



YYJ

VICTORIA
INTERNATIONAL
AIRPORT

Victoria Airport Authority 2020 Annual Report



Photo credit: Doug Clement

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NOTE: Events arising from the COVID-19 pandemic significantly impacted Victoria Airport Authority's performance in 2020 and will continue to affect forward-looking results.



Message from the Board Chair



Gordon Safarik
Board Chair

In last year's message, I shared how impressed I was with the resourcefulness and abilities of Victoria International Airport (YYJ) to respond to its challenges. At that time, we had record passenger numbers, near record profits and no debt. We were looking forward to a positive year, making capital and operational plans in preparation for our next level of growth.

Those plans all came to an abrupt halt with the onset of the pandemic we now find ourselves in.

We took the initial warning signs with the utmost seriousness. Capital plans were reviewed and modified, financial modelling was undertaken, and staff training and awareness were all enhanced to deal with the situation. In anticipation of a return to some form of normality within

a reasonably short period of time, we decided to complete most of our ongoing, in-progress projects and put all non-necessary and new capital projects on hold.

We now know that our anticipated timeline was unrealistic. But while our passenger numbers have plummeted below our worst projections and related revenues have fallen, we managed to break even on a cash basis nonetheless.

Even so, 2020 was a most challenging year. We recognize that all Canadian airports have much in common in this struggle. Our airline partners, the lifeblood of airports, are struggling with cost-cutting measures and layoffs too. We have to work until this situation is resolved.

Throughout this ongoing crisis we continue to ensure our customers have the best experience possible, and we continue to evolve our safety protocols, often on a daily basis, to keep our customers and staff as safe as possible.

As difficult as this time has been, we have maintained programs that support our high quality operations and customer service. YYJ was recognized for its efficient operations and excellent service, and we are confident about reaching the next level of Airports Council International's carbon accreditation program.

Our staff have remained active during this period, forging ahead on many of the environmental and community initiatives in our strategic plan. Our board has also been very involved in guiding our efforts during this difficult year. I would like to thank our outgoing board members, Rod Dewar, Marilyn Loveless and Brenda Nunns-Shoemaker, for their many contributions to the airport during their tenure and for their extra efforts in 2020.

The introduction of a national vaccination program may finally give us some light at the end of the tunnel. When that end is reached, I am more than confident that YYJ is ready to resume full-scale operations on very short notice.

Canada needs its airports. They are a vital part of our economic growth and prosperity, and we will be ready to do our part in fulfilling our obligations to our customers, staff, stakeholders and community.

I want to thank everyone on the board of directors for their efforts to deal with this situation, which has been difficult at times. I am proud of the seamless interaction between staff and the board, and the extra effort everyone has made on a daily basis.

In closing, I am even more impressed with the resourcefulness and abilities of everyone at Victoria International Airport. We will return from this crisis stronger and better than ever before.

Gordon Safarik, Board Chair

Message from the President and Chief Executive Officer



Geoff Dickson
President and
Chief Executive Officer

2020 was a year like no other. The COVID-19 pandemic wreaked havoc on the global economy and, in particular, the aviation industry. Victoria International Airport (YYJ), along with its Canadian airport colleagues, witnessed traffic declines of up to 98% in the second quarter of 2020 and, overall, a 70.1% decline in traffic for the year. The final traffic count was 574,874 passengers through YYJ, which is dramatically different than the 1.924 million passengers of 2019.

With all forms of revenue at risk, action was taken to reduce operating expenses by 25% and to defer all capital expenditures, with the exception of projects committed to and/or substantially complete.

Activities for the majority of 2020 were directed towards cost containment, re-negotiating revenue contracts, securing financing and establishing new safety protocols for passengers, airline tenants and Victoria Airport Authority (VAA) employees.

VAA introduced a multi-layered bio-security program called TravelSafe YYJ, based on recommendations from the International Civil Aviation Organization (ICAO). The program included physical distancing markers; plexiglass barriers, including in the pre-board screening checkpoint, where YYJ was the first airport in Canada to be approved by Canadian Air Transport Security Authority (CATSA) to do so; branded hand sanitizing stations placed throughout the terminal; probiotic sprays to disinfect key touchpoints; overnight electrostatic cleaning and enhanced cleaning protocols. The Air Terminal Building was restricted to employees and travellers only, and the short-term parking lot was established as a pick-up area.



Photo credit: Victoria Airport Authority

YYJ received international recognition for the TravelSafe YYJ program, something that we are particularly proud of. YYJ received accreditation under the Airports Council International (ACI) Airport Health Accreditation Program and the Airport Service Quality (ASQ) Award for Best Hygiene Measures in North America.

YYJ participated in the Federal Government's Canadian Emergency Wage Subsidy program, which is greatly appreciated by YYJ, as is the fall aid package to Canadian airports. It provided rent relief and an increase to the Airport Capital Assistance Program for small airports, with \$500 million earmarked for large airport construction projects and \$206 million for regional air service. While these are positive steps, we have a long way to go to fully recover.

Throughout the challenges of 2020, YYJ achieved some notable milestones. In particular, the single largest capital project undertaken by YYJ, the expansion of the lower passenger departure lounge, was completed. This spectacular addition is something that all travellers through YYJ will enjoy, and it will serve the airport's requirements for many years to come. Completing a project of this magnitude, which required hundreds of workers during a pandemic, is a significant accomplishment.

VAA is pleased that the airport received Rick Hansen Foundation - Accessibility Certified Gold rating, not only for the new terminal expansion, but also for the entire terminal facility. The Rick Hansen Foundation's national rating and certification program measures the accessibility of buildings and sites and promotes increased access through the adoption of universal design principles.

YYJ was recognized by the Air Transport Research Society (ATRS) as the most efficient airport in North America under five million passengers. This achievement serves as a reminder that YYJ's fiscally conservative low-cost approach has served the airport well in navigating the downturn in revenue. YYJ's financial position is bolstered by its lack of long-term debt.

YYJ was also named best airport in North America (under 2 million passengers) for customer service. This is the third time YYJ has won the prestigious Airports Council International Airport Service Quality (ASQ) award.

While the extended downturn of this magnitude is not sustainable for YYJ, there is a degree of optimism that air travel will begin to rebound in 2021. What we initially believed might be a two-month period of restrictions has now entered its second year. However, with the rollout of the vaccine, hope is on the horizon. Recovery will be a gradual process, but it will happen.

As a country with vast geography and population dispersion, Canada relies on air travel. Many of us have been affected by COVID-19, if not by illness, then by missed significant special occasions, dream vacations and important business meetings. People's desire to reconnect is palpable, and there is a strong ambition to travel as soon as it feels safe again.

As restrictions are lifted, air travel will play a major role in helping to restore economic growth. While there is still a very long road to recovery, we know that one day soon we will get there. In the meantime, please know that our airport community is working hard to make sure you can travel safely now when you need to, and when it is time to fully travel again, YYJ will be ready to serve you.

