



# Opportunity

Fort McMurray Airport Authority  
Annual Report 2017

# We are Canada's Premier Regional Airport

## Mission

We are responsible stewards of our airport, achieving superior performance in the conduct of safe, secure, effective and efficient operations. Our airport businesses contribute significantly to the economy of the Region, Alberta and Canada.

## Corporate Values

- Excellence in Safety, Security and Environmental Performance
- Commercially Focused, Fiscally Responsible, Business Sustainability
- Exemplary Customer Service
- Leadership
- Teamwork

## Key Success Drivers

1. To optimize the customer experience by leading a high performing airport team that provides superior facilities and services.
2. To be financially sustainable and environmentally responsible.
3. To foster effective stakeholder relations.

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# Joint Message

From Board Chair Allan Kallal and President & CEO RJ Steenstra

## New opportunities

Challenges bring new opportunities. The Wood Buffalo Region has certainly had its challenges over the last three years. Yet, 2017 was a year marked by new beginnings as the Region started to rebuild from the 2016 wildfire. The Region's economy also started to grow again along with Alberta's.

Although we do not expect the economy will return to the white-hot growth prior to the 2014 oil price collapse, new opportunities abound as the Region resets for the future.

Fort McMurray International Airport (YMM) is also resetting.

We must generate new ways to use our assets. We are committed to developing the ample land available to us, showing our guests in the terminal a first-class experience, and working with industry to find a balanced approach and a focus on new opportunities that make sense for the Region.

To take advantage of these opportunities before us, we have transformed the leadership team.

The spring brought on the first of these changes. Ms. Denean Robinson took the reins as Director of Finance and Controller. Denean previously held the position of Senior Manager at MNP LLP in Fort McMurray. Her background in the financial sector will help us in our role as a catalyst for economic growth.

In summer, Mr. Cuyler Green assumed the position of Vice President, Operations, taking leadership of our operations team. Cuyler has over 20 years of airport operations experience. He is focused on keeping YMM safe and secure, and fully operational 24/7 365 days a year.

In the fall, Mr. Rod Hunchak joined us as Vice President, Commercial. He is responsible for commercial and business development. Rod is driving all non-aeronautical revenue streams such as land development and concessions. At the same time, Rod is responsible

for growing our air service as the economy starts to strengthen. At the top of the list for new air service targets is a sun destination and Las Vegas.

Denean, Cuyler and Rod are committed to our customers, stakeholders and the community. We know our future success hinges on how well we respond to customer needs inside and outside of the terminal. We also understand the value of strengthening relationships with our airline partners, tenants and our stakeholders across the Region.

## Propelling new revenues

As we continue to build our team approach to delight our customers, we also have new opportunities to develop YMM lands. Increasing the revenues from non-aeronautical development reduces the aviation user's proportion of operating costs, making YMM even more attractive to enhance and add new air services.

The opportunity is big, with YMM's land occupying 685 hectares. Over 100 hectares of that land is designated for commercial and industrial activities in three commercial parks. The amount of land earmarked for development at YMM is the largest industrial park in the Region, and given the current economics, filling these parks will be a long-term endeavour.

Still, we are energized by the immediate opportunities for new development at Snowbird Prestige Commercial Park retail complex. Current proposals are for a service station including other services such as a car wash and restaurant.

The other two commercial parks, Snow Eagle Aviation Park and Golden Hawk Commercial Park, are ready for near- and medium-term development as the Region grows.

## Generating regional economic growth

All the development at YMM, be it commercial aviation or non-aeronautical related, is about boosting and enabling the local economy, providing opportunity and jobs to the Region.

To understand the full influence YMM has on economic activity in the Region, we commissioned an independent study by InterVISTAS Consulting Group using 2016 data. This study examined the impact direct jobs and spin-off jobs have on the local economy. The total economic output was \$354 million and over 1,860 jobs.

YMM is a transportation hub, connecting the world to Wood Buffalo. Our business supports the creation of skilled jobs that support the energy sector and other sectors helping diversify the Region's economy.

While we continue to adjust to lower passenger numbers and significantly less charter activity, we are confident in the future. Instead of racing to keep up with high growth, we are focused on operational efficiencies, increasing non-aeronautical revenue and new thinking to deliver top-tier services.

The situation has changed drastically since 2014, but our vision to be "Canada's Premier Regional Airport" has not. We are going to keep working with all our partners and stakeholders to help the Wood Buffalo Region seize all new opportunities in front of us.



Handwritten signature of Allan Kallal in black ink.

**Allan Kallal**  
Chair, Board of Directors  
Fort McMurray Airport Authority

Handwritten signature of RJ Steenstra in black ink.

**RJ Steenstra**  
President & CEO  
Fort McMurray Airport Authority



# Business opportunities, regional benefits

The Fort McMurray International Airport (YMM) is brimming with opportunities. From new businesses on YMM’s lands, to the many benefits flowing from commercial and cargo services, not to mention the businesses already located at the airport, YMM continues to be a major contributor to the Wood Buffalo Region’s economy.

## Creating jobs and economic diversification

The aviation industry is a major economic generator and airports play a significant role. Air transportation facilitates the business of other economic sectors. The industry promotes employment and economic development in the national, regional and local economies through a number of mechanisms, including trade in goods, services, investment, tourism and productivity.

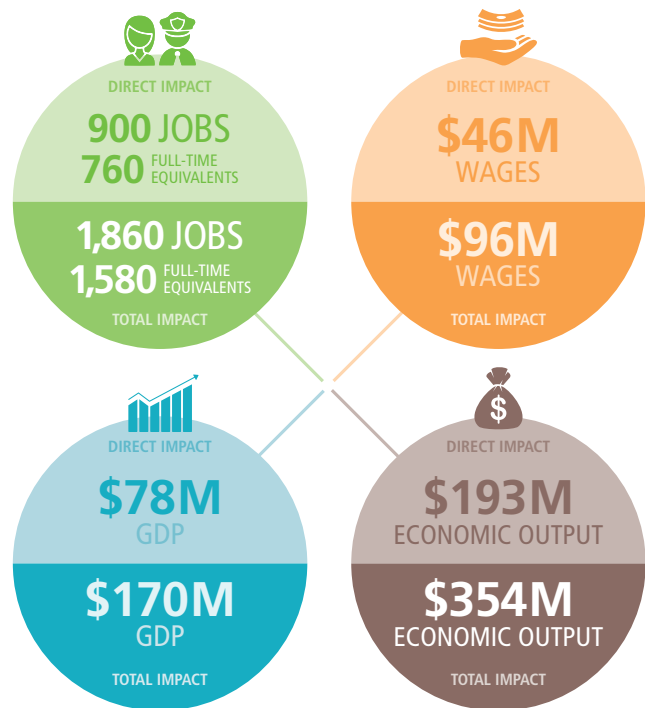
YMM is a vital transportation hub. It is also an economic hub of opportunity for the Region, creating jobs, improving quality of life, driving economic growth and diversification.

An independent study, done by InterVISTAS Consulting Group, was commissioned by the Fort McMurray Airport Authority to understand the economic impact YMM has on the local community.

The study, based on 2016 data, takes into account three major components of economic impact, classified as direct, indirect and induced impacts.

Direct impacts refer to employment related to the operation and management of YMM. This includes airline employees, fixed-base operators, aircraft maintenance, ground handling, customer service, Authority staff and businesses located on YMM property. The study found that YMM’s direct impact provides 900 jobs, \$46 million in wages, \$78 million in Gross Domestic Product (GDP) and \$193 million in economic output.

Indirect impact is attributed to employment in downstream industries that arise from the presence of YMM. Examples of indirect jobs are portions of supplier industries making sales to YMM businesses such



as wholesale food suppliers for the restaurants at YMM. The indirect impact associated with YMM amounted to 660 jobs, \$37 million in wages, \$62 million in GDP and \$109 million in economic output.

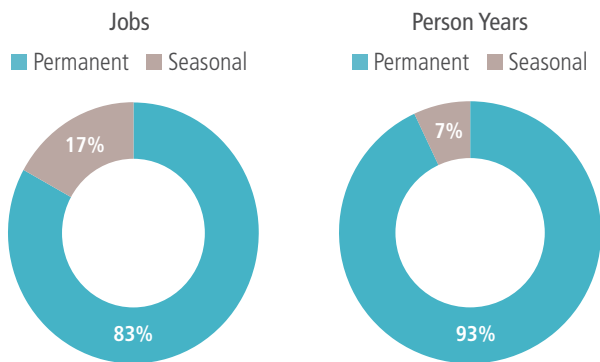
Induced impacts are accredited to the purchases of the individual employees (directly or indirectly). For instance, if an airline employee in Fort McMurray decides to renovate their home, this would result in induced employment in the general economy.

The renovations would support hours of employment in the construction and supply industry. The connection of induced impacts to YMM is related to 300 jobs, \$13 million in wages, \$31 million in GDP and \$52 million in economic output.

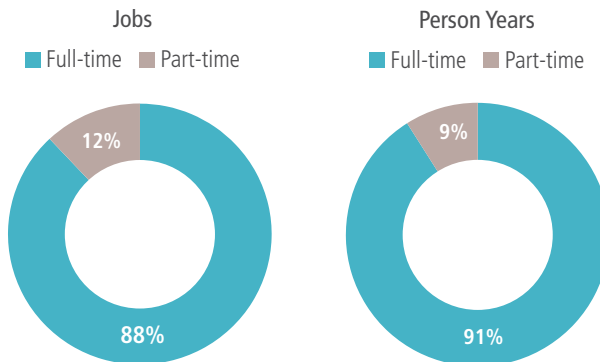
When these three classifications are added together, the total economic impact of the Fort McMurray International Airport (YMM) on the local economy is 1,860 jobs, \$96 million in wages, \$170 million in GDP and \$354 million in total economic output.

When comparing YMM's direct employment to other sectors of the economy, the study revealed that YMM's impact is roughly equivalent to 60 percent the size of the Wood Buffalo-Cold Lake Region's manufacturing sector. The airport plays an important role in the movement of people and cargo resources to advance economic growth and development in a variety of sectors provincially and nationally.

#### Permanent versus Seasonal Employment at Fort McMurray International Airport (YMM), 2016



#### Full-Time Versus Part-Time Employment at Fort McMurray International Airport (YMM), 2016

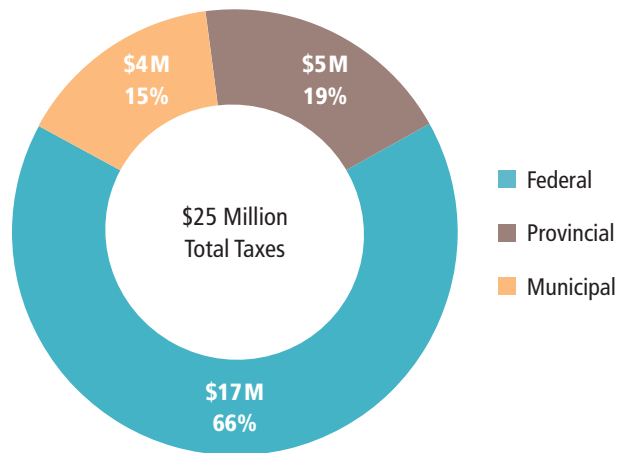


## Annual tax contributions

The economic impact study also demonstrated that YMM is an important generator of taxation revenues to all levels of government. Total taxes paid on an annual basis, by YMM employers and employees, are estimated at nearly \$22 million per year, with the remaining \$3.5 million paid by air passengers. The total estimated tax contribution of YMM amounts to \$25 million.

