



**Stronger Airport,  
Stronger Communities**

**2016  
annual  
report**

nanaimo airport commission

# 2016 ANNUAL REPORT

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Vancouver Island University  
relies on the airport to bring students  
and their families from more than 90 countries  
worldwide, as well as every province and territory  
in Canada, to Nanaimo to study at the university.

We rely on the airport to provide accessible and timely  
transportation for faculty and staff who engage with colleagues  
regionally, nationally and internationally. Efficient and reliable transportation  
for all members of VIU is essential to the growth and evolution of the university  
which relies on this service to deliver the highest level of economic activity year over  
year of any enterprise in the region.

**Ralph Nilson**

President, Vancouver Island University



# Stronger Airport, Stronger Communities

As Central Vancouver Island's airport of choice, the Nanaimo Airport (YCD) is well positioned to meet the growing needs of the many communities we serve.

We're also committed to our role as a major economic driver for the region. We help generate prosperity throughout our communities, from the Cowichan Valley to Oceanside, the Alberni Valley to the West Coast of the Island, and Ladysmith to Nanaimo.

That commitment is reflected in our theme for this annual report: Stronger Airport, Stronger Communities.

Air transportation plays an important role in trade, tourism, investment and business location decisions. There's a strong link between air service, employment and economic growth.

These benefits spread throughout the region, spurring development in sectors ranging from education to tourism.

We're proud to be the region's gateway to the world, connecting travellers and businesses to destinations and markets around the globe. Through careful planning and management, we have made significant improvements to our infrastructure to provide safe, convenient and

affordable air travel to record numbers of passengers.

We're committed to further upgrading our facilities while remaining fiscally responsible. Our new 20-year master plan for the Air Terminal Building, for example, will see work proceed in stages according to passenger volumes and when resources allow.

Strengthening our communities by meeting growing needs and serving as a catalyst for prosperity -- that's how Nanaimo Airport makes lives better for residents throughout Central Vancouver Island, today and for the future.



"We are thrilled with the progress and future plans of the Nanaimo Airport. Their contribution to the Central Vancouver Island region has been significant, and a boon to community and business travellers. It has put our region on the map."

**Phil Kent**  
Mayor, City of Duncan



Nanaimo Airport Commission

# Strengthening our communities

The not-for-profit Nanaimo Airport Commission manages and operates the 224-hectare Nanaimo Airport for the benefit of all communities in our service area.

We had operational revenues of approximately \$4.5 million in 2016. We directly employ 14 positions. Another 6 people are employed through Executive Flight Centre, which provides aviation support services including multitaskers, firefighting and security.

We surround our staff with a large team of skilled contractors. Some provide highly specialized expertise in areas such as wildlife control, hydrogeology and other scientific fields, vegetation management, planning and development. Other contractors help us with operational duties such as landscaping, electrical contracting, maintenance, cleaning, marketing, promotions, and finance.

Large commercial carriers Air Canada and WestJet offer regular flight schedules. We also partner with couriers and car rental agencies. Our Air Terminal Building services include a café and gift shop. Our Blue Navigators volunteers are ready to assist with passenger needs.

## Mission

To provide a safe, efficient and financially viable airport, offering excellent service and value to all users while fostering economic development.

## Vision

The Nanaimo Airport will be a safe, reliable, air services gateway effectively meeting customers' needs.

# Our milestones

- **1942:** The Department of National Defence purchases 522 acres in Cassidy to build an airstrip for Royal Canadian Air Force glider pilot training, and to serve as a war-time emergency airfield.
- **Post-war:** The City of Nanaimo leases the airfield for \$1 a year from the federal government and assumes responsibility for operating the facility.
- **1985:** The Ministry of Transport adds a modern flight service station to the infrastructure.
- **1990:** A new Air Terminal Building, road and parking lots are constructed to support steadily increasing scheduled passenger service. The Nanaimo Airport Commission incorporates as a not-for-profit society.
- **1992:** The Commission assumes management and operation of the Airport from Transport Canada, making decisions locally to benefit all communities in the region.
- **1996:** The National Airport Policy transfer initiative grants the Commission fee-simple title to the Airport lands.
- **2004:** The Commission expands the Air Terminal Building, which was named after famed Nanaimo war pilot Raymond Collishaw
- **2006:** Nearly \$2.5 million is invested in approach path protection to recover the full 5000' runway for aviation use.
- **2009:** The Commission begins a major \$16.4 million expansion that extends the runway, adds a state-of-the-art Instrument Landing System and new high intensity lighting.
- **2011:** The Commission expands the Air Terminal Building and parking through a \$10.4 million project. The expansion creates millions of dollars in economic impact throughout the Central Island.
- **2016:** The Commission develops a 20-year master plan for the Air Terminal Building and started construction on a \$1 million firehall.



The single most important element to our current and future success at the Wickaninnish Inn, and Tofino as a thriving tourism community, is having easy access for our guests. The overall convenience of flying into Nanaimo Airport is a huge plus for our guests. It provides convenient and efficient access while still giving them the opportunity to drive one of the most spectacular highways in North America.”

**Charles McDiarmid**

Managing Director  
Wickaninnish Inn

# The Nanaimo Airport is well positioned to meet the growing needs of local communities

## Service Area

We serve more than 260,000 people in central Vancouver Island. Our primary service area includes communities that lie within an approximately two-hour trip by bus, car or train to the Nanaimo Airport.

As the map to the LEFT shows, our primary service area extends north from Nanaimo to Qualicum, west to the Alberni-Clayoquot Regional District, and south to Duncan and the Cowichan Valley.