Geoff Dickson, President and CEO

2020 HIGHLIGHTS



2020 Highlights

AWARDS AND RECOGNITION

- Airports Council International:
 - Airport Service Quality Award: Best Airport by Size and Region (Under 2 Million Passengers per Year in North America)
 - Airport Service Quality Award: Best Hygiene Measures by Region (North America)
 - Airport Health Accreditation
 - Airport Carbon Accreditation
- BC's Top 100 Employers Award
- Air Transport Research Society – Most Efficient Airport with Under 5 Million Passengers in North America
- Rick Hansen Foundation – Accessibility Certified Gold



Photo credit: Victoria Airport Authority



Photo credit: Victoria Airport Authority

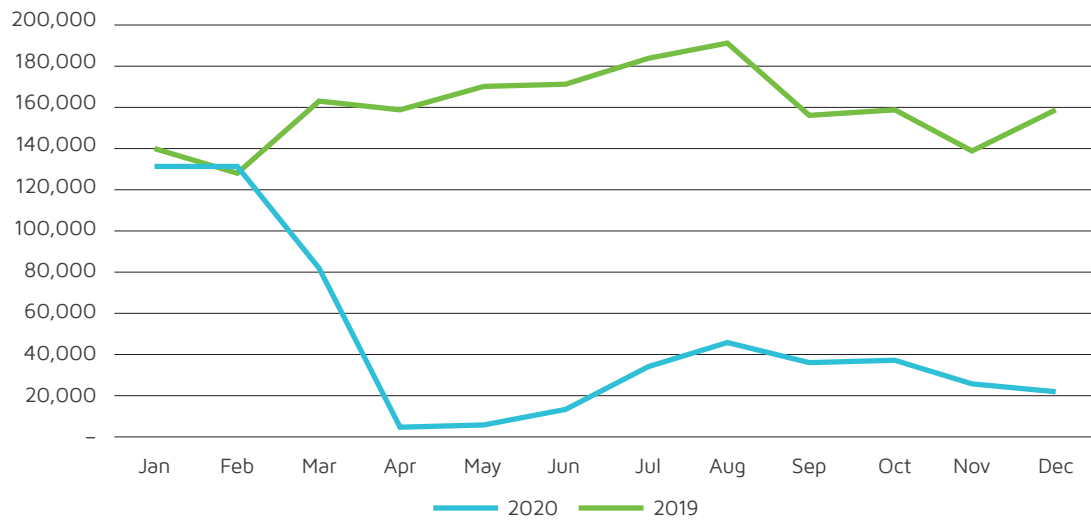
INITIATIVES

- TravelSafe YYJ Program, proactively enhancing health and safety within the airport
- \$19.9 million Passenger Departure Lounge Expansion
- Victoria Distillers, the first airport distillery in Canada where travellers can purchase local craft spirits
- New sculptural artwork, *Time Catcher*, by local artist Charles Campbell
- Three new real estate tenants:
 - Titan Boats
 - Western Canada Marine Response Corporation
 - Blue Heron Aeropark

Total number of
passengers in 2020:
574,874

COVID-19 PANDEMIC

Passenger Traffic 2020 and 2019



COVID-19 Pandemic

In the wake of the COVID-19 global pandemic, 2020 was an unusual and extremely challenging year for Victoria International Airport (YYJ). The impacts of the coronavirus severely affected YYJ's passenger traffic, aircraft activity, revenues and overall financial performance.

While the pandemic caused many severe consequences, it also demonstrated the resilience of the airport's people and systems to provide safe, high-quality air travel throughout the crisis and maintain the programs and planning that will safeguard future operations. These successes bode well for the airport's ability to address the ongoing threats of the pandemic and meet high passenger volumes when travel becomes more practical in the future.



Photo credit: Victoria Airport Authority

GLOBAL IMPACT

In March 2020, the Canadian government joined the governments of countries around the world in closing their borders to non-essential travel and issuing travel restrictions. Many airlines cut routes, suspended service or grounded their fleet altogether. Airports became empty.

At the height of the lockdown, airports around the world reported up to a 98% decrease in passenger traffic, which is unprecedented in the history of aviation. While there was a moderate rebound over the summer, a resurgence of COVID-19 saw government and health authorities enact additional travel restrictions.

No other industry, on a local, national or global scale, has been impacted more than the aviation sector. Revenue losses for the global aviation industry in 2020 were estimated at nearly \$400 billion. As the economy normalizes, the aviation industry will likely be the last to fully recover. The aviation sector predicts that 2019 levels of passenger activity will reoccur no earlier than 2023/24.

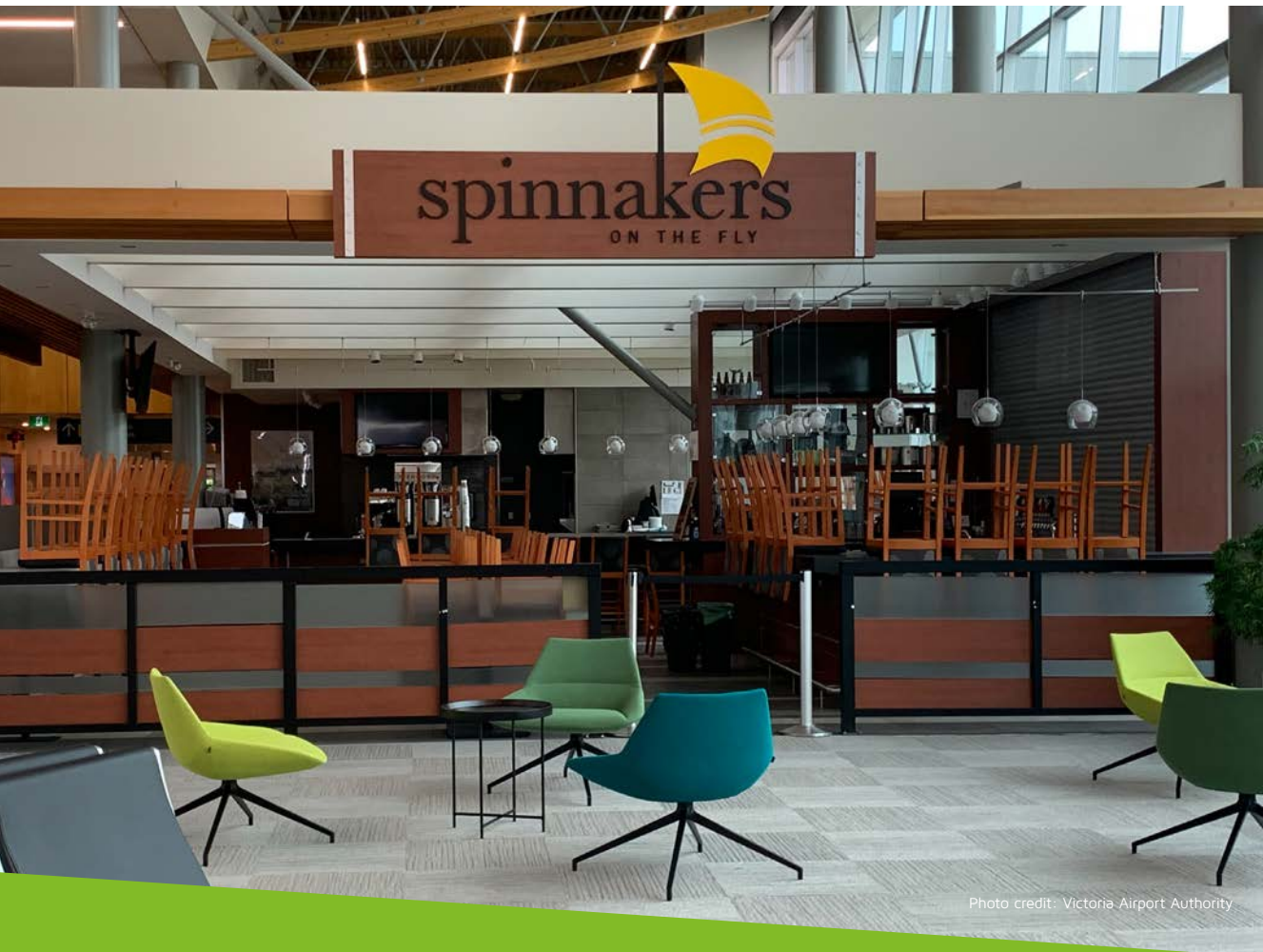


Photo credit: Victoria Airport Authority



Photo credit: Victoria Airport Authority

LOCAL REALITY

Not surprisingly, YYJ felt the repercussions of the global pandemic. With many flights grounded and travellers staying home, traffic in the airport drew to a near standstill. Businesses that had expected to see more than two million travellers pass through the airport over the year were faced with a grim reality.

Initially, dwindling customer numbers forced many of the airport's restaurants, retail stores and concession booths to lay off staff, but as the pandemic stretched on, many were forced to close until business returns to normal.

