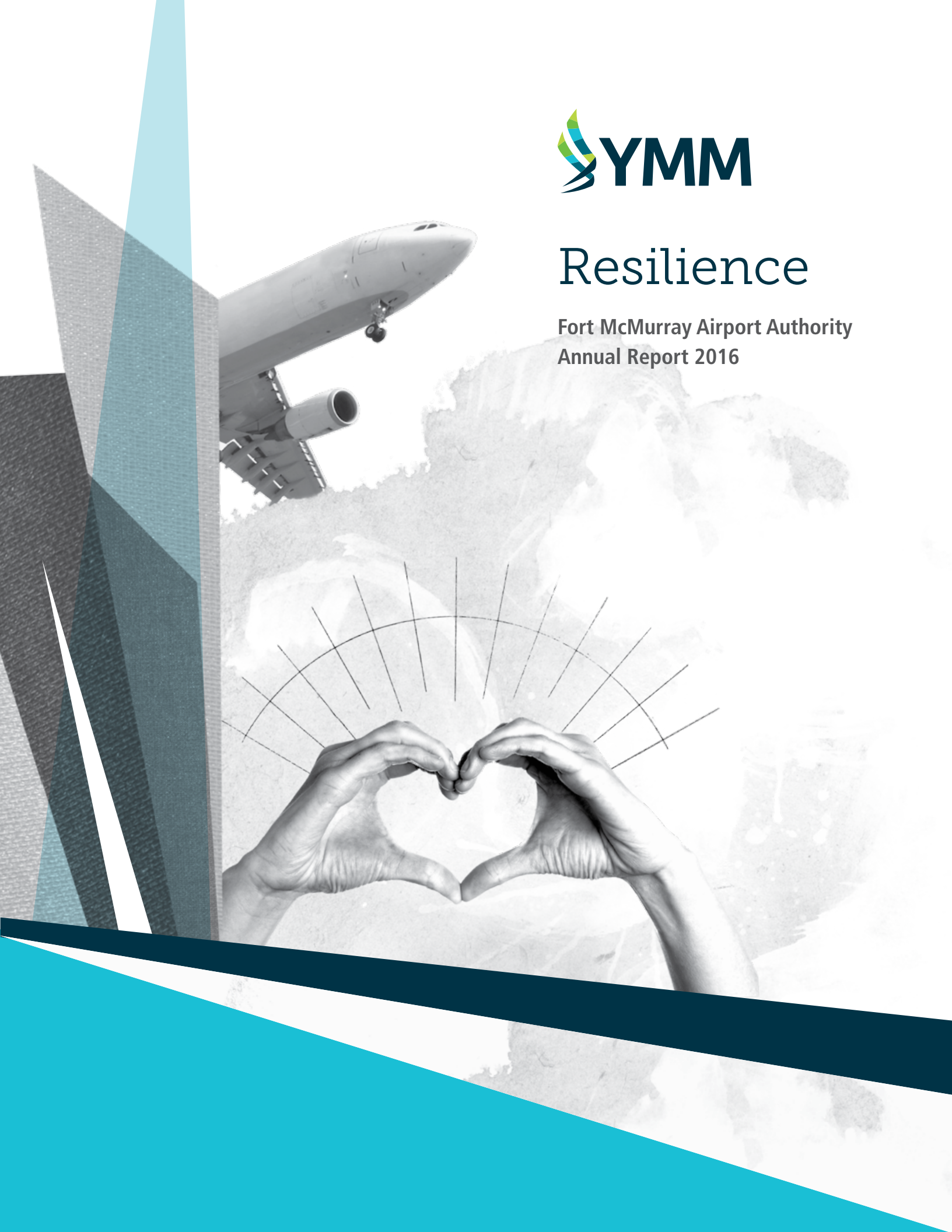




# Resilience

Fort McMurray Airport Authority  
Annual Report 2016



# We are Canada's Premier Regional Airport

## Mission

We are responsible stewards of our airports, 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
- Exemplary Customer Service
- Commercially Focused, Fiscally Responsible, Business Sustainability
- 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 Allan Kallal, Board Chair and RJ Steenstra, President and CEO

## Rebuilding a resilient community

The year 2016 was the most challenging year ever faced for residents of the Wood Buffalo Region. On May 3, an immense wildfire, referred to as “the Beast,” destroyed approximately 2,400 homes and businesses in Fort McMurray and forced the largest evacuation in Alberta’s history.

In the midst of the disaster, communities north and south of Fort McMurray opened their doors and gave shelter, food and comfort for thousands of evacuated residents. Fort McMurray International Airport (YMM) was part of this massive evacuation, working with the Emergency Operations Centres at the Regional Municipality of Wood Buffalo (RMWB) and Edmonton International Airport (EIA), to airlift hundreds of evacuees out of the region. Oilsands companies also helped host evacuees and flew them out of their own airstrip facilities, as YMM opened its runway and facilities to brave and resilient fire crews and emergency responders from all over Alberta, across Canada, and around the world.

After the emergency passed, we worked hard to transition back to normal operations, knowing that many people who fled needed to come home to see what had to be done to rebuild. On June 10, we opened our runway to regular commercial aircraft for the first time since the wildfire.

We especially want to thank the airport authority staff, tenants and business partners who stayed during the height of the wildfire to protect the airport and support firefighting efforts. As well, we are grateful for our concessionaires, contractors and business partners who worked tirelessly to prepare the airport to again welcome guests and serve the community.

The weeks and months following that day underlined that our involvement in the Wood Buffalo Region became more important than ever in keeping community ties strong. Inviting the public to celebrate Family Day or Halloween, sponsoring youth and community

events, volunteering for food drives, providing airport tours, showing appreciation to customers – all these things to engage the community in years past became even more important to do for the community in the present.

## Wood Buffalo rising

That sense of community will help propel the region’s renewal in 2017 and beyond as the economy starts to rebound from the double hit of weakened oil prices and the wildfire.

YMM is well-prepared to bolster that momentum. Since 2012, over \$325 million has been invested in airport expansion, including the construction and operation of a new terminal building, roadways, utilities and services for 100 hectares of land set aside for three new commercial parks.