The majority of taxes accrue to the federal government at 66 percent overall, while the provincial government receives 19 percent of tax revenue generated by YMM. The municipal government also benefits from YMM through the collection of property taxes amounting to over \$4 million paid by the Authority and its tenants.

#### Annual Estimated Tax Revenues of Fort McMurray International Airport (YMM) by Level of Government



To review the full Fort McMurray International Airport (YMM) Economic Impact Study 2016, please visit [www.FlyYMM.com/EconomicImpact](http://www.FlyYMM.com/EconomicImpact) to download a copy.

## Strength in diversity

The world has been connecting with Fort McMurray through flight since the 1920s. After developing the first landing strip in 1936, the airport has played a vital role in the Region's economic growth, supporting a wide range of businesses.

Now more than ever, the Authority and the community need to promote the business activities that already take place at YMM and leverage the vast opportunities that are available to boost growth and diversification of today's economy.

## Businesses at YMM

The property at YMM offers opportunity for business of all types and sizes. Those businesses provide 900 jobs to people who call the Wood Buffalo Region home. Businesses at YMM include fixed-base operations of both helicopter and fixed-wing aircraft, ground operations, refuelling, executive flight lounges, flight schools, air cargo and several different types of air ambulance services.

Other businesses on airport property include graphic design, printers, administrative, pipeline, towing, construction, forestry and fire fighting services. YMM hosts workforce charter carriers from across Western Canada and continues to work with the oil sands industry to utilize YMM facilities and amenities, benefitting both the industry and local business.

## YMM's new frontier – land and commercial development

The runway at YMM links people and goods from around the world to the Wood Buffalo Region. Combine that with quick, easy access to Highway 63 and 685 hectares of land — 100 hectares of which are designated for commercial and industrial development — YMM is primed for new opportunities.

The abundance of land is just one benefit for businesses to choose YMM. Additional benefits include:

- Lots available immediately with long-term lease renewal options.
- Municipal zoning is already in place. This provides opportunities to initiate development sooner than at other proposed industrial parks in the Region.
- Cost-effective options to meet the needs of today's investment market challenges.

Increased commercial development from non-aviation businesses helps the Authority manage aviation-related fees, helping maintain and attract air service for the benefit of the Region.

The Authority has created three distinct commercial parks to suit a wide array of businesses: Golden Hawk Commercial Park, Snowbird Prestige Commercial Park and Snow Eagle Aviation Park. Each commercial park offers land for aviation business with direct airside access and for other non-aviation commercial and industrial activities. A comprehensive plan ensures that each commercial park is developed with a distinctive focus and development standards — Prestige Aviation/Commercial, General Aviation and Industrial/Logistics.



## Immediate opportunities

Plans are underway for a service station, car wash and restaurant/concessions development, leading into the terminal. The new development, when confirmed, will add to the services available for YMM guests and the community. This development will also help spur other new developments along Snowbird Way.



# New opportunities to delight YMM's guests

The Fort McMurray International Airport (YMM) is always exploring new ways to provide the best service and experience possible for guests.

## Holding steady on air service

With the Wood Buffalo Region rebuilding from the 2016 wildfire and the economic downturn, the Fort McMurray Airport Authority works tirelessly to maintain the level of air service the Region needs.

Overall, commercial passenger numbers declined by 6.6 percent over 2016. Charter activity declined by 40 percent. With commercial flights and workforce charters combined, YMM served a total of 713,108 passengers in 2017.

As the economy recovers, passenger numbers and charter activities are expected to stabilize.

The Authority is always working with airlines to establish new air services to serve the needs of residents, local businesses and industry. Over the next several years, YMM is targeting non-stop services to Vancouver, Las Vegas and a Sun destination to add to its air service offerings.



## Grab and Go Parking

The community spoke and YMM listened. Community members said they were interested in picking up take-out from the restaurants located pre-security, but the long walk from the parking lot was deterring them. An easy solution was developed, 15 Minute Free Grab & Go Parking.

The convenient location on the level 2 departures curb allows guests to pick up take-out from Burger King, Famoso Pizzeria, Jugo Juice and Tim Hortons. They can also get snacks or souvenirs from Nicholby's Convenience Store.

The concessions at YMM provide a variety of convenient dining and shopping options, especially for residents in the city's southern neighborhoods, such as Sapræe Creek, Prairie Creek and Gregoire. Guests who require more than 15 minutes of parking are asked to take advantage of the 20 minutes free parking in the short-term lot, or up to three hours free with a \$10 purchase at any of the concessions.

## Streamlined parking payments

To alleviate long lines at the parking lot exits and to get parking customers on their way more quickly, changes were made to the parking lot system in 2017. Pay stations at the exit will now accept credit cards only. This helps speed up the transaction process at the gate.

For customers who want to pay with cash, pay stations are located inside the airport terminal on level one, near Famoso Pizzeria. They accept cash or credit card transactions, with an ATM located nearby for those who travel with debit cards.



# Opportunities to create a stronger team

The best part of the Fort McMurray International Airport (YMM) is the over 900 employees that work for the local businesses every day. Each person has a role to fill in offering the community the services that make YMM a vital part of the Wood Buffalo Region.

## TeamYMM events

TeamYMM has continued to expand to ensure that all businesses at YMM are a part of the team environment dedicated to providing each customer with the best experience possible.

### Staying safe

Safety is the number one priority at YMM – every day of the year. In 2017, YMM took part in two national safety awareness events: North American Occupational Safety and Health Week (NAOSH Week) and Canadian Airport Safety Week.

During NAOSH Week, TeamYMM participated in a FOD Walk, keeping their eyes peeled for foreign objects and debris on the main apron.

For Canadian Airport Safety Week, a national event hosted at airports across Canada, YMM highlighted safety awareness with a second FOD walk and daily briefings to all staff, not just those who have a dedicated responsibility in a designated area.

The FOD Walk and safety briefing events underscore to all TeamYMM that safety is everyone's responsibility at all times.

### Celebrating TeamYMM

The TeamYMM committee chose to celebrate the summer with a family-friendly BBQ. All businesses at YMM are a part of TeamYMM and were invited along with their families to attend the BBQ.

The event turned into much more than burgers and hot dogs. YMM Airport Maintenance brought out the winter snow removal equipment, Aurora Helicopters displayed one of its helicopters and YMM's Air Rescue and Fire Fighting team showed off its fire trucks. Family members were delighted by the chance to get close to the machines their loved ones work with every day. As with any good BBQ, the

TeamYMM committee left the cooking to the fire fighters who are professionals when it comes to the proper flame and heat ratios.



### Festive celebrations TeamYMM style

The Fort McMurray Airport Authority and Bill's General Cleaning hosted the first TeamYMM Holiday Party at Shell Place. Two hundred staff and partners from a range of companies on the YMM campus attended.

The TeamYMM Holiday Party committee invited the Wood Buffalo Food Bank out to run a 50/50 draw and party goers could make additional donations to the Food Bank to get extra chances to win a variety of door prizes that were donated or purchased from local businesses.

This was a great way to bring staff that work together every day into a fun and festive atmosphere where they were able to connect with each other outside of work, strengthening the team that delivers service to airport customers 365 days a year.



# Opportunities to connect with the community

Communities make airports successful. In turn airports enhance a community’s economic and social prosperity, and quality of life. The Fort McMurray Airport Authority knows great opportunities arise when people come together. The Authority continues to play a significant role in contributing to and engaging with local groups to invest in the Wood Buffalo Region.

## Investing in the community

The Fort McMurray Airport Authority does much more than operate YMM. Behind the scenes, the Authority is committed to making a lasting contribution to the Region through the Community Investment Program (CIP). One of the Authority’s key corporate values is to give back to local non-profit groups to ensure the community remains a vibrant place for residents.

The CIP program is aimed towards youth, aviation education and heritage. These areas of focus are tied to YMM’s operations and its broader role as an economic catalyst and leader in the community. In addition to these three areas, The Authority also chooses to support local community organizations and events that have demonstrated a lasting contribution to the Region.

### Air Cadet’s annual ceremonial review

The YMM Rotary Northstar Royal Canadian Air Cadets Squadron 868 is a strong community program that provides youth with the opportunity to learn leadership and citizenship skills, making the community even stronger. The Authority has been a keen supporter of the cadets for several years and donated \$10,000 at the 2017 Annual Ceremonial Review. The funds assist the Air Cadets in continuing the program in the Region.

## Snack Attack Program

The Authority continues to support the Wood Buffalo Food Bank Association by funding a snack program in Wood Buffalo’s urban and rural schools, donating \$10,000 in 2017.

The Snack Attack Program is designed to address the increasing need for snacks in local schools for children and youth who come to school occasionally hungry. This program provides a choice of healthy snacks as approved by Alberta Health Services (AHS). Teachers have reported that the students’ ability to focus and complete tasks has been vastly improved by the nutritious snacks provided by this program.



## Community events

### Fort McMurray SPCA



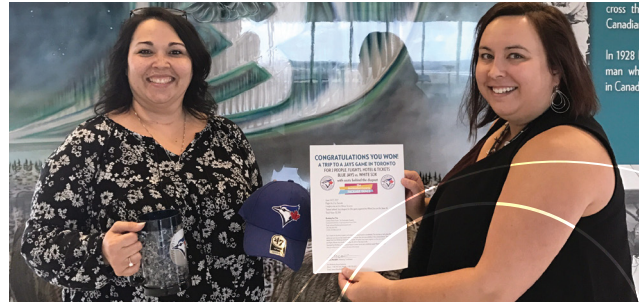
The Authority remains an ardent supporter of the Fort McMurray SPCA through its bottle recycling program. All year, bottles and cans collected in receptacles around the terminal are picked up by the SPCA as a donation to their Animal Health and Preventative Medicine Program. In 2017, over \$1,200 was collected for the program.

### Helping community health



For the fourth consecutive year, YMM hosted an influenza clinic in the arrivals hall, provided by Alberta Health Services (AHS). Passengers, staff and the public were welcome to receive free influenza immunization shots from the trained nursing staff.

### Promoting tourism



YMM participated in the Fort McMurray Tourism Spring Tradeshow to help keep industry partners and the community updated on amenities at the airport. A lucky attendee of the Tradeshow won a draw for a trip to see a Toronto Blue Jays game against the Chicago White Sox.

### Canada Day 150 – Reopening of Heritage Village



Heritage Village re-opened on Canada Day and the Authority was there to help celebrate. The opening was a major community win after Heritage Village was severely damaged in the wake of the 2013 flood.

Preserving the community's unique aviation history is something the Authority has always supported. As part of the efforts to restore Heritage Village, the Authority donated \$10,000 through the Community Investment Program (CIP) in 2015. The funds were used to restore famed bush pilot Wop May's Home in the Village.