Likewise, because Victoria Airport Authority (VAA) depends upon travellers for operating revenue, prudent financial responsibility required changes in airport operations. Operating expenses were reduced by 25%. Non-essential capital projects were deferred. Alternate sources of revenue were sought.

A CONCERTED RESPONSE

Even while the airport community struggled to cope with the logistical aspects of the pandemic and the crippling loss of customers that it created, creativity and perseverance behind the scenes enabled operations to continue throughout the lockdown. Everyone worked together to enact plans that had been created for such an event, brainstorm proactive safety enhancements and plan to provide high-quality services throughout the pandemic and beyond.

VAA was prepared to respond to this emergency, and it did so effectively and without hesitation. The protocols that it regularly implements to ensure a safe, secure and sustainable airport supported Victoria International Airport during the COVID-19 pandemic; they allowed leadership, staff, partners and stakeholders to maintain operations safely, advocate for airport industry support and continue addressing important elements of the 2020-2024 Strategic Plan to maximize services in the future.



STRATEGIC PLAN



Strategic Plan

Victoria Airport Authority's board of directors takes a balanced scorecard approach to gauging success at the airport. This approach served YYJ particularly well in dealing with the significant impact of the pandemic. The board focused on these core elements of the strategic plan: safety and security, customer experience, financial stewardship, environmental protection and management, and the people who make it all possible. Continued focus on these priorities will also support ongoing efforts to maintain and prepare the airport for the eventual end of pandemic, the resumption of typical air travel and a dramatic increase in passenger numbers.

Photo credit: Victoria Airport Authority



Photo credit: Victoria Airport Authority

1. A SAFE AND SECURE AIRPORT

TravelSafe YYJ

On July 1, 2020, YYJ introduced TravelSafe YYJ, a multi-faceted operational program that proactively addressed the threat of COVID-19 through enhanced safety protocols within the airport. An awareness campaign highlighted the health and safety directives and informed passengers about the new expectations within the airport. Many of the initiatives predated the governments' requirements.

TravelSafe YYJ aligned with guidelines published by the International Civil Aviation Organization (ICAO) and is consistent with the approaches taken by airports across Canada.

Highlights of the TravelSafe YYJ program include:

- Designated Air Terminal Building entrance and exit doors
- Limited access to the Air Terminal Building, for employees and travellers only
- Free short-term parking for passenger pick-up and drop-off
- Mandated use of face coverings in the Air Terminal Building
- Physical distancing guidelines, communicated through floor and seating decals, stanchions and signage
- Plexiglass barriers at all airline check-in and departure gates; food and beverage, retail and car rental counters; security screening; and customs
- 60+ hand sanitizing stations throughout the Air Terminal Building
- Enhanced cleaning protocols, including probiotic sprays, overnight electrostatic cleaning and more frequent cleaning of high-touch surfaces
- Heating, Ventilation, and Air Conditioning (HVAC) system upgrade with MERV 13 air filters, the highest quality available
- Temperature checks by the Canadian Air Transport Security Authority (CATSA)

View a series of videos showcasing the TravelSafe YYJ health and safety measures on the YYJ website: www.victoriaairport.com/travelsafeyyj



Photo credit: Victoria Airport Authority

ACI Airport Service Quality Award: Best Hygiene Measures by Region (North America)

Victoria International Airport's proactive and comprehensive efforts to provide a safe environment for travellers earned it a new Airports Council International (ACI) award for Airport Service Quality (ASQ). YYJ was recognized for Best Hygiene Measures by Region (North America) for 2020.

This award reflects the extraordinary efforts that went into the TravelSafe YYJ program, travellers' recognition of the level of hygiene measures in place, the clarity of the signage that explained those measures, the availability of staff to apply safety and hygiene measures, and the confidence travellers had while in Victoria International Airport. It is also testament to the many effective cleaning and sanitizing protocols conducted by the airport's front-line workers and service partner ACCIONA Facility Services Canada. They adapted to new and changing requirements quickly, and they continue to maintain a high standard of cleanliness.

The COVID-19 pandemic changed customer perceptions and expectations of the airport experience. This award affirms that YYJ met these changes, while continuing to provide an excellent experience in the airport.

Airports Council International, Airport Health Accreditation

YYJ received Airports Council International's Airport Health Accreditation, which is new global recognition for providing best practices in safe and hygienic airport facilities, in accordance with Airports Council International (ACI) Aviation Business Restart and Recovery guidelines and International Civil Aviation Organization (ICAO) Council Aviation Restart Task Force recommendations, along with industry best practices.

ACI's Airport Health Accreditation confirms YYJ's success in enhancing health measures throughout the airport through several initiatives:

- Demonstrating to passengers, staff, regulators and governments that it prioritizes health and safety in a measurable, established manner
- Validating its own measures throughout the airport facilities and processes
- Reassuring the travelling public using its facilities
- Promoting the recognition of professional excellence in maintaining safe hygienic facilities
- Promoting best practices and aligning efforts across the industry
- Ensuring harmonization between ICAO global guidance and industry implementation



Photo credit: Victoria Airport Authority

2. EXCEPTIONAL AIRPORT FACILITIES AND CUSTOMER EXPERIENCE

Lower Passenger Departure Lounge Expansion

Victoria Airport Authority completed the \$19.9 million Passenger Departure Lounge expansion project that began in January 2018. The 1,900-square-meter addition, which features structural wood monoliths, skylights and large windows that provide views to the apron and its newly landscaped elements, has doubled the size of the lower passenger departure lounge. It now includes seven new dedicated boarding gates and seating for 400 passengers. Travellers will enjoy more food, beverage and retail amenities, including the Fresh Cup Roastery Café and the award-winning local artisanal distillery, Victoria Distillers.

A new art installation, *Time Catcher* by local artist Charles Campbell, enhances the departure lounge. The eleven-metre-diameter aerial sculpture forms a set of intersecting circles and alludes to dynamic flows of energy and the interconnectedness of human and natural systems.

Time Catcher invokes concepts of time and movement across territories and sees the passenger departure lounge as an in-between space with the potential for connection and contemplation. The three-sided vessels are conceived as metaphorical carriers of ecological and cultural memory, with the form derived from the hulls of watercraft, which have a long history of contact and trade on this coast. Octavia Butler's poem *Paradise* is inscribed on the surface of each vessel in Morse code and acknowledges our connection to home and the forces of change that motivate peoples' movements across the globe.

A new washroom block features inclusive facilities that enhance the accessibility of the airport, such as a convenient airside relief area for service animals and an adult change station with a hoist. All elements of the expansion were designed and developed to create a safe, inclusive airport that is universally accessible for all travellers.



Photo credit: Victoria Airport Authority



Photo credit: Victoria Airport Authority

Rick Hansen Foundation's Accessibility Certified Gold

As a result of the work done to ensure that YYJ provides universal access to safe, inclusive and accessible public spaces, the entire Airport Terminal Building was recognized as RHF Accessibility Certified Gold by the Rick Hansen Foundation's Accessibility Certification™ (RHFAC) program.

The RHFAC program uses a national rating system to measure the accessibility of buildings and sites and promotes increased access through the adoption of universal design principles. YYJ is the second airport in British Columbia and the fourth in Canada to achieve the RHF Accessibility Certified Gold rating.

YYJ worked with the Rick Hansen Foundation, Changing Places and Copley Inclusive Solutions throughout the design and construction of the expansion. With their knowledgeable support, the new lower departure lounge incorporates many enhancements that make it easier for people with disabilities to travel safely and confidently.

All of the lower departure lounge's many accessibility features, from accessible parking close to accessible entrances, to the state-of-the-art audio system that broadcasts directly to hearing aids, the adult change station with a hoist and an airside relief area for service and guide dogs, work together to make the airport an easier, safer and more comfortable place for travellers of all abilities.

The RHF Accessibility Certified Gold rating is the result of more than a year of work by the team to enhance the airport. Even in the most challenging of times, VAA is committed to providing all travellers with the best possible airport experience. Accessibility is an important element of customer service excellence, and VAA is proud to have achieved the Rick Hansen Foundation's highest level of certification.

