



# 2017 ANNUAL REPORT

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 Aéroport de  
**SAINT JOHN**  
Airport

# YSJ MARKET & DUTY FREE

## MAGAZINES



## SOUVENIRS





## ABOUT THE AIRPORT

**Saint John Airport Inc. is a not-for-profit corporation serving the air travel needs of the 300,000 residents of southwestern New Brunswick, spanning from Sussex to the Fundy Isles, and is a key element in the economic and social development of the region. The airport's economic impact is estimated at \$68.7 million, with more than 480 jobs created directly and indirectly. All revenue is reinvested in operations and facilities on-site.**

**In 1999 Transport Canada transferred the airport land to the Saint John Airport, and since then it has been fully self-funded, receiving no federal or provincial contributions.**

## VISION

The Saint John Airport is a premiere gateway to Canadian, trans-border and international destinations, offering the highest standards of safety and customer service to the New Brunswick travelling community.

## KEY STRATEGIES

**The Saint John Airport will:**

- Promote our capabilities and seek enhanced scheduled air service opportunities, including non-stop service to the northeastern United States.
- Ensure that airport infrastructure is developed and maintained with a view to supporting long-term air service needs.
- Engage with our passengers, community, and stakeholders to foster a sense of ownership and pride, while creating a “sense of place” and offering great convenience, safety and amenities.
- Meet or exceed all safety, security, environmental and other regulatory requirements through an established list of performance standards.



Left: President & CEO Derrick Stanford  
Right: Board Chairman Norm McFarlane

## MESSAGE FROM THE CEO

It's been a truly transformational year for our airport. This year brought many opportunities and challenges, and when I reflect on all the YSJ team has achieved, I feel encouraged and excited for the year ahead. It feels like we've packed a decade of accomplishments into just 12 short months.

We not only exceeded our 2017 traffic goals, but we set a new all-time traffic record with 263,719 passengers. We attribute much of this growth in passenger traffic to our airline partners.

In September, our community warmly welcomed Porter Airlines who added two new destination stops for YSJ: Ottawa and Billy Bishop Toronto City Airport in Toronto. Porter's arrival increased competition among our airline partners and resulted in fare savings for both our business and leisure travelers. The resulting fare harmonization within New Brunswick has made it less likely for passengers to drive to nearby competitor airports, one of our biggest challenges over the years.

Our long-standing partnership with Air Canada continued to be strong. They boosted capacity and added an extra seasonal daily flight to Toronto, and planes were fuller than ever.

The YSJ team worked hard to attract new passengers by investing in and improving user-experience. In January, we were the first airport to offer HotSpot Parking in the short-term parking area. The grand opening of the YSJ Market and Duty-Free store in March made us the second airport in the province to offer duty-free service and the first to offer a stand-alone, dedicated space for shoppers. In December, YSJ became the first airport in New Brunswick to offer the convenience of an electric vehicle charging station.

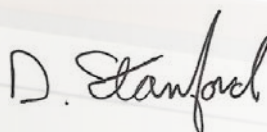
Operationally, we reinvested our earnings to make the airport better. We made significant headway toward infrastructure improvements that were long overdue.

Capital projects in 2017 included major renovations to both the Airport's interior and exterior. Inside, we replaced all three of our entrances (departures, arrivals and main) and gave our departures lounge area and washrooms much-needed makeovers.

Outside, in our short-term parking area, we added new walkways, paving, lighting, improved traffic flow and replaced all the concrete curbing and pay stations. We recognize that significant resources, including financing, will be required in order to meet our infrastructure needs in the coming years and we have been working on several strategies to address this. In 2017, YSJ and the other five small National Airport System (NAS) airports achieved a huge victory when we were granted the ability to apply for federal government funding. Since the Saint John Airport took the reins from Transport Canada in 1999, we have been self-funding and have received no federal or provincial contributions - we weren't even eligible to apply. The good news is that now we can apply thanks to a special new fund created by Transport Canada. This past year YSJ submitted several funding applications and hope to announce some exciting new infrastructure projects in 2018.

This year saw us welcome some talented new people to our staff including: Jacques Fournier, Director of Airport Commercial Development and Greg Hierlihy, Director of Finance and Administration. We also welcomed four new members to our board of directors: Karen Chantler, John Wheatley, Andrew Green and Shilo Boucher. This is an exciting time of growth at the Saint John Airport and their wealth of experience and accomplishments in business will prove invaluable to YSJ as we strive to improve our services and passenger experience.

I thank the board of directors, management team, staff and especially our community for their continued support as we strive to create an even better airport in the year ahead.



Derrick Stanford

President and CEO, Saint John Airport Inc.

## MESSAGE FROM THE CHAIRMAN

Our community has a very dedicated and hardworking board of directors. We thank Rob Scott, Troy Northrup, Philip Reeves and Nell Halse, whose terms on the board ended in 2017, and we welcome Shilo Boucher, Karen Chantler, Andrew Green and John Wheatley as new board members. We are proud of our versatile board with their broad skill set and representation from across our catchment area.

The Airport's strategic plan remains focused on four primary pillars for growth:

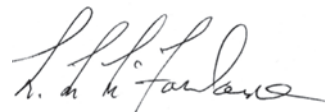
- Enhance facilities and infrastructure
- Broaden air service options
- Drive community engagement
- Diversify our revenue stream

The first pillar includes the requirement to refurbish our runways in the near term and we recognize that infrastructure projects will continue to preoccupy the board for the foreseeable future. Financially, although the economic climate is challenging, we continue to manage the affairs of the airport prudently. We have not yet had to borrow and remain debt free. This approach will need to change as we continue to look for new sources of revenue, including government funding mechanisms, to sustain the airport in the future.

We were very happy to welcome two new members to our executive management team in 2017 - Greg Hierlihy as our new Director of Finance and Administration, and Jacques Fournier as our Director of Airport Commercial Development.