The re-opening on Canada Day of 2017 was a great way to experience how the Authority's investment has a greater meaning for the community. To make the restoration of Wop May's Home even more impactful, the Authority flew Wop May's son, Denny May, and his wife, Marg, to Fort McMurray for the celebrations. They shared stories of Wop, his adventures and way of life to the delight of the crowds.

## Foodies for a cause



The Authority was a Gift In-Kind Sponsor for the first Fort McMurray Food Festival in support of Waypoints, a social profit organization working to end domestic violence, sexual assault, abuse and homelessness in the Region.

The Authority helped to promote the Festival, while also providing staff and equipment for the events. TeamYMM staff volunteered their time and took in the festivities to make this first Food Festival a great success.

## U21 Volleyball Pan Am Cup – Team Canada arrives

Team Canada arrived at Fort McMurray International Airport (YMM) to a boisterous pep-rally in the arrivals hall. Members of the community came out to cheer the Team on for the U21 Volleyball Pan Am Cup. Fans even had a chance to have photos signed by their favourite players.



## YMM Yard sale for charity

YMM hosted its first Yard Sale in August. Items surrendered during the security screening process, along with lost and found items left unclaimed for more than 30 days, were organized and put into the YMM Yard Sale. A total of \$5,332.36 was collected at the sale, all of which went to the YMM Community Investment Program (CIP).



## Family Fun Day

YMM's second annual Airport Family Fun Day was even bigger in 2017. There was the Paper Airplane Toss in the arrival hall, face painting, balloons for the kids at lunch and a furry visit from PAWS Pet Therapy.

The Observation Area was packed with kids enjoying craft-making with the Fort McMurray Historical Society and many other activities. Everyone was treated to energetic cultural performances by the Multicultural Association of Wood Buffalo.

As part of the celebrations, all visitors received 10 percent off at all pre-security concessions.



## Halloween at YMM



Ghosts and goblins haunted the halls of the airport on Halloween during the fourth annual Halloween party at YMM. Trick-or-treaters hauled in treats from all over the airport, tried their luck at carnival games and participated in the costume and pumpkin carving contests. The Fort McMurray Historical Society added to the spirit with spooky candy crafts. Local DJ Q-PID spun ghoulish tunes throughout the event.

Lunch was anything but frightening, though, because anyone who dressed up received 10 percent off their meal at YMM.

## There's no place like YMM for the holidays

The holiday season is always festive at YMM, with live performances, decorations and visits from the jolly man himself.

### Decking the Halls...

TeamYMM came together again this year to Deck the Halls of the airport. Staff from numerous businesses added some yuletide cheer to the terminal on a Saturday afternoon, delighting YMM guests and staff alike throughout the holiday season.



### Strike the harp and join the chorus

The songs of the season cheered YMM guests for almost two weeks throughout the holiday season. Local musicians and groups entertained guests, and “Santa Clause,” made a special appearance on December 22 to check on who was naughty and nice in the terminal.

Local performances by:

- Dave Martin
- Don Grose
- Matty Parlee
- MiDance Academy Flash Mob
- Dan Gillies
- Santa Clause
- That A Capella Group



### Gift Re-Wrap Station

The holiday season can be stressful enough without having to keep gifts unwrapped, as they may need to be inspected as part of the security screening process. From December 16 to 22, Authority staff volunteered their time to provide complimentary gift-wrapping services to passengers as they came through security screening.

The Gift Re-Wrap Station was set up during peak travel times to ensure guests arrived at their destinations with their gifts ready to go under the tree.



### Festival of Trees



The Northern Lights Health Foundation’s Festival of Trees is a Wood Buffalo Region tradition that YMM enthusiastically supports each year. The Authority provides advertising and promotional support to the worthy cause.

As well, for the fourth consecutive year, the YMM Merchants Association donated a tree for the live auction that took place during the festivities.

The tree included an Air Canada Gift Card, Chef’s Table at Earls, Annual Parking Pass at the airport, a Famoso Feast, Gift Baskets from Starbucks, Nicholby’s and Gift Cards from Tim Hortons and Burger King. The Association’s efforts raised \$7,500 for the Foundation.

### Connecting Online

YMM engages customers online at [www.FlyYMM.com](http://www.FlyYMM.com), [Facebook](#), [Twitter](#) (@flyYMM) and [Instagram](#). Check out YMM online for travel advisories, information on services, concession coupons and promotions.





**Back Row (left to right):** Roy Williams, Rod Hunchak, Allan Kallal (Board Chair), RJ Steenstra (President & CEO), Bernd Wehmeyer, Peter Zebedee, Michael Chwelos  
**Front Row (left to right):** Cuyler Green (Vice President, Operations), Linda Huebscher, Mildred Ralph, Denean Robinson (Director of Finance), Joanne Day  
**Absent:** Colin Solbak, Corie Flett

# Board Governance and Accountability

The main responsibility of the Board of Directors is to oversee the management of business and affairs of the Fort McMurray Airport Authority (FMAA). In this regard, the Board establishes policies, reporting mechanisms and procedures in view of safeguarding the assets of the Fort McMurray International Airport (YMM) and ensuring its long-term viability, profitability and development. The Board appoints the following committees to assist in its stewardship role: the Finance and Audit Committee, the Capital Projects Committee and the Governance Committee.

## Board of Directors

### Allan Kallal Board Chair

**Nominator and Date Appointed:**  
 Regional Municipality of Wood Buffalo 2011  
 Tenure: 6 years

**Meeting Attendance:**

Board	4/5
Finance and Audit Committee	5/5
Governance Committee	4/4
Capital Projects Committee	4/4

### Michael Chwelos Director

**Nominator and Date Appointed:**  
 Canadian Association of Petroleum Producers 2017  
 Tenure: <1 year

**Meeting Attendance: Joined September 2017**

Board	2/2
Finance and Audit Committee	1/2

## Board of Directors

### Joanne Day Director

**Nominator and Date Appointed:**  
Regional Municipality of Wood Buffalo 2016  
Tenure: 1 year

**Meeting Attendance:**

Board	4/5
Governance Committee	4/4

### Corie Flett Director

**Nominator and Date Appointed:**  
Fort McMurray Airport Authority 2015  
Tenure: 2 years

**Meeting Attendance:**

Board	5/5
Governance Committee	4/4

### Linda Huebscher Director

**Nominator and Date Appointed:**  
CUPE 2016  
Tenure: 1 year

**Meeting Attendance:**

Board	4/5
Finance and Audit Committee	4/5

### Mildred Ralph Director

**Nominator and Date Appointed:**  
Fort McMurray Chamber of Commerce 2011  
Tenure: 6 years

**Meeting Attendance:**

Board	5/5
Capital Projects Committee	4/4

### Sheldon Schroeder Director

**Nominator and Date Appointed:**  
Canadian Association of Petroleum Producers  
Tenure: 7 years

**Meeting Attendance: Resigned February 2017**

Board	1/1
Finance and Audit Committee	1/1

### Colin Solbak Director

**Nominator and Date Appointed:**  
Fort McMurray Chamber of Commerce 2015  
Tenure: 2 years

**Meeting Attendance:**

Board	4/5
Finance and Audit Committee (Chair)	5/5

### Bernd Wehmeyer Director

**Nominator and Date Appointed:**  
Regional Municipality of Wood Buffalo 2010  
Tenure: 7 years

**Meeting Attendance:**

Board	4/5
Capital Projects Committee (Chair)	2/4

### Roy Williams Director

**Nominator and Date Appointed:**  
Fort McMurray Airport Authority 2014  
Tenure: 3 years

**Meeting Attendance:**

Board	4/5
Capital Projects Committee	4/4

### Peter Zebedee Director

**Nominator and Date Appointed:**  
Canadian Association of Petroleum Producers 2016  
Tenure: 1 year

**Meeting Attendance:**

Board	3/5
Governance Committee	2/4

## Management Team

**RJ Steenstra**, *President & Chief Executive Officer*  
**Cuyler Green**, *Vice President, Operations*  
**Rod Hunchak**, *Vice President, Commercial*  
**Denean Robinson**, *Director of Finance*  
**Danny Byrne**, *Manager, Airport Maintenance*  
**Bruce Ehmann**, *Manager, Security and Terminal Operations*  
**Sylvie Lemieux-Comtois**, *Manager, Human Resources*  
**Joanne Meredith**, *Manager, Marketing, Communications & Experience*  
**Fazle Quasha**, *Manager, Information Technology*

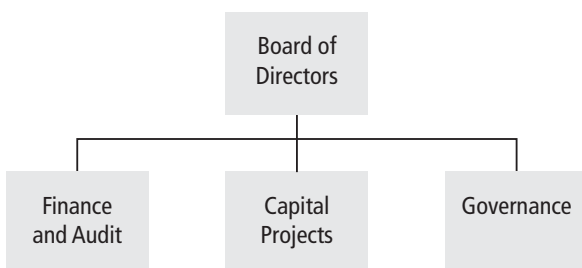
## Board of Directors

Fort McMurray Airport Authority (FMAA) is governed by a Board of Directors consisting of ten members. The Board of Directors is expected to act with righteousness, reliability and independence, and abide to the policies and procedures set out in the FMAA's Governance Manual.

FMAA is responsible to manage and operate the Fort McMurray International Airport (YMM). As an Authority under the Regional Airports Authorities Act, it operates at arm's length from all Appointers. Each Appointer has the responsibility to appoint their designated number of members to the Authority in accordance with the Articles which provide that the Appointers and the current Directors will ensure, so far as is reasonably practicable, that the Board as a whole will be representative of the Authority's region. The Board will consist of persons who will collectively have experience of and have shown capacity in air transportation, industry, commerce, finance, administration, law, engineering, the organization of workers and the representation of the interests of consumers, Aboriginal peoples, rural and urban residents of the Regional Municipality of Wood Buffalo.

The Authority has 5 nominating entities: Regional Municipality of Wood Buffalo (3), the Canadian Association of Petroleum Producers (2), Fort McMurray Chamber of Commerce (2), and the Canadian Union of Public Employees, Local 1505 (1).

A Director may serve no more than a total of eight (8) consecutive years on the Board.



## Governance Principles and Guidelines

The Board will perform its overall stewardship responsibilities as a governance board and will focus on:

- FMAA's guiding principles of vision, mission, core values, key success drivers and goals as defined by the Five Year Strategic Plan;
- Accountability to stakeholders and the community through effective communication and actions which are consistent with meeting the needs and priorities of the community and region; and
- Best practices for a regional airport; and ensuring that the FMAA maintains financial viability.

