activities and plans for the future. It is also a way for VAA to be accountable to the community. At the conclusion of the formal presentations, questions and comments from the audience are welcome.

A number of elected representatives and business partners were recognized at the meeting, including:

- District of North Saanich:
Councillor Heather Gartshore
Councillor Geoff Orr
Councillor Celia Stock
Councillor Jack Thornburgh
- Town of Sidney:
Councillor Mervyn Lougher-Goodey
- District of Central Saanich
Mayor Ryan Windsor
- External Auditor:
Sang Kiet Ly, KPMG LLP Victoria

3. REPORT FROM THE VAA BOARD CHAIR

The Board Chair shared his observations on behalf of the VAA Board of Directors.

Victoria International Airport serves the Greater Victoria region and surrounding area. The airport connects people, goods and ideas through flight and is a strong economic generator in terms of contribution to the overall economic climate for southern Vancouver Island.

There are approximately 60 land tenants operating at Victoria International Airport and the surrounding lands, employing approximately 2,800 people. The Board is proud of the job creation at the airport and is committed to maintaining the course.

2016 was one of the busiest years in the history of Victoria International Airport. There was an increase of 8.5% in passenger growth, serving over 1.865 million passengers – a new record. YYJ has seen 42 consecutive months of growth, with the last half of 2016 in the double-digits.

More travelers mean more pressures on the facilities. As a governance board, its role is to provide guidance and oversight to the management team within the context of the strategic framework, and to oversee the financial health of the corporation. The Board is confident the airport will successfully grow while working through any challenges. VAA is in an excellent financial position; it derives approximately two-thirds of its revenue from non-aviation sources. At 67%, VAA's non-aeronautical revenue is one of the highest in the country. Combined with its low Airport Improvement Fee (AIF) and high efficiency, YYJ remains a low-cost airport.

One of the proudest achievements for the Board is to share that as of January 3, 2017, the VAA fully retired its debt. Out of the 26 airports in the National Airport System, YYJ is one of two airports that are debt-free.

In 2016, the VAA undertook an ambitious construction program including the expansion of the main apron, replacement of the baggage system and additional parking capacity. The Board acknowledges the diligence and hard work by Scott Cunningham, Director of Facilities and his team. There are a number of ambitious plans going forward in the coming years, and the challenge will be to keep ahead of demand.

CONCLUDING REMARKS

In closing, the Board wishes to recognize the outstanding team at YYJ. There are 43 dedicated and talented individuals working at the VAA who have been recognized by the aviation industry for their achievements locally, nationally and internationally.

Victoria International Airport continues to be one of the lowest cost, most efficient airports in the country. The Board is dedicated to maintaining YYJ's low AIF, with the intention to grow the airport through cost efficiency and excellent customer service, which encourages growth in air service. VAA's financial position is very strong and its staff continually work to make YYJ the best airport anywhere.

VAA welcomes and encourages feedback from the community, and an opportunity to do so will be provided at the conclusion of the presentations.

4. PRESENTATION OF THE FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2016

Randy Bogle, VAA Chief Financial Officer (CFO) gave a financial report on VAA's results for the year ended December 31, 2016.

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 41 of the Annual Report.

The CFO referenced the Statement of Financial Position as reported on page 42, and the Statement of Operations on page 43 of the Annual Report.

2016 was a year of growth for Victoria International Airport, with record traffic in each month dating back to November 2013. Increased traffic has had a positive effect on VAA's revenue for 2016.

Total Revenue

Total revenue for 2016 was \$34.5 million, which is an increase of \$5.3 million, or 18% over 2015. Revenue is comprised of three different categories: Non-Aeronautical, Aeronautical and the Airport Improvement Fee. Of this total, Non-Aeronautical revenue makes up approximately 40%; Aeronautical 20%; and AIF 40%.