2017 marked my final year as a member of the Saint John Airport Board of Directors. I've had the honour of working with this tremendous group of community leaders for the past nine years and it has been a pleasure to see hard work and shared goals pay off with the growth our Airport has experienced in recent years. I feel we have one of the best management groups in the industry and I want to thank the YSJ board and management for all of their support. With an all-time passenger traffic record in 2017, I am confident that I am leaving the airport in its best position since its privatization in 1999.

Please feel free to contact any member of our board with any concerns or ideas you may have to help us improve the Saint John Airport. It is your airport – and we urge you to continue to use it.



Norman McFarlane  
Chairman of the Board of Directors



### Members of the board of directors and management team

**Left to right:** Larry Hachey, Brian Wiggins, Nell Halse, Charles Hickey, Norm McFarlane, Mark Bettle, Cindy Thorn, Kevin Scott, Greg Hierlihy, Derrick Stanford, John Wheatley, Andrew Green, Shilo Boucher, Paulette Hicks, Susan Layton.

**Missing:** Karen Chantler, Jacques Fournier, Andrew MacGillivray

# CORPORATE GOVERNANCE

## Your Board of Directors (as at December 2017)

Chair: Norm McFarlane  
Nominated by: Transport Canada

Vice-Chair: Larry Hachey, Canlease Inc.  
Nominated by: Saint John Airport Inc.

Treasurer: Mark Bettle, JD Irving Limited  
Nominated by: The Saint John Region Chamber

Secretary: Susan Layton, Emera Inc.  
Nominated by: Saint John Airport Inc.

Nell Halse, Cooke Aquaculture  
Nominated by: Saint John Airport Inc.

Andrew MacGillivray  
Nominated by: Saint John Airport Inc.

Kevin Scott, Irving Oil Limited  
Nominated by: The City of Saint John

John Wheatley  
Nominated by: Enterprise Saint John

Charles Hickey  
Nominated by: Saint John and District  
Labour Council

Paulette Hicks, Delta Brunswick Hotel  
Nominated by: The City of Saint John

Shilo Boucher, YMCA of Greater Saint John  
Nominated by: Fundy Regional Service  
Commission

Andrew Green, Green Webber Company  
Nominated by: NB Department of  
Transportation and Infrastructure

Karen Chantler, Architecture Association  
of New Brunswick  
Nominated by: Regional Service  
Commission 8

## COMMITTEES OF THE BOARD

### Finance, Audit & Investment Committee / Chair – Mark Bettle

A committee of four directors and senior management meet on a regular basis to review the operational and corporate financial activities, review the annual business plan, capital plan and financial budget and makes appropriate recommendations to the board of directors.

The annual audit is reviewed with the Corporation's auditors prior to presentation to the board of directors for approval. The Finance, Audit & Investment Committee recommends investment options to the board of directors and, as required, recommends options for the appointment of the Corporation's auditors.

### Governance Committee / Chair – Susan Layton

A committee of four directors and senior management meet to review board policies, the Corporation's by-laws, and the public accountability principles for Canadian airports to ensure compliance with relevant legislation, regulations and current policies and procedures. New board member attraction and orientation is also the responsibility of the committee. This committee evaluates board training options, committee terms of reference, board composition and any potential gaps in board expertise and diversity.

### Facilities and Air Service Committee / Chair – Andrew MacGillivray

A committee of four directors and senior management meet as required to determine air service priorities and develop strategies for airline attraction. Committee members also seek and recruit community support for airline attraction activities and expertise for presentation to potential airline partners, all in an effort to broaden our air service options.

The committee also develops for the board of directors, recommendations on infrastructure improvements and development and strategies for commercial development opportunities. They provide guidance on matters related to long-term growth and viability, revenue diversification and land development options.

### Executive Committee / Chair – Norm McFarlane

A committee of six directors meets between regular meetings of the board to deal with matters pertaining to the direction of the affairs and business of the Corporation, in such manner as it deems best for the interests of the Corporation.

## Human Resources Committee / Chair – Kevin Scott

A committee of three directors and senior management meet on a regular basis to review and make recommendations to the board on the annual salary policy for the CEO and management team (non-unionized), mandates for the negotiation of collective agreements with certified bargaining units, employee benefit plan coverage and benefit rate renewal for management, and plans for recruitment and changes in staffing levels.

The committee also serves to provide general oversight on policies and processes that ensure the Airport's compliance with occupational and environmental health and safety legislation, and to receive and consider reports and recommendations from the Pension Administration Committee and make recommendations to the board with respect to the design of the pension plan and other pension matters within the authority of the board.

## SAFETY & SECURITY

The Saint John Airport is committed to excellence in safety, security and environmental management. Our primary objective is to build, operate and maintain a safe, secure and environmentally sustainable airport for our employees, stakeholders and customers.

We currently have safety, security and environmental policies to serve as a reminder to each airport authority employee that we are all individually responsible to report hazards and to always look for ways to improve our programs and processes.

The management team leads our endeavor to:

- Meet all applicable safety, security and environmental laws and regulations;
- Train and educate our employees and allocate sufficient resources in support of safety, security and environmental excellence;
- Set specific measurable goals for safety, security and environmental performance and regularly report on these results; and
- Promote a culture whereby employees and stakeholders can:
  - Voluntarily self-report any acts, deficiencies, hazards, incidents or occurrences that threaten safety, security or the environment; and
  - Actively and collaboratively identify, seek out, report, analyze and rectify hazards in order to prevent or mitigate reoccurrence and maintain a safe, secure and environmentally sustainable airport.

### Wildlife Management

We have a responsibility to ensure safe aircraft operations while conserving wildlife. The YSJ wildlife team patrols the airfield year-round, using lethal and non-lethal methods (pyrotechnics, sirens and trapping) to scare and disperse hazardous wildlife.