## Board Stewardship

The Board is responsible for the stewardship, strategic direction and supervision of the business and affairs of the FMAA, including:

- ensuring management promotes the FMAA in a manner that gathers support for its activities from the community;
- satisfying itself the Officers for the FMAA practise and create a culture throughout the organization that includes the corporate values approved by the Board and articulated in the Five Year Strategic Plan;
- adopting a Code of Conduct and monitoring compliance with the Board approved Code of Conduct, and satisfying itself the Officers for the FMAA practise and create an ethical corporate culture; ensuring the Officers are aware and responsive to the uniqueness of the Fort McMurray International Airport (YMM) that serves a large geographical region and relies on smaller charters to provide services to the communities in the region;
- following a strategic planning process which considers the opportunities and risks of the business, and is dynamic and flexible to ensure the changing needs and priorities of the region are accommodated;
- ensuring the Five Year Strategic Plan is executed by the Officers through regular monitoring;
- satisfying itself the Officers have identified the principal risks of the business, and implemented appropriate systems to manage these risks;
- satisfying itself the Officers have succession plans in place for management and key personnel;
- satisfying itself the Officers have adopted a communication policy for the stakeholders and community, which shall ensure effective measures for receiving feedback from the stakeholders and the community;
- satisfying itself the Officers are monitoring internal controls and management information systems;
- working synergistically with regional hubs in Western Canada to maximize the market, economic and community benefits of optimal air service between Fort McMurray and city pairs; and
- ensuring productive communication and positive relationships are developed between Airport Authorities, Chambers of Commerce, Tourism and Economic Development entities, and Municipalities as they relate to the FMAA.

## Nomination Process

The intent of this Director Selection Policy is to provide for a strategic, disciplined and transparent process that results in the appointment of directors that bring the skill sets and competencies required on the Board to ensure an effective Board of Directors team.

The process consists of:

1. Gap Analysis – the Governance Committee will annually review the composition of the Board and update the skills, experience and background of each incumbent Director along with their term expiry date and identify anticipated gaps in experience and skill sets by comparing current experience and skills with the ideal. A discussion at the Board level should be held to determine backgrounds, skills, abilities, interests, representation as per the Articles of the FMAA and any other qualities determined to be in the best interests of the Board that are not necessarily reflected in the Articles.
2. If there are immediate vacancies, these should be filled as quickly as possible, with a plan to contact four or five people, as some may be interested in Board membership at some point in the future rather than at present. The Governance Committee will request candidate names, along with resumes, and any other additional information that may be available.
3. The Governance Committee or an ad hoc committee of the Board shall prepare a list of candidates.

Identify potential candidates for a Board of Directors vacancy.

In consultation with the Board Chair, contact each Candidate and explain the reason for the contact and the Boards' understanding of the value they may bring to the work of the Board. Variables that can affect individual responses to such an approach:

- a) previous experience as a Board member
  - b) current interests and aspirations, time commitments or constraints
  - c) confidence about their own potential or suitability
  - d) familiarity with the local community or with the nature of the FMAA
  - e) possibility of conflicts of interest(s)
  - f) level of willingness to accept the duties and obligations of being a Board member
4. Where a potential recruit shows interest, offer a briefing package which will include:
    - a) documents relating to the legal duties and obligations, roles and responsibilities of a Board member
    - b) the FMAA Guiding Principles
    - c) an overview of the services provided by the FMAA

- d) last annual report(s) including audited financial statements
- e) current promotional material
- f) names and positions held by current Board members as well as Committee makeup
- g) organizational chart, showing names of the President & CEO, officers, managers and supervisory staff

## Code of Conduct

FMAA strives on developing and maintaining an ethical corporate culture. A culture of openness, transparency, honesty, trust, integrity, accountability and mutual respect reinforces the vision of ethics of the FMAA.

All Directors and Officers are expected to treat people fairly including but not limited to airport employees, stakeholders, landowners, suppliers, governments, regulators, First Nations' representatives, customers, and the general public; have mutual respect for one another; promote a team environment; and avoid the intent and/or perception of unethical or compromising practices.

A trustworthy and honest atmosphere shall be promoted by all Directors and Officers to help to reinforce the practice of ethical behavior. The FMAA shall underscore the importance of integrity and encourage every Director and Officer to consistently maintain an ethical stance and support ethical behavior.

## Conflict of interest

For Directors and Officers of the FMAA, public perception is a key characteristic of impartiality, neutrality, fairness and integrity.

Each FMAA Director and Officer is empowered to make certain decisions and conduct business in a responsible, honest, impartial and ethical manner. The FMAA is committed to the highest standards of business conduct and makes this commitment to our public including but not limited to stakeholders, appointees, employees, customers, partners and to each other.



Fort McMurray Airport Authority

# Management Discussion & Analysis

For the year ended December 31, 2017

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## Statement Of Management Accountability

The audited financial statements of the Fort McMurray Airport Authority (“the Authority”) for the year ended December 31, 2017 have been prepared by management and approved by the Board of Directors of the Fort McMurray Airport Authority.

Management is responsible for the preparation and representations contained in these financial statements and other sections of this annual report. The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management’s performance of its financial reporting responsibilities. An audit committee comprised wholly of directors who are neither officers nor employees of the Authority, review the financial statements, the adequacy of internal controls, the audit process and financial reporting with management and external auditors. The audit committee reports to the Board of Directors prior to the approval of the audited financial statements.

The Authority maintains appropriate systems of internal control policies and procedures, which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of financial statements.

The Authority, independent auditors, MNP LLP have been appointed by the Board of Directors to express their professional opinion on the fairness of these consolidated financial statements.



**RJ Steenstra**  
President and Chief Executive Officer



**Denean Robinson**  
Director of Finance

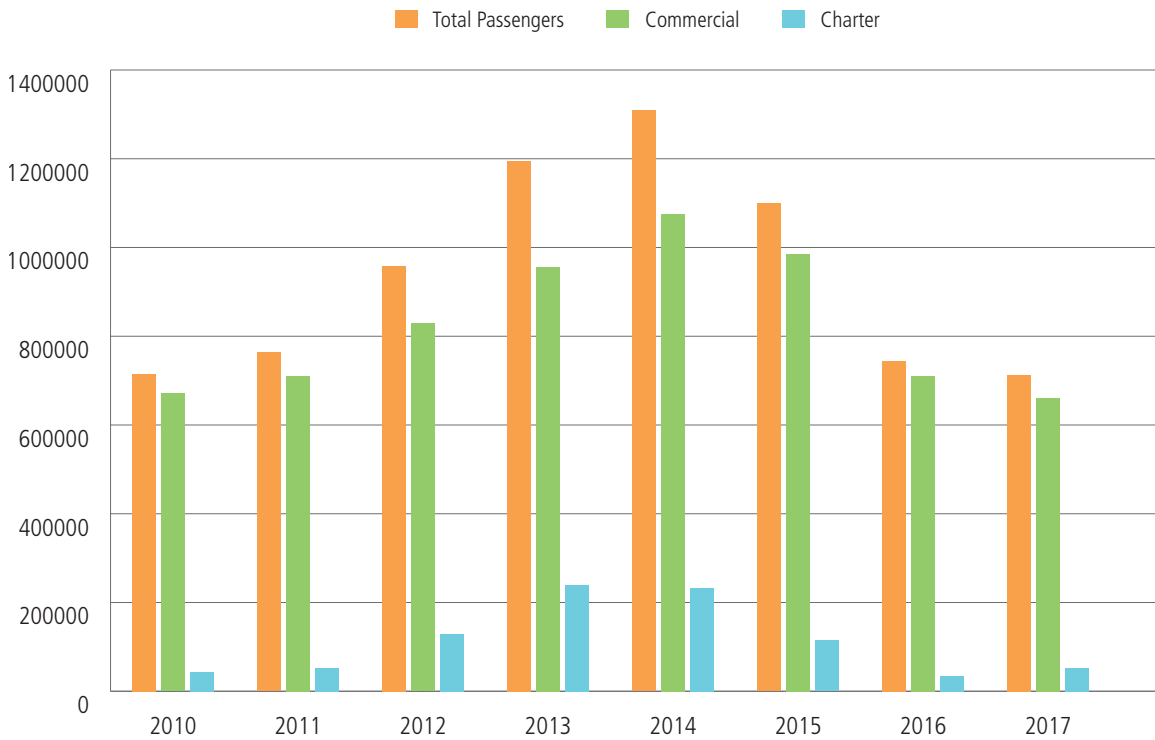
## Introduction

This Management Discussion and Analysis (MD&A) complements and enhances the audited consolidated financial statements of the Authority for the year ended December 31, 2017. It is delivered to explain management's view of the environment and events of the information contained in the financial statements and assists in understanding how the current events are expected to affect the business of the Authority moving forward. This MD&A should be read in conjunction with the financial statements.

## Performance Highlights

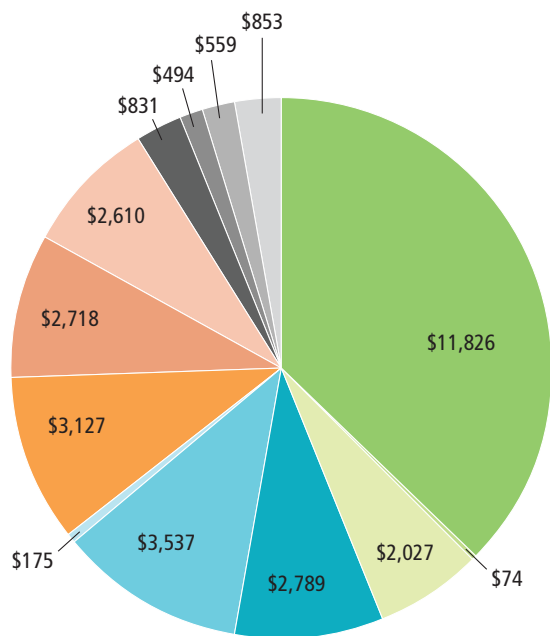
### Passenger Traffic

Passenger volumes are a key driver of the overall financial performance of the Authority, as they directly drive airport revenues. The lingering economic downturn has impacted passenger traffic, with commercial passenger traffic declining by 46,653 passengers (6.6%) in 2017. This decrease was partially offset by an increase in charter passenger traffic of 14,963 passengers (40.3%) over 2016. The net result in 2017, was a decrease of 31,690 passengers (4.3%) over the traffic recorded in 2016.

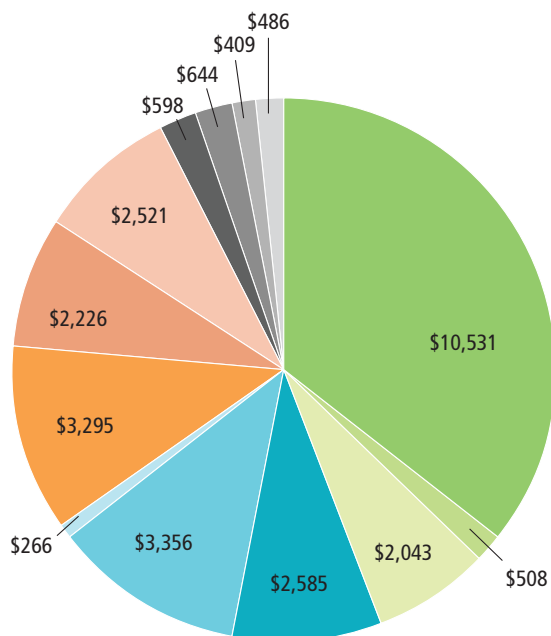


## Statement of Operations – Revenues

Air transportation is at the heart of the 21<sup>st</sup> economy and Canada is reliant on a competitive and efficient airport and airline industry to support economic growth. Fort McMurray as home to the Athabasca Oil Sands, is a significant contributor in Canada’s trade dependent economy. The Fort McMurray Airport is a key infrastructure asset that was designed to deliver long term benefit to the region and the country. The 2014 expansion of the Air Terminal Building was designed for significant growth in passengers, and although the past 3 years of industry decline resulted in passenger decreases, the long term future for the industry remains strong. The Authority’s significant infrastructure investment will be poised for growth as the industry rebounds.