The greater service area includes the regional districts of Comox-Strathcona and Mount Waddington, with an additional population base of 150,000.

YCD is ideally situated as the most convenient departure/arrival point for the people who live and work in the mid-Island area.



The Festival of Lights has been much brighter over the last two years thanks to our partnership with the Nanaimo Airport Commission. Their sponsorship of the Chuck Perrin Tree enhanced its appearance to such a degree that it has become the focal point of the Town of Ladysmith during our annual event. It truly is the iconic symbol of the Festival, eliciting responses such as 'It looks like a tree you would see in New York City.' We are extremely grateful for the Airport Commission's support. 'Our Tree' has never looked better!

**Greg Edwards** President, Ladysmith Festival of Lights



# YCD at a glance

**#1** in percentage of passenger growth from 2009 to 2016 among similar or larger BC airports

**MORE THAN 1,200** direct and indirect jobs generated by YCD activities

**\$229 million** in direct and indirect economic output

**98%** weather reliability in 2016

**340,000** passengers in 2016

**9.2%** increase in passenger numbers in 2016

**108%** growth in passengers since 2010

**10** years ahead of passenger projections

Although the Nanaimo Airport is a major generator of economic prosperity through the direct and measurable economic contribution, the most important function is the role the Nanaimo Airport plays in securing accessibility that allows other businesses to develop.





**Board Chair**  
LUCIE GOSSELIN

## Message from the Board Chair

# Growing with our communities

Our theme for this year's annual report is Stronger Airport, Stronger Communities which emphasizes the connection between the Nanaimo Airport and the communities we serve.

It's a connection that drives everything we do. We know that a vibrant airport is more than a transportation hub. It's also a cornerstone of the Central Vancouver Island economy, touching the lives of all its residents.

Travel, trade, investment, education, tourism, business -- all of these economic sectors, and others, rely on the Nanaimo Airport. It's a tremendous responsibility which is why the Nanaimo Airport Commission focuses on meeting the needs of those we serve today and in the future.

Our major project in 2016 was the development of a 20-year master plan for our Air Terminal Building. Shaped by the long-term vision of our community based Board of Directors, the plan calls for work to be completed in phases to ensure fiscal

responsibility. We will build each phase only when passenger volumes warrant expansion and funding is available.

The plan ensures our infrastructure will keep up with projected growth. That's critical given our role as an economic driver for the communities we serve. Last year alone we generated \$229 million in direct and indirect economic output, creating employment, income and opportunity for central Vancouver Island.

One of the most important investments of the year was the commencement of construction on a new \$1-million fire hall which will significantly enhance our emergency response capabilities. It will be completed in 2017 and serve the travelling public well into the future. The project was made possible with significant funding from Transport Canada's Airports Capital Assistance Program.

Our vision for financial self-sufficiency includes development of available airport lands, and in 2016 we took a major step forward by welcoming a new tenant. Alkan

Air showed confidence in our long-term vision by investing in a new hangar for its operations. We will continue to market commercial opportunities because attracting new businesses not only benefits the airport and its tenants but also the surrounding communities.

Of course, our work wouldn't be possible without the many partnerships we enjoy with groups such as the Chambers of Commerce, Vancouver Island University, the local, regional and provincial tourism organizations, the forward-looking municipal governments, and the Stz'uminus First Nation.

By working together, we're building a stronger airport, which in turn helps to create stronger communities for the benefit of all Central Vancouver Island residents.

Lucie Gosselin  
Board Chair

Nanaimo Airport  
Commission

# Board of Directors



The drastically increased reliability of arrivals and departures from the Nanaimo Airport has positively impacted our ability to market a trustworthy means of getting on and off Vancouver Island to both our group and corporate guests from all over Canada doing business in the mid-island. You are truly a regional airport. At Tigh-Na-Mara, we appreciate the vision of the airport's leadership and the reliability of this huge asset!

## Paul Drummond

General Manager  
Tigh-Na-Mara Seaside Spa Resort & Conference Centre



- ..... **Lucie Gosselin**  
Chair  
Member At Large
- ..... **Al Tully**  
Vice Chair  
Regional District of Nanaimo
- ..... **John Craig**  
Past Chair  
Cowichan Valley Regional District
- ..... **Mike Brown**  
Director  
Member at Large
- ..... **Wendy Clifford**  
Director  
Member at Large
- ..... **Ray Gauthier**  
Director  
Member at Large
- ..... **Mike Kandert**  
Director  
City of Nanaimo
- ..... **Alex Stuart**  
Director  
Town of Ladysmith
- ..... **David Witty**  
Director  
Greater Nanaimo Chamber of Commerce

## Local Directors, local decisions

The Nanaimo Airport Commission is comprised of up to nine Directors and a past Chair, all appointed by the Commission from the communities served by the airport. Four of the Directors represent the community at large. The other five Directors are nominated by the:

- City of Nanaimo
- Regional District of Nanaimo
- Cowichan Valley Regional District
- Town of Ladysmith
- Greater Nanaimo Chamber of Commerce

Nominees are then appointed by the sitting Directors as provided by the Commission bylaws.



**President & CEO**  
MIKE HOOPER

## President and CEO Report

### Partnerships with region a win-win for all

It's hard to single out any one reason for the success of the Nanaimo Airport in 2016, but partnership with the communities we serve would be near the top of the list.