In 2017, the wildlife team began using new proactive tools such as a bird deterrent kite, and incorporated game cameras to help identify wildlife sightings in wooded areas. Combined these led to increased wildlife management effectiveness and helped lead to a 50 per cent decrease in bird-strikes from 2016.

### Water

Saint John Airport continuously monitors the quality of potable water, wastewater and storm water at its airport through sampling conducted by our certified water and waste water operators and analysis provided by an accredited outside laboratory.

More than 200 analyses are carried out annually on water samples collected at various outlets of the airport.

In our glycol management plan, we set clear targets for reducing impacts to water quality. This includes a target that strives for zero water samples with glycol concentration above the Canadian glycol guideline level of 100 mg/L. In 2017 we tested 35 water samples from airport storm water runoff for glycol and we met our target, as all samples tested had <5 mg/L of glycol concentration.



## Training

We invested 2,594 training hours for airport authority employees in 2017, averaging 104 training hours per person. All full-time, and seasonal employees are included in this count, for a total of 25 FTE as of December 31, 2017.

## Health & Safety

Our joint Occupational Health and Safety Committee is comprised equally of management and bargaining unit employees. The committee reviews policies, programs and safe work practices on an annual basis ensuring all applicable regulations, standards, guidelines and best practices are incorporated.

In 2017, a visit from the Employment and Social Development Canada (ESDC) resulted in zero findings.

## Lost-Time Injuries

We measure health and safety performance by tracking any at-work injuries that result in an employee missing work. In 2017, we had one lost-time injury and 10 lost-time days which is down from two in 2016.

## Canadian Aviation Safety Week

Saint John Airport was a proud participant in Canadian Airports Safety Week (CASW) from October 2-6, 2017. CASW is an airport-led initiative with 29 participating airports across Canada.

CASW week included a range of activities to promote healthy and safe work practices among airport employees. Saint John Airport held the following activities;

**Aviation Trivia** – Passengers were asked aviation trivia questions and were awarded swag for correctly answered questions

**ROAD-EO** - Our heavy equipment operators were able to showcase their safe driving skills through obstacle courses

**Foreign Object Debris (FOD) Walk**, - Several employees cleared the apron of debris, followed by a celebratory BBQ.

## Emergency Response Procedures - Tabletops and Live Exercises

Every year we conduct small- to medium-scale exercises to test and discuss our expected emergency responses. During 2017, we hosted a Security and Aircraft Rescue Fire Fighter Response Tabletop exercise with our responder and partner agencies. The exercise provided valuable training and helped YSJ and our partners identify areas to improve.

## Emergency Response Procedures - Incident Command Training

To ensure that YSJ and our partners operate under the same emergency response principles when involved in major incidents, we partnered with the Emergency Solutions International to provide YSJ-tailored Incident Command System (ICS) 100 training in 2017. The YSJ maintenance, emergency responders, administration and management team completed the initial phase, ICS-100 training and will continue with ICS 200 and 300 training in 2018. YSJ's CEO completed the ICS 401 for executives training.

## Respect in the Workplace

Saint John Airport is committed to providing a work environment where all employees are treated with dignity and respect. This includes the right for every employee to work in an atmosphere that promotes respect, consideration and is free from personal harassment, bullying or discrimination.

In 2017, the airport hosted a Respectful Workplace Awareness session which was well attended by a cross-section of all departments.



# COMMUNITY IMPACT & ENGAGEMENT:

## Proud Sponsor of the Community

We were proud to sponsor several major community organizations, events and activities in 2017, including:

- East Coast Music Awards
- Port Saint John
- P.R.O. Kids
- Imperial Theatre
- Saint John Sea Dogs
- Saint John Riptide
- Quebec Major Junior Hockey League Draft
- Junior Achievement New Brunswick, and
- Saint John Theatre Company

## 7th Annual Runway Run and Community Day

YSJ and Fundy Sports & Tourism co-hosted its seventh annual Saint John Airport Runway Run last summer. Despite the wind and rain, we had 125 finishers in the 5k and 45 in the 10k as well as 30 tough kids and were able to raise \$2,000 for the Brighton Group Charity.

In addition to the runway run, we held a free family community day event that included live entertainment, BBQ, inflatable slides, bubble soccer, active wear fashion show and opportunities to interact with our community partners. We look forward to hosting this popular event again in 2018 and hope to see you there.



## 2017 HIGHLIGHTS

### YSJ Welcomed Porter Airlines

In 2017, the Saint John Airport welcomed Porter Airlines. In September we honoured the inaugural Porter flight with a ceremonial water salute. Porter Airlines now offers a daily non-stop direct flight from Saint John to Ottawa with continuing service on the same aircraft to Toronto Island Billy Bishop Airport.



### Grand Opening of the YSJ Market & Duty-Free Store

In March, we celebrated the grand opening of the Market and Duty-Free store and became the second airport in the province to offer duty-free service, and the first to offer a stand-alone, dedicated space for shoppers. The market is a fun and innovative shopping experience (post security) that offers our passengers tax-free shopping on popular brands, a Canadian / US currency exchange, local souvenirs like East Coast Lifestyle products, plus food, drinks, magazines and travel necessities.



### Interior & Exterior Renovations

This fall the Airport upgraded with major interior and exterior renovations. Inside, the departures, arrivals and main entrances were replaced. In addition, the washrooms and departures lounge area received much-needed makeovers. Outside, in the short-term parking area, the Airport installed new walkways, paving, and lighting, improved traffic flow and replaced all the concrete curbing and pay stations.



### Innovative Passenger Services - HOTSPOT PARKING

In January, YSJ was the first airport to offer HotSpot Parking in the short-term parking area. With the HotSpot Parking mobile app, YSJ visitors can receive a refund if they don't use the full time on their parking session or add more time without going outside.