Non-Aeronautical Revenue

Non-Aeronautical revenue consists of items such as parking, concession fees, restaurants, advertising, taxis, shuttle bus operations and land rents. For 2016, Non-Aeronautical revenue increased by 9.5% to \$13.7 million. Victoria Airport has one of the highest percentages of Non-Aeronautical revenue in North America.

Aeronautical Revenue

Aeronautical Revenue consists of the fees charged for aircraft to land at YYJ and to use the terminal building for passenger enplanement and deplanement. At 20% of total revenue, VAA's percentage of Aeronautical revenue is low compared to peer airports. VAA has strived to keep aeronautical fees low in order to encourage new services. VAA does not receive any financial contributions from any level of government. For 2016, Aeronautical revenue increased by 12% to \$7.1 million.

At \$742, the cost for a 737 aircraft to land at YYJ and use the terminal building to deplane and enplane passengers is among the lowest in Canada. This is part of VAA's low-cost approach. This is an important factor that airlines consider when making scheduling decisions.

Airport Improvement Fee

Funds raised from AIF Revenue can only be used to fund AIF-eligible capital projects and any debt servicing related to these projects. Funds cannot be used to pay for any operating expenses. At \$15, YYJ's AIF is among the lowest of the airports within the National Airport System. In 2016 AIF revenue increased to \$13.6 million.

Operating Expenses

Turning to expenses – Operating expenses consist of items such as safety and security, cleaning, utilities, snow removal and de-icing, maintenance, salaries and benefits. Operating expenses increased by \$1.3 million to \$13.4 million. The increase is primarily related to increased security, cleaning, and maintenance costs, as well as the administrative costs paid to airlines to collect the AIF.

Amortization

Under generally accepted accounting principles, the costs for capital assets should be recognized over the useful life of the asset rather than as the cash paid for an asset in a particular year. For example, if \$100,000 was spent on an asset that was expected to last 10 years, the cost of the asset would be recognized as amortization at \$10,000 per year for 10 years. For 2016 amortization increased by 9% to \$7.1 million. This is as a result of the completion of capital projects and the commencement of amortization on these projects.

Rent and Property Taxes

VAA pays rent to the Federal Government and property taxes to the District of North Saanich and Town of Sidney. For 2016, rent and property taxes increased by 22% to \$2.5 million. This increase is primarily related to increased rent paid to the Federal Government. Rent is calculated as a percentage of revenue. As revenues increase, the amount of rent paid increases as well.

Interest on Long-Term Debt

In the mid-2000s, the VAA utilized long-term debt in the amount of \$18 million to fund the terminal expansion. The loan is being repaid over 10 years. For 2016, the interest paid on this debt decreased to \$52,000 and was fully paid off January 3, 2017. VAA does not anticipate borrowing any funds in 2017.

Total Expenses

Total expenses for 2016 are \$23 million, an increase of \$2.3 million over 2015.

Excess of Revenue Over Expenses Reinvested in the Airport

Excess of Revenue over expenses for 2016 was \$11.5 million, an increase of \$3.7 million over 2015. This entire amount will be reinvested back into the airport and lands.

Assets and Liabilities

Turning to the Statement of Financial Position (balance sheet):

Assets – Current assets as at December 31, 2016 are \$15.4 million and consist mostly of cash, accounts receivable, inventory and prepaid expenses.

Liabilities – Current liabilities total \$5.6 million and consist primarily of accounts payable.

Ratio – VAA's current ratio, which measures a company's ability to pay short-term obligations, is a healthy 2.75 : 1.00, meaning that for every \$1.00 in short-term liabilities, VAA has \$2.75 in current assets (primarily cash).

Long Term Assets

Long term assets total \$102.1 million and represent the net book value of capital assets. VAA has spent over \$157 million on capital assets since transfer.

Long Term Liabilities

Long term liabilities at year end are \$10.3 million. As previously mentioned, VAA is debt free as of January 3, 2017, when the final loan payment was made.

Net Assets

Net assets at year-end were \$101.6 million, an increase of \$11.5 million. This calculates to an operating margin of 33%. For example, each dollar of revenue equated to \$0.33 in net income. This is made up of \$92 million in capital assets and \$9.6 million in unrestricted net assets.