Our airport helps drive the Wood Buffalo Region economy, as it provides access to global markets, brings skilled tradespeople and engineers to work in the region’s industries and supplies unique equipment and technologies to develop resources. YMM connects residents to their families, business opportunities and new adventures all over the world.

YMM’s role as an economic engine extends beyond the runway. The new commercial parks offer the largest supply of readily available commercial and industrial land in the Wood Buffalo Region outside of individual oilsands sites. In the future, we plan to invest more in new utilities, roadways and aviation infrastructure, expanding development options for new, growing or established businesses in our region.

For YMM, the new revenue generated by the development of airport lands helps us reinvest in the airport, spurring economic development.



As the community restores its economy, our relationships with airlines and other aviation partners are more important than ever. Commercial passenger services, cargo and general aviation activities will help rebuild the community and support the region’s return to more stable, prosperous times. Our team continues to work with airlines to identify opportunities to increase service and eventually add new non-stop destinations.

While we seek new business and air service opportunities, we understand it’s paramount that airport guests have the best experience possible. Whether it’s exceptional dining and shopping options or warm greetings and assistance from TeamYMM, we want our guests to continue feeling comfortable, safe and secure.

Outside of the boundaries of the airport, we will continue to invest in the community and its rebuilding efforts through our Community Investment Program. Our program focuses on youth programs, leadership development and investment in the local community.

## A resilient organization

YMM’s support for the community and its role as an economic driver was always at the top of the agenda for the Fort McMurray Airport Authority.

As we transitioned from a commission to an airport authority a new vision of YMM was created that eventually became: “Canada’s Premier Regional Airport, connecting the World to the people, resources and opportunities in the Wood Buffalo Region.” TeamYMM ensured governments, businesses and residents in the region had ownership in that vision, by forming partnerships and continually garnering their input for what their airport should look like and how it should serve the region.

To advance that vision, the Board of Directors welcomes RJ Steenstra as YMM’s new President and CEO. Steenstra joined YMM in the fall of 2016 after a successful term as CEO of the Red Deer Regional Airport Authority.

Going forward in 2017, the focus is on making the community vibrant, delivering a great guest experience, capitalizing on revenue opportunities and strengthening relationships with our airlines, partners and stakeholders.

Through this purpose and as the region emerges from a challenging 2016, the YMM mission remains the same: Making Fort McMurray International Airport Canada’s Premier Regional Airport and connecting the world to Fort McMurray and the Wood Buffalo Region.

Allan Kallal  
Chair, FMAA Board of Directors

RJ Steenstra  
President and CEO



# #YMMStrong

Relationships between YMM and other groups, organizations and communities were crucial to responding to and recovering from the 2016 fire, from the moment of emergency to the days and months of rebuilding afterward. It is testament to resilience that these relationships have only grown stronger over the past year.

## Fighting the Beast

As the fire engulfed Fort McMurray and the evacuation began, YMM worked in tandem with the Regional Emergency Operations Centre (REOC) and collected relevant updates as they pertained to the airport. These updates were included in a detailed communications report that was sent twice daily to key stakeholders, including airlines, to update them on the evacuation situation. Our stakeholders appreciated the valuable insights these communication updates provided. Since many stakeholders could not re-enter the community, unverified information abounded. Our reports helped dispel a lot of false information. Updates to the progress of the airport as we neared re-entry were critical, as they provided a measuring stick for our stakeholders regarding the overall progress of the region.

Social media played a critical role in co-ordinating timely crisis messaging during the fire. We used our Twitter account (@flyymm) exclusively during the initial evacuation to let people know that the airport was open but services would be limited. We were able to have real-time conversations with our followers concerned about the situation. We could reply directly to inquiries, knowing those responses would also be seen by others. Throughout the May evacuation, YMM's official Twitter account impressions skyrocketed to a 3,300 per cent increase over our usual activity. This showed the community viewed YMM as a credible and reliable source of information.

The fire involved all employees. Since most airport emergencies would not unfold in this manner, it made managing the airport during the evacuation a challenge. Staff had to leave for home to pick up their loved ones, pets or important items, leaving critical gaps in operations.

A co-ordinated effort took place to ensure there was sufficient number of ground handlers to manage arriving and departing flights, adequate staff to check-in and screen passengers, and security to handle a terminal filled with emotional passengers looking to flee the city. Regular communication between all operational teams allowed everyone to work together to ensure that all departing flights from YMM were on time, and that staff and passengers remained safe through the crisis.

After the REOC, Edmonton International Airport (EIA) was an important partner in this evacuation. Most administration staff members relocated and set up offices at EIA during the evacuation so they could continue to do important work even though YMM's runway was only open for emergency operations. This included ensuring all staff and vendors were paid on time, corporate communications continued, and planning was underway to re-open the airport.

The well-being of staff during the evacuation was a top priority. The wildfire left 20 per cent of staff homeless and 100 per cent displaced. Senior management met with each employee to learn of their personal circumstances during the evacuation so they could be addressed. Mental health services were readily available for staff to access, including a confidential employee assistance program.

To keep employees engaged, a newsletter was created and circulated, which helped provide further normalcy for employees during the evacuation. When the airport re-opened, the majority of staff returned, indicating our success supporting our people during that trying time.





## Thank You & Welcome Home

On June 10, 2016, commercial air service returned to YMM. As many passengers were residents returning home for the first time since the massive May wildfire, YMM prepared beforehand to provide a safe, clean and inviting place to welcome them.

The first plane to touch down was Air Canada flight 8371 from Calgary at 9:11 a.m. It had been a month since YMM suspended all inbound and outbound commercial flights to provide room for Alberta Agriculture and Forestry (AAF) to use the runway and airspace around YMM for emergency operations relating to the wildfire. When passengers arrived, the YMM team was there to offer a special, heartfelt welcome home.

The *Welcome Home / Thank You art installation* — jointly designed by Edmonton International Airport (EIA) and YMM — was displayed in the departures lounge at EIA and the arrivals lounge at YMM. Everyone was encouraged to participate in extending the welcome to others after them by inscribing messages of gratitude for the communities and organizations that supported them during the evacuation, as well as pass a message of hope on to fellow community members returning home.



It was an important milestone for the community as we celebrated the return of commercial air service to YMM. Employees and business partners showed amazing commitment and dedication to helping YMM recover and prepare to welcome residents and travellers alike back to our community.