Revenue (000s)  
2017 Total: \$31.6M

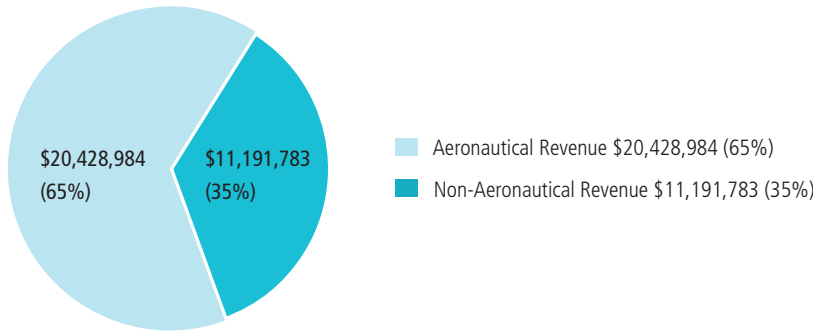


Revenue (000s)  
2016 Total: \$29.5M

- |   |  |  |
|---|--|--|
| <span style="color: green;">■</span> Airport Improvement Fee          | <span style="color: lightblue;">■</span> North Terminal Revenue    | <span style="color: grey;">■</span> Advertising Revenue  |
| <span style="color: lightgreen;">■</span> AIF - Equivalent            | <span style="color: orange;">■</span> Parking Revenue              | <span style="color: darkgrey;">■</span> Interest Revenue |
| <span style="color: yellowgreen;">■</span> General Operations Revenue | <span style="color: brown;">■</span> Ground Transportation Revenue | <span style="color: lightgrey;">■</span> Other Revenue   |
| <span style="color: teal;">■</span> Airfield Revenue                  | <span style="color: peachpuff;">■</span> Land Lease Revenue        |  |
| <span style="color: cyan;">■</span> Main Terminal Revenue             | <span style="color: black;">■</span> Concessions Revenue           |  |

## Aeronautical and Non-Aeronautical Revenue

Airport revenues are classified by two main sources: aeronautical revenue and non-aeronautical revenue.

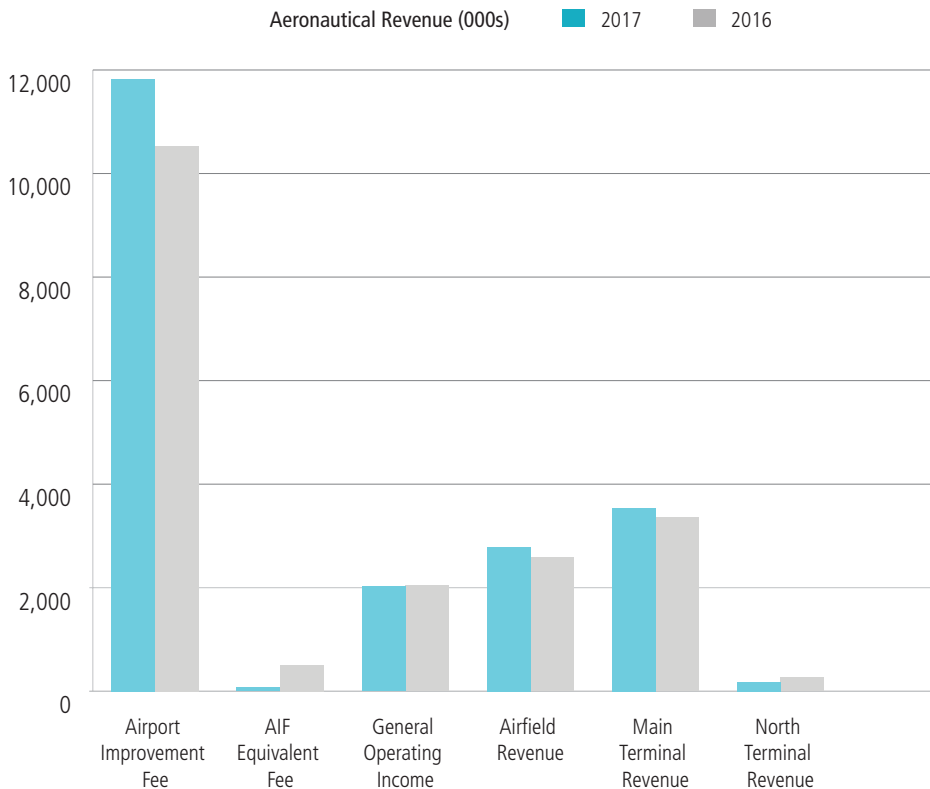


### Aeronautical Revenue

Aeronautical revenue is the mainstream revenue of an airport, comprised of Airport Improvement Fee (“AIF”) revenue, airline terminal space rentals, airline landing fees and usage fees for terminals and gates.

In 2017, total aeronautical revenue was \$20.4M which is an increase of \$1.1M (5.9%) over 2016 results. This increase is mainly due to 2017 having 12 full months of operations in comparison to 2016, which experienced significant loss of revenue due to suspension of commercial service during the wildfire. Monthly aeronautical revenue actually declined by 3% during months of commercial operation, as a direct result of declining passenger numbers. The impact on the bottom line was mitigated by an increase in AIF revenue of \$10 per passenger, which became effective on August 1, 2017. As a result, total AIF revenue for the year increased by 7.8% over 2016.

The Authority generated \$28.65 of aeronautical revenue for each passenger in 2017 (2016—\$25.90).

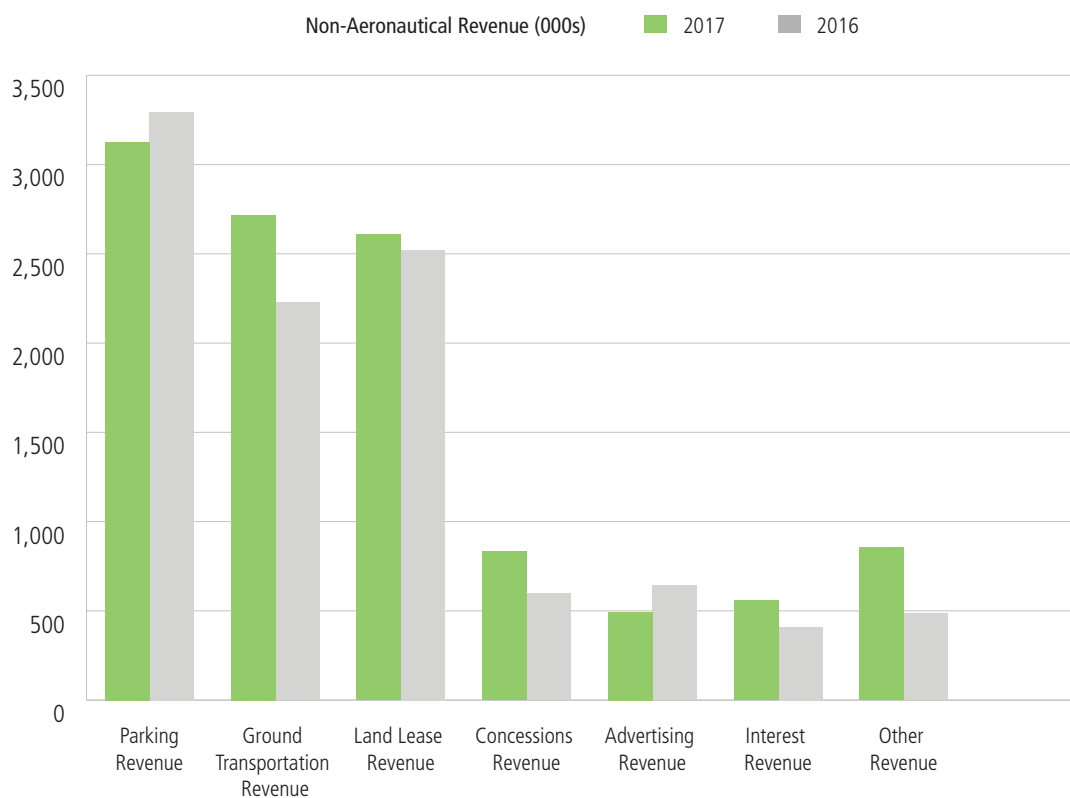


## Non-Aeronautical Revenue

Airports increasingly rely on non-aeronautical commercial sources of income, to sustain airport profitability. Consistent with this trend, the Authority continues to focus on non-aeronautical revenue to offset the oil dependant, cyclical demand for air traffic in Fort McMurray. Increasing non aeronautical revenue reduces fee pressure on the aeronautical operations, and improves the sustainability of airport operations.

The non-aeronautical revenue streams at the Authority include parking, ground transportation, land leases and concessions.

Ground transportation revenues includes taxis and car rentals that transport airline passengers. Concession revenue includes dining, retail and advertising services at YMM.



## Commercial Development

Gas station retail development, office space, business and industrial parks, retail centers, hotels and logistics hubs are all potential commercial projects on airport property that can stimulate non-aeronautical revenue streams.

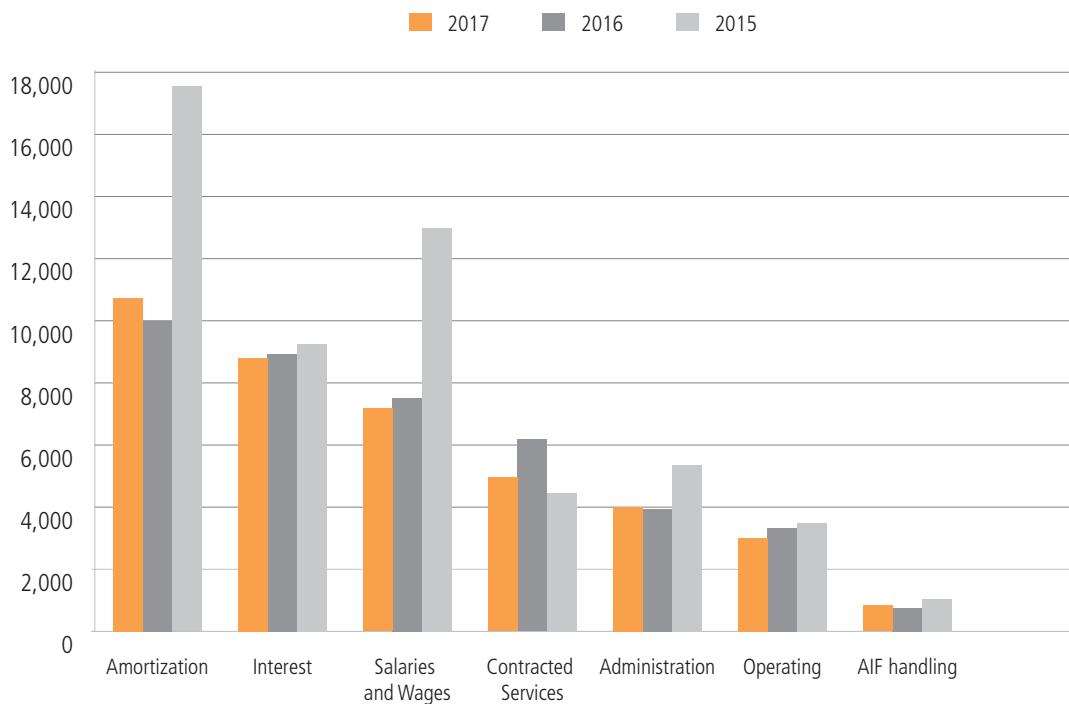
The Authority also generates revenue by selling advertising space both inside and outside terminals through Pattison Outdoor Advertising. Additionally, sponsored spaces, special events and branded areas generate operating income while improving airport ambiance and the passenger experience.