ACI Airport Service Quality Award: Best Airport by Size and Region (Under 2 Million Passengers per Year in North America)

Victoria International Airport's ongoing commitment to customer service excellence earned another prestigious Airports Council International (ACI) Award for Airport Service Quality (ASQ): Best Airport by Size and Region (under 2 million passengers per year in North America). This is YYJ's third win, after earning the honour in 2012 and 2014.

Since their creation in 2006, the ASQ Awards have become the world's leading airport passenger satisfaction benchmark, with close to 400 airports participating across 95 countries.

This award, one of the highest possible distinctions in the airport industry, is especially meaningful because it represents the opinions of the people who travelled through the airport during one of the most difficult years in aviation history. YYJ travellers recognized the many and successful efforts made to preserve and maintain the good health of everyone in the airport.



Photo credit: Victoria Airport Authority

3. A FINANCIALLY RESPONSIBLE AIRPORT

YYJ has always maintained a fiscally conservative approach to its finances. It is one of only three debt-free airports in Canada. In addition, among Canadian airports, it has one of the lowest aviation fees and the highest percentage of revenue derived from non-aviation sources. While no business can withstand a downturn of this magnitude for an extended period, YYJ managed to break even on a cash basis despite having more than 50% of its revenue eliminated. This is due to VAA's focus on revenue diversification and cost containment and was aided in part by the Canadian Emergency Wage Subsidy received from the Federal government.

Air Transport Research Society, Most Efficient Airport in North America (Under 5 Million Passengers)

YYJ was recognized as the most efficient airport in North America serving fewer than five million passengers in the 2020 Global Airport Performance Benchmarking Report conducted by the Air Transport Research Society and Embry-Riddle Aeronautical University.

The recognition reaffirms the value of VAA's fiscally conservative, low-cost, customer centric and high-quality approach to airport management, which has served YYJ well in navigating the downturn in revenue caused by the pandemic.

New Land Tenants

VAA continued to diversify its revenue streams by entering three new real estate tenant developments in 2020:

- Titan Boats
- Western Canada Marine Response Corporation
- Blue Heron Aeropark



Photo credit: Victoria Airport Authority

4. LEADERSHIP IN ENVIRONMENTAL PROTECTION AND MANAGEMENT

Sustainability Plan

In its ongoing efforts to promote sustainability at YYJ, VAA published its 2020-2024 Sustainability Plan.

The plan includes ambitious targets and actions that align with VAA's values and guiding principles, Strategic Plan 2020-2024 and Airport Master Plan, as well as the Sustainable Development Goals adopted by all United Nations Member States in 2015 and the Aichi Biodiversity Targets.

VAA commits to continued efforts to reduce the impact of the airport on the environment and increase its positive contributions to the community. The plan's goals include comprehensive waste management, carbon emission reductions, airport biodiversity enhancements, water conservation and further advancement of the United Nations' Sustainable Development Goals.

View the 2020-2024 Sustainability Plan on the YYJ website: www.victoriaairport.com/pdfs/YYJ-SustainabilityPlan2020-web%201.pdf

Airports Council International, Airport Carbon Accreditation

Victoria Airport Authority requalified for Level 2 Airport Carbon Accreditation by the Airports Council International (ACI) Airport Carbon Accreditation Program.

Since its baseline year in 2013, when YYJ mapped its carbon emissions to understand where emission reduction improvements could be made, VAA has put into place many carbon management actions, including solar and geothermal power installations, ventilation control systems, high-efficiency hot water boilers, new building automation systems, LED light fixtures and a carbon management plan.

Work to move ahead in the accreditation process continues, with the goal of meeting Level 3 - Optimization, which requires the airport's third-party service providers to become engaged in carbon footprint management.



Photo credit: Victoria Airport Authority

Reay (Kelset) Creek Restoration

Transport Canada has completed its restoration of Reay Creek, also known by the Sencoten name 'Kelset' (pronounced 'KWAL-sit'), which originates on airport lands and the northeast slope of Mount Newton. Wild salmon swim in the creek and pond once again.

The creek and its ecosystem had become polluted by historical use on the airport lands. As a result of significant advocacy by YYJ, Transport Canada removed contaminated sediment, added fish habitat features and restored the riparian habitat of Reay Creek on airport lands in 2019. In 2020, Transport Canada used airport land to continue restoration work downstream of the airport in the pond area and the earthen dam in the Town of Sidney. The Town of Sidney upgraded the dam, which now includes a fish ladder to help spawning salmon reach the creek.

5. A TALENTED AND MOTIVATED TEAM OF EMPLOYEES

BC's Top 100 Employers

VAA has been selected as one of BC's Top 100 Employers for 2021.

The BC's Top Employers competition recognizes employers that lead their industries in offering exceptional places to work. Employers are compared to other organizations in their field to determine which offers the most progressive and forward-thinking programs.

2020 was a difficult time, with new work-from-home measures enacted to mitigate the threats of the pandemic. VAA created a new work environment for its staff, with many participating remotely while front-line operational staff remained at the airport. This recognition reflects the dedication and commitment of everyone at YYJ to persevere throughout the pandemic with the programs and activities that make the airport an excellent place to work. When considering the challenges that the team overcame throughout 2020, this recognition is particularly satisfying and a tribute to all the men and women who work at YYJ.



Photo credit: Victoria Airport Authority



Photo credit: Victoria Airport Authority

Red Coat Volunteers

2020 marked the thirtieth anniversary of the Red Coat volunteer program, a much appreciated service for our travellers. Named after the red coats they wear, the Red Coats provide a welcoming presence and dependable information resource for those who are passing through and locals who need a hand. They warmly greet guests, provide front-line customer assistance, answer ground transportation questions, provide basic flight information and help wherever possible.

In 2020, the 25 Red Coat volunteers had a combined 221 years of service. The longest-serving Red Coat has been helping travellers for twenty-seven years.

Congratulations to the Red Coat volunteers who reached milestone anniversaries:

- | 5 Years | 10 Years | 15 Years | 20 Years |
|---|---|--|---|
| <ul style="list-style-type: none">• Barb Gardiner• Nancy Law• Wil Clark | <ul style="list-style-type: none">• Maggie McNish | <ul style="list-style-type: none">• Margarete Rothlisberger• Sue Williams | <ul style="list-style-type: none">• Barbara Nedzelski• Breda Teh |

Victoria Airport Authority is proud of and thankful for the men and women who generously dedicate their time to serve the public and enrich the airport community.

The pandemic paused the efforts of this unstoppable crew of volunteers in March 2020, when the information desk was closed temporarily to protect their safety. Their friendly presence is missed by many in the airport, and the return of the Red Coats is a much anticipated sign that the pandemic is coming to an end and life is getting back on track.

FINANCIAL HIGHLIGHTS

Financial Highlights

REVENUE

Ninety per cent of the revenue generated at Victoria International Airport is tied to passenger and aircraft activity. With passenger volumes down as much as 98% and the number of daily flights decreasing from one hundred to as low as eight, the impact to revenue was severe. Landing fees, terminal fees and airport improvement fees (AIF) were the most impacted. Concession revenue contracts, such as restaurants, retail, car rentals, parking and ground transportation, were either re-negotiated or moved to a percentage of rent. The only stable stream of revenue was land rent.

Revenue for 2020 is \$18.2 million, which is 53% less than it was in 2019. This revenue variance would have been worse if not for two 'normal' months at the beginning of the year and the benefit of the Canadian Emergency Wage Subsidy, which was treated as revenue for accounting purposes.



Photo credit: Victoria Airport Authority

EXPENSES

The significantly large and rapid revenue decreases created by the pandemic limited VAA's ability to remove operating expenses. In an effort to preserve financial liquidity, VAA immediately implemented a series of cost containment measures that saw annual operating expenses reduced by 25% against budget.