## Innovative Passenger Services - FLO ELECTRIC VEHICLE CHARGING STATION

In December, YSJ became the first airport in New Brunswick to offer the convenience of an electric vehicle charging station with service provided by FLO, Canada’s most reliable charging network.

In 2018, all electric vehicle drivers will receive free short-term parking at YSJ, courtesy of Saint John Energy.



## Record-Breaking Passenger Traffic

2017 was a record-breaking year for the Saint John Airport – 263,719 passengers travelled through YSJ setting a new all-time traffic record. A 5.2 per cent increase over the previous year and breaking the existing all-time traffic record of 252,000 passengers the Airport set back in 2015. The Saint John Airport is now one of the fastest growing airports in New Brunswick and Atlantic Canada.



## ART AT THE AIRPORT

We were proud to once again highlight local art through our ‘Art at the Airport’ series in 2017. The work of well-known local artists is showcased to enhance the welcoming atmosphere for our passengers. Located throughout the first floor of the terminal building, the exhibits include paintings, displays of jewelry, pottery and mixed media pieces and a welcome wall of local photography. Exhibits are changed regularly, offering passengers and visitors a continually rotating display of artwork to enjoy. Since its inception, the Airport has hosted the works of more than 60 artists.

### 2017 featured artists:

- |               |                            |
|---------------|----------------------------|
| Gary Kingsley | Eason Xin                  |
| Joanna Pottle | Tia Saley                  |
| Jill Higgins  | Patricia Goodine           |
| Alyson Brown  | Fabiola Martinez Rodriguez |
| Amy Tanning   | Ed Coleman                 |
| Amer Alasali  | Dan Xu                     |
| Siyi Xin      | Rob Roy                    |
| Sophia Bella  | Brian Comeau               |

## 2017 BUSINESS PLAN VS ACTUAL (in thousands)

	Plan	Actual	fav (unfav)	
Revenue (Note 1)	5,960	6,497	537	Passenger growth in last half of year was well above plan, including initiation of new service with Porter Airlines in September
Expenses (Note 2)	4,662	5,050	(388)	Wages increased as positions were filled and increased marketing to spur passenger and revenue growth
Capital Expenditures	4,802	1,772	3,030	Waste water system construction and fleet purchases deferred to 2018

## BUSINESS PLAN FORECAST 2018-2022 (in thousands)

	2018	2019	2020	2021	2022
Revenue (Note 3)	7,168	7,273	7,381	7,517	7,710
Expenses (Note 2)	5,737	5,875	6,043	5,763	5,842
Capital Expenditures (Note 4)	13,720	16,709	2,587	1,218	654

1. Revenue includes Passenger Facility Fees and Operations
2. Expenses include interest and do not include non-cash items of amortization of capital assets and the deferred grant.
3. Passenger growth budgeted at 18.5% for 2018 and assumed to be 2.0% for 2019-2022
4. Capital forecast includes runway rehabilitation, fleet equipment, water & waste water treatment centre upgrades, sidewalks & curb replacement

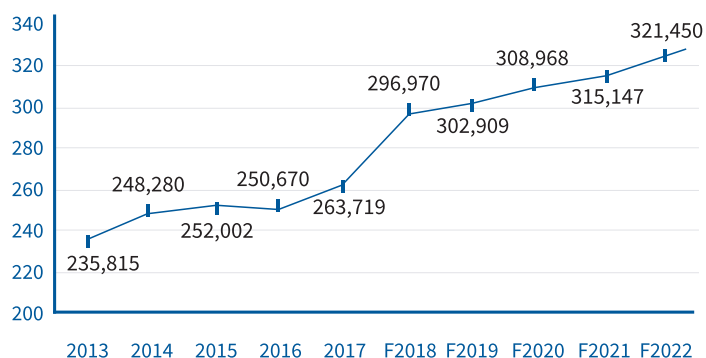
Government funding will be required to complete the infrastructure projects during the next five years such as runway resurfacing and upgrading. We seek to partner with all levels of government in our effort to secure the necessary funding.

## SUMMARY OF CAPITAL EXPENDITURES IN 2017 (in thousands)

Roads & Grounds	\$906
Air Terminal Building Improvements	\$617
Vehicles	\$115
Water System Preliminary Design	\$ 77
Other fixed assets <\$10,000	\$ 57
	<u>\$1,772</u>

In 2017 all contracts exceeding \$103,000 (\$75,000 in 1999 dollars adjusted by the Consumer Price Index) were awarded on the basis of a public tendering process.

## PASSENGER STATISTICS



Air traffic growth is a function of population, economic growth, tourism and air service stimulation\* forecast passenger growth of 2.0% for each year 2019-2022

# FINANCIAL REVIEW

The Saint John Airport Inc. (SJA) was incorporated as a corporation without share capital on February 19, 1997, under Part I of the New Brunswick Companies Act. On June 1, 1999, the corporation signed an agreement with the Government of Canada to transfer managerial, operational and developmental control of the Saint John Airport to the corporation. The SJA is exempt from income tax according to the Airport Transfer (Miscellaneous Matters) Act. All earnings are retained and reinvested in airport operations and development.