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 2016 and future plans for Year 2017 and beyond.

Strategic Goals

The CEO reviewed each of VAA's strategic goals, highlighting each area and demonstrating the results for each of the goals.

VAA approaches success through a broad strategic context. Many businesses focus singularly on the bottom line. VAA is fortunate that its business model allows for a balanced approach when defining success. The Board has set a strategic framework to follow, giving VAA the flexibility it needs to deliver the objectives.

Providing a safe and secure airport is one of the most important things the VAA does.

While VAA is a lean organization, it is fortunate to have a team of high performers who work diligently for the CEO, the Board and the community.

Attracting and retaining air service is vital for our regional economy and benefits the community as a whole.

Operating in a Financially Responsible Manner

Financial performance has improved each year for the past 7 years. VAA has continually executed its capital program on time and on budget.

It would be easy to raise the fees charged to airlines, which would ultimately get passed on to customers, however VAA looks for diverse streams of revenue to keep aeronautical fees low. Non-aviation revenue as a percentage of revenue is 67%, which is the highest in the country. Airline operating costs remain among the lowest quartile in Canada. As noted earlier, VAA's debt was retired as of January 3, 2017.

Financial Income Statement

In 2016, VAA's net income was \$11.5 million. There is approximately \$18 million of free cash flow to invest in capital programs. Historically VAA's capital program averaged between \$8 million to \$10 million each year. Going forward, between \$18 million to \$20 million each year will be invested in the facilities. VAA does not anticipate the need to borrow funds over the next five years.

Air Transport Research Society

The Air Transport Research Society (ATRS), a global airport performance benchmarking task force, studies 205 airports around the world ranging in size from 1 million to 100 million passengers. ATRS identified two airports, Victoria and Vancouver, as being the most efficient airports in Canada.

Sidney Crossing

One of the ways VAA drives revenue sources is through land leases. The site for the proposed Sidney Crossing retail development, which is situated in the Town of Sidney, is zoned highway commercial and is compatible with VAA's land use plan. VAA continues to work through a number of complex lease issues with property developer Omicron. VAA anticipates that Omicron will submit a development permit application in the coming weeks.

Safety and Security

Safety is one of the primary focuses of the VAA. The CEO and Management team meet quarterly to review the Safety Management System and annual objectives. In 2016, the focus was on four major goals: runway and taxiway incursions, foreign object debris (FOD), wildlife incidents and Apron IV safety.

YYJ is a complex airport, with an average of 12 incursions for every 100,000 movements. A concerted effort is being made to focus on runway incursions through continual monitoring and measuring, with a goal to reduce incidents.

VAA has a wildlife management program that studies the migration and nesting patterns of local birds. VAA has a robust platform that measures the type and size of birds that may come in contact with aircraft. Airport Fire Services are proactive in mitigating any risks from wildlife through active patrols, noise cannons and other methods.

Live Emergency Exercise

VAA holds a live emergency exercise every four years to test its incident command system, incident response, media relations and service recovery model. In 2016, a simulated aircraft crash brought together over 160 participants from various agencies including VAA staff, WestJet, Commissionaires, BC Ambulance Service, RCMP, BC Coroner Service, area firefighters and volunteer actors. The team was calm in the face of adversity and carried out a successful exercise.

Water Main Break

Ongoing emergency preparedness allowed the VAA to effectively handle a live emergency incident in April 2016, which saw the main water line to the air terminal building rupture. VAA executed its service recovery and business continuity model without interruption.

Baggage Screening Improvements

Over the past two years, YYJ's baggage system was completely replaced. A temporary baggage system was created adjacent to the air terminal building while the new system was constructed in the background. The CEO showed a simulation of how the new baggage system operates.