## Comfort Kits

YMM and the airport's business partners participated in building and providing comfort kits to returning residents. Items in the kits included a cooler bag, bottled water, energy bars and hand sanitizer. Partners involved in funding the comfort kits included ATB Financial, Pattison Outdoor Advertising, Air Canada and WestJet. The YMM Merchants' Association also donated flower seed packets to commemorate the return to the community. Volunteers from ATB Financial stuffed over 1,000 comfort kits on the June 10 opening day, and kept coming back to stuff and hand out more kits — a total of 4,600 — to people returning home.



## Heroes of YMM

Firefighters from across Alberta as well as from outside provincial and national borders arrived to fight the massive wildfire threatening Fort McMurray. Among the groups that passed through YMM to help tame "the Beast" were Yukon Fire Management, the ATCO Gas Team and firefighting teams from the United States and Mexico.

## FireAid and "I Love YMM"

Many residents attended Shell Place on June 29 for the celebration and livestreaming of the FireAid Concert held at Commonwealth Stadium in Edmonton. YMM was part of the celebration, inviting attendees to sign welcome home boards and take "I Love YMM" buttons to wear during the festivity. You can still see the "I Love YMM" buttons throughout the community as residents wear them proudly.

## Support from our aviation partners

The aviation community came together to support YMM any way they were able to. Edmonton International Airport (EIA) sent vital materials to our operations team at the airport, allowing them to maintain emergency operations at YMM so that vital waterbombers and helicopters could still fight the fire.

Calgary International Airport (YYC) and its team came together to raise over \$40,000 through Canadian Red Cross. It started with the \$25,000 donation by the Calgary Airport Authority followed by donations from 32 partners and hundreds of YYC employees, including funds, giveaways, food and beverages, gift baskets and round-trip flights that totaled another \$10,000. A further \$5,000 was donated by YYC passengers.

In addition several of our aviation tenants and contractors stayed behind to assist YMM with fighting the fire on the airport property and maintaining emergency operations throughout the ordeal.



# Your destination, our purpose

YMM's purpose to connect people to their desired destination remains constant, no matter the challenges the Wood Buffalo Region faces. We strive to become "Canada's Premier Regional Airport," finding opportunities to fly people where they want to go in Canada or around the world. To stay on this flight path takes resilience, with YMM and its partners.

## Regaining altitude

YMM projected a decline in commercial and charter aircraft in 2016 due to the drop in oilsands activity caused by lowered oil prices world-wide. The May wildfire exasperated existing flight conditions. YMM sees this trend reversing in 2017 and onward as oil prices are improving, oilsands development is increasing and rebuilding efforts are ramping up in Fort McMurray.

In 2016, a total 744,798 passengers came through YMM, compared to 1,099,663 in 2015. The number of commercial passengers declined by 28.1 per cent and the number of charter passengers declined by 69.7 per cent. YMM expects a turnaround in passenger numbers as recovering oil prices are stimulating new oilsands development.

### You could be there by now.

A direct flight is a faster, more convenient, more relaxing, safer and cost-effective way for travellers to reach their destination. A five-plus-hour drive on Highway 63 from Fort McMurray to Edmonton only takes an hour by direct flight. YMM is taking steps to ensure the travelling public knows about that one-hour direct flight with several promotions including radio, social media, websites and billboards on the highway outside the community of Boyle (located 163 kilometres north of Edmonton), with the message "You could be in Edmonton by now." It underlines the message that flying is a faster and more convenient way to travel.

## CURRENT NON-STOP DOMESTIC DESTINATIONS AT YMM

- |                           |                     |
|---------------------------|---------------------|
| <b>YYC</b> CALGARY        | <b>YEG</b> EDMONTON |
| <b>YPY</b> FORT CHIPEWYAN | <b>YYZ</b> TORONTO  |
| <b>YVR</b> VANCOUVER      |                     |

## MAJOR AIRLINES OPERATING AT YMM

- |                   |                  |
|-------------------|------------------|
| AIR CANADA        | NORTHWESTERN AIR |
| JAZZ AVIATION LP  | WESTJET          |
| MCMURRAY AVIATION | WESTJET ENCORE   |

## A variety of delights

YMM has a variety of shopping and dining options for travellers, and actively promotes merchants' products or menu offerings, coupons and special deal promotions. Many of these are featured on [www.FlyYMM.com](http://www.FlyYMM.com), YMM's social media accounts (Facebook, Twitter and Instagram) and YMM's newsletter Aurora InFlight which has over 1,300 copies in circulation each month.

### True North Wine & Liquor Opens

True North Wine & Liquor opened on the departures level on January 8, 2016, becoming the latest addition to YMM's food and beverage program. The store's offer of premium liqueur, wine and beer selections to travellers added to the existing dining and shopping choices YMM passengers enjoy at the airport main terminal.



## YMM CONCESSIONS

 A wide range of Food & Beverage choices at YMM

- BEST BUY EXPRESS
- BURGER KING
- EARLS GRAB AND GO
- EARLS KITCHEN + BAR
- FAMOSO NEAPOLITAN PIZZERIA
- JUGO JUICE
- NICHOLBY'S CONVENIENCE (2 OUTLETS)
- STARBUCKS
- SUBWAY
- TIM HORTONS
- TRUE NORTH WINE & LIQUOR



### Jugo Juice Re-location

In 2016, the Airport Authority assisted in the re-location of Jugo Juice from their airside location to the departures level food court. The new larger restaurant opened in February of 2017 and provides travellers with the opportunity to purchase great tasting, convenient and healthy food on the go, including smoothies, wraps and snacks.

### Parking when you need it

YMM knows finding a reliable, convenient parking spot can be as stressful as making a flight. YMM provides a variety of free and paid parking choices based on the needs of the visitor — whether it's a short visit to pick up a relative or a friend arriving home, or a safe, secure place for their vehicle while on an extended trip.