## Operating Expenses

Airports are a vital piece of the transportation industry and are required to operate 365 days a year, to service the travelling public. Operating expenses are the costs to operate and maintain the Airport. Cost reduction is challenging for airport operators due to an expensive asset base which must be sustained and improved over time to adapt to a changing customer base. In 2017 the Authority actively reviewed expenditures and succeeded in reducing operating costs by \$1.8M (6%) over 2016. This combined with decreases achieved in 2016 provide a net reduction in operating expenses of \$15M (27%) since 2015. This decrease in expense is consistent with the decline in revenues and passenger traffic.

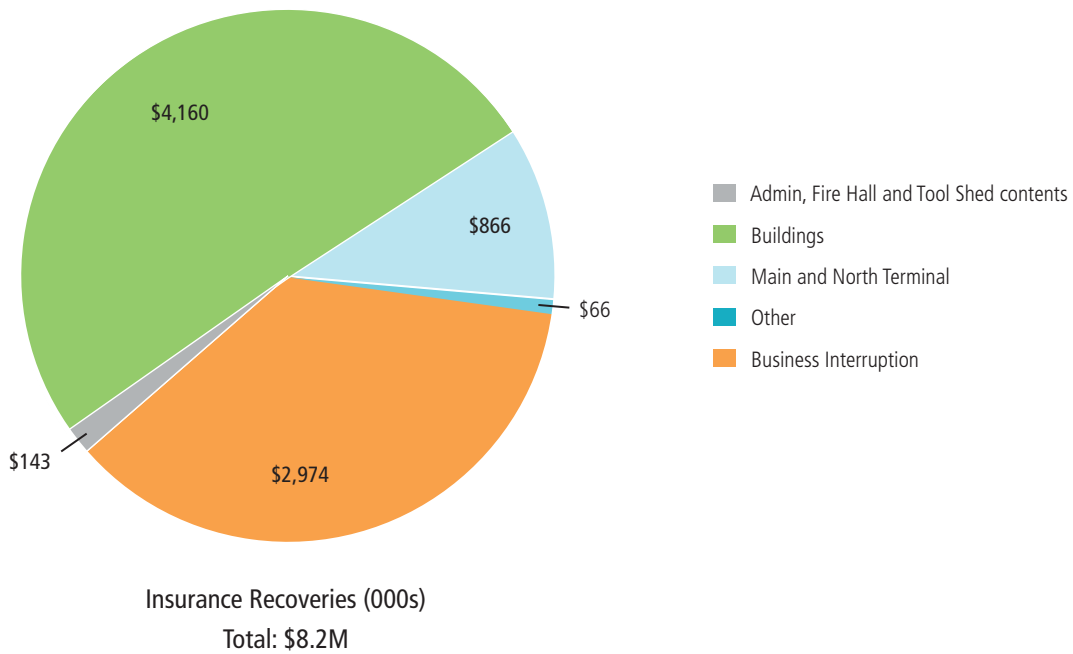
Wages are the most significant operating expense, after amortization and the interest on debt, with a total spend of \$7.2M in 2017 (2016 - \$7.5M, 2015 - \$13.0M). This represents a decrease of 5% in the current year and a total reduction of 45% since 2015. The Authority successfully negotiated a collective agreement with the Authority's unionized workforce during the year. The agreement which expires on December 31, 2019, includes a 2% wage increase for 2018 and 1.25% increase for 2019.

Contracted services is the next highest expense category and includes security, custodial and groundside services. The costs of these services was reduced by \$1.2M (20%) in 2017 as a result of moving groundside services in-house and renegotiating existing contracts where possible.



## Insurance Recoveries

The Authority is still impacted by the devastation of the 2016 Horse River Wildfire, as rebuild and remediation processes continue at the airport. The process of quantifying the financial loss and economic damage has been a lengthy task. Significant losses require that an organization's interests be represented by experts that can provide a comprehensive strategy, and that possess a keen understanding of the Authority's business. The Authority is represented by AON Risk Solutions as part of the Tier II Canadian Airports Council, small airports insurance group, which represents 19 mid-sized airports. The AON Claims and Preparation and Valuation practice assists Canadian and global business in effectively analyzing, measuring and qualifying their insurable financial losses. The Authority continues to work closely with AON to finalize the claim submission before the May 2018 deadline. Significant advances during the year include the completion of the administration building rebuild, which is now occupied by the first tenant. The below table represents the ongoing insurance claim to date.



## Capital Investment

Capital programs expenditures in 2017 were focused on rebuilding items lost in the 2016 wildfire. Total expenditures were \$2.5 million (2016 – 2.8 million).

	\$
<b>CAPITAL INVESTMENT</b>	
Admin building	\$980,531
Equipment	171,671
Firehall	778,818
Runway	171,563
Terminal	31,990
Tradeshop	410,267
	2,544,839
Covered by insurance	2,169,616
Funded from operations	375,223

## Outlook

In 2018, the Authority will continue to implement its regional strategy, which includes maintaining current services, and developing land where opportunities exist as market conditions improve and continue to evolve.

Global uncertainties such as the continuing slowdown in Oil Sands investments, suggest that the environment for the Authority may remain volatile over the near term. For the upcoming fiscal year, the Authority will continue to focus on both aeronautical and non-aeronautical growth opportunities that will increase service to the community and improve the competitiveness of YMM. This balanced approach will continue to provide benefit to YMM passengers, airlines and the more than 900 employees working within the airport campus.

2018 will see further advancement of a commercial strategy along with a continued focus on revenue diversification as this remains key to maintaining market competitiveness. Forecasting demand is a key success factor in mitigating uncertainty and building a successful business model.

The Authority continues to work closely with our airline partners to actively respond to changing market trends.



Fort McMurray Airport Authority

# Audited Financial Statements

For the year ended December 31, 2017

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# Independent Auditors' Report

To the Board of Directors of Fort McMurray Airport Authority:

We have audited the accompanying financial statements of Fort McMurray Airport Authority, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets 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 auditor considers 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 Fort McMurray Airport Authority as at December 31, 2017 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Emphasis of Matter

Without modifying our opinion, we draw attention to Notes 19 and 20 to the financial statements, which explains that certain comparative information for the year ended December 31, 2016 has been restated.

Fort McMurray, Alberta

April 6, 2018

The logo for MNP LLP, featuring the letters 'MNP' in a large, bold, black font, with 'LLP' in a smaller, black font to the right.

Chartered Professional Accountants

The logo for MNP LLP, featuring the letters 'MNP' in a large, bold, green font, with 'LLP' in a smaller, green font to the right.

## Statement of Financial Position

as at December 31, 2017

	2017	2016
	\$	(Restated Notes 19, 20) \$
<b>ASSETS</b>		
Current		
Cash and cash equivalents	7,421,811	4,930,807
Accounts receivable	2,588,334	2,397,099
Insurance claim receivable (Note 18)	2,257,760	4,003,134
Prepaid expenses	493,246	470,722
	<b>12,761,151</b>	11,801,762
Tangible capital assets (Note 3)	335,554,402	343,348,220
Intangible assets (Note 4)	531,030	402,169
Investments (Note 5)	33,799,214	37,810,749
	<b>382,645,797</b>	393,362,900
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (Note 6)	5,525,722	6,077,195
Deferred revenue	110,794	336,650
Current portion of long-term debt (Note 7)	4,411,413	4,210,382
	<b>10,047,929</b>	10,624,227
Long-term debt (Note 7)	179,672,669	184,084,082
Deferred capital contributions (Note 9)	-	24,000,000
Unamortized capital contributions (Note 9)	27,909,537	3,014,713
	<b>217,630,135</b>	221,723,022
Contractual obligation (Note 14)		
<b>NET ASSETS</b>		
Unrestricted net assets	161,913,397	168,947,250
Internally restricted net assets (Note 15)	3,102,265	2,692,628
	<b>165,015,662</b>	171,639,878
	<b>382,645,797</b>	393,362,900

Approved on behalf of the Board

  
Allan Kallal Director

  
Colin Solbak Director

The accompanying notes are an integral part of these financial statements.

# Statement of Operations

Year Ended December 31, 2017

	2017	2016
	\$	(Restated Notes 19, 20) \$
<b>AERONAUTICAL REVENUE</b>		
Airport improvement fee <i>(Note 10)</i>	11,900,640	11,038,826
Main terminal	3,536,796	3,355,669
Airfield	2,788,949	2,585,305
General operations	2,027,275	2,043,191
North terminal	175,324	265,648
	<b>20,428,984</b>	19,288,639
<b>NON-AERONAUTICAL REVENUE</b>		
Parking	3,127,129	3,294,699
Ground transportation	2,717,943	2,225,808
Land lease <i>(Note 5)</i>	2,610,036	2,520,513
Concessions	1,324,565	1,242,302
Interest	559,401	408,520
Amortization deferred capital contribution <i>(Note 9)</i>	498,271	80,392
Other	242,438	293,710
Grant revenue <i>(Note 11)</i>	112,000	112,000
	<b>11,191,783</b>	10,177,944
	<b>31,620,767</b>	29,466,583
<b>EXPENSES</b>		
Amortization <i>(Note 3), (Note 4)</i>	10,725,636	9,990,922
Interest	8,791,463	8,921,945
Salaries and wages <i>(Note 12)</i>	7,177,630	7,520,436
Contracted services	4,955,175	6,178,363
Operating	3,686,655	3,331,491
General and administrative	3,013,216	3,395,401
Airport improvement fee handling <i>(Note 10)</i>	836,232	747,209
Board expenses	328,219	533,850
	<b>39,514,226</b>	40,619,617
<b>DEFICIENCY OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS</b>	<b>(7,893,459)</b>	(11,153,034)
<b>OTHER ITEMS</b>		
Insurance recoveries <i>(Note 18)</i>	1,268,860	8,003,134
Gain (loss) on disposal of tangible capital assets	383	(1,936,698)
Loss on disposal of investments <i>(Note 18)</i>	-	(125,048)
Building restoration expense <i>(Note 18)</i>	-	(1,410,443)
	<b>1,269,243</b>	4,530,945
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	<b>(6,624,216)</b>	(6,622,089)

The accompanying notes are an integral part of these financial statements.