YYJ realized a net income of \$9.2 million in 2019 and a net loss of \$8.2 million in 2020, which represents a \$17.4 million change in profitability. All capital projects that were non-safety related or not substantially complete were deferred.

CAPITAL PROGRAM

More than \$222 million has been invested in capital improvements to the facility since Victoria Airport Authority assumed operations of YYJ in 1997. The following significant capital projects were undertaken in 2020:

	Thousands \$
Lower Hold Room Expansion	2,830.4
Common Use Terminal Equipment	1,315.6
Parking Equipment Replacement	971.3
Airside Pavements	672.2
Apron Expansion Phase 4A	373.2
Airside Fleet Renewal	334.7
Roads and Parking Planning	235.3
ATB Power System Improvements Phase 1	187.8
Light Fleet Renewal	160.3
Taxiway Echo Extension	110.7
Basement Development Program	87.4

CORPORATE GOVERNANCE

Corporate Governance

The Board of Directors provides oversight to Victoria Airport Authority to ensure its purposes and objectives are realized and that Victoria International Airport operates in a safe, efficient and reliable manner.

As a governance board, all directors are expected to possess a high level of knowledge to advance the fiscal management and governance best practices of VAA.

The 2020 board was comprised of thirteen members: two nominees of the District of North Saanich, two of the Town of Sidney, one of the District of Central Saanich, one of the District of Saanich, one of the City of Victoria, one of the Capital Regional District, one of the Greater Victoria Chamber of Commerce, one appointed by the Province of British Columbia and two appointed by the Government of Canada.

VAA has the option to appoint up to three additional directors, at the discretion of the board. For reasons of continuity, VAA exercised its option in 2019/20 to appoint one director as a member at large. Each director may serve no more than nine years in total.

The Officers of the Corporation and Committee Chairs for 2020 were:

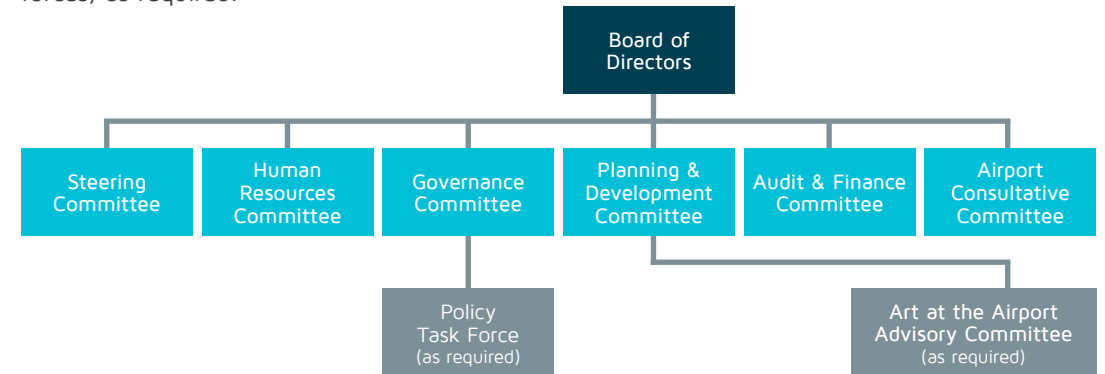
Board Chair, and Chair – Steering Committee	Gordon Safarik
Board Vice-Chair, and Chair – Airport Consultative Committee	Marilyn Loveless
Board Secretary, and Chair – Governance Committee	Brenda Nunns-Shoemaker (Jan-Sept) Marilyn Loveless (Sept-Dec)
Chair – Audit and Finance Committee	Cathie Ounsted
Chair – Planning and Development Committee	Rod Dewar
Chair – Human Resources Committee	Eric Donald

DIRECTOR CODE OF CONDUCT

Board members are required to comply with the Board Policy and Procedures Manual and sign an annual attestation acknowledging that they understand and will abide by the policies and bylaw requirements. An annual disclosure statement filed with the Corporate Secretary identifies any real or perceived conflicts of interest. Directors are required to abstain from any discussions or voting that may be a potential conflict. In 2020, there were no violations of the Code of Conduct.

BOARD COMMITTEES

The board has six standing committees as well as ad-hoc committees, sub-committees and task forces, as required.



NEW BOARD MEMBERS

Victoria Airport Authority welcomed Carol Brown and is pleased to have Frank Leonard return as the Government of Canada's board appointees.

Carol served nine years on the Prince George Airport Authority Board of Directors, including her role as the chair of the Human Resource Committee, and was a director with the Insurance Corporation of BC and a commissioner with the BC Utilities Commission. She practiced commercial law for more than twenty years and is now an associate faculty at Royal Roads University, teaching law, conflict management and leading change.

Frank Leonard, the former mayor of Saanich and chair of the Police Board, brings to the board extensive local and financial experience from his work in public office and local business. He has previously served as a director of the BC Investment Management Corporation, chair of the Municipal Pension Plan and chair of the BC Agricultural Land Commission and is now a business instructor at the University of Victoria.

DEPARTING BOARD MEMBERS

Victoria Airport Authority said farewell to Rod Dewar, Chair of the Planning and Development Committee; Marilyn Loveless, Board Vice-Chair and Chair of the Airport Consultative Committee; and Brenda Nunns-Shoemaker, Board Secretary and Chair of the Governance Committee. Their experienced counsel and many contributions to Victoria International Airport and the region are much appreciated.

2020 BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER



Gordon Safarik
Board Chair
Nominated by the District of North Saanich



Marilyn Loveless
Board Vice-Chair; Chair of the Airport Consultative Committee; and Board Secretary and Chair of the Governance Committee, from September to December
Appointed by Victoria Airport Authority



Wendy Everson
Nominated by the Town of Sidney



Allan Haynes
Nominated by the District of Saanich



Brenda Nunns-Shoemaker
Board Secretary and Chair of the Governance Committee, from January to September
Nominated by the District of North Saanich



Cathie Ounsted
Chair of the Audit and Finance Committee
Nominated by the District of Central Saanich



Paul Gerrard
Nominated by the Capital Regional District



Frank Leonard
Appointed by the Government of Canada



Eric Donald
Chair of the Human Resources Committee
Nominated by the City of Victoria



Rod Dewar
Chair of the Planning and Development Committee
Nominated by the Greater Victoria Chamber of Commerce



Charles Lovallo
Nominated by the Town of Sidney



Wendy Zink
Appointed by the Province of British Columbia



Carol Brown
Appointed by the Government of Canada



Geoff Dickson
President and Chief Executive Officer

In 2020, the board of directors met eleven times for committee, board and COVID-19 discussions. There were three public meetings inviting feedback from stakeholders and the community.

Average attendance at 2020 board and committee meetings:

Board Meetings:	100%
Committee Meetings:	96%
Public Meetings:	92%

BOARD OF DIRECTORS AND EXECUTIVE COMPENSATION

Compensation of Victoria Airport Authority's board of directors is reviewed annually. In 2020, the officers of the corporation and directors were compensated as follows:

Officer/Director	Compensation
Carol Brown	\$20,600
Rod Dewar	\$25,300
Eric Donald	\$27,100
Wendy Everson	\$17,600
Paul Gerrard	\$19,100
Allan Haynes	\$19,400
Frank Leonard	\$18,200
Charles Lovallo	\$18,200
Marilyn Loveless	\$28,975
Cathie Ounsted	\$25,900
Gordon Safarik	\$48,100
Brenda Nunns-Shoemaker	\$16,592
Wendy Zink	\$19,700

Victoria Airport Authority's senior management team, comprised of the president and chief executive officer and four senior managers, received \$867,471 in salary for the year ended December 31, 2020.

