



VICTORIA AIRPORT AUTHORITY

December 19, 2016

DELIVERED BY COURIER

Mayor Lisa Helps and Council
City of Victoria
1 Centennial Square
Victoria, BC V8W 1P6

MAYOR'S OFFICE

DEC 21 2016

VICTORIA, B.C.

Dear Mayor Helps and Council,

Re: Victoria Airport Authority (VAA) 2016 Report to Nominators

As the Nominee for the City of Victoria, I am pleased to submit a copy of the 2016 Report to Nominators regarding the activities and events of the Victoria Airport Authority over the past year.

If you have any questions about this report, or if Council would like a more detailed briefing, please let me know and I will make the necessary arrangements.

While my first duty as a VAA Director is to consider the best interests of the VAA, please be assured that the interests of the City of Victoria are always a consideration in my contribution to debate and decision-making at the Board table.

Thank you for the opportunity to serve our region in my capacity as a VAA Board member. I wish you all the best for the upcoming holiday season.

Yours truly,

Eric Donald
Director
Victoria Airport Authority

ED/mo
Enclosure

c: Mr. Rob Woodland, Director – Legislative Services



VICTORIA AIRPORT AUTHORITY

Victoria Airport Authority Report to Nominators

2016

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Victoria Airport Authority Report to Nominators 2016

The Victoria Airport Authority (VAA) Board of Directors is pleased to present the following summary Report to Nominators.

The formal Annual Report with audited results will be available April 2017 prior to the Annual Public General Meeting scheduled for May 11, 2017.

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Achievements

2016 was an exceptional year for the Victoria International Airport, with continued record passenger volumes, solid financial results, major infrastructure investments to position the airport for long-term growth, community and environmental initiatives as part of a balanced approach to managing, and the completion of a four-year collective agreement.

Notable Accomplishments

- Record passenger volumes in each of the first 10 months of 2016, with year-end projections expected to exceed 1.85 million passengers, for an 8% increase.
- New services from Delta Air Lines and NewLeaf Travel, as well as increased services from Pacific Coastal Airlines and WestJet Encore contributed to the overall growth.
- The Air Transport Research Society, a global think-tank, identified Victoria International Airport as being the most financially efficient major airport in Canada.
- Victoria Airport Authority will fully retire its debt January 2017.
- Victoria International Airport ranked fourth overall for the Best Regional Airport in North America for the prestigious Airports Council International Award for Airport Service Quality. Since 2012, Victoria International Airport has consistently placed in the top four for North American regional airports:

Year	Ranking
2012	1st
2013	3rd
2014	1st
2015	3rd
2016	4th

Achievements

- A \$450,000 project was completed to address TenTen Creek bank stabilization and sediment flows. The project sets the stage for improved habitat and to increase aquatic life in the creek.
- A commemorative monument 'The Lost Airmen of the Empire' was erected on Hospital Hill overlooking the airport to honour the allied airmen who gave their lives at the Patricia Bay Air Station during the Second World War.