## Statement of Changes in Net Assets

Year Ended December 31, 2017

	2017	2016
	\$	(Restated Notes 19, 20) \$
Net assets beginning of year, as previously stated	135,775,878	148,877,069
Change in accounting policy (Note 19)	37,165,211	29,637,314
Correction of an error (Note 20)	(1,301,211)	(252,416)
Net assets, beginning of year, as restated	171,639,878	178,261,967
Deficiency of revenue over expenses	(6,624,216)	(6,622,089)
Net assets, end of year	165,015,662	171,639,878

## Statement of Cash Flows

Year Ended December 31, 2017

	2017	2016
	\$	(Restated Notes 19, 20) \$
<b>CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES</b>		
<b>Operating</b>		
Deficiency of revenue over expenses	(6,624,216)	(6,622,089)
Amortization	10,725,636	9,990,922
Loss (gain) on disposal of tangible capital assets	(383)	1,936,698
Amortization of deferred capital contribution	(498,271)	(80,392)
Loss on disposal of investments	-	125,048
Non-cash insurance recoveries	(550,000)	-
	<b>3,052,766</b>	5,350,187
<b>Changes in working capital accounts</b>		
Accounts receivable	(191,235)	1,043,377
Insurance claim receivable	1,745,374	(4,003,134)
Prepaid expenses	(22,524)	139,690
Accounts payable and accrued liabilities	(551,471)	(1,745,102)
Deferred revenue	(225,856)	215,527
	<b>3,807,054</b>	1,000,545
<b>FINANCING</b>		
Repayment of long-term debt	(4,210,382)	(4,018,510)
Increase in unamortized capital contributions	1,393,095	-
	<b>(2,817,287)</b>	(4,018,510)
<b>INVESTING</b>		
Purchase of tangible capital assets	(2,268,837)	(3,142,878)
Purchase of intangible capital assets	(276,002)	(238,448)
Proceeds on disposal of tangible capital assets	34,541	26,000
Net change in investments and restricted cash	4,011,535	(552,485)
	<b>1,501,237</b>	(3,907,811)
Increase (decrease) in cash and cash equivalents	<b>2,491,004</b>	(6,925,776)
Cash and cash equivalents, beginning of year	<b>4,930,807</b>	11,856,583
Cash and cash equivalents, end of year	<b>7,421,811</b>	4,930,807

The accompanying notes are an integral part of these financial statements.

# Notes to the Financial Statements

as at December 31, 2017

## 1. Nature of operations

Fort McMurray Airport Authority (the "Authority") was incorporated on December 1, 2009 under the Regional Airports Authorities Act (Alberta) (the "Act") as a non share capital corporation. Under the provisions of the Act, the mandate of the Authority is to manage the Fort McMurray International Airport (the "Airport") in a safe, secure and efficient manner, and to advance economic and community development by promoting improved airline and transportation service and an expanded aviation industry; for the general benefit of the public in the region.

The Authority has operated the Airport since January 1, 2010 when the Regional Municipality of Wood Buffalo ("RMWB") transferred the assets and operations of the Fort McMurray Regional Airport Commission (the "Commission") to the Authority. The tangible capital assets of the Commission were transferred to the Authority and recorded at the carrying amount of the Commission.

In accordance with the provisions of the Act, the Authority operates as a not for profit corporation, and as such earnings from operations are used towards promoting its purposes and reinvestment in airport development. Under section 149 of the *Income Tax Act (Canada)* the Authority is exempt from payment of income tax.

## 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations ("ASNPO") and reflect the following significant accounting policies:

### Controlled entities

The Authority has elected not to consolidate controlled entities as allowed under ASNPO. The investment in controlled entities is recorded at cost in the statement of financial position and prescribed disclosure is presented in the notes to the financial statements. The Authority has incorporated a wholly owned subsidiary, YMM Inc., which is currently dormant and had no activity in the year.

### Cash and cash equivalents

Cash and cash equivalents include unrestricted cash on deposit with financial institutions and short term investments with maturities of three months or less from the date of acquisition. Cash subject to internal or external restrictions is included in restricted cash.

## 2. Significant accounting policies (Continued)

### Tangible capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Tangible capital assets exclude the cost of facilities constructed on airport lands which are owned by tenants. Tangible capital assets are recorded at cost less accumulated amortization and impairment losses. Interest directly attributable to the acquisition, construction or development of tangible capital assets is capitalized.

Amortization is provided using the straight line method at rates intended to amortize the cost of assets, less the estimated residual value, over their estimated useful lives.

	<b>RATE</b>
Buildings	10–60 years
Light vehicle fleet	5 years
Computer hardware	3 years
Airside lighting structures	15 years
Subgrade	40 years
Paving	10 years
Furniture, fixtures & equipment	5 years
Maintenance equipment	10 years
Roadways & groundside paving structure	20 years
Fire trucks & equipment	5–15 years

### Intangible assets

Specified intangible assets are recognized and reported apart from goodwill.

An intangible asset recognized separately from goodwill and subject to amortization is recorded at cost. Contributed intangible assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight line method at a rate intended to amortize the cost of intangible assets over their estimated useful life.

	<b>RATE</b>
Computer software	5 years

When an intangible asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to residual value, if any.

## 2. Significant accounting policies (Continued)

### Investments

Other investments are portfolio investments recorded at fair value for those with prices quoted in an active market, and cost less impairment for those that are not quoted in an active market. The balances have been classified as long term assets in concurrence with the nature of the investment.

### Revenue recognition

Revenue generated from airport improvement fees, airfield revenues, fees charged for parking, terminal and ground transportation and other revenues, including general operations, are recognized as the airport facilities are utilized. Concession revenues are charged on a monthly basis and are recognized on a percentage of sales or specified minimum rent basis. Customer Facility Charge revenue is recognized based on the transaction day information contained in the car rental agreements as reported by the operators. Other rentals are recognized over the term of the respective agreements. The Authority follows the deferral method of revenue recognition for externally restricted revenues.

The Authority has retained substantially all of the benefits and risks of ownership of its rental assets; therefore, it accounts for leases as operating leases. Rental revenue from operating leases is recognized as income over the term of the lease as it becomes due.

### Measurement uncertainty (*use of estimates*)

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year.

Key components of the financial statements require management to make estimates that include the provision for doubtful accounts in respect of accounts receivables, the net realizable value of inventory and the useful life and residual value of tangible capital assets and intangible assets. Actual results could differ from these estimates.

### Financial instruments

All financial instruments are initially recorded at their fair value, excluding certain financial assets and liabilities originated and issued in a related party transaction measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions. At initial recognition, the Authority may irrevocably elect to subsequently measure any financial instrument at fair value. The Authority has not made such an election during the year.

The Authority subsequently measures investments in equity instruments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measured at amortized cost. Transaction costs and financing fees directly attributable to financial instruments subsequently measured at fair value are immediately recognized in excess of revenues over expenses for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Authority assesses impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year excess of revenues over expenses.

### 3. Capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Restated - Note 19 Net book value
	\$	\$	\$	\$
Land	25,037,536	-	<b>25,037,536</b>	25,037,536
Buildings	263,836,341	22,330,612	<b>241,505,729</b>	242,826,265
Light vehicle fleet	730,515	597,369	<b>133,146</b>	343,892
Computer hardware	1,315,376	1,313,330	<b>2,046</b>	12,630
Airside lighting structures	2,508,239	1,275,084	<b>1,233,155</b>	1,300,308
Apron expansion - subgrade and paving	41,535,313	15,783,419	<b>25,751,894</b>	27,724,821
Furniture, fixtures & equipment	629,706	470,850	<b>158,856</b>	226,387
Parking lots	2,588,411	981,439	<b>1,606,972</b>	1,728,197
Assets under construction	4,385,849	-	<b>4,385,849</b>	5,436,774
Maintenance equipment	8,037,672	3,454,095	<b>4,583,577</b>	5,214,685
Airside paving structure - subgrade and paving	45,308,677	16,865,667	<b>28,443,010</b>	30,509,642
Roadways & groundside paving structure	2,821,090	514,687	<b>2,306,403</b>	2,445,128
Fire trucks & equipment	1,492,038	1,085,809	<b>406,229</b>	541,955
	400,226,763	64,672,361	<b>335,554,402</b>	343,348,220

The Authority has commenced an expansion project under the Building Canada Fund (Note 14). Assets under construction include \$4,385,849 (2016 – \$5,436,774) which are not subject to amortization as the asset was not available for use at December 31, 2017. Assets under construction include \$nil (2016 – \$1,060,912) of construction costs for buildings that perished during the Fort McMurray wildfire (Note 18).

### 4. Intangible assets

	2017	2016
	Net book value	Net book value
	\$	\$
Computer software	<b>531,030</b>	402,169

During the year, amortization of \$147,141 (2016 – \$116,803) was recorded relating to intangible assets.

## 5. Investments

	2017 \$	2016 \$
RBC Wealth Management Dominion Securities (1.65% to 2.18%)	<b>30,681,341</b>	35,233,993
Bank account – quick turn-around (QTA) project	<b>2,960,535</b>	2,422,124
Bank GIC (1.75% annual interest, matures July 15, 2019)	<b>157,338</b>	154,632
	<b>33,799,214</b>	37,810,749

### Bank account – quick-turn-around project

This cash is received from the car rental agencies (the “agencies”) operating from the Airport. The money is internally restricted to be applied for the purposes of developing a quick turn around facility (“QTA”) at the Airport which will include a car wash and refueling station. As per the rental agreement between the Authority and agencies, the agencies are required to charge customers a customer facility charge, which in turn is remitted to the Authority to finance the QTA project.

## 6. Accounts payable and accrued liabilities

Included in accounts payable are the following preferred creditor amounts: salary deductions of \$61,579 (2016–\$97,100) and Goods and Services Taxes of \$72,104 (2016–\$36,810).

## 7. Long-term debt

### Alberta Capital Finance Authority (“ACFA”)

On March 7, 2011, the Authority secured \$198,000,000 in long term financing for construction of the new Airport Terminal Building which opened in June 2014, at a fixed rate of 4.719% for thirty years, due March 15, 2041. Interest only payments commenced September 2011 with principal and interest payments commencing in September 2014 in the amount of \$13,046,904 annually. The debenture is secured by a first charge on all Authority assets. A Letter of Guarantee for an amount of up to \$10,000,000 in support of the debenture issued by the ACFA has been arranged by the RBC, pari passu with ACFA.

Under the terms of the ACFA facility, when debentures are outstanding, the Authority is required to maintain an Interest Coverage Ratio of not less than 1.25:1, net cash flows greater than zero as of the end of any fiscal quarter on a rolling four fiscal quarter basis and a minimum long term Standard & Poor (“S&P”) issuer credit rating. The Authority’s S&P credit rating was downgraded as a direct result of the Fort McMurray wildfire in 2016 resulting in violation of the required covenant. The ACFA has acknowledged the conditions leading to this downgrade in credit rating and is monitoring management’s plans to meet the financial covenants required under the terms of the credit facility. The interest and cash flow covenants have been met.