## INDEPENDENT AUDITORS' REPORT

*To the Board of Directors of Saint John Airport Inc.*

We have audited the accompanying financial statements of Saint John Airport Inc., which comprise the statement of financial position as at December 31, 2017, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saint John Airport Inc. as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

**Teed Saunders Doyle**

CHARTERED PROFESSIONAL ACCOUNTANTS

Saint John, NB  
February 21, 2018

**SAINT JOHN AIRPORT INC.  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2017**

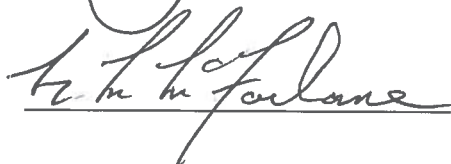
<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>CURRENT</b>		
Cash	\$ 1,437,016	\$ 1,851,750
Accounts receivable	575,086	542,015
Parts inventory	114,047	97,571
Prepaid expenses	<u>629,687</u>	<u>81,436</u>
	<u>2,755,836</u>	<u>2,572,772</u>
<b>ACCRUED DEFINED BENEFIT PENSION ASSET (Note 6)</b>	1,322,000	1,134,000
<b>RESTRICTED INVESTMENTS FOR CAPITAL ASSET REPLACEMENT</b>	<u>5,394,658</u>	<u>5,318,346</u>
<b>CAPITAL ASSETS (Note 4)</b>	<u>6,587,931</u>	<u>5,755,860</u>
	<u>16,060,425</u>	<u>14,780,978</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	1,103,162	613,838
Harmonized sales tax payable	<u>12,174</u>	<u>9,317</u>
	<u>1,115,336</u>	<u>623,155</u>
<b>PROVISION FOR RETIREMENT ALLOWANCE (Note 6)</b>	<u>73,398</u>	<u>69,077</u>
<b>DEFERRED GRANT FOR AIRPORT CAPITAL IMPROVEMENTS (Note 5)</b>	<u>917,347</u>	<u>1,184,141</u>
<b>NET ASSETS</b>		
Unrestricted	2,889,102	3,014,540
Invested in capital assets (Note 10)	5,670,584	4,571,719
Internally restricted Replacement Reserve Fund	<u>5,394,658</u>	<u>5,318,346</u>
	<u>13,954,344</u>	<u>12,904,605</u>
	\$ <u>16,060,425</u>	\$ <u>14,780,978</u>

**COMMITMENTS AND CONTINGENCIES (Note 7)**

APPROVED ON BEHALF OF THE BOARD:



Director



Director



**SAINT JOHN AIRPORT INC.**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Invested in Capital Assets	Subtotal	Replacement Reserve Fund	Total 2017	Total 2016
<b>BALANCE AT BEGINNING OF YEAR</b>	\$ 3,014,540	\$ 4,571,719	\$ 7,586,259	\$ 5,318,346	\$ 12,904,605	\$ 11,710,105
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE</b>	1,578,409	(672,982)	905,427	76,312	981,739	1,432,500
<b>EMPLOYEE FUTURE BENEFITS OTHER REMEASUREMENT ITEMS (Note 6)</b>	68,000	-	68,000	-	68,000	(238,000)
<b>CAPITAL ASSETS PURCHASED</b>	(1,771,847)	1,771,847	-	-	-	-
<b>BALANCE AT END OF YEAR</b>	\$ <u>2,889,102</u>	\$ <u>5,670,584</u>	\$ <u>8,559,686</u>	\$ <u>5,394,658</u>	\$ <u>13,954,344</u>	\$ <u>12,904,605</u>

**SAINT JOHN AIRPORT INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>REVENUE (Note 9)</b>		
Aircraft landing and terminal fees	\$ 1,652,529	\$ 1,745,857
Vehicle parking	812,287	783,335
Concessions	558,462	533,718
Land and office rentals	239,524	214,796
Airport services	133,824	95,262
Gain on disposal of capital assets	-	6,600
Other	7,441	7,317
Interest income	12,183	2,381
	<u>3,416,250</u>	<u>3,389,266</u>
Passenger facility fee (Note 8)	<u>3,041,696</u>	<u>2,928,828</u>
	<u>6,457,946</u>	<u>6,318,094</u>
<b>EXPENDITURE</b>		
Salaries, wages and benefits	2,495,234	2,088,042
Materials, supplies and services	1,280,767	1,305,489
General and administrative (Note 7)	1,223,536	1,048,335
Net amortization expense (Note 11)	672,982	655,932
	<u>5,672,519</u>	<u>5,097,798</u>
<b>EXCESS OF REVENUE OVER EXPENDITURE FROM OPERATIONS</b>	785,427	1,220,296
<b>DEFINED BENEFIT PENSION INCOME (Note 6)</b>	<u>120,000</u>	<u>144,000</u>
<b>EXCESS OF REVENUE OVER EXPENDITURE</b>	<u>905,427</u>	<u>1,364,296</u>
<b>ALLOCATED TO:</b>		
Unrestricted	1,578,409	2,013,628
Invested in Capital Assets	<u>(672,982)</u>	<u>(649,332)</u>
	\$ <u>905,427</u>	\$ <u>1,364,296</u>

**SAINT JOHN AIRPORT INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>CASH PROVIDED BY (USED IN)</b>	<b>2017</b>	<b>2016</b>
Operating activities		
Excess of revenue over expenditure	\$ 905,427	\$ 1,364,296
Items not involving cash		
Amortization of capital assets	939,776	1,053,460
Amortization of deferred grant	(266,794)	(397,528)
Gain on disposal of capital assets	-	(6,600)
Defined benefit pension income	(120,000)	(144,000)
Increase in provision for retirement allowance	4,321	1,481
	<u>1,462,730</u>	<u>1,871,109</u>
Changes in non cash working capital balances		
Accounts receivable	(33,071)	(152,632)
Parts inventory	(16,476)	3,962
Prepaid expenses	(548,251)	(774)
Accounts payable and accrued liabilities	489,324	(22,956)
Harmonized sales tax payable	2,857	(75,809)
	<u>1,357,113</u>	<u>1,622,900</u>
Investing activities		
Purchase of capital assets	(1,771,847)	(634,580)
Proceeds on disposal of capital assets	-	26,600
	<u>(1,771,847)</u>	<u>(607,980)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>(414,734)</b>	<b>1,014,920</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>1,851,750</b>	<b>836,830</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 1,437,016</b>	<b>\$ 1,851,750</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	\$ 88,495	\$ 70,585

**SAINT JOHN AIRPORT INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**1. INCORPORATION AND ACTIVITIES**

Saint John Airport Inc. (the "Corporation") was incorporated on February 19, 1997 under the Companies Act of New Brunswick as a non share capital, not for profit corporation.