Parking options include:

- 20 minutes free short-term parking for passenger pick-up
- 15 minutes free parking on the departures level, specifically for Grab & Go customers looking to grab a coffee or a meal from any of the concessions before security
- Shop, Dine & Dash On Parking — up to three hours of free parking for persons using concessions; a receipt of \$10 is given to parking attendant upon exiting
- Paid short-term parking; 430 powered stalls
- Paid long-term parking; 1,400 powered stalls

### Customer appreciation

The YMM Merchants' Association is a partnership between YMM and all of the airport's concessionaires and merchants. Together, they create programs that deliver an enjoyable passenger experience at YMM while helping the airport realize its full revenue potential. Throughout the year, the association has delivered promotions, passenger experience events and customer appreciation efforts for Wood Buffalo residents and YMM travellers.

### Diversified Transportation's "Rice Lake Employee Appreciation Day"

February is a chilly month, but YMM partnered with Diversified Transportation to warm it up a bit on February 9. As a show of customer appreciation, Diversified recognized two shifts of workers, those leaving the region for their week off, and those arriving for their shift. Working with the Merchants' Association, YMM provided the workers 10% off coupons for each concession at the airport while Diversified gave them their own swag and purchased Tim Hortons coffee and donuts.

The gift of a hot drink and a sweet treat on a cold day before going to work or returning home surprised and delighted Rice Lake employees. Diversified was equally thrilled and hopes to offer this type of appreciation day to other clients who regularly fly in and out of YMM.



### Keyano Sporting Events Welcome

On March 15, athletes from across the country touched down in Fort McMurray for the Canadian Collegiate Athletic Association (CCAA) Men's Basketball National Championship, hosted by Keyano College. The airport was the first impression of Fort McMurray for many athletes and their welcome is something that they will definitely remember. College staff and volunteers were out in full force to greet the athletes as they descended to the arrivals hall. DJ French led the welcome, spinning great beats for all arriving passengers to enjoy, while college mascot King danced up a storm and basketball fans cheered as each team arrived.




### Festival of Trees

The YMM Merchants' Association again donated a tree to the 2016 Festival of Trees. The festive tree was valued at \$9,025 and sold for \$13,000, with all money raised going to the Northern Lights Health Foundation. All concessionaires participated and the tree included a variety of gifts, from a Chef's Table or Feast to gift baskets and gift cards.





## AIRFIELD MAINTENANCE TEAM

 Team of 16 staff dedicated to snow clearing operations

>> FOUR CREWS DEDICATED TO AROUND-THE-CLOCK SNOW-CLEARING SERVICES FOR RUNWAY, TAXIWAYS AND THE APRON

>> 20 PIECES OF SNOW CLEARING EQUIPMENT, INCLUDING:

- |                   |         |
|-------------------|---------|
| SWEEPERS          | SANDERS |
| SNOW BLOWERS      | BOBCATS |
| CHEMICAL SPRAYERS | LOADERS |

>> CREWS TAKE 15 MINUTES, ON AVERAGE, TO CLEAR A 100-FOOT SWEEPED PATH RUNNING THE LENGTH OF THE RUNWAY

## Staying Airborne

### Snow Removal

YMM operates in one of the harshest winter climates in North America. YMM's Airfield Maintenance Team ensure snow and ice do not put a halt to flights going in and out of the airport. The team keeps YMM's 7,503 ft. long by 150 ft. wide runway, two major taxiways, numerous short taxiways and four aprons clear and safe for 24/7 aviation operations, even in the snowiest of conditions.

### Airfield Maintenance Team

YMM has a comprehensive plan to manage winter operations, and holds annual pre- and post-winter operations briefings, to help minimize the impact of Wood Buffalo Region's northern winters and to ensure seamless operations for passengers looking to get to their destinations on time.

### Table Top Exercise

On November 16, Fort McMurray Airport Authority (FMAA) conducted an annual table-top security exercise, as mandated by Transport Canada. Participants included:

- YMM Operations and Communications departments
- Air Canada
- WestJet
- NAVCanada
- Transport Canada
- Regional Municipality of Wood Buffalo Emergency Services
- Canadian Airport Fire Services
- Canadian Air Transport Security Authority (CATSA)
- TAWS Security

The table-top exercise focused on a possible emergency scenario with discussions on what emergency response is required to manage the situation. All participants provided input and feedback which helped us improve the FMAA emergency response plan. As part of YMM's commitment to safety, these exercises are conducted annually along with a live training exercise every four years. The next live exercise will occur in 2017.

## OTHER SERVICES

Free Wi-Fi, barrier-free and family-friendly facilities, a place to plug in your electronic mobile device — these are some of the many services YMM provides so travellers enjoy a relaxing, hassle-free airport experience.

### YMM PASSENGER SERVICES

- ✦ AIRPORT INFORMATION DESK
- ✦ FREE LUGGAGE CARTS
- ✦ \$US CURRENCY AT ATMS
- ✦ LOST AND FOUND SERVICES
- ✦ LARGE SOUTH-FACING COURTYARD PROVIDING OUTDOOR LANDSCAPED AREA FOR PASSENGERS WITH PICNIC TABLES
- ✦ PAWS FOR PEOPLE PET THERAPY PROGRAM

### TRANSIT & PARKING SERVICES

- ✦ TRANSIT SERVICE
- ✦ TAXI SERVICES
- ✦ POWERED PARKING STALLS

### BARRIER-FREE SERVICES

- ✦ AUTOMATIC DOORS, RAMPS AND LIFTS
- ✦ DROP-OFF STALLS FOR WHEELCHAIRS ON THE DEPARTURES LEVEL
- ✦ ACCESSIBLE PARKING SERVICES IN THE SHORT AND LONG-TERM PARKING AREA FOR VEHICLES DISPLAYING A DISABLED LICENCE PLATE, VETERANS LICENCE PLATE OR DISABLED PARKING PLACARD
- ✦ BARRIER-FREE WASHROOMS WITH LARGE STALLS AND BASINS
- ✦ BARRIER-FREE AREAS IN THE FOOD COURT AND SEATING AREAS

### DIGITAL SERVICES

- ✦ AN INTERACTIVE AND EASY TO USE YMM WEBSITE
- ✦ SOCIAL MEDIA STREAMS INCLUDING TWITTER, FACEBOOK AND INSTAGRAM
- ✦ FREE HIGH-SPEED WI-FI
- ✦ ELECTRICAL AND USB OUTLETS IN EVERY SEAT IN THE PASSENGER LOUNGE

### FAMILY AND CHILDREN'S SERVICES

- ✦ CHILDREN'S PLAY AREA
- ✦ FAMILY WASHROOMS WITH INFANT CHANGING STATIONS
- ✦ INTERACTIVE OBSERVATION AREA
- ✦ PET RELIEF AREA TO LET FIDO OUT FROM A LONG FLIGHT



# A Fresh Start

YMM is the aviation centre to the Athabasca oilsands and gateway for Canada’s energy sector to the world. It is the third busiest airport in Alberta after Calgary and Edmonton. It employs directly and indirectly around 1,700 people locally, and efforts have been made to expand airport facilities and services that better meet projected long-term increases in air traffic. Over 50 businesses are based at the airport, providing a wide range of aviation and non-aviation services. Further, there is plenty of space for more development.