	2017 \$	2016 \$
ACFA long term debt	<b>184,084,082</b>	188,294,464
Less: Current portion	<b>4,411,413</b>	4,210,382
	<b>179,672,669</b>	184,084,082

## 7. Long-term debt (Continued)

Principal repayments on long term debt in each of the next five years, assuming long term debt subject to refinancing is renewed are estimated as follows:

	\$
2018	4,411,413
2019	4,622,044
2020	4,842,731
2021	5,073,955
2022, and Thereafter	165,133,939
	<hr/> 184,084,082 <hr/>

## 8. Operating Line of Credit

The Authority has a \$5,000,000 line of credit, (the "Operating Facility") bearing interest at the Royal Bank prime lending rate. The operating facility is secured by land and assignment of lease rentals and repayment terms are on demand. As at December 31, 2017, no amounts were drawn (2016—\$nil).

## 9. Grants and capital contributions

### Regional Municipality of Wood Buffalo

On May 24, 2011, the Council of the RMWB approved a matching funding grant of \$25,000,000 to the Authority. Of that amount, \$24,000,000 of the grant was designated to provide support for airport infrastructure development. During 2017, the RMWB clarified and confirmed that the funds were to be applied towards the construction of the new Airport Terminal Building which opened in June 2014.

The amount has been reclassified to unamortized capital contributions in 2017 and is being recognized over the remaining useful life of the asset to which it relates. During the year, the Authority recognized government grant revenue of \$417,879 (2016—\$nil).

In 2010, the RMWB approved a bylaw which waives the RMWB portion of property taxes while leaving the Authority responsible for only that portion of the property taxes that are paid to the Provincial Government, as well as that portion of the property taxes used for senior citizen support.

The RMWB is an appointee of three directors to the Board of Directors of the Authority.

### Canadian Air Transport Security Authority ("CATSA")

In 2014, the CATSA approved funding of \$3,215,693 for engineering, coordination and infrastructure construction for the screening project as set out in the Guidance Material for 100% EDS Screening ("EDS Guidelines") and Screening Project Funding Agreement ("SPFA"). The contribution has been classified as unamortized capital contribution on the statement of the financial position, as the project was completed in June 2014. During the year the Authority recognized government grant revenue of \$80,392 (2016—\$80,392).

### Infrastructure Canada

In 2017, Infrastructure Canada provided funding of \$1,393,096 for the Building Canada Project. As the project is not yet complete, the full contribution has been classified as unamortized capital contribution on the statement of the financial position and no amortization was recognized during the year.

## 10. Airport improvement fee

The Authority derives revenue from the Airport Improvement Fee (“AIF”), which is collected by air carriers pursuant to an agreement among various airports in Canada, the Air Transport Association of Canada (ATAC) and air carriers serving airports that are signatories to the agreement (the “AIF Agreement”). Pursuant to the AIF Agreement, signatory airlines receive a 7% collection fee. AIF revenue is used to fund the costs of new airport infrastructure, major improvements to existing facilities at the Airport, as well as related financing costs, debt repayment and the collection fee retained by the signatory airlines.

Effective March 1, 2011, the Authority additionally derives revenue from the Airport Improvement Fee – Equivalent (“AIF-E”) for charter aircraft exceeding ten seats at the same rates as for the AIF.

	2017	2016
	\$	\$
Earned Revenue	<b>11,826,450</b>	10,530,890
Airline / ATAC handling and administration fees	<b>(836,232)</b>	(747,209)
<b>Net AIF Revenue Earned</b>	<b>10,990,218</b>	9,783,681

## 11. Government grant

The Authority has a Maintenance Contribution and Support Agreement (the “Support Agreement”) with the Canadian Air Transport Security Authority (“CATSA”) under which CATSA agreed to pay to the Authority a contribution in respect to baggage handling systems, maintenance support and handler support services. The contribution is equal to the lesser of the maximum amount defined in the support agreement, or the amount of allocated costs incurred. The Support Agreement can be extended annually by mutual agreement. Contributions were received during 2017 in the amount of \$112,000 (2016–\$112,000).

## 12. Employee future benefits

Employees of the Authority participate in the Local Authorities Pension Plan (“LAPP”), which is a multi employer contributory defined benefit pension plan covered by the Public Sector Pension Plans Act of Alberta. The Authority does not have sufficient plan information on the LAPP to follow standards for defined benefit accounting and therefore follows the standards for defined contribution accounting. At December 31, 2016, the LAPP reported an actuarial deficiency of \$637 million (2015–\$923 million deficiency). Total service contributions by the Authority to the LAPP for 2017 totaled \$568,328 (2016–\$931,817).

## 13. Financial instruments

The Authority, as part of its operations, carries a number of financial instruments. It is management’s opinion that the Authority is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

### Credit risk

The Authority is exposed to credit risk as it provides credit to a large number of customers in the normal course of its operations. This risk is minimized through the Authority’s diverse customer base and assessment of potential customers’ financial condition prior to extending credit. As at December 31, 2017, the Authority had four (2016–three) major customers which represented 72% of the Authority’s accounts receivable (2016–56%). Accounts receivable are presented net of an allowance for doubtful accounts of \$82,041 (2016–\$82,041) in the statement of financial position.

### 13. Financial instruments (Continued)

#### 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. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risk from interest rate fluctuations, the Authority manages exposure through its normal operating and financing activities.

The Authority is exposed to interest rate risk primarily through its investments, long term debt, and operating line of credit.

#### Liquidity risk

The Authority actively maintains its credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements at a reasonable cost. Management believes that cash flows from operations, along with available credit under existing banking facilities, will be adequate to support the payment of the Authority's financial liabilities. Further, management also believes that the financing secured from ACFA for the new Airport Terminal project will be adequately serviced by the AIF paid by departing passengers.

### 14. Contractual obligations

During 2016, the Authority commenced an expansion of runway project. The project is to be funded by the Authority and the Government of Canada. A Building Canada Fund contribution agreement has been signed by the Authority. The contribution agreement requires the Authority to match the Government of Canada on a two to one basis and the Authority has committed to contribute \$50 million.

Completion of this project has been deferred and will recommence when economic conditions in the region improve. The Authority has ten years to execute the project and expects to recommence the expansion within that time frame.

### 15. Internally restricted net assets

As described in Note 2, the Authority collects a Customer Facility Charge from car rental operators. In the current year, the Authority has internally restricted net assets in the amount of \$3,102,265 (2016—\$2,692,628) related to this charge for the purpose of constructing a quick turnaround facility (QTA).

### 16. Economic dependence

Revenue generated from major airlines such as Air Canada/Air Canada Express and WestJet/Encore account for approximately one half of total revenues on a recurring basis. In addition, passengers flying with these airlines generate a significant portion of remaining revenue amounts. The Authority's ability to continue viable operations is dependent on Air Canada/Air Canada Express and WestJet/Encore continuing to fly to and from the Airport. As of the financial statement date, the Authority believes that their relationship with these airlines will continue into the foreseeable future.

## 17. Directors' and Officers' remuneration

As required by the Regional Airports Authorities Act (Alberta), the Authority outlines the Directors' and Officers' remuneration and expenses as follows for 2017:

Total remuneration to the Board of Directors was \$117,017 (2016–\$137,025), and expenses reimbursed totaled \$8,895 (2016–\$4,835).

Total remuneration to Airport Officers was \$675,119 (2016–\$896,489), and expenses reimbursed totaled \$16,213 (2016–\$53,528).

## 18. Significant Event

On May 3, 2016, the City of Fort McMurray and other areas within the Regional Municipality of Wood Buffalo were issued a mandatory evacuation order due to a wildfire event.

The Authority's normal day to day operations and commercial business was suspended during and beyond the mandatory evacuation period. While the Airport has since reopened, passenger levels have still not returned to pre fire levels. The Authority lost five buildings due to the wildfire and all other Authority buildings suffered a variety of damage, due to smoke.

The Authority is insured through FM Global Insurance. FM Global has been and will be used to fund the cost of the remediation and recovery efforts.

As of December 31, 2017, costs incurred for remediation and restoration of buildings and equipment is estimated at \$5,202,776 (2016–\$5,045,981) for property damage and \$2,972,510 (2016–\$2,957,153) for losses due to time element business interruption, for an approved claim in process of \$8,175,286 (2016–\$8,003,134). FM Global has advanced \$6,197,000 (2016–\$4,000,000) of this approved recovery amount and the balance of \$1,990,089 (2016–\$4,003,134) is recorded as insurance claim receivable at December 31, 2017. An engineering assessment has determined that additional remediation expense will be required to restore the buildings and facilities to pre fire condition. The final cost of this remediation is currently unknown and will be recorded once final results and approvals are received from the insurance provider. This assessment is expected to be completed by May 3, 2018. During the year, remediation expenses of \$nil have been recognized as other expense in the statement of operations. While the Authority has completed substantial portions of the work to restore facilities to pre fire condition, it is expected that remediation and mitigation efforts will continue into 2018. Due to the significant uncertainty in measurement, the Authority has not recognized the loss of revenue or costs it expects to incur in the future related to remediation.

Properties lost in the fire include buildings and equipment with a net carrying amount of \$1,939,783. This impairment loss was recorded as a loss on disposal of tangible capital assets in the statement of operations for the year ended December 31, 2016. The Authority has completed reconstruction of replacement buildings and has recorded \$3,848,467, as additions to buildings in the statement of financial position. These additions include staff housing that was rebuilt through third party insurance and recognized at a fair value of \$550,000. The final cost of rebuilding the destroyed assets exceeded amounts previously recorded by \$172,152 for total insurance recovery of \$722,152 recognized in 2017.

The Authority's long term investment was also impaired due to the loss of the land lessee's hotel property on the Authority's lands. The land and building are subject to a 40 year lease agreement expiring in 2047, at which time the building will revert to the Authority. Under the terms of agreement, the tenant is obligated to restore the building to the state it was in before the fire, which in this case will require an extensive reconstruction. The tenant is currently in negotiations with their insurance provider, however the rebuild of the hotel has not yet commenced and there is no certainty around the timing of the rebuild. In addition, no percentage rent is currently being paid to the Authority as the hotel is not operable and there is no certainty as to when the percentage rent revenue will recommence. As a result of this uncertainty, during 2017 the Authority has recorded an impairment loss on the investment of nil (2016–\$125,048).

## 19. Change in accounting policy

During the year, the Authority changed its accounting policy for amortization of paving structures and certain classes of equipment. In previous periods, paving and the underlying structure were treated as one component for amortization purposes. The Authority has decided to componentize the structures into paving and subgrade, in order to more accurately reflect the economic life of the individual components. In addition, the Authority has assigned salvage values to equipment and vehicles and revised the useful life of other classes of assets. As at, and for the year ended December 31, 2016, the retroactive impact of this change in accounting policy resulted in a decrease in amortization expense of \$7,527,897, an increase in opening net assets of \$29,637,314, and an increase in tangible capital assets of \$37,165,211.

## 20. Correction of an error

During the year, the Authority determined that an abatement clause in the car rental contracts was effective for the last quarter of 2015 and all quarters of 2016, and as a result revenue was overstated in these prior periods.

The retroactive impact of this correction of an error resulted in an decrease in revenue of \$1,048,791 for the year ended December 31, 2016 and an increase in liabilities of \$1,301,211, as well as a decrease in opening net assets of \$252,416 as at December 31, 2016.

## 21. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.





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