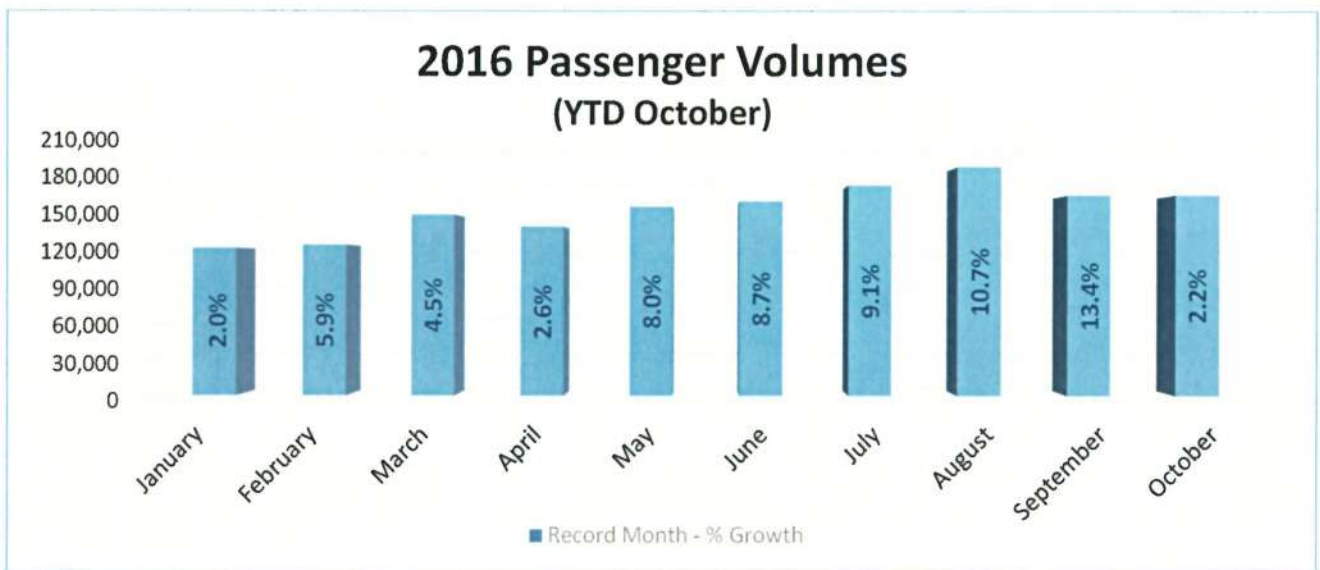


- Phase II of a multi-phase apron / terminal expansion plan was completed which will enable greater aircraft parking capacity, and a future expansion of the lower passenger departures area.
- A 14-month project which saw the complete replacement of the checked baggage system was substantially completed.
- The Town of Sidney approved a rezoning of airport land to allow a commercial development at Highway 17 and Beacon Avenue.

Passenger Traffic

Year-to-date passenger traffic was up 8% as of October 31, 2016, compared to the same period in 2015, with each month representing record traffic levels and is forecast to be 1.85 million passengers.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Forecast
Domestic	1,280,300	1,297,346	1,268,259	1,234,558	1,217,558	1,236,231	1,277,097	1,359,329	1,414,788	1,515,849
U.S. & International	201,306	241,071	264,630	279,762	282,263	269,981	279,8631	291,575	296,037	331,326
Total Passengers	1,481,606	1,538,417	1,532,889	1,514,713	1,499,821	1,506,212	1,556,960	1,650,904	1,710,825	1,847,175



Air Services



- Delta Air Lines commenced three-times daily non-stop service between Victoria and Seattle April 2016. This new service facilitates connections to Delta's worldwide network of destinations at their Seattle hub.
- NewLeaf Travel Company launched a new ultra-low cost airline with direct flights between Victoria, Edmonton, Kamloops and Winnipeg.
- WestJet's subsidiary Encore continued to add services at Victoria International Airport with the addition of new Vancouver and Kelowna flights. Encore now operates 14 flights a day in addition to WestJet's mainline service.
- Pacific Coastal Airlines is the fastest growing carrier at YYJ with traffic increases of 59% driven primarily by increased non-stop capacity on the Prince George and Kelowna routes.
- Meetings continued throughout the year with senior management of other potential new ultra-low cost airlines. The Victoria Airport Authority assisted with the lobbying efforts to help lift foreign ownership restrictions which are seen as a barrier to entry. The Federal Government announced the lifting of foreign ownership restrictions from 25% to 49% in November 2016.

Financial Highlights



- The Air Transport Research Society identified Victoria International Airport as the most financially efficient airport in Canada.
- Total revenue for 2016 is expected to be 16% higher than 2015.
- Excess revenue over expenses improved 32.4%.
- Year-end long-term debt was reduced by \$1.8 million to \$450,000 and will be fully retired in January 2017.
- In 2016, the Victoria Airport Authority paid \$909,000 in property taxes to the District of North Saanich and Town of Sidney.
- Rent to the Federal Government which is calculated as a percentage of revenue is forecast to be approximately \$1.5 million.
- Non-aeronautical revenue was 66% of total operations revenue, which represents the highest percentage of the major airports in the country.
- The \$15 Airport Improvement Fee (AIF) remains among the lowest of all of the NAS airports.