The year brought us another record number of passengers -- the seventh straight year we've set a new mark. We're the fastest growing airport in BC, based on percentage of passenger growth, among similar size and larger airports. That remarkable run has been powered by our communities, who have made us their airport of choice for travel and shipping.

In 2016 we continued to improve our infrastructure. The needs of the people in our communities inspired those investments, and we completed our master plans for the Air Terminal Building and land use to guide future expansion. As with all of our operations, these activities were a "win-win" for the Nanaimo Airport and our regional neighbours. As we grow stronger, our communities benefit -- both from enhanced service and

convenience, and from the new opportunities created for travel, trade, employment and investment. Here are some of our accomplishments for the year:

#### **Safety upgrades**

We began work on a new fire hall that will greatly enhance our emergency response capability. We also reduced apron congestion by creating more available space for aircraft, which has the added benefit of the addition of a fuel expansion at the Nanaimo Flying Club.

#### **Parking upgrades**

We invested substantially in our parking lots, adding more stalls and reducing traffic in front of the terminal building to protect foot passengers in that area. Our rental car partners moved to the north lot, where we installed new lighting and pedestrian walkways. Creating a new parking kiosk there removed the need for people to cross a busy through-road to purchase parking.

#### **More travel choices**

The Nanaimo Airport was truly a gateway to the world. Our major airline partners, Air Canada and WestJet, added more choices for

connecting flights to help local travelers reach their destinations.

#### **Consulting our communities**

As part of our commitment to being a good neighbour, we continued to ask our communities for input and to use the feedback to help shape our policies. As a result, we enhanced our environmental stewardship and noise mitigation programs. We are fortunate to enjoy the cooperation of people who want the best for our region.

All of these accomplishments were due to the work of the YCD Team here at the airport, including the Board, Staff, Volunteers, Air Carriers, Government Agencies, Contractors, Consultants and many others. And, of course, our communities.

I would like to thank everyone for their contributions to our success! You have made Nanaimo Airport, and our communities, even stronger.

Sincerely

Michael Hooper

# Management responsibility for financial statements

The accompanying financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

The Commission's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. These statements include some amounts based on Management's best estimates and judgments.

Management is satisfied that the financial statements have been prepared within reasonable limits of materiality.

The Board of Directors appoints a Finance and Audit Committee consisting of four Directors. This Committee meets periodically with Management and auditors to review significant accounting, internal control and audit matters. The Committee also reviews and approves annual financial statements and the independent auditor's report before it is submitted to the Board of Directors for final approval.

Audited financial statements contained within this report are consistent with information presented in the full set of financial statements, available at the Airport Office.



Michael K. Hooper  
President, CEO  
Nanaimo Airport

Nanaimo, BC  
March 28, 2017

Partners  
Grant McDonald, CPA, CA\*  
Lee-Anne Harrison, CPA, CA\*  
Anna Jones, CPA, CA\*  
Joanne Novak, CPA, CA\*  
\*incorporated

## REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Board of Directors

The accompanying statement of financial position as at December 31, 2016 and the statements of revenue and expenses, changes in net assets, and cash flows for the year ended December 31, 2016, and related notes, are derived from the audited financial statements of the **Nanaimo Airport Commission**. We expressed an unmodified audit opinion on those financial statements in our report dated March 28, 2017.

The summary financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Nanaimo Airport Commission.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements."

### Opinion

In our opinion, the summary financial statements derived from the audited financial statements of the Nanaimo Airport Commission for the year ended December 31, 2016 are a fair summary of those financial statements, on the basis described above.

Nanaimo, B.C.  
March 28, 2017



CPA  
CHARTERED PROFESSIONAL ACCOUNTANTS



CHURCH PICKARD  
Chartered Professional Accountants

Nanaimo Airport Commission  
Statement of Financial Position

As at December 31, 2016

	2016	2015
<b>Assets</b>		
Current		
Cash - Note 3	\$ 3,207,687	\$ 3,298,813
Short-term investments - Note 3	1,169,460	345,350
Prepaid expenses and operational supplies	82,255	108,278
Accounts receivable	727,609	607,216
	<u>5,187,011</u>	<u>4,359,657</u>
Long-term investments - Note 3	1,495,551	1,352,373
Deferred leasing costs	12,076	12,672
Property and equipment - Note 2	28,649,595	27,846,248
	<u>\$ 35,344,233</u>	<u>\$ 33,570,950</u>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 791,457	\$ 327,073
Deferred lease revenue	65,712	58,464
Current liabilities before callable debt	857,169	385,537
Callable debt - Note 4	1,930,552	2,287,006
	<u>2,787,721</u>	<u>2,672,543</u>
Deferred contributions related to property and equipment - Note 5	15,840,355	16,679,236
Security deposits	19,771	19,771
	<u>18,647,847</u>	<u>19,371,550</u>
<b>Net Assets</b>		
Invested in property and equipment	10,878,688	8,880,006
Internally restricted - Note 7	2,922,000	1,822,000
Unrestricted	2,895,698	3,497,394
Net assets	<u>16,696,386</u>	<u>14,199,400</u>
	<u>\$ 35,344,233</u>	<u>\$ 33,570,950</u>
Commitments - Note 9		

APPROVED:

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR

	Budget 2016	Actual 2016	Actual 2015
(Unaudited Note 8)			
<b>Revenue</b>			
Passenger	\$ 1,980,859	\$ 1,979,171	\$ 1,741,134
Vehicle parking	840,258	960,582	816,489
Regulatory recovery fee	623,081	596,194	545,307
Lease, licence, and concession	478,655	541,772	496,658
Land lease and licence	250,158	245,011	234,828
Airside facility lease concession and fees	90,956	109,609	89,136
Interest and miscellaneous income	46,800	82,927	57,059
	<u>4,310,767</u>	<u>4,515,266</u>	<u>3,980,611</u>
<b>Expenses</b>			
Administration and management	707,047	645,698	648,388
Safety and security services	621,497	620,275	481,514
Operations and maintenance airfield	610,824	612,107	318,447
Operations and maintenance ATB	478,188	483,182	396,852
Marketing	382,840	309,796	233,396
Airport commission	189,637	156,764	157,902
Community engagement	150,870	148,500	111,770
Insurance	55,800	83,128	53,802
Planning and development	83,800	51,598	87,780
Property taxes and miscellaneous expenses	28,800	20,434	21,168
	<u>3,309,303</u>	<u>3,131,482</u>	<u>2,511,019</u>
<b>Revenue in excess of expenses before other revenue (expenses)</b>	<u>1,001,464</u>	<u>1,383,784</u>	<u>1,469,592</u>
<b>Other revenue (expenses)</b>			
Passenger facility fee	1,731,072	1,650,716	1,509,415
Amortization of deferred contributions related to property and equipment	871,097	838,882	820,433
Interest on demand loan	(69,871)	(63,546)	(77,370)
Amortization of property and equipment	(1,401,918)	(1,312,850)	(1,262,131)
	<u>1,130,380</u>	<u>1,113,202</u>	<u>990,347</u>
<b>Revenue in excess of expenses</b>	<u>\$ 2,131,844</u>	<u>\$ 2,496,986</u>	<u>\$ 2,459,939</u>

Nanaimo Airport Commission  
Statement of Revenue and Expenses  
For the year ended December 31, 2016

Nanaimo Airport Commission  
 Statement of Changes In Net Assets

For the year ended December 31, 2016

	Invested in Property and Equipment	Internally Restricted	Unrestricted	Total 2016	Total 2015
		(Note 7)			
<b>Balance, beginning of the year</b>	\$ 8,880,006	\$ 1,822,000	\$ 3,497,394	\$ 14,199,400	\$ 11,739,461
<b>Revenue in excess of expenses, net of unrealized gain</b>	-	-	2,496,986	2,496,986	2,459,939
<b>Amortization of deferred contributions related to property and equipment</b>	838,882	-	(838,882)	-	-
<b>Amortization of property and equipment</b>	(1,312,850)	-	1,312,850	-	-
<b>Net transfers</b>	-	1,100,000	(1,100,000)	-	-
<b>Repayment of debt</b>	356,455	-	(356,455)	-	-
<b>Purchase of property and equipment, net of disposals</b>	2,116,195	-	(2,116,195)	-	-
<b>Balance, end of the year</b>	\$ 10,878,688	\$ 2,922,000	\$ 2,895,698	\$ 16,696,386	\$ 14,199,400

	2016	2015
<b>Cash provided (used):</b>		
<b>Operating activities</b>		
Revenue in excess of expenses	\$ 2,496,986	\$ 2,459,939
Items not involving cash		
Amortization of property and equipment	1,312,850	1,262,131
Amortization of deferred contributions related to property and equipment	(838,882)	(820,433)
Gain on disposal of equipment	-	(583)
	2,970,954	2,901,054
Changes in non-cash operating accounts		
(Increase) decrease in accounts receivable	(120,396)	71,023
Decrease (increase) in prepaid expenses and operational supplies	26,023	(22,627)
Decrease in deferred leasing costs	596	597
Increase in accounts payable and accrued liabilities	464,386	28,906
Increase in deferred lease revenue	7,248	11,542
	3,348,811	2,990,495
<b>Financing activities</b>		
Decrease in callable debt	(356,454)	(342,630)
<b>Investing activities</b>		
Purchase of property and equipment	(2,116,195)	(1,291,104)
Proceeds from disposal of property and equipment	-	4,500
Capital contributions	-	816,444
Increase in short-term investments	(824,110)	(159,080)
Increase in long-term investments	(143,178)	(434,488)
	(3,083,483)	(1,063,728)
<b>(Decrease) increase in cash</b>	(91,126)	1,584,137
<b>Cash, beginning of the year</b>	3,298,813	1,714,676
<b>Cash, end of the year</b>	\$ 3,207,687	\$ 3,298,813

Nanaimo Airport Commission  
 Statement of Cash Flows

For the year ended December 31, 2016

## Nature of operations

The Nanaimo Airport Commission is registered as a non-profit society which was incorporated under the Society Act of British Columbia and files as a non-profit organization under the Income Tax Act. The commission operates the Nanaimo airport facility which serves individuals travelling to and from central Vancouver Island. On December 2, 1996, all airport land, buildings, and improvements were transferred to the commission from the Ministry of Transport for \$10. Under the terms of the transfer agreement, the commission must continue to operate the airport until December 2, 2046. If the commission ceases to operate or manage the airport, the Ministry of Transport has the option to reacquire the facilities for \$1. This option expires December 2, 2046.

Prior to the transfer, the commission operated the airport through a head lease from the Ministry of Transport.

### 1 Significant accounting policies

- Basis of accounting  
These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.
- Cash and cash equivalents  
Cash and cash equivalents consist of cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date.
- Deferred leasing charges  
Deferred leasing charges are amortized over the life of the lease.
- Property and equipment  
Purchased property and equipment are recorded at cost at date of transfer and amortized. Contributed property and equipment are recorded at fair market value (as per property assessments) at the date of transfer and amortized.