Below is a summary of the board and committee participation for the year 2020:

Member	Nominating Entity	Committees
Gordon Safarik	District of North Saanich	<ul style="list-style-type: none"> Board Chair Chair, Steering Committee Ex Officio, all Committees
Marilyn Loveless	Victoria Airport Authority	<ul style="list-style-type: none"> Chair, Airport Consultative Committee Chair, Governance Committee (Sept-Dec) Vice-Chair, Steering Committee Governance Committee (Jan-Sept)
Brenda Nunns-Shoemaker (*resigned Sept 2020)	District of North Saanich	<ul style="list-style-type: none"> Chair, Governance Committee (Jan-Sept) Vice-Chair, Airport Consultative Committee Steering Committee
Eric Donald	City of Victoria	<ul style="list-style-type: none"> Chair, Human Resources Committee Steering Committee Audit and Finance Committee Airport Consultative Committee Planning and Development Committee
Rod Dewar	Greater Victoria Chamber of Commerce	<ul style="list-style-type: none"> Chair, Planning and Development Committee Steering Committee Airport Consultative Committee Audit and Finance Committee Planning and Development Committee

Member	Nominating Entity	Committees
Cathie Ounsted	District of Central Saanich	<ul style="list-style-type: none"> • Chair, Audit and Finance Committee • Steering Committee • Human Resources Committee
Carol Brown	Government of Canada	<ul style="list-style-type: none"> • Audit and Finance Committee • Governance Committee
Wendy Everson	Town of Sidney	<ul style="list-style-type: none"> • Audit and Finance Committee • Planning and Development Committee
Paul Gerrard	Capital Regional District	<ul style="list-style-type: none"> • Governance Committee • Planning and Development Committee • Airport Consultative Committee
Allan Haynes	District of Saanich	<ul style="list-style-type: none"> • Planning and Development Committee • Audit and Finance Committee
Charles Lovallo	Town of Sidney	<ul style="list-style-type: none"> • Vice-Chair, Audit and Finance Committee • Planning and Development Committee
Wendy Zink	Province of British Columbia	<ul style="list-style-type: none"> • Governance Committee • Planning and Development Committee

FINANCIAL INFORMATION

Financial Information

DONATIONS AND SPONSORSHIPS

NOTE: 2020 charitable donations and sponsorships were significantly reduced due to the COVID-19 pandemic.

	2020
BC Aviation Council - Silver Wings Sponsorship	\$1,250
BC Tourism Industry Conference Sponsorship	3,500
CAEA/CANEW - Sponsorship	1,500
Peninsula Streams Education Program	1,000
Saanich Peninsula Chamber of Commerce - Tour of Industry	500
Sidney Museum and Archives - Sidney Family Day Sponsorship	250
Vancouver South Island Film Sponsorship	500
Victoria Cool Aid Society	500
	\$9,000

SOLE SOURCE CONTRACTS OVER \$75,000

In accordance with Board Policy #205: Financial Conditions and Activities, as a general practice contracts for goods, services and construction services over \$75,000 will be awarded through a competitive process to the lowest bidder or to the proposal offering the best overall value, except in specified circumstances. Sole source contracts will only be entered into when there is good justification, such as:

1. The goods or services are of a proprietary nature and there is only one qualified supplier.
2. Compliance with a product, services or equipment standardization program is required.
3. Only one qualified firm is available, when all factors are taken into account.
4. Prior experience with a firm in a specialized area makes it beneficial to continue the relationship.
5. Emergency situations preclude the normal competitive process.

In keeping with this policy, VAA publishes a list of the goods and services in excess of \$75,000 that were not awarded through a competitive process. In 2020, no sole source contracts in excess of \$75,000 were awarded outside of the competitive process.

2020 Actual vs. Business Plan (Shown in Thousands \$)

The pandemic and ensuing decrease in passengers resulted in a dramatic decrease in revenue. As a result, both the expense and capital plans were significantly reduced to preserve cash.

	Actual	Plan	Difference
Revenue (note 1)	\$17,193.0	\$39,637.6	\$(22,444.6)
Expenses (note 2)	\$16,335.8	\$22,429.7	\$(6,093.9)
Capital	\$8,516.3	\$12,377.5	\$(3,861.2)

Business Plan Forecast 2021 - 2025 (Shown in Thousands \$)

The airport sector's recovery from the pandemic could take several years, and the timing of the return to pre-pandemic levels of passengers will be dependent on the speed of the recovery. As revenues are greatly tied to passengers, future financial forecasts will fluctuate depending on passenger levels. A current high-level forecast is presented below.

	2021	2022	2023	2024	2025
Revenue (note 1)	\$13,744.0	\$28,709.0	\$35,811.0	\$37,976.0	\$38,882.0
Expenses (note 2)	\$17,466.0	\$19,363.0	\$20,297.0	\$20,843.0	\$21,296.0
Capital	\$4,956.0	\$12,850.0	\$13,220.0	\$17,600.0	\$17,750.0

NOTES:

1. Revenue items do not include non-cash items such as deferred capital contributions.
2. Expense items do not include non-cash items such as amortization.

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 most significant of these are set out in Note 2 to the statements.

Victoria Airport Authority'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 financial statements include some amounts based upon management's best estimates and judgments. Recognizing that the Authority is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared within reasonable limits of materiality.

The Board of Directors has appointed an Audit and Finance Committee consisting of eight Board directors. The Committee meets periodically throughout the year to review with management and the auditors any significant accounting, internal control and auditing matters. They also review and finalize the annual financial statements of the Authority together with the independent auditor's report before their submission to the Board of Directors for final approval.

The financial information throughout the text of the Annual Report is consistent with the information presented in the financial statements.

On behalf of the Victoria Airport Authority



Geoff Dickson
President and CEO
April 12, 2020



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800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

Independent Auditors' Report

To Members of Victoria Airport Authority

Opinion

We have audited the financial statements of Victoria Airport Authority ("the Authority"), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of changes net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Victoria Airport Authority

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the annual report as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountant

Victoria, Canada
April 12, 2021

VAA STATEMENT OF FINANCIAL POSITION

December 31, 2020, with comparative information for 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,920,975	\$ 13,571,777
Accounts receivable	1,390,868	3,325,143
Deferred capital contributions receivable	-	105,996
Inventory	323,044	334,966
Prepaid expenses	263,249	304,750
	6,898,136	17,642,632
Tangible capital assets (note 3)	128,995,447	130,557,002
Other long-term assets	84,536	85,807
	\$ 135,978,119	\$ 148,285,441
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 2,735,025	\$ 5,975,905
Deferred revenue	332,006	267,245
Current portion of retirement allowance liability (note 5)	4,743	76,908
	3,071,774	6,320,058
Retirement allowance liability (note 5)	957,613	776,517
Deferred capital contribution (note 7)	6,810,880	7,839,063
Tenants' security deposits	94,460	65,475
	10,934,727	15,001,113
Net assets:		
Invested in tangible capital assets	122,184,567	122,717,939
Unrestricted net assets	2,858,825	10,566,389
	125,043,392	133,284,328
Commitments (note 6)		
Contingent liabilities (note 15)		
Subsequent event (note 16)		
	\$ 135,978,119	\$ 148,285,441

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

VAA STATEMENT OF OPERATIONS

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Concessions	\$ 4,257,038	\$ 12,452,944
Aeronautical	3,158,100	7,435,547
Rentals – real estate	3,071,832	3,050,068
Deferred capital contribution revenue	1,028,183	1,027,969
Other	2,514,988	977,945
	14,030,141	24,944,473
Airport Improvement Fee ("AIF") (note 8)	4,191,060	14,226,225
	18,221,201	39,170,698
Expenses:		
Salaries and employee benefits	6,976,167	6,522,895
Services, supplies and administration	4,542,981	5,280,433
Security and terminal services	3,324,412	3,602,867
Rent (note 6(a))	339,968	1,851,280
Property taxes (note 9)	210,522	1,519,846
AIF administration and handling fees	297,804	1,015,804
Amortization	10,077,862	9,404,922
Utilities	640,223	724,618
Interest	3,743	4,997
	26,413,682	29,927,662
Excess (deficiency) of revenue over expenses	\$ (8,192,481)	\$ 9,243,036

VAA STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2020, with comparative information for 2019

	Invested in tangible capital assets	Unrestricted	2020	2019
Balance, beginning of year	\$ 122,717,939	\$ 10,566,389	\$ 133,284,328	\$ 124,041,292
Excess of revenue over expenses	-	(8,192,481)	(8,192,481)	9,243,036
Net change in invested in tangible capital assets	(533,372)	533,372	-	-
Loss on actuarial valuation of retirement allowance liability	-	(48,455)	(48,455)	-
Balance, end of year	\$ 122,184,567	\$ 2,858,825	\$ 125,043,392	\$ 133,284,328

See accompanying notes to financial statements.