Statement of Operations

VICTORIA AIRPORT AUTHORITY Statement of Operations (\$000s)

Forecast for the year ended December 31, 2016 with comparative figures for the year ended December 31, 2015
(Unaudited)

	2016 Forecast	2015 Actual	% Change
Revenue			
Concessions	\$ 9,805	9,180	6.8%
Aeronautical	7,019	\$ 6,321	11.0%
Rentals	3,011	2,909	3.5%
Other	579	463	25.1%
	20,414	18,873	8.2%
Airport improvement fee (AIF)	13,427	10,292	30.5%
Total Revenue	\$ 33,841	\$ 29,165	16.0%
Expenses			
Salaries and employee benefits	4,801	4,454	7.8%
Services, supplies and administration	3,920	3,818	2.7%
Security & terminal services	2,815	2,499	12.6%
Rent	1,509	1,119	34.9%
Property taxes	915	891	2.7%
AIF handling fees	956	737	29.7%
Amortization	7,057	6,459	9.3%
Utilities	665	640	3.9%
Interest	52	126	(58.7%)
Total Expenses	\$ 22,690	\$ 20,743	9.4%
Excess of revenue over expenses	\$ 11,151	\$ 8,422	32.4%

Capital Program

Over \$159 million has been invested in capital improvements to the facility since the Victoria Airport Authority took over operations of Victoria International Airport in 1997.

Victoria Airport Authority Capital Program 2016 Forecast (\$000s)

PROJECTS FUNDED FROM NON-AIF SOURCES	2016 FORECAST
TenTen Creek Remediation 2016	\$ 418.5
Minor capital projects (under \$75k, \$350k per annum)	350.0
Municipal Infrastructure 2016	322.0
Municipal Infrastructure 2015	314.9
Pat Bay Air Station Memorial	160.0
Operations Technology – SAN Storage	150.0
SUBTOTAL - PROJECTS FUNDED FROM NON-AIF SOURCES	\$ 1,715.4
PROJECTS FUNDED FROM AIF SOURCES	2016 FORECAST
Hold Bag Screening Recapitalization Project	\$ 7,545.4
Apron IV Expansion Phase II	5,650.0
Long Term Parking Lot 2016	3,840.0
Apron IV Expansion - Phase I	2,793.7
Non-passenger Screening - Vehicle	2,185.3
Minor Capital Projects (under \$75k, \$650k per annum)	650.0
Bag Make-up Area Sloped Plate Carousels	390.0
Lower Hold Room Expansion	200.0
Air Terminal Building Frontage Safety Improvements	174.3
Vacuum Lifting for Outbound Baggage	145.5
Air Terminal Building Water Main 2016	145.0
Utility Consumption Reduction Program	100.0
Miscellaneous Security Initiatives	100.0
Rehabilitate Airfield Pavements 2017	100.0
SUBTOTAL - PROJECTS FUNDED FROM AIF SOURCES	\$ 24,019.2
TOTAL AIF & NON-AIF PROJECTS (including flow-through funded by CATSA)	\$ 25,734.6
TOTAL AIF & NON-AIF PROJECTS (funded by VAA)	\$ 18,189.2

Airport Operations

The Operations team is responsible for keeping the runways clear, inspecting and repairing equipment, maintaining the airport grounds and terminal buildings, maintaining VAA's fleet and ensuring compliance with Transport Canada's safety requirements.

- Phase II of a multi-phase apron and terminal expansion program was completed. The project saw the addition of 9,100 m² of new asphalt to widen the taxiways and 1,500 m² of concrete to create three new parking stands.
- A year-long bird survey to assess bird type and weights was completed to help better assess potential hazards and to develop individual mitigation strategies for the variety of birds.
- Completed two regulatory audits of rescue and firefighting regulations as well as emergency response.
- VAA Operations staff received training on new regulatory airport operating standards that will come into effect in 2019.
- VAA staff actively participated in federal and provincial airport councils to advance policies and procedures concerning airport operations.



Safety and Security

Safety and security are the highest priorities for the Victoria International Airport. In 2016 a number of significant initiatives were executed to improve security and safety at the airport.