Amortization is recorded on a straight-line basis over the estimated useful life of the property and equipment as follows:

Buildings and improvements	25 years
Runway, airfield, and parking lot improvements	
Subgrade	20 & 50 years
Paving	10 years
Heavy aviation support equipment	20 years
Fence	10 years
Mobile equipment	15 years
Furniture, equipment, and computer hardware	5 years
Vehicles	5 years
Computer software	5 years

In the year of acquisition, amortization is recorded at one-half of these rates.

### 1 Significant accounting policies - cont.

- Revenue recognition  
The commission follows the deferral method of accounting for operating grants. Operating grants are recognized as revenue in the year in which the related expenses are incurred. Capital grants are deferred when received and amortized over the useful life of the corresponding assets.

Revenue is recognized as follows:

- Landing and general terminal fees are recognized as revenue when airport facilities are utilized.
- Passenger facility fee revenue is recognized at passenger departure.
- Concession revenue is recognized monthly based on the relevant agreements.
- Parking concession revenue is recognized as the lot is used.
- Revenue from leases is deferred and recognized into revenue over the life of the lease.
- Investments  
Short-term and long-term investments consisting of term deposits and GICs are recorded initially and subsequently measured at fair value. Changes in fair value are recognized in net income in the period incurred.
- Use of estimates  
The preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the reporting period. Significant areas requiring the use of management estimates relate to the determinations of the collectibility of accounts receivable, the amortization of property and equipment, and provisions for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in operations in the period of settlement.

## 2 Property and equipment

	Cost	Accumulated Amortization	Net 2016	Net 2015
Land	\$ 3,676,779	\$ -	\$ 3,676,779	\$ 3,666,779
Buildings and improvements	13,977,790	4,966,276	9,011,514	9,312,361
Runway, airfield, and parking lot improvements	22,076,511	7,623,275	14,453,236	13,495,613
Heavy aviation support equipment	972,760	64,633	908,127	786,130
Fence	346,592	240,362	106,230	53,785
Mobile equipment	238,877	39,813	199,064	214,990
Furniture, equipment, and computer hardware	787,590	646,221	141,369	124,913
Vehicles	1,146,943	1,028,712	118,231	157,620
Computer software	91,073	56,028	35,045	34,057
	\$ 43,314,915	\$ 14,665,320	28,649,595	\$ 27,846,248

Included in property and equipment is \$1,655,649 of assets which have not yet been put into use, and are therefore not being amortized.

Included in property and equipment is the airport facility acquired by way of the transfer agreement described in the nature of operations. The transfer was recorded at \$7,000,000 (\$2,600,000 for the land, \$2,600,000 for buildings and improvements, and \$1,800,000 for the runway, airfield, and parking lot improvements).

## 3 Internally restricted cash and investments

The internally restricted cash and investments consist of cash in the bank, short-term investments, and long-term investments. The short-term investments consist of several term deposits and GICs, having interest rates ranging from 1.61% to 2.75% and maturing at various dates from January 11, 2017 to June 19, 2017. The long-term investments consist of several term deposits and GICs having interest rates ranging from 1.80% to 2.55% and maturing at various dates from January 11, 2018 to March 24, 2021. As a condition of its callable debt (Note 4), the commission must maintain a minimum of \$210,000 in GICs or cash in its investment account.

## 3 Internally restricted cash and investments - cont.

	2016	2015
Cash	\$ 3,207,687	\$ 3,298,813
Short-term investments	1,169,460	345,350
Long-term investments	1,495,551	1,352,373
Total cash and investments	\$ 5,872,698	\$ 4,996,536
Internally restricted	\$ 2,922,000	\$ 1,822,000
Unrestricted	2,950,698	3,174,536
	\$ 5,872,698	\$ 4,996,536

## 4 Callable debt and line of credit

	2016	2015
- Callable debt		
Royal Bank of Canada - interest payable at prime plus 0.30% requiring blended, monthly payments of \$35,000; repayable in full on May 12, 2017	\$ 1,930,552	\$ 2,287,006

The debt is secured by a general security agreement on all property of the commission. Debt is further secured by a collateral mortgage in the amount of \$875,000 constituting a first fixed charge on certain lands and improvements. In addition, there is a collateral mortgage including first ranking assignment of all rents in the amount of \$6,300,000 constituting a first fixed charge on certain lands and improvements. In addition, the commission must maintain six months of term loan payments held in an account maintained with RBC Dominion Securities Inc. (2016: \$210,000; 2015: \$210,000).

When the loan becomes due, it is management's intent to renew the demand loan for an additional 12-month period.

- Line of credit  
The line of credit is a \$100,000 operating line of credit with the Royal Bank of Canada. Interest is payable at prime plus 0.50% on the outstanding balance. There was no outstanding balance at December 31, 2016.

## 5 Deferred contributions related to property and equipment

Deferred contributions related to property and equipment represent contributed property and equipment and capital grant contributions with which the airport buildings and various other property and equipment were acquired. These contributions are amortized into revenue at the same rates as the related property and equipment are amortized. The changes in the deferred contribution balance for the year are as follows:

	2016	2015
Balance, beginning of the year	\$ 16,679,237	\$ 16,683,225
Capital grants funds realized	-	816,444
Amortized to revenue	(838,882)	(820,433)
	\$ 15,840,355	\$ 16,679,236

## 6 Government remittances

The commission has the following amounts owing (receivable) for government remittances at December 31, 2016.