YMM recognizes the Wood Buffalo economy is a resilient one and opportunity is there to be found no matter the business climate. YMM aims to deliver cost-effective options for land development in response to the challenges in the current investment market. Business owners, investors and developers can find at YMM a suitable and competitive location for new, relocating or expanding businesses.

Partnerships are key to any successful organization. Partnerships are so important to YMM, they are imbued in its strategic planning. YMM serves the Wood Buffalo Region, and knows the key to the region’s success is when all organizations – be it business, government or community – work together towards a common goal.

## Commercial land

YMM offers a large supply of readily available commercial and industrial land in the Wood Buffalo Region outside of the individual oilsands sites. YMM is investing in new utilities, roadways and aviation infrastructure that considerably expands the availability and development options at the airport.

## Workforce Charters

- Air North Charter
- Airco Aircraft Charters
- Alberta Central Airways
- Bar Xh Air (Integra)
- Canadian North
- Central Mountain Air
- Flair Airlines
- Jazz Charter
- North Cariboo Air
- Northern Air Charter
- Regional 1 Airlines
- Skyservice Business Aviation
- Suncor
- Sunwest Aviation
- Syncrude

## Aviation Services

- Private and recreational flying
- Flight schools and training
- Charter services
- Search and rescue
- Avionics
- Helicopter activity
- Corporate services
- Private charters
- Aircraft maintenance
- Air ambulance services

## 7 COMMERCIAL PARKS

**! 1,267 acres (512 hectares) of land available for development**

- >> SNOW EAGLE COMMERCIAL PARK WEST
- >> SNOW EAGLE COMMERCIAL PARK EAST
- >> SNOW EAGLE AVIATION PARK
- >> SNOWBIRD PRESTIGE AVIATION PARK
- >> SNOWBIRD COMMERCIAL PARK
- >> GOLDEN HAWK AVIATION PARK
- >> GOLDEN HAWK COMMERCIAL PARK

## COMMERCIAL LAND USES

- CAR RENTAL FACILITIES
- DISTRIBUTION CENTRES
- FOOD AND BEVERAGE
- GAS STATION/CAR WASH
- HOTELS/APARTMENTS
- LIGHT MANUFACTURING
- OFFICES
- OUTDOOR STORAGE
- PUBLIC UTILITIES
- RETAIL SALES
- TRANSPORTATION SERVICES & FACILITIES
- WAREHOUSES



# Elevating Experiences

An organization is like a sports team. Each person has a role to fill on the playing field, and each one needs to support the others to score points. Any organization that is resilient works in a similar way to achieve its goals and ensure its clients are satisfied with the service received. Like a team, YMM knows it is important for all people and organizations working at the airport to know each other and be ready to help each other out when needed. That is why TeamYMM was formed, to have a group dedicated to providing passengers the best airport experience possible.

## TeamYMM: The best part of YMM

TeamYMM is composed of over 400 on-campus staff, making it one of the largest employee groups in the Wood Buffalo Region. It is an employee-led initiative, with a committee who consults on ways to improve the passenger experience at YMM. The committee includes representatives from Air Canada, WestJet, the YMM Merchants' Association, the Canadian Air Transport Security Authority (CATSA) and many other business and partners.

Teamwork is very important at YMM. Airports are very public places and things are highly visible to passengers. A strong team makes for a quality airport and a memorable, positive experience for travellers.

### Team tubing

TeamYMM was launched not with a formal announcement, but with fun. YMM team members were invited out to the Vista Ridge All Seasons Park for a tubing party, where they bonded over a few laughs on the hill. It was just the start of the bonding and teamwork for 2016.



### Easter Surprise

Prior to Easter weekend, YMM staff roamed the airport delivering Easter eggs filled with chocolates to fellow TeamYMM colleagues. This unexpected surprise was well received by all staff and was a fun start to the holiday weekend.



### TeamYMM Kick-Off BBQ

TeamYMM kicked off the summer with a team BBQ held in the airport courtyard, with all employees, tenants and contractors invited to attend. Over 150 TeamYMM members attended, including committee Co-Chairs from WestJet who manned the grill in staggering heat. Additional committee members helped with set-up and tear down of the event.

The picnic tables that were set up in the courtyard for the event proved to be highly popular among staff. As a result, YMM purchased four picnic tables that are now permanently located in the courtyard for staff and passengers to enjoy throughout the warmer months.



### Tree Decorating

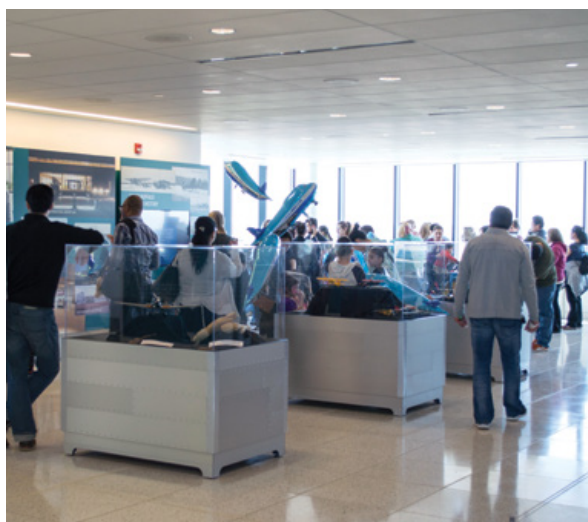
TeamYMM held its first ever Tree Decorating Event on November 26. Staff throughout the airport were invited to help bring holiday cheer to the terminal, by decorating eight trees located throughout the building.