- A \$10.4 million program funded by the Canadian Air Transport Security Authority (CATSA) to replace the entire checked baggage system and upgrade screening capabilities to international standards was substantially completed.
- A facility to screen non-passengers and their vehicles was constructed and is fully operational to provide a higher level of security on the main commercial apron.
- A new ramp safety and security position was established to monitor and report safety violations on the main commercial apron and is staffed 16 hours a day.
- On September 29, 2016, the VAA conducted a full-scale live emergency exercise. The scenario was based on an aircraft accident and included the assembly and deployment of airport staff, firefighting, policing and medical organizations. The exercise was a success and met all of the objectives of the design team.
- For the second year in a row, the VAA partnered with Nav Canada to host a workshop designed to educate general aviation pilots, flight training companies and military personnel of safety-related matters at the airport.



Land Development

- The VAA received approval for zoning changes and an amendment to the Town of Sidney's Official Community Plan in relation to a proposed commercial development on Beacon Avenue and Highway 17.
- Seastar Chemicals completed the construction of a new building in the East Industrial Area on airport lands.
- Scott Plastics completed a building addition in the East Industrial Area on airport lands.
- In anticipation of the return of the old 443 Squadron Department of National Defence hangar to the VAA, a block plan for future aviation development in Victoria International Airport's West Camp was completed.
- As part of a two-year licence of occupation of the Pat Bay seaplane base, the VAA completed a block planning exercise to guide future use of the site as it contemplates a 30-year lease extension.



Environment

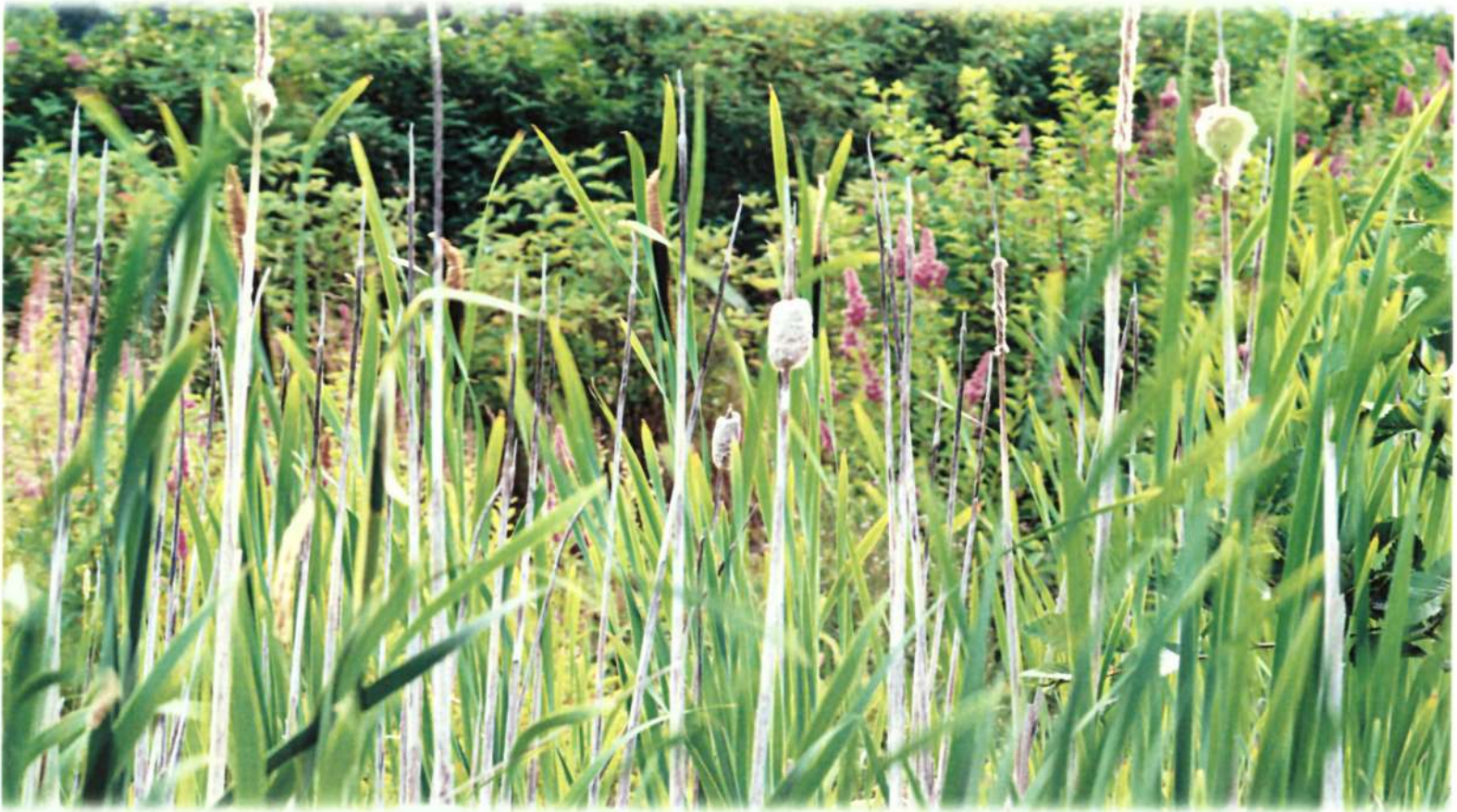
Victoria International Airport continued to maintain a leadership position with respect to environmental stewardship.