	2016	2015
GST	\$ (17,952)	\$ 16,181
Worksafe BC	\$ 2,395	\$ 1,719
Source deductions	\$ 26,456	\$ 21,277

## 7 Internally restricted

	2016	2015
Tangible capital asset reserve		
Opening balance	\$ 1,722,000	\$ 882,000
Contributions	1,200,000	840,000
	<u>2,922,000</u>	<u>1,722,000</u>
Regulatory recovery fee reserve		
Opening balance	100,000	-
Contributions	100,000	100,000
Expenditures	(200,000)	-
	<u>-</u>	<u>100,000</u>
	<u>\$ 2,922,000</u>	<u>\$ 1,822,000</u>

## 8 2016 budget

The 2016 budget figures presented in these financial statements are based on the accounting budget as approved by the Board of Directors on November 17, 2015.

## 9 Commitments and subsequent events

The commission entered into a five-year agreement with a fuel supplier as of October 1, 2013. If the supplier's gross profit is less than \$11,500 per month, the commission is required to pay the shortfall to the supplier. As of December 31, 2016, there was no amount payable to the supplier as a result of this obligation (2015 - \$0).

The commission has signed various agreements both during and subsequent to the year-end for \$988,773 for capital projects in progress that have not been accrued/reflected in the financial statements.

Subsequent to the year-end a contribution of \$148,970 was received from Transport Canada for the Aircraft Rescue Fire Fighting vehicle shelter.

## 10 Comparative figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

## 11 Financial risk and concentration of risk

### - Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The commission is exposed to interest rate risk as the interest rate on its demand loan floats with market interest rates. A 1% increase in interest rates would increase the commission's interest expense by approximately \$19,306 per year based on the financing held at the year-end. The commission does not use derivative instruments to reduce its exposure to interest risk.

### - Credit risk

The commission is exposed to credit risk from its carriers, tenants, and licensees. The commission has a significant number of diverse tenants and licensees which reduce the concentration of credit risk; however, at the year-end there were three major scheduled carriers, which increases the amount of credit risk as the carriers create the largest portion of revenue. At December 31, 2016, receivables included \$398,095 (2015 - \$354,976) from the commission's largest customers.

### - Currency risk

There were no significant accounts receivable or accounts payable denominated in foreign currency at the year-end. The US dollar cash balance was \$24,623 CAD at December 31, 2016 (2015 - \$21,238). The commission does not use hedging to minimize their risk to foreign exchange fluctuations as they do not consider this risk to be significant.

## The Future

# Expansion needed to meet demand, drive economic growth

As one of B.C.'s fastest-growing airports, we're reaching passenger growth forecasts years ahead of schedule. And that means we need to expand to keep up with the demand, and to continue to drive economic growth in the communities that rely on us from Duncan to Tofino.

The Nanaimo Airport Commission's 25-year capital plan calls for millions of dollars in investments for new and replacement infrastructure and major capital equipment. The work includes:

- Expansion of the Air Terminal Building
- More room for aircraft parking
- Enlarged flight operations areas
- Bigger vehicle parking lots for passengers
- Road upgrades

The upgrades will be phased in and carefully managed to ensure they are not only cost effective but also deliver benefits throughout the region.

Those benefits range from improved services and less congestion at peak times for travellers, to jobs before, during and after construction for other residents.

The need for the work is clear. Records for passenger volume have been smashed for seven straight years. In 2016 we saw more than 340,000 travellers. A recent projection prepared by industry expert SNC Lavalin suggests we will surpass 400,000 passengers by 2020, and 750,000 passengers by 2044. This data is using projections based on a medium growth scenario, rather than a "best case" forecast.

Currently, our Air Terminal Building isn't sufficient to meet the demands for service at peak times of airport use.

There's another important consideration driving our expansion plans: our role as an economic catalyst for the communities we serve.

In 2016 we generated an economic impact of \$229 million that was felt from the Cowichan Valley to the Alberni Valley and West Coast and everywhere in between. A new study shows that impact could grow by 2021 to \$358 million -- money that will be spent, for example, by tourists on hotels in Oceanside, by business owners in Ladysmith on supplies, by retirees coming to Nanaimo to purchase real estate, and by investors coming to Duncan to purchase, start or buy businesses.

Such economic growth depends on us having the necessary facilities and infrastructure in place to accommodate the surging demand. Improving air services make it easier for business, investment and population growth to occur. And when those areas grow, demand for additional air service grows too.

A review of our history proves that pattern to be true. In 2010, for example, we completed a significant runway extension. The provincial and global economies at the time were

dealing with the aftermath of the previous year's financial crisis. Despite the downturn, our passenger volume began an upward trajectory -- one that seriously accelerated from 2013-2016. In that same time, our regional economy showed dramatic growth.



## The Future

# First phase enlarges terminal

The first phase of our expansion plan has already begun. Here's what it includes:

### Passenger lounge expansion

In the fall of 2016 we implemented a process to expand seating in the passenger departure lounge during peak times. The additional space substantially increases the number of seats in the boarding lounge, provides a standing area for those who want to stretch their legs before their flight, and generally reduce overall congestion in the boarding area.

### A new fire hall

At the end of 2016 work started on our new fire hall, which will house our emergency equipment. When done, the hall will provide us with a dedicated training space and further enhance safety for users.

### Terminal building extension and enhancements

Our 20-year plan for the Air Terminal Building was completed in 2016. It calls for carefully managed development in phases, driven by demand and availability of funds. When complete, the project will expand the passenger departure lounge, extend the baggage room, to allow for more baggage to be processed, and expand the security screening area to allow for checked bags to be screened separately from passengers.