Airport Growth

In 2016, passenger traffic at YYJ increased by 8.5% which shows the strength of the economy. One of the challenges is to keep ahead of the demand curve; typically planning is in the 3% - 5% passenger growth range. Based on a 12-month rolling average, the top three airports leading the way in growth are based in BC: Kelowna, Vancouver and Victoria. Victoria's economy, favourable exchange rates and growth at major hubs are contributing factors.

YVR Hub

Vancouver International Airport has seen strong growth. A chart of YVR's route network demonstrated the wide range of national, transborder and international destinations served. YVR has over 300 flights a day to the U.S., Asia, Europe, the South Pacific and within Canada. While air carriers tend to feed service to the main hubs, Victoria benefits being in close proximity to YVR. New services to Paris, Mexico City, Delhi and expanded China routes all contribute to YYJ's traffic increases.

Delta Air Lines

The Seattle-Tacoma International Airport (SeaTac) serves over 46 million passengers per year, twice the size of YVR. Delta Air Lines offers three daily flights from Victoria to Seattle, which offers travelers more connectivity to their vast route network.

NewLeaf Travel

In June 2016, NewLeaf Travel commenced operations at YYJ with service to Kamloops, Edmonton, Winnipeg and Hamilton. After four months of operations, NewLeaf entrenched their service to four key markets, ceasing operations in Victoria. VAA continues discussions with the company to encourage a revival of the service. With the recent changes by the Federal government lifting airline foreign ownership restrictions from 25% to 49%, it may pave the way for new ultra-low cost carriers to enter the market.

Air Canada Rouge

Air Canada's low-cost carrier Rouge commenced service between Toronto and Victoria utilizing A319 aircraft. Starting on June 24, 2017, Rouge will launch new daily non-stop service on a 767-300 wide body aircraft and a second A321 service. VAA is preparing for the larger gauge aircraft and welcomes the lift in capacity.

Canada Jetlines

Discussions with Canada Jetlines continue in an effort to ensure Victoria forms part of their startup plans, likely not until 2018.

WestJet

WestJet announced they are launching a new ultra-low cost no frills carrier, with service planned for late 2017. The new service will see a fleet of 10 high-density Boeing 737-800s entering the market. VAA will continue to position Victoria as a desirable opportunity for the new airline.

WestJet also announced the creation of a 787 international fleet of Boeing Dreamliners, with an eye on Asia and Latin America. These aircraft are able to deploy from YYJ's existing runway system.

Aviation Market

A slide demonstrating the top destinations for Victoria showed the type of data air carriers consider when deciding on new markets. VAA is continually discussing concepts and options with the airlines, including new service to Los Angeles using a 60-seat aircraft.

Looking forward to 2035, the market outlook for Boeing anticipates 39,620 new aircraft valued at \$5.9 trillion. The current world fleet is 22,510 planes; by 2035 that number is expected to increase to 45,240 – twice as many that operate today. The aviation market continues to grow, especially in Asia. VAA continues to prepare for the future in order to meet this demand.

In order to understand what that demand looks like, an operational assessment was undertaken to show what might be needed for terminal facilities, security screening and baggage handling requirements. YYJ is forecasting 5% growth per year and will build accordingly. In the not-too-distant future, YYJ could be serving up to 3 million passengers per year.

A series of slides visually represented the multi-phased planned air terminal and airfield expansion:

- Phases 1 and 2 were completed in 2016 which saw the main apron and taxiway expanded to include more aircraft parking capacity.
- Phase 3 will see the expansion of the lower passenger departure lounge by 60 meters, which will essentially double the physical plant. This project will be presented to the Board for approval in October 2017.
- Phase 4 will see the addition of two new aircraft boarding bridges and an expanded apron.
- Phase 5 will see the terminal building expanded to the west, which will add more capacity and set up a space for a U.S. pre-clearance facility.
- Phase 6 will see an expanded apron to the east of the terminal building.
- Phase 7 will see the upper passenger departure lounge expanded, adding a new aircraft boarding bridge.
- Phase 8 will see the addition of more apron capacity to the north, for additional aircraft parking.
- Phase 9 will see the expansion of the air terminal building to the east for increased capacity.
- Phase 10 will see the addition of more apron capacity to the north, to create another parking stand for aircraft.
- Phase 11 will see a new taxiway constructed to the northwest to facilitate faster connection to the runway system.