On June 1, 1999, the Corporation signed an agreement with the Government of Canada to transfer managerial, operational and developmental control of the Saint John Airport to the Corporation. Effective that date, the Corporation signed a ground lease agreement (the "ground lease") with the Government of Canada which provides that the Corporation will lease the airport facilities for an initial term of sixty years.

A twenty year renewal option may be exercised but at the end of the renewal term, unless otherwise extended, the Corporation is obligated to return control of the Saint John Airport to the Government of Canada. Regulation of Safety Standards for the airport continues to be the responsibility of the Government of Canada, but the Corporation is responsible for operating the airport safely. Income arising from the operation of the Saint John Airport is exempt from federal and provincial income taxes. The Corporation is subject to HST and real property tax.

**SAINT JOHN AIRPORT INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not for profit organizations ("ASNFP").

### Cash and Cash Equivalents

The corporation considers cash on hand, short term deposits, balances with banks as cash and cash equivalents. The cash balance at year end consists of funds held in bank accounts.

### Lease with Government of Canada

The ground lease is accounted for as an operating lease.

### Financial Instruments Policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in excess of revenue over expenditure. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date.

Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

### Parts Inventory

Parts inventory is valued at the lower of cost or replacement value. Cost is determined on a first in, first out basis.

### Capital Assets

Capital assets are stated at cost less accumulated amortization. As assets are put in use, amortization is provided for on a straight line basis at the following annual rates:

Leasehold improvements		
Buildings	5.0	20.0 %
Runways, roads and grounds	5.0	30.0 %
Vehicles	5.5	25.0 %
Machinery and equipment	6.7	30.0 %
Systems and software	20.0	-33.3 %
Furniture and fixtures		10.0%

The Corporation regularly reviews its capital assets to eliminate obsolete items.

### Restricted Investments for Capital Asset Replacement and Replacement Reserve Fund

The Board of Directors has established a Replacement Reserve Fund for the purpose of replacing capital assets. Transfers to and from the fund require approval from the Board of Directors. Income earned on the fund is recorded as a direct increase in net assets of the Replacement Reserve Fund.

The Replacement Reserve Fund is comprised of Guaranteed Investment Certificates, mutual funds and cash and is stated at cost plus accrued interest which approximates market value. At December 31, 2017, the market value was \$5,394,658 (2016 \$5,318,346).

### Employee Future Benefits Defined Benefit Pension Plan

The Corporation reports its employee future benefits based on the going concern funding valuation basis.

Remeasurements and other items include gain/(loss) on pension liabilities, gain/(loss) on pension assets and the change in impact of the valuation allowance. These are recognized directly in net assets.

### Deferred Grant for Airport Capital Improvements

In accordance with the terms of the ground lease, the Corporation received a capital based grant of \$6.3 million during the period ended December 31, 1999 from the Government of Canada. These funds, and all interest accrued thereon, have been spent on airport safety and security infrastructure capital projects. The deferred grant will be amortized to excess of revenue over expenditure on the same basis as the related capital assets acquired with the funds.

### Revenue Recognition

Aircraft landing and terminal fees and parking revenues are recognized as the airport facilities are utilized. Concession revenues are recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum rent guarantees. Rental revenues are recognized over the lives of respective leases. Passenger facility fees are recognized upon the enplanement of passengers.

### Measurement Uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not for profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

Examples of significant estimates contained in these financial statements include:

- the allowance for doubtful accounts;
- the allowance for inventory obsolescence;
- the estimated useful lives of assets;
- the recoverability of tangible assets; and
- certain actuarial and economic assumptions used in determining defined benefit pension costs, accrued pension obligations and pension plan assets.

## 3. FINANCIAL INSTRUMENTS

The Corporation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Corporation's risk exposure and concentration as of December 31, 2017.

**SAINT JOHN AIRPORT INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Credit Risk**

The Corporation is exposed to credit risk on the accounts receivable from its customers. The Corporation reviews a new customers' credit history before extending credit and conducts regular reviews of existing customers' credit performance. At December 31, 2017, accounts receivable consisted primarily of aviation fees and passenger facility fees arising from normal operations. A significant portion of the accounts receivable is from one customer and its subsidiaries.

**Interest Rate Risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Corporation is exposed to interest rate risk on the investments that are held in the Restricted Investments for Capital Asset Replacement.

**Currency Risk**

Currency risk is the risk to the Corporation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation is not exposed to this type of risk as it does not hold foreign currency.

**Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its receipt of funds from its customers, contributions to the pension plan, accounts payable and other obligations.

**SAINT JOHN AIRPORT INC.  
NOTES TO FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2017**

**4. CAPITAL ASSETS**

	<b>2017</b>		<b>2016</b>	
	Cost	Accumulated Amortization	Net	Net
Leasehold improvements				
Buildings	\$ 7,029,136	\$ 4,600,512	\$ 2,428,624	\$ 2,007,915
Runways, roads and grounds	8,778,318	5,636,800	3,141,518	2,691,097
Vehicles	2,894,004	2,367,661	526,343	540,650
Machinery and equipment	1,314,461	895,703	418,758	433,958
Systems and software	163,936	133,201	30,735	33,371
Furniture and fixtures	96,011	54,058	41,953	48,869
	<u>\$ 20,275,866</u>	<u>\$ 13,687,935</u>	<u>\$ 6,587,931</u>	<u>\$ 5,755,860</u>

**5. DEFERRED GRANT FOR AIRPORT CAPITAL IMPROVEMENTS**

	<b>2017</b>		<b>2016</b>	
Balance at beginning of year	\$	1,184,141	\$	1,581,669
Amortized during the year		(266,794)		(397,528)
Balance at end of year	\$	<u>917,347</u>	\$	<u>1,184,141</u>