# Home is here

The past year has proven how important community bonds are to recovery from a crisis. Relationships fostered in the past ensure these bonds remain intact in times of challenge, and continually maintaining these bonds help build the resilience needed in a community to recover and thrive.



## Helping where needed

YMM's Community Investment Program (CIP) continues its mission to support organizations that build communities and help those in need.

The Community Investment Program focuses on three core areas:

- **Youth:** we give priority to programs focusing on improving accessibility, and educational opportunities for the youth of our community.
- **Leadership Development:** we are proud to support the development of future leaders in our community.
- **Local Community:** we are proud to call Wood Buffalo Region home and prioritize programs and projects that enhance our community and provide a positive impact for our fellow residents.

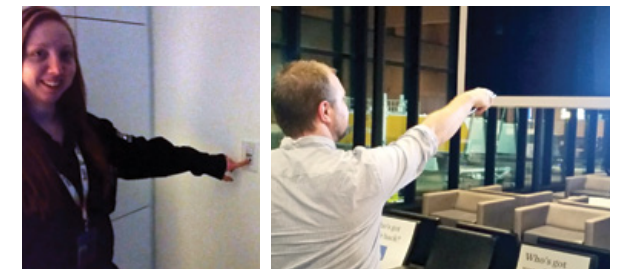
Information on the program with a corresponding downloadable application form is posted on [www.FlyYMM.com/CIP](http://www.FlyYMM.com/CIP)

## Opening YMM to everyone

### Earth Hour

YMM participated in its first Earth Hour on March 19. The annual worldwide event involves over 170 countries and 24 time zones uniting as a global community to raise awareness about power consumption and the need to take action on climate change.

YMM participated by dimming non-essential lighting that did not impact airport operations throughout the terminal and airport campus. This included turning off the lights in offices, the Welcome Signage at the roundabout, the Trident Light Towers, Northern Lights Wall, and televisions in the food court and passenger lounges. The communications team promoted YMM's participation in Earth Hour through social media and a news release that was picked up by local media.



The year 2016 will be remembered as the year everyone in the Wood Buffalo Region and throughout Alberta came together to help each other. It was test of our bonds throughout the community, and it is empowering to know they have only gotten stronger this passing year.



### Gratitude Campaign

YMM partnered with the Northern Lights Health Foundation in its Gratitude Campaign, an ambitious fundraising project to raise \$16 million to support a variety of healthcare programs, including prenatal and palliative care.

During the Foundation's Spring Fling Gala on March 19, Roxanne LeBlanc, Vice-President of Corporate Services and Chief Financial Officer, announced YMM was committing \$125,000 in gift-in-kind value over two years in digital advertisements throughout the airport in support of the Gratitude Campaign. YMM was recognized in all ads and received permanent recognition on the hospital's new donor wall.



YMM committed \$125,000 in advertising value over two years throughout the airport in support of the Gratitude Campaign.

### Family Fun Day

YMM hosted the first annual Airport Family Fun Day on April 18. Over 300 community members participated in family-friendly activities including face painting, arts and crafts, and making and flying paper airplanes down a mini YMM runway. The event was free but attendees were encouraged to bring non-perishable food items — 50 lbs in all — for the Wood Buffalo Food Bank Association.

The Family Day event provided opportunity to relaunch the historical artifact collection on the airport's third-floor Observation Area. The Alberta Aviation Hall of Fame, Canada's Aviation Hall of Fame and the Fort McMurray Heritage Society generously loaned items of historical significance to Fort McMurray and Northern Alberta. Much of the artifacts collection paid homage to local bush pilot W.R. "Wop" May, including the legend's rifle case, a wooden monkey that hung in his plane when flying up north and a pair of the pilot's flying mitts.

Also on display was a Canadian Airways Limited Junkers Ju-52 1M (CF-ARM) model aircraft, known as the "Flying Boxcar," the largest airplane in Canada used for hauling freight to the northern region during the 1930s. As well, the Alberta Aviation Museum loaned an original 1928 Gypsy 1 engine, one of 1,445 ever built and used for many record flights, including the first female-solo flight from Britain to Australia in 1930.

Partners with the YMM Family Day Event included:

- YMM Merchants' Association, which provided 10% discount on food and beverage purchases
- PAWS Fort McMurray, which provided therapy dog teams
- 868 YMM Rotary Northstar Squadron Air Cadets, who provided event assistance
- Fort McMurray Heritage Society, which provided children's activities



### 2016 Halloween Party

YMM hosted its third annual Halloween celebration for families on October 28 in the arrivals hall and the third-floor Observation Area. Over 500 guests attended and participated in a costume contest, pumpkin carving contest, cupcake decorating, Halloween crafts, carnival games, face painting and balloon twisting. Partners in the event include the YMM Merchants' Association, Communities in Bloom and the 868 YMM Rotary Northstar Royal Canadian Air Cadet Squadron.

King, Keyano College's official mascot, was on hand to judge the best costumes and winners took home CCAA Men's National Soccer Championship tickets, along with over \$100 YMM Bucks to spend at any of the airport's concessions. Earls won the TeamYMM pumpkin-carving contest and \$500 was donated in their name to the Fort McMurray SPCA.

### Airport Tours

YMM is proud to offer a tour program for school children in Fort McMurray as well youth programs that are part of YMM's Community Investment Program's core partnerships. In 2016, YMM hosted nine tours. The tour program includes the main terminal with a focus on how an airport operates, as well as our art programs and general aviation knowledge.

### YMCA

On October 19, YMM attended the sign installation at Westwood YMCA, recognizing the airport's support of its Youth Leadership program. During the unveiling, YMM presented \$11,400 for a bursary in the name of outgoing CEO Scott Clements. For the duration of the partnership, YMM's funding has allowed the youth to enjoy a weekend away at a leadership development camp, providing them with skills to help them succeed in their future.

### Air Cadets

Community Investment Partner, the 868 YMM Rotary Northstar Royal Canadian Air Cadet Squadron, visited YMM for a tour of the terminal building. This group has demonstrated their community leadership skills by volunteering at many of the airport's public events.