VAA STATEMENT OF CASH FLOWS

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (8,192,481)	\$ 9,243,036
Amortization, which does not involve cash	10,077,862	9,404,922
Recognition of deferred capital contribution	(1,028,183)	(1,027,969)
Loss (gain) on the disposal of tangible capital assets	(1,923)	(513)
Changes in non-cash operating working capital:		
Accounts receivable	1,934,275	(574,243)
Inventory	11,922	(15,543)
Prepaid expenses	41,501	29,387
Long term deposits	1,271	(43,387)
Accounts payable and accrued liabilities	(3,240,880)	573,204
Deferred revenue	64,761	(121,380)
Retirement allowance liability	60,476	46,594
Security deposits	28,985	(161,900)
	(242,414)	17,352,208
Investing:		
Purchase of tangible capital assets	(8,516,307)	(26,368,544)
Proceeds from the sale of tangible capital assets	1,923	513
	(8,514,384)	(26,368,031)
Financing:		
Deferred capital contribution	105,996	689,583
	105,996	689,583
Decrease in cash and cash equivalents	(8,650,802)	(8,326,240)
Cash and cash equivalents, beginning of year	13,571,777	21,898,017
Cash and cash equivalents, end of year	\$ 4,920,975	\$ 13,571,777

Cash and cash equivalents include cash operating accounts and high interest savings.

	2020	2019
Cash	\$ 704,339	\$ 3,237,564
High interest savings	4,216,636	10,334,213
Cash and cash equivalents	\$ 4,920,975	\$ 13,571,777

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

1. Nature of operations:

Victoria Airport Authority ("VAA" or "Authority") is incorporated under Part II of the Canada Corporations Act as a non-share capital, not-for-profit corporation and all earnings from operations are reinvested in airport development. VAA has operated the Victoria International Airport since April 1, 1997 under a lease from Transport Canada ("ground lease").

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Since that time the VAA has experienced the following indicators of financial implications and undertaken the following actions in relation to the COVID-19 pandemic.

- Revenues dependent on passenger activity experienced significant reductions in 2020 and continue to be impacted by travel restrictions and health orders
- Receipt of the Canadian Emergency Wage Subsidy of \$1,803,100 in 2020. This represents 26% of the total salary and employee benefit expense in 2020.

2. Significant accounting policies:

(a) Basis of accounting:

The financial statements of VAA are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Cash and cash equivalents:

Cash and cash equivalents are defined as cash, high interest savings and highly liquid investments consisting of term deposits with original maturities at the date of purchase of three months or less.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value and all changes in the fair value are recognized in excess of revenue over expenses in the period incurred. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Authority has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Authority determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Authority expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Inventory:

The inventory of consumable supplies is recorded at the lower of cost, determined on a first-in first-out basis, and net realizable value.

(e) Transport Canada Lease:

The Transport Canada Lease (see note 6(a)) is accounted for as an operating lease.

(f) Tangible capital assets:

Tangible capital assets are recorded at cost and amortized on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Asset	Rate
Terminal building	2%-33%
Airfield and roadways	1.0%-33%
Other buildings and structures	2%-25%
Vehicles	5%-20%
Computer equipment	7%-33%
Machinery and equipment	5%-25%
Furniture and fixtures	5%-33%

The interest cost of debt attributable to the construction of capital assets is capitalized during the construction period. No interest was capitalized in 2020 or 2019. Capital work-in-progress is not amortized until the asset is available for use.

When a capital asset no longer contributes to VAA's ability to provide services, its carrying amount is written down to its residual value with no reversals of such write downs in subsequent periods.

(g) Revenue recognition:

VAA follows the deferral method of accounting for contributions whereby unrestricted revenue is recognized when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured. When a portion of the contributions relates to a future period, it is deferred and recognized in that subsequent period.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Revenue is recognized as follows:

- Landing and general terminal fees are recognized as revenue when airport facilities are utilized.
- Concession revenue is recognized based on the greater of agreed percentages of reported concessionaire sales and specified minimum guaranteed amounts over the terms of the respective leases. Car parking revenue is recognized when car parking facilities are utilized.
- Rental revenue is recognized over the terms of the respective leases.
- Airport Improvement Fees ("AIF") (note 8), are recorded when passengers subject to the fee depart.

(h) Employee future benefits:

VAA and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

An unfunded retirement allowance benefit is also available to VAA's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under this benefit plan is accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains (losses) arise from changes in actuarial assumptions used to determine the accrued benefit obligation. All actuarial gains (losses) are recorded in net assets.

(i) Use of estimates:

The preparation of financial statements in conformity 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Areas requiring the use of management estimates include the determination of the retirement allowance, useful lives for amortization and provisions for contingencies. Actual results could differ from these estimates.

3. Tangible capital assets:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Terminal building	\$ 85,386,022	\$ 35,254,471	\$ 50,131,551	\$ 30,672,189
Airfield and roadways	100,374,534	36,563,321	63,811,213	56,680,178
Other buildings and structures	13,573,769	6,301,375	7,272,394	7,649,254
Vehicles	7,511,992	4,265,756	3,246,236	2,952,955
Computer equipment	2,692,166	1,814,967	877,199	996,789
Machinery and equipment	2,961,136	1,088,190	1,872,946	497,020
Furniture and fixtures	920,059	573,828	346,231	362,005
Capital work in progress	1,437,677	-	1,437,677	30,746,612
	\$ 214,857,355	\$ 85,861,908	\$ 128,995,447	\$ 130,557,002

During the year, VAA sold assets with a net book value totaling nil (2019 - nil) for proceeds of \$1,923 (2019 - \$513) resulting in a gain on sale of assets of \$1,923 (2019 - gain of \$513). This gain is included with other income on the statement of operations.

During 2020, a review and assessment for impaired assets resulted in a \$32,844 impairment of assets (2019 - nil).

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$65,687 (2019 - \$41,545), which includes amounts payable for GST remittances, employer health tax and WorkSafe BC premiums.

5. Retirement allowance liability:

Under the terms of the transfer agreement with Transport Canada, VAA assumed the Government of Canada's obligation to pay its former employees compensation upon retirement or termination in accordance with the collective agreements. The retirement benefit is based on years of completed service. VAA received from the Government of Canada an amount equivalent to the actuarially adjusted liability at the time of transfer.

The VAA accrues the cost of these future benefits, as employees render their services, based on actuarial valuations of the obligations. It is VAA policy to perform an actuarial valuation a minimum of every three years. An actuarial valuation of the plan was completed as of December 31, 2020. The next actuarial valuation of the plan is scheduled for December 31, 2023.

The significant economic assumptions used by VAA's actuaries in measuring the accrued retirement allowance liability as at December 31, 2020 are as follows:

Discount rates	2.2%
Rate of compensation increases	2.5%

VAA has recorded additional liabilities for compensation upon retirement or termination in accordance with collective and other agreements negotiated subsequent to transfer. The total annual retirement allowance liabilities are as follows:

Balance at January 1, 2019	\$ 806,831
Annual accrual, net of benefits paid	19,968
Interest	26,626
Balance at December 31, 2019	853,425
Annual accrual, net of benefits paid	25,248
Interest	35,228
Adjustment to actuarial value as at December 31, 2020	48,455
Balance at December 31, 2020	\$ 962,356

	2020	2019
Financial statement presentation:		
Current portion	\$ 4,743	\$ 76,908
Long-term	957,613	776,517
	\$ 962,356	\$ 853,425

In 2020, the net retirement benefit plan expense totaled \$181,404 (2019 - \$128,198).