## What's ahead in future phases

Our capital plan calls for many other improvements that will be phased in over the next 20 years. Future phases call for:

- Enlarged airside apron for aircraft
- New roads on site
- More parking spaces
- Additional space in the Air Terminal Building and new features such as boarding bridges to aircraft
- Development of unused land to attract new businesses



## 2016 Highlight Projects Overview

# Our growth helps propel many sectors in our communities

2016 was another year of growth at the Nanaimo Airport, fuelled by increasing need from our communities.

We continue to exceed all of our projections, with passenger volume growing by 9.2% to approximately 340,000 people. That's equivalent to every single person in our primary service area boarding a plane nearly 1.5 times."

The benefits from such a busy year helped all corners of our region remain vibrant and sustainable.

### Tourism

Our research shows that more than 40% of people using the airport come from somewhere other than Vancouver Island. As a result, the direct tourist expenditure from

our passengers was an estimated \$61 million in 2016, according to a study on our economic impact.

We also hosted the BC Aviation Council Spring Airports Conference, the industry's major annual gathering. It brought approximately 130 delegates to our region. The conference sessions explored innovative ideas in aviation, and delegates explored our region.

### Education

The education sector also experienced strong growth driven by airport operations. Vancouver Island University, for example, relies on us for the development of its international student market, which has increased by an average of 10% annually over the last three years.

And it's not just students using planes. Post-secondary institutions in the area benefit from

convenient air links to major centres of government and business for both administrative and academic personnel.

### Business

Businesses throughout our communities used the airport to reach new markets, refine their supply chains, and attract new workers and investors.

An increase in cargo passing through our gates last year helped propel dramatic growth for many businesses such as couriers and shippers.

### Technology

Our airport is fundamental to the area's burgeoning technology sector. The availability of flights that can connect to just about anywhere in the world further expands the pool of highly skilled labour. It also enhances the region's appeal to tech workers.

## Upgrades make safety, convenience better than ever

Meeting the needs of our communities today and into the future -- that was the goal of the many improvements we made at the Nanaimo Airport in 2016.

Here are some of the key projects:

### More efficient passenger screening

Unlike most airports our size, we use a side-of-house system that allows passengers and their checked bags to be screened at the same time. In 2016 we worked with the federal Canadian Air Transport Security Authority to enhance our system, drastically reducing waiting time. More passengers can prepare for the security check at one time so the line flows continuously even when a bag needs to have additional screening.

### More parking spaces

We added two more parking lots in 2016, and moved car rentals to a new paved lot to open up the 30 stalls in the main paved lot. The realignment reduced traffic and improved safety for our users.

### More safety measures

With the help of federal Airports Capital Assistance Program investment, we started building a \$1-million fire hall for an aircraft rescue and the firefighting vehicle and equipment. The new hall will greatly enhance our emergency response capability, ensuring continued safe airport operation for passengers, flight crews and employees.

### More room on the apron

An expansion project, with partners the Nanaimo Flying Club and Enex Aviation Services, relocated general aviation aircraft off our main apron to reduce congestion.

### New air ambulance services

Alkan Air joined our list of business partners, bringing three aircraft configured full time for Medivac flights to its new hangar. Its crews are available 24 hours a day, 7 days a week for flights throughout the Yukon, Northern B.C. and to major centres in Southern Canada. From here, Alkan can assist in remote medical evacuation.



## 2016 Highlight Projects: Land Development

# Bringing new businesses will spread prosperity

Developing available land at our airport could spur lasting economic growth throughout our communities.

To help capitalize on that opportunity, we signed a partnership agreement in 2016 with Executive Flight Center Developments to promote our available land. These industry experts have created a YCD Aviation Gateway marketing plan to attract buyers and investors. This focused approach paid off within months when Alkan Air moved operations to the airport, building a new hangar for its aircraft.

All construction will be in accordance with our 20-year land use plan, which guides development on our property. The plan helps us fulfill our mandate to develop, manage, and operate the airport, and ensures all development is compatible with the surrounding communities.

Commercial activities would complement current airport activities and provide the services needed to support our long-term growth and financial sustainability.

Our available land for airside and groundside development is among the largest of any B.C. airports in close proximity to Vancouver. More than 50 hectares have prime business potential.

Development will proceed in phases. We are currently in Phase 1, offering significant areas of developable land fronting both the main airport roadway and the primary taxiway.

Extensive research identified the most likely businesses to pursue including:

- Cargo facilities
- Commercial fixed-base operations such as a fuel supplier or aircraft maintenance
- Hangars for corporate or private aircraft
- Aircraft sales
- Maintenance Repair and Overhaul (MRO) services including a/c conversions, interiors, painting, etc.

In the remaining phases, other potential purchasers or tenants for airport land could include:

- Freight and courier operations

- Terminal retail and services
- Aviation support services
- Aircraft-related suppliers
- Aerospace education and training
- Air transport-dependent businesses
- Aircraft storage and maintenance

Land could be developed for a variety of services catering to airport users, employees and the nearby communities.

Responsible development will have direct and indirect benefits for residents throughout Central Vancouver Island.

The most immediate impact would come from employment opportunities. Engineers, tradespeople and other construction-related positions would be created initially, and staff would need to be hired for the new businesses.

The additional services made possible by development could also help the airport attract more air carriers, which would mean additional and easier travel options for residents.