**6. EMPLOYEE FUTURE BENEFITS**

	<b>2017</b>		<b>2016</b>	
Accrued Defined Benefit Pension Asset	\$	<u>1,322,000</u>	\$	<u>1,134,000</u>
Provision for Retirement Allowance	\$	<u>73,398</u>	\$	<u>69,077</u>

**SAINT JOHN AIRPORT INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**6. EMPLOYEE FUTURE BENEFITS (cont'd)**

**Defined Benefit Pension Plan**

On June 1, 1999, the Corporation joined the Canadian Airport Authorities and Canadian Port Authorities Pension Plan, a multi employer pension plan. This plan covers employees of the Corporation who, immediately prior to joining the Corporation, were employees of the Federal Public Service and were accruing pension benefits under the Public Service Superannuation Act. The federal government remains responsible for all pension benefits accrued in respect of those individuals up to that time.

Pension assets consist primarily of Canadian and foreign equity and fixed income funds. The fair value of the plan assets is based on the market value of the funds that the plan assets are invested in. Pension benefit obligations are determined based on management's best estimate of long term salary escalation rates and are discounted based on management's best estimate of long term interest rates. The significant actuarial assumptions used in measuring the Corporation's accrued benefit obligation and the fair value of the plan assets are as follows:

	2017	2016
Compensation escalation rate	2.50%	2.50%
YMPE escalation rate	2.50%	2.50%
Indexation rate	2.00%	2.00%
Discount rate	4.50%	4.75%

Variances between such estimates and actual experience, which may be material, are recognized immediately as a direct increase or decrease to net assets.

The Corporation bears the risk of experience loss against the above assumptions. The maximum risk of loss is equal to the difference between the fair value of the pension benefit obligation and the amount of the pension benefit obligation accrued in the financial statements. Should actual experience differ from the assumptions, future contributions will be adjusted to make up for any variances.

Risk is managed by placing the pension plan assets in trust and through the pension investment policy, which defines the plan's allowable investments. Actuarial reports prepared are based on projections of employees' compensation levels to the time of retirement and estimates of long term interest rates which are determined based on stochastic projections of the various asset classes the plan assets are invested in, and agreed to by the plan administrator. The most recent actuarial valuation was performed as at January 1, 2017. The valuation was performed using the projected unit credit method to determine the minimum employer contribution under the Pension Benefits Standards Act and the maximum deductible contribution according to the Income Tax Act of Canada.

Based on the recommendations of the Plan's actuary, the employer contributions for the year were set at 23.4% (2016 21.6%) of the employees' earnings plus an additional special contribution of \$7,203 per month (2016 \$7,760). These contribution requirements will remain in effect until the next actuarial valuation scheduled for January 1, 2018.

Information about the defined benefit portion of the plan as at December 31 is as follows:

	2017	2016
Fair market value of plan assets	\$4,949,000	\$4,669,000
Accrued benefit obligation	<u>3,627,000</u>	<u>3,535,000</u>
Accrued benefit asset	<u>\$1,322,000</u>	<u>\$1,134,000</u>
	<b>2017</b>	<b>2016</b>
Accrued benefit asset-beginning of year	\$1,134,000	\$1,228,000
Net pension recovery (expense) for the year	2,000	(14,000)
Employer contributions	118,000	158,000
Other rereasurement items	<u>68,000</u>	<u>(238,000)</u>
Accrued benefit asset end of year	<u>\$1,322,000</u>	<u>\$1,134,000</u>
Employee contributions	\$6,000	\$7,000
Pension and termination benefits paid	\$173,000	\$170,000

The actuarial present value of accumulated benefits for the 2017 fiscal year is based on an extrapolation provided by the actuaries. The actuaries believe that the financial results would not differ materially from the extrapolation if a formal valuation was performed at year end.

**Defined Contribution Pension Plan**

The Corporation's defined contribution pension plan covers new employees who have joined the Corporation since June 1, 1999. Employees covered by this plan are required to contribute 6% of their earnings which are matched by the Corporation. All employer contributions vest with the employee immediately. During the year, the Corporation contributed \$90,714 (2016 \$71,131) towards this plan.

**SAINT JOHN AIRPORT INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**6. EMPLOYEE FUTURE BENEFITS (cont'd)****Retiring Allowance**

Following the guidelines set forth by the Saint John Airport Collective Agreement, employees who have ten or more years of service are entitled to a retirement allowance of one week's pay per year of service since June 1, 1999. This is limited to a maximum of thirty weeks of pay. There was \$8,040 (2016 \$8,040) for retirement allowances paid during the year.

**7. COMMITMENTS AND CONTINGENCIES**

As described in Note 1 to the financial statements, the Corporation signed a ground lease agreement with the Government of Canada which provides that the Corporation will lease the airport for an initial term of sixty years. A twenty year renewal option may be exercised but at the end of the renewal term, unless otherwise extended, the Corporation is obligated to return control of the Saint John Airport to the Government of Canada.

a) Under the terms of the amended ground lease, the occupation of the airport by the Corporation was rent free until 2016. During the year and onwards, the rent formula is as follows: no rent charged on the first \$5,000,000 of airport revenue; 1% of the portion of airport revenue in excess of \$5,000,000 but equal to or less than \$10,000,000; 5% of the portion of airport revenue in excess of \$10,000,000 but equal to or less than \$25,000,000; 8% of the portion of airport revenue in excess of \$25,000,000 but equal to or less than \$100,000,000; 10% of the portion of airport revenue in excess of \$100,000,000 but equal to or less than \$250,000,000; and 12% of the portion of airport revenue in excess of \$250,000,000. During the year, \$17,710 was calculated as the rent charge for 2017 (2016 \$16,111).

b) An environmental site assessment on the Saint John Airport property was carried out in December 1998 by the Government of Canada and the report that was issued is referred to as the Environmental Baseline Study Report. This report was to identify the extent of the hazardous substances that existed as of December 1998 and extended to the June 1, 1999 transfer date. Article 37 of the Ground Lease for the airport will govern responsibility for any remedial work, if necessary.