An earlier concept of what the expanded lower passenger departure lounge might look like was shown. Since that time, VAA has opted to go with dedicated boarding gates to reduce unnecessary confusion when passengers are boarding the aircraft.

Parking

One of the key areas to be addressed is vehicle parking. YYJ had a base of 1,100 parking spaces. In 2016, overflow parking increased by 300 spaces and the long term parking lot was expanded by an additional 323 spaces. Even with this significant increase in stalls, there were only 40 vacant spaces over the holiday travel season.

Three years ago, VAA relocated Willingdon Road to create more parking capacity. The plan for the long-term buildout may see both Electra Boulevard and Willingdon Road re-oriented to allow for more parking and improve vehicle flow.

The cost per spot for surface parking is between \$6,000 – 7,000; the cost for a parkade is approximately \$60,000 per stall. As the airport continues to grow, parking will be at the forefront of consideration.

Rehabilitate Runway 14-32

Runway 14-32 is the number two runway for commercial traffic. There has not been a full restoration in over 30 years. Over the summer, the runway will be decommissioned for 4-6 weeks for repaving. This \$7 million project will extend the life of the asset and ensure continued safe operations for the airlines.

Exceptional Facilities and Customer Service

Victoria International Airport has been recognized as one of the top airports from a service quality perspective. In the last five years, YYJ has placed in the top three of all regional airports in North America as identified by Airports Council International. Over 350 airports are measured through a standardized passenger survey. CNN Travel has named YYJ as one of the 10 Most Loved Airports In The World.

Tectoria Innovation Station

The technology sector is one of the biggest economic generators in Victoria. To recognize this, VAA worked with VIATeC to create a new interactive technology display in the main rotunda of the airport. Embracing a steampunk theme, the 'Tectoria Innovation Station' features an exhibit of what technology may have looked like 100 years ago.

Canada 150

Plans are in the works to feature a creative landscaping display to celebrate the 150th birthday of Canada. Brightly coloured flags have been installed along Willingdon Road, Electra Boulevard and in the parking lots.

Hospital Hill Commemorative Monument

On June 1, 2017, VAA will commemorate a new military memorial sculpture located at Hospital Hill. The 'Lost Airmen of the Empire', a creation of local artist Illarian Gallant, honours the Allied airmen who gave their lives at the Patricia Bay Air Station during the Second World War. The sculpture includes twenty-five 12-foot high Corten steel Cooper's hawk feathers, which represent agility and flight and ferocity in hunting. The names of the 179 individuals who lost their lives are engraved on the feathers. VAA preserved 1,000 bricks from the original Administration building and incorporated them into the design. A significant military presence will be included in the event.

Environmental Management Plan

VAA is proud to announce the release of its updated Environmental Management Plan, which is available on the website: www.victoriaairport.com.

The plan details VAA's environmental program including water management, electrical initiatives, wildlife management, regulatory requirements and many other elements VAA has to follow. VAA is a leader in environmental management, going well above and beyond what is required.

Electric Vehicle Charging Stations

VAA added six electric vehicle charging stations: two in the short term parking lot and four in the long term parking lot. The units are easily scaled to add more capacity as electric vehicles gain in popularity.

Bike Assembly Shelter

A new bicycle assembly station is under construction and expected to be complete in the coming weeks. The station will include storage facilities and equipment for repairs.

TenTen Creek Sediment Reduction Project

VAA invested over \$450,000 toward improvements to TenTen Creek, one of two fish-bearing streams that flow through airport lands. The project focused on reinforcing the banks to reduce sediment in the stream, with a view to improving water flow. The project saw the removal of garbage and added riparian plantings to improve the area.