### Our competitive advantages for investors and entrepreneurs

Here are some of the advantages our land offers for businesses interested in locating here:

- Easy air access to undeveloped airside land, including taxiway lots, and larger areas of unimproved land.
- Ample land with general access for the public and restricted access for aircraft operations.
- Modern infrastructure that includes an Instrument Landing System, on-site aircraft rescue and firefighting.
- A full service Air Terminal Building with Customs and passenger screening facilities.
- An airport management team that has decades of aviation industry experience.
- Growing customer traffic.
- A strategic location at the hub of the regional economy, with high-visibility land paralleling the Island's main highway.
- Easy access to markets, both on and off Vancouver Island.
- Competitive lease rates thanks to affordable commercial fees.



## 2016 Highlight Projects: Community Engagement

# Being a good neighbour through community service

As a community-based, not-for-profit organization, the Nanaimo Airport believes strongly in being a good corporate citizen -- and a good neighbour.

We value the relationships we have built throughout the region. We support many projects that contribute to the well-being of the people who live here, and that help strengthen our communities.

Here are some of the projects that kept us connected with the people we served in 2016:

### Sharing information and seeking input

We're committed to keeping residents updated on our activities, and to asking for their input. We use a variety of methods to reach as many people as we can.

In 2016 we travelled to more than 25 venues to make public presentations, formally and informally. The feedback and questions we received about airport operations helped us shape our plans for the future.

We again hosted our annual Open House, a chance for the community to learn about our operations and equipment, and to meet members of the Nanaimo Airport Team.

We also kept in regular contact through social media and our blog.

### Hosting a noise mitigation roundtable

Noise exposure in inhabited areas around the airport in 2016 remained well below Transport Canada guidelines -- a trend that has carried on for several years.

A big part of our success is attributable to the roundtable meetings we host to discuss airport noise. We invite neighbours as well as representatives from the Nanaimo Flying Club, area pilots, Nav Canada and airport staff to the sessions, which provide a balanced forum.

Not only do participants get to be heard, but they also learn about aviation regulations and procedures to help foster a better understanding of the issues.

### Supporting the Ride for Life

We serve on the organizing committee for Nanaimo & District Hospital Foundation's Ride for Life, and host the cycling event that raises money for health care in the region. Proceeds from the 2016 ride will help purchase a new CT scanner for Nanaimo Regional General Hospital.

### Sponsoring the Festival of Lights

We proudly completed our second year of sponsorship for the Ladysmith Festival of Lights, the largest family winter celebration in our communities.

Our sponsorship helped fund energy-saving LED bulbs for the focal point of the festival: the Chuck Perrin Memorial Tree.

### Supporting Air Cadets

We help the aviators of today and tomorrow by hosting the Annual Review for the 205 Collishaw Nanaimo Squadron of Air Cadets, in conjunction with the Nanaimo Flying Club. We also serve as the base for twice-yearly air cadet glider training.

During the Review, cadets showcase their skills to their families and guests, and receive various merit awards they've earned.

Glider training takes place twice, in spring and fall. Senior air cadets fly the gliders to gain experience as part of their training for a private pilot's licence.

### Supporting the North Oyster & Area Historical Society

Every year we help the society with its work on the area's community centre by making a donation to thank Society volunteers for running barbecues at airport events. The historic centre hosts a variety of functions vital to the community, including wedding receptions, birthday parties, social gatherings and meetings.





## 2016 Highlight Projects: Environmental Stewardship

# Sustaining our environment, for the benefit of all

Protecting the environment is the right thing to do for our communities, which is why it's one of our key corporate values.

We have in place many programs and policies to protect the airport ecosystem, from managing and conserving habitat to recycling materials. By committing substantial resources we have exceeded the requirements for compliance with federal regulations.

We also factor our environmental responsibilities into every business decision we make, viewing environmental protection as a pillar of our sustainability and part of our workplace culture.

We're committed to balancing the maintenance of a safe airfield with the management of our land as a habitat for species that can safely coexist with aviation.

Here are some of the ways in which we help to preserve the environment around our airport, for the benefit of our nearby communities:

### **Following a pro-active Environmental Management Plan**

Our Environmental Management Plan (EMP) covers all of our water and land resources, natural habitat, aeronautical noise, energy use, and waste management. It sets priorities and direction for our environmental performance.

Using a "Plan, Do, Check, and Act" model, our integrated environmental management system guides our activities. As a result, we proactively protect the environment by monitoring and correcting risks before they result in unsafe conditions, accidents or environmental harm.

### **Protecting surface and groundwater resources**

We engage a team of consulting scientists to help us protect the Cassidy Aquifer, which stretches across the region. By conducting ongoing sampling from eight monitoring locations, we're able to monitor and better understand water flow and quality.

We also have management strategies for

preventing leaks and spills of harmful substances, to further protect surface and groundwater resources.

### **Managing vegetation to enhance safety**

Our vegetation management program protects our flight path to enhance safety. It also lays out strict guidelines to ensure the sustainability of our environment.

We've implemented a re-vegetation strategy, planting new trees to replace ones that had to be removed. Part of our strategy is to use slower growing trees and shrubs, rather than the poplars on site that can grow more than three metres per year. The goal of the strategy is to reduce the need to top trees.

### **Enhancing Haslam Creek to create sustainable fish habitat**

We support, monitor and maintain a restoration project that enhances fish habitat in the lower reaches of nearby Haslam Creek. Our careful stewardship of the land has been part of a successful partnership with community organizations that has lasted more than a decade.



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