The responsibility for any liability that may arise in the future relating to the existence of a hazardous substance originating before the transfer on June 1, 1999 to the Corporation rests with the Government of Canada. The Corporation has responsibility for any environmental liabilities that arise from hazardous substances that occur subsequent to the transfer date. At December 31, 2017 there are no known environmental liabilities.

**8. PASSENGER FACILITY FEE**

	<b>2017</b>	<b>2016</b>
Passenger facility fees collected	\$3,202,320	\$3,082,985
Handling fees	(160,624)	(154,149)
Passenger facility fee	<u>\$3,041,696</u>	<u>\$2,928,836</u>

**9. ECONOMIC DEPENDENCE**

The Corporation derives a significant amount of revenue from Air Canada and its subsidiaries and consequently, is economically dependent on this customer.

**10. NET ASSETS INVESTED IN CAPITAL ASSETS**

	<b>2017</b>	<b>2016</b>
Invested in capital assets, beginning of year	\$4,571,719	\$4,613,071
Amortization of capital assets	(939,776)	(1,053,460)
Amortization of deferred grant	266,794	397,528
Gain on disposal of capital assets	-	6,600
Purchase of capital assets	1,771,847	634,580
Proceeds on disposal of capital assets	<u>-</u>	<u>(26,600)</u>
Invested in capital assets, end of year	<u>\$5,670,584</u>	<u>\$4,571,719</u>

**11. NET AMORTIZATION EXPENSE**

	<b>2017</b>	<b>2016</b>
Amortization of capital assets	\$939,776	\$1,053,460
Amortization of deferred grant (Note 5)	<u>(266,794)</u>	<u>(397,528)</u>
	<u>\$672,982</u>	<u>\$655,932</u>

## FINANCIAL DISCLOSURES

### Board of Directors Compensation

#### Officers:

Chair: Norm MacFarlane	\$12,900
Vice-Chair: Larry Hachey	\$ 2,550
Secretary: Susan Layton	\$ 2,550
Treasurer: Mark Bettle	\$ 2,600

#### Directors:

Shilo Boucher (joined the board September 6, 2017)	\$ 350
Karen Chantler	\$ 2,450
Andrew Green (joined the board September 6, 2017)	\$ 550
Nell Halse	\$ 2,400
Charles Hickey	\$ 2,500
Paulette Hicks	\$ 2,350
Andrew MacGillvray	\$ 2,500
Troy Northrup (term on board expired on April 30, 2017)	\$ 1,350
Philip Reeves (term on board expired on June 30, 2017)	\$ 1,650
Kevin Scott	\$ 2,700
Rob Scott (term on board expired on July 31, 2017)	\$ 1,550
John Wheatley (joined the board on May 1, 2017)	\$ 700

### Executive Compensation

The salary range for the President and CEO during 2017 was \$175,000 to \$225,000.

The total compensation paid to the management team during 2017 was \$649,400.

There were no reports of non-compliance to codes of conduct on the part of the board, nor on the part of the Airport tenants.

## YSJ TEAM ANNOUNCEMENTS

### Welcome

We were pleased to welcome the following people to the Saint John Airport team in 2017:

Greg Hierlihy, Director of Finance and Administration

Jacques Fournier, Director of Airport Commercial Development

Christopher Penney, Safety and Emergency Response Supervisor

Stephanie McCrory, Administrative Assistant in the Business Office

### Saint John Airport Staff

**Back row left to right:** Brad Bennett, Matthew Ryan, Chris Penney, Jason Price, Stephen Price, Shawn Pollock, Nick Oram, Cindy Thorn, Grant Brown, Greg Hierlihy, Derrick Stanford, Stephanie McCrory, Anita Shrieves, Natalie Withers, Brian Wiggins

**Front row left to right:** Devin Hunter, John Langille, Roger Fortune, Kelly MacKinnon, Andrew Hunter, Craig Bietz, Randy Folkins

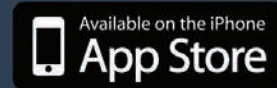
**Missing from photo:** Troy Milton, Michael Lutes, Ray Alberts, Jacques Fournier, Jack Landry, Wayne Keller





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tips and airport information in the palm  
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## HOTSPOT PARKING

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Saint John Airport Inc.  
4180 Loch Lomond Road Saint John, NB, Canada E2N 1L7  
Telephone (506) 638-5555 | Fax (506) 638-5550  
Email: [fly@sjairport.ca](mailto:fly@sjairport.ca) | [www.saintjohnairport.com](http://www.saintjohnairport.com)

### Executive Management:

President & CEO  
Derrick Stanford  
[dstanford@sjairport.ca](mailto:dstanford@sjairport.ca)

### Director of Finance and Administration

Greg Hierlihy  
[ghierlihy@sjairport.ca](mailto:ghierlihy@sjairport.ca)

### Director of Engineering, Facilities and Capital Projects

Brian Wiggins  
[bwiggins@sjairport.ca](mailto:bwiggins@sjairport.ca)

### Director of Operations

Cindy Thorn  
[cthorn@sjairport.ca](mailto:cthorn@sjairport.ca)

### Director of Airport Commercial Development

Jacques Fournier  
[jfournier@sjairport.ca](mailto:jfournier@sjairport.ca)

### Auditors – Teed Saunders Doyle & Co.

39 Canterbury Street, Saint John, NB, E2L 4S1

### Legal Counsel – Lawson Creamer

133 Prince William Street, Saint John, NB, E2L 4S2

### Banker – RBC Royal Bank

100 King Street, Saint John, NB, E2L 4B3