.....  
 An airport is more than just a place to come and go - it connects people, which is why TeamYMM works extensively in and with the community.  
 .....



### Heritage Park

YMM and the Fort McMurray Heritage Society teamed up to restore the Wop May House at Heritage Park, which was badly damaged in the flood of 2013. The restoration of this building is critical to preserving Wood Buffalo's rich aviation history. The restored building features several exhibits, highlighting the pivotal role aviation played in the growth and development of our region.

### Fort McMurray SPCA

Throughout the year, all recycled bottles and cans from the terminal building are collected and donated to the SPCA. In 2016, over \$1,700 was collected to support of the SPCA's Animal Health and Preventative Medicine Program.

This program allows the SPCA to perform essential surgeries such as spay and neuters, and to vaccinate and keep new animals admitted to the shelter separate from the general population until they receive a clean bill of health. The program also helps the SPCA provide identification protocols such as microchipping and tattoos in order to identify adopted animals who may become lost or abandoned post-adoption for community safety.

### Helping hands

Along with its support of core programs, YMM reached out and helped many community groups with events and causes throughout 2016.

### Oil Barons

YMM sponsored an Oil Barons hockey game on March 4 as a fun way to engage with the community and highlight the different destinations YMM has to offer. A booth was set up where the public could learn more about YMM and enter to win a trip for two to Calgary, including hotel accommodations and flights from WestJet. Over 350 people were engaged over a three-hour period before and during the game and 150 signed up for a subscription to the YMM newsletter.

### Spring Food Bank Drive

TeamYMM donated their time on April 2 to the Wood Buffalo Food Bank Association's Second Annual Spring Food Drive. TeamYMM volunteers were on site at the Food Bank's warehouse to help weigh and sort thousands of pounds of food donations. As well, TeamYMM tallied up over 40,000 steps and climbed over 52 flights of stairs during the four-hour shift. The food bank received 42,839 pounds of food in total and \$31,219.85 in cash donations — far surpassing their goal.

### Empty Bowls Festival

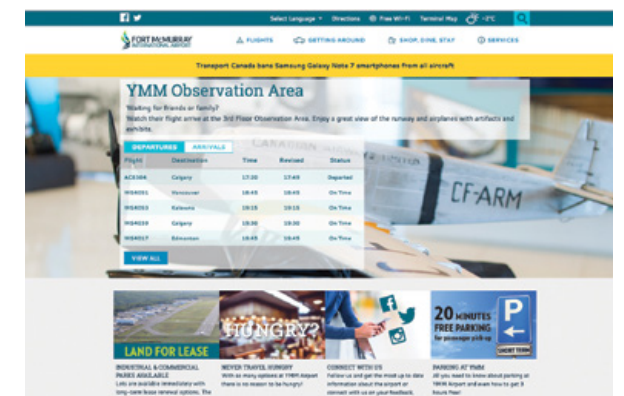
YMM supported the launch of the new Empty Bowls Festival by the Wood Buffalo Food Bank Association. Festival event participants created celebrity bowls, with YMM's contribution designed by Joanne Meredith, Marketing Coordinator. All bowls were auctioned off in a silent auction. YMM also sponsored two tents needed for food vendors during the event.

### Online conversations

YMM stays in conversation with passengers online through its website [www.FlyYMM.com](http://www.FlyYMM.com), Facebook, Twitter (@flyymm) and most recently Instagram which was added in 2016.

Not only do these platforms allow YMM to engage with passengers by offering travel advisories, information on services available, and concession coupons or promotions, but also encourage connections between passengers and other members of the public.

In enhancing the airport passenger experience, YMM is now live on Indoor Google Maps. This feature provides passengers easy navigation around the airport with touch features and universal icons easily understood no matter the passenger's language. Passengers save time looking for services and enjoying YMM's restaurants, shopping or arts program.





**Top (left to right):** Roy Williams, Sheldon Schroeder, Peter Zebedee, RJ Steenstra (President & CEO), Allan Kallal (Board Chair), Colin Solbak (Absent), Ken Balkwill (Absent), Bernd Wehmeyer (Absent) **Bottom (left to right):** Mildred Ralph, Joanne Day, Roxanne LeBlanc (Vice President, Corporate Services and CFO), 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 Airport and ensuring its long-term viability, profitability and development. The Board appoints the following committees to assist it in its stewardship role: the Finance and Audit Committee, the Capital Projects Committee and the Governance Committee.

## Board of Directors

**Allan Kallal** Board Chair (Effective May 16, 2016)

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

**Meeting Attendance:**

Board	8/8
Finance and Audit Committee (Chair to May 25, 2016)	7/7
Governance Committee	2/4
Capital Projects Committee	3/5

**Ken Balkwill** Director (Resigned December 2016)

**Nominator and Date Appointed:**  
Canadian Union of Public Employees, Local 1505 2010  
Tenure: <6 years

**Meeting Attendance:**

Board	8/8
Governance Committee (Chair)	4/4

## Board of Directors

**Joanne Day** Director

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

**Meeting Attendance:**

Board	7/8
Governance Committee	3/4

**Corie Flett** Director

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

**Meeting Attendance:**

Board	8/8
Governance Committee	2/4

**Manuel Ortiz** Board Chair (Resigned April 22, 2016)

**Nominator and Date Appointed:**  
Canadian Association of Petroleum Producers 2015  
Tenure: 1 year

**Meeting Attendance:**

Board	4/8
Finance and Audit Committee	3/7
Governance Committee	2/4
Capital Projects Committee	0/5

**Mildred Ralph** Director

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

**Meeting Attendance:**

Board	8/8
Capital Projects Committee	5/5

**Colin Solbak** Director

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

**Meeting Attendance:**

Board	7/8
Finance and Audit Committee (Chair effective May 25, 2016)	4/7
Capital Projects Committee	2/5