6. Commitments:

(a) Ground lease with Transport Canada:

The ground lease governs both the economic and day-to-day relations between VAA and Transport Canada. The Authority signed a 60-year ground lease with Transport Canada effective April 1, 1997 with an option to extend the term for a further 20 years. On January 28, 2015 the Minister of Transport signed an amendment to the ground lease extending the term for 20 years ending on March 31, 2077. The ground lease contains specific conditions for compliance with a series of requirements, including environmental standards, minimum insurance coverage, specific accounting and reporting requirements and various other matters that have a significant effect on the day-to-day operation of the Authority. The Authority has complied with all requirements under the ground lease. As of January 1, 2021, there is 56 years and 3 months remaining in the lease.

- (i) Rent payable to Transport Canada is calculated based on a percentage of gross revenue on a progressive scale. As a result of the COVID-19 Pandemic Transport Canada has amended the ground lease and no rent is required to be paid for 2021. Projected rent expense for 2021 - 2025 based on VAA's current financial forecast is as follows:

2021	\$ -
2022	1,088,900
2023	1,657,000
2024	1,830,200
2025	1,902,700

(b) Capital commitments:

In connection with the construction of certain capital projects and purchase of certain capital items, the VAA has capital commitments outstanding as at December 31, 2020 of approximately \$2,995,905 (2019 - \$6,773,100). The net decrease in commitments reflects the completion of the Lower Hold Room Expansion project.

(c) Beacon Avenue extension:

VAA entered into an agreement with the Town of Sidney (the "Town") to participate in the extension of Beacon Avenue in 2001. The benefit of the extension to VAA is street access to land that will be developed at a later date. When VAA develops the land, VAA is committed to reimburse the Town one third of the Town's costs for the extension. This reimbursement is estimated to be approximately \$70,000.

(d) Beacon Avenue pedestrian overpass:

VAA has made a commitment to the Town of Sidney to contribute \$100,000 to the construction of a pedestrian overpass at Beacon Avenue and Highway 17 in 2001. The agreement is contingent upon the Town securing sufficient funds to complete the project. Should the Town of Sidney proceed with the project, the Town has agreed to release the VAA from its obligation related to the Beacon Avenue extension.

7. Deferred capital contribution:

VAA receives funding from Canadian Air Transport Security Authority ("CATSA") towards specific security infrastructure upgrades. The funds received are deferred and brought into revenue as contributions at a rate or amount consistent with the amortization of the related capital asset once amortization of the asset begins.

Balance, beginning of year	\$ 7,839,063
Less: amounts amortized to revenue	1,028,183
Balance, end of year	\$ 6,810,880

The balance of unamortized contributions related to capital assets consists of the following:

Unamortized contributions used to purchase capital assets	\$ 6,810,880
Balance, end of year	\$ 6,810,880

8. Airport Improvement Fee ("AIF"):

On May 31, 1999, the VAA entered into an agreement (the "AIF Agreement") with the Air Transport Association of Canada and air carriers serving the Victoria International Airport. The AIF Agreement provides for a consultation process with the air carriers on airport development as well as the collection of an AIF by air carriers. AIF revenue is collected by the airlines on behalf of VAA which entitles them to withhold a 7% handling fee. AIF revenues are used solely to fund capital expenditures related to the construction or improvement of airport infrastructure and related financing costs. The AIF charge is \$15 per local boarded passenger.

To December 31, 2020 cumulative expenditures exceeded cumulative AIF revenue as follows:

AIF sector revenue	\$ 163,816,465
Airline/ATAC administration fees	(11,798,991)
AIF program expenditures	(173,515,737)
Financing costs	(8,875,205)
Excess of AIF expenditures over AIF revenue	\$ (30,373,468)

The excess of AIF expenditures over AIF revenue is currently being funded through surpluses from operations.

9. Property taxes:

During 2020, property assessment appeals related to the 2018, 2019 and 2020 property assessments were resolved. This resulted in property tax refunds of approximately \$735,000 which has been applied as a reduction to the 2020 property tax expense.

10. Pension contributions:

VAA and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 52 contributors from Victoria Airport Authority.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits and a balance of \$2,485 million in the rate stabilization account. The next valuation will be December 31, 2021, with results available in 2022.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

VAA paid \$537,294 (2019 - \$464,516) for employer contributions while employees contributed \$456,445 (2019 - \$387,371) to the plan in fiscal 2020.

11. Credit facilities:

VAA has a \$2,000,000 operating line of credit with CIBC bearing interest at the CIBC prime lending rate.

VAA has access to a \$5,000,000 demand revolving capital asset expenditure facility. This facility bears interest at the CIBC prime lending rate.

These facilities are secured by a general security agreement, a registered mortgage of the VAA's leasehold interest and assignment of book debts due.

VAA's credit facilities requires it to maintain a fixed charge coverage ratio of 1.2 to 1.0. VAA has never failed to meet that ratio. These two credit facilities were undrawn at December 31, 2020 and 2019.

12. Risk management:

Exposure to credit risk, liquidity risk, and interest rate risk, arises in the normal course of VAA's business. The financial instruments are not used for trading or speculative purposes.

(a) Credit risk:

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. For cash and cash equivalents and accounts receivable VAA's credit risk is limited to the carrying value on the balance sheet. VAA has a concentration of credit risk with two airlines. VAA manages the risk associated with the concentration of credit risk through its policy of actively monitoring the aging of receivables.

Credit risk is further reduced by letters of credit, deposits and customer credit evaluations. VAA limits its exposure to credit risk on cash and cash equivalents by investing in instruments issued by high credit quality financial institutions. VAA enters into financial contracts such as interest rate swaps only with high credit quality financial institutions.

As at December 31, 2020 the aging analysis of trade receivables, net of impaired amounts of \$4,358 (2019 - \$3,900) is as follows:

Current	85.16%	\$ 1,066,298
1 to 30 days overdue	7.43%	93,074
31 to 60 days overdue	1.55%	19,418
61 days plus overdue	5.86%	73,394
Total	100.00%	\$ 1,252,184

(b) Liquidity risk:

Liquidity risk is the risk that VAA will not be able to meet its obligations associated with financial liabilities. Funds generated through operations provide VAA's cash requirements. These funds are used to support operations and finance the capital program and repayment of VAA's long term debt. VAA also has access to an undrawn operating line of credit which assists to mitigate liquidity risk.

(c) Interest rate risk:

VAA is not currently exposed to interest rate risk as it has no outstanding borrowings.

13. Financial instruments:

Interest income during 2020 totaled \$136,412 (2019 - \$477,128).

Interest expense during 2020 totaled \$3,743 (2019 - \$4,997). Included in interest expense is a standby fee of \$3,743 (2019 - \$4,997).

14. Other information:

(a) VAA income generated from airport-related operations is exempt from federal and provincial income taxes.

(b) During the year ended December 31, 2020, the fees paid to the Board of VAA for their services as directors totaled \$304,767 (2019 - \$289,000).

15. Contingent liabilities:

The Authority, in conducting its usual business activities, is involved in various legal proceedings and litigation, the outcome of which is indeterminable. It is the Authority's policy to carry adequate insurance to minimize the financial risk associated with such matters.

Management is of the opinion that the aggregate net liability, if any, of these proceedings and litigation would not have a material impact to the Authority's financial position.

16. Subsequent Event

Subsequent to December 31, 2020 the VAA entered into a new credit facility with CIBC containing a \$10,000,000 operating facility bearing interest at CIBC prime lending rate less 0.50% and a \$10,000,000 capital asset facility bearing interest at CIBC prime lending rate less 0.50%. These facilities are secured by a general security agreement, a registered mortgage of VAA's leasehold interest and assignment of all book debts due and payable. The credit facility requires a debt service ratio of 1.2 to 1.0 that becomes effective with the quarter ended September 2021. The previous credit facility in place with CIBC has been canceled.

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