- VAA's Environmental Management Plan was released, which outlined the airport's environmental program, its carbon footprint and significant environmental projects completed over the past five years.
- A project to address TenTen Creek bank stabilization and sediment flows was completed. The project's goal was to re-profile two of the steepest banks to reduce erosion, build sediment traps to reduce downstream impacts, and to add plantings and rocks to improve the riparian area in order to attract fish.
- VAA actively participated in the Reay Creek Pond Technical Advisory Group which has a mandate to assess the pollution contained within the pond downstream of airport lands. The Reay Creek site will be incorporated into Transport Canada's portfolio of contaminated sites where it will be prioritized to determine its eligibility for any available funding.
- As part of a multi-phase terminal and apron expansion plan, the VAA introduced a new glycol treatment area to handle de-icing compounds. Glycol can be captured in two 25,000 litre tanks where the glycol can either be recycled, discharged to storm system (provided the concentrate levels meet CRD requirements) or placed in a newly constructed 125,000 litre detention pond where the glycol can be naturally remediated by sunlight.
- New Sun Country Level 2 electric vehicle charging stations, each equipped with two connections, were installed in the daily and short term parking lots.

Environment continued

- VAA worked with Transport Canada to study air quality at the airport. A full report is forthcoming in 2017.
- Metal halide lights were converted to LED fixtures in the air terminal building.
- A heat exchanger and controls were installed to divert the excess capacity from the solar hot water systems to supply the main heating water system during heating loads.



Donations and Sponsorships

The Victoria Airport Authority provided donations and sponsorships toward various charitable causes and community events, which are noted below. The VAA forecasts the 2016 charitable contributions to total approximately \$41,000.

2016 Charitable Donations and Sponsorships

Organization	Amount
BC AVIATION COUNCIL	\$2,250.00
BC AVIATION MUSEUM	2,000.00
BC CANCER FOUNDATION – RIDE TO CONQUER CANCER	350.00
BC CHILDRENS HOSPITAL FOUNDATION	500.00
BC HOSPITAL FOUNDATION	268.00
BLUE BRIDGE REPERATORY THEATRE	1,000.00
BOMA – VICTORIA GOLF TOURNAMENT SPONSORSHIP	100.00
CACSP – SIDNEY FINE ART SHOW	1,500.00
CANADIAN CANCER SOCIETY – IN MEMORY OF SHARLENE SMITH'S HUSBAND	150.00
CANEW	1,000.00
GERONIMO CANOE CLUB	200.00
GREATER VICTORIA CHAMBER OF COMMERCE (VARIOUS EVENTS)	1,250.00
HELP FILL A DREAM	817.00
LEADERSHIP VICTORIA	1,500.00
MUSTARD SEED	475.00
PENINSULA CELEBRATIONS SOCIETY	1,000.00
PENINSULA PANTHERS PROGRAM	1,200.00
PENINSULA STREAMS EDUCATION PROGRAM	3,000.00
ROYAL BC MUSEUM – NEWCOMB THEATRE UPGRADE	1,000.00
SAANICH PENINSULA CHAMBER OF COMMERCE (VARIOUS EVENTS)	2,623.00
SAANICH PENINSULA HOSPITALS FOUNDATION (VARIOUS EVENTS)	1,650.00
SIDNEY ANGLERS ASSOCIATION	500.00
SIDNEY LION'S FOOD BANK	500.00
SIDNEY MUSEUM AND ARCHIVES	300.00
TEAM4HOPE – NEUROBLASTOMA RESEARCH (TOUCH A TRUCK)	600.00
TOURISM INDUSTRY ASSOCIATION OF BC (BC TOURISM)	3,500.00
TOURISM VICTORIA – MAPLE LEAF PARTNERSHIP EVENT	826.00
	Continued ...