A short video of the project was shown, detailing the construction and remediation work.

Closing Remarks

The CEO noted that airports don't typically undertake initiatives like TenTen Creek project, but it is the right thing to do. He is incredibly proud of the team, and recognized James Bogusz, Vice-President – Operations and Development who oversaw the project.

6. QUESTION PERIOD

The floor was opened up to questions from the public.

Comment / Question:

- **Mayor Ryan Windsor noted that migratory Canada geese are a problem in the District of Central Saanich. He recently met with the Parliamentary Secretary of Canada Wildlife Services to discuss the exploding bird population. There are approximately 10,000 Canada geese that don't migrate and cause problems locally. He inquired whether geese were a problem for the airport and asked if there might be an opportunity to collaborate on mitigation strategies.**

VAA participated in the Regional Goose Management Strategy for a number of years. Studies show that the goose population has not grown disproportionately. Geese aren't a problem for the airport as they tend to congregate in Pat Bay but remain away from the flight path; they tend to scatter as aircraft approach. VAA would be happy to collaborate and share any insight it may have with the District of Central Saanich.

- **David Reid, a resident of North Saanich and employee of G4S (an airport security screening contractor) inquired about safety and security at the airport. In an ever-increasing turbulent world, how does the VAA feel about having a full-time RCMP presence at YYJ, and will that change if it becomes a Class 1 airport? Prime Minister Justin Trudeau has pledged to do everything possible to keep airports safe. Perhaps it is time to approach the Federal government for funding if necessary. There have been times when airport security staff felt that a quicker police response would have been helpful.**

Class 2 airports in Canada did not have on-site policing services until after the 9/11 terror attacks. The Federal government provided funding for a police presence at YYJ for 10 hours a day, seven days a week; full-time coverage was not provided. When the funding was discontinued, VAA conducted a risk assessment and made the decision that RCMP response time was within the acceptable range (5 to 10 minutes). Once YYJ becomes a Class 1 airport, a dedicated 24-hour police presence will be required.

- **Ron Bartrom, a citizen of Saanichton, advised that he has been in the transportation business for 25 years. He has attended several public meetings and is very impressed with the VAA. The overall figures projected are very favourable, and as a small business owner it is heartwarming to hear those kinds of numbers in today's economy. He congratulated the VAA on their success. He complimented the airport on the TenTen Creek project and inquired if it would be possible to view the area to see the work that has been done.**

The best access point for TenTen Creek is near the Spitfire Grill in the West Camp. The creek can easily be viewed from The Flight Path, YYJ's bike and walking trail. Keep in mind that a number of new plantings have gone in, and the area is quite muddy due to the weather. VAA would ask not to enter the creek itself due to the sensitive habitat.

- **Wil Teunissen, a jump pilot with Victoria Skydivers, asked a technical question about Runway 14 and YYJ's taxiways. He questioned why VAA was spending money to resurface Runway 14-32, suggesting that a new taxiway should be constructed between Runway 14 and Runway 03 to improve the operational advantage for pilots. He also commented on the shortage of Nav Canada air traffic controllers.**

VAA has not been made aware of any staffing issues at Nav Canada, the independent body managing air traffic control. VAA would be happy to facilitate a meeting between Nav Canada and Mr. Teunissen if he wishes to express his operational concerns. With respect to resurfacing Runway 14-32, commercial pilots use the runway all the time, so maintaining the integrity of the pavement is essential from a safety perspective. Concerning his technical questions around taxiways, the VAA operations team would be willing to meet to discuss the specifics. Constructing a new taxiway between Runway 14 and Runway 3 is not in VAA's short-term plans.

There were no further questions from the public.

7. ADJOURNMENT

The Board Chair thanked the public for attending and for their interest in the Victoria International Airport. He encouraged everyone to take a copy of VAA's 2016 Annual Report, recognizing the Executive Assistant for her work coordinating the report.

There being no further business, the 2017 Annual Public General Meeting was adjourned.