Donations and Sponsorships

Donations and Sponsorships continued

Organization	Amount
TSEY CUM FIRST NATION – ELDERS GATHERING	1,000.00
TSEY CUM FIRST NATION – SHOREKEEPERS PROGRAM	4,500.00
TSEY CUM FIRST NATION – ARTS AND SPORTS PROGRAM	1,000.00
VANCOUVER ISLAND SHAKESPEARE ARTS	125.00
VANCOUVER ISLAND SOUTH FILM COMMISSION	500.00
VICTORIA OPEN GOLF SOCIETY IN SUPPORT OF CHILDREN'S HEALTH FOUNDATION OF VANCOUVER ISLAND	3,100.00
VICTORIA RADIO CONTROL MODELERS SOCIETY – CFAF SANTAS ANONYMOUS AND SAANICH PENINSULA HOSPITALS FOUNDATION	250.00
TOTAL:	\$40,534.00

The VAA participated in the 2016 VIATeC Food Bank Challenge. Through generous donations from the Board, staff and airport tenants, a total of \$11,002 in contributions and a significant quantity of non-perishable food items were donated to benefit the Mustard Seed.



Board of Directors

The Board of Directors provide oversight to the Victoria Airport Authority to ensure its purposes and objectives are realized, and that YYJ operates in a safe, efficient and reliable manner. Below is a summary of the Board and Committee Participation for year 2016.

Member	Nominating Body	Committees
Jim Crowley	District of North Saanich	<ul style="list-style-type: none"> ➤ Board Chair ➤ Chair, Steering Committee ➤ Ex Officio, all Committees
Eric Donald	City of Victoria	<ul style="list-style-type: none"> ➤ Board Vice-Chair ➤ Chair, Airport Consultative Committee ➤ Steering Committee ➤ Governance Committee ➤ Planning and Development Committee ➤ Audit and Finance Committee
Marilyn Loveless	Government of Canada	<ul style="list-style-type: none"> ➤ Board Secretary ➤ Chair, Governance Committee ➤ Steering Committee ➤ Audit and Finance Committee
Gordon Safarik	District of North Saanich	<ul style="list-style-type: none"> ➤ Chair, Audit and Finance Committee ➤ Steering Committee ➤ Governance Committee ➤ Planning and Development Committee ➤ Airport Consultative Committee
Lynne Henderson	Province of British Columbia	<ul style="list-style-type: none"> ➤ Chair, Planning and Development Committee ➤ Governance Committee ➤ Airport Consultative Committee
Rod Dewar	Greater Victoria Chamber of Commerce	<ul style="list-style-type: none"> ➤ Vice-Chair, Audit and Finance Committee ➤ Planning and Development Committee

Continued ...

Board of Directors continued

Member	Nominating Body	Committees
Wendy Everson	Town of Sidney	<ul style="list-style-type: none"> ➤ Audit and Finance Committee ➤ Planning and Development Committee
Frank Leonard	Government of Canada	<ul style="list-style-type: none"> ➤ Vice-Chair, Airport Consultative Committee ➤ Governance Committee ➤ Audit and Finance Committee
Cathie Ounsted	District of Central Saanich*	<ul style="list-style-type: none"> ➤ Audit and Finance Committee ➤ Planning and Development Committee ➤ Airport Consultative Committee
Mel Rinald	Town of Sidney	<ul style="list-style-type: none"> ➤ Audit and Finance Committee ➤ Planning and Development Committee
Colin Smith	Capital Regional District	<ul style="list-style-type: none"> ➤ Vice-Chair, Planning and Development Committee ➤ Governance Committee ➤ Airport Consultative Committee
Sharlene Smith	District of Saanich	<ul style="list-style-type: none"> ➤ Vice-Chair, Governance Committee ➤ Audit and Finance Committee ➤ Airport Consultative Committee

**District of Central Saanich Nominee Graeme Roberts - Term ended May 31, 2016 – Replaced by Cathie Ounsted effective June 1, 2016*