**Sheldon Schroeder** Director

**Nominator and Date Appointed:**  
Canadian Association of Petroleum Producers 2010  
Tenure: 7 years

**Meeting Attendance:**

Board	8/8
Finance and Audit Committee	5/7

**Bernd Wehmeyer** Director

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

**Meeting Attendance:**

Board	6/8
Capital Projects Committee (Chair)	4/5

**Roy Williams** Director

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

**Meeting Attendance:**

Board	8/8
Finance and Audit Committee	7/7
Capital Projects Committee	5/5

**Peter Zebedee** Director (September 2016)

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

**Meeting Attendance:**

Board	1/8
Governance Committee	1/4

## Management Team

- RJ Steenstra**, President & Chief Executive Officer
- Bill Werny**, Vice President, Operations
- Roxanne LeBlanc**, Vice President, Corporate Services and CFO
- Bruce Ehmann**, Manager, Security and Terminal Operations
- Mike MacNeil**, Manager, Airfield Maintenance
- Fazle Quasha**, Manager, Information Technology
- Jesse Meyer**, Commercial

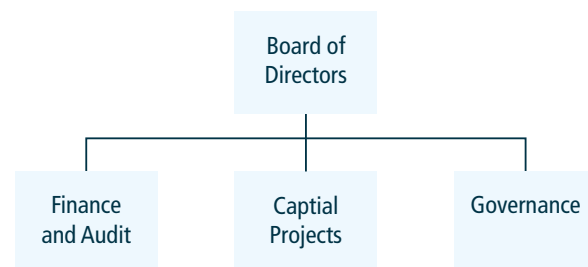
## Board of Directors

Fort Murray Airport Authority 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. 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 Murray 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 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 persons 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, Appointers, employees, customers, partners and to each other.

Fort McMurray Airport Authority

# Management Discussion & Analysis

For the year ended December 31, 2016

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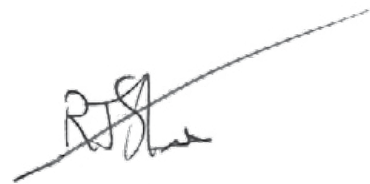
## Statement Of Management Accountability

The audited financial statements of the Fort McMurray Airport Authority ("the Authority") for the year ended December 31, 2016 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.

Fort McMurray Airport 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.

Fort McMurray Airport 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



Roxanne LeBlanc  
Vice President Corporate Services and Chief Financial Officer

## Introduction

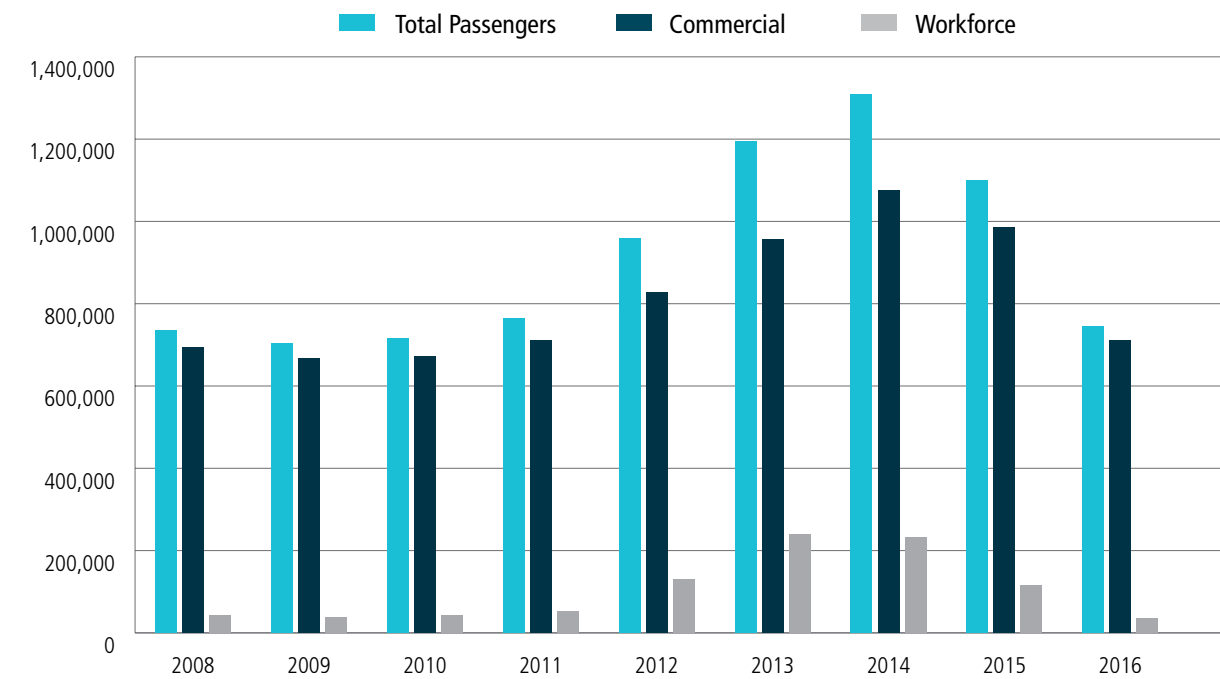
This Management Discussion and Analysis (MD&A) complements and enhances the audited consolidated financial statements of Fort McMurray Airport Authority ("FMAA") for the year ended December 31, 2016. It is delivered to explain management's view of the environment and events of the information contained in the financial statements and assists in understanding how the current events are expected to affect the business of FMAA moving forward. This MD&A should be read in conjunction with the financial statements.

## Performance Highlights

A major factor in the Authority's performance was the massive wildfire that prompted the full evacuation of Fort McMurray on May 3. Fort McMurray International Airport did not open to regular commercial traffic until June 10. The closure to commercial air activity and the long-term effects of the fire significantly reduced passenger traffic.

Crisis Management is one of FMAA's Performance Highlights. The Wildfire event required FMAA's management and employees to reach deep and commit to the safe-guarding of FMAA's assets and the YMM community. Although some of our employees lost their homes, we saw their best, rising to commit and help during this time of crisis. FMAA was a critical part of the Emergency Response Team to fight "the Beast." The aftermath of this crisis has left the organization and its stakeholders a little bruised but proud of being part of the YMM recovery. The passion of our people is key to our recovery and our positive outlook for the future.

The combined effects of the lingering economic downturn and the wildfire resulted in commercial passenger traffic declining by 276,432 passengers (28.1%) over 2015 and charter passenger traffic declining by 78,441 passengers (69.7%) over 2015. Overall, a passenger decrease of 354,865 passengers (32.3%) was recorded in comparison to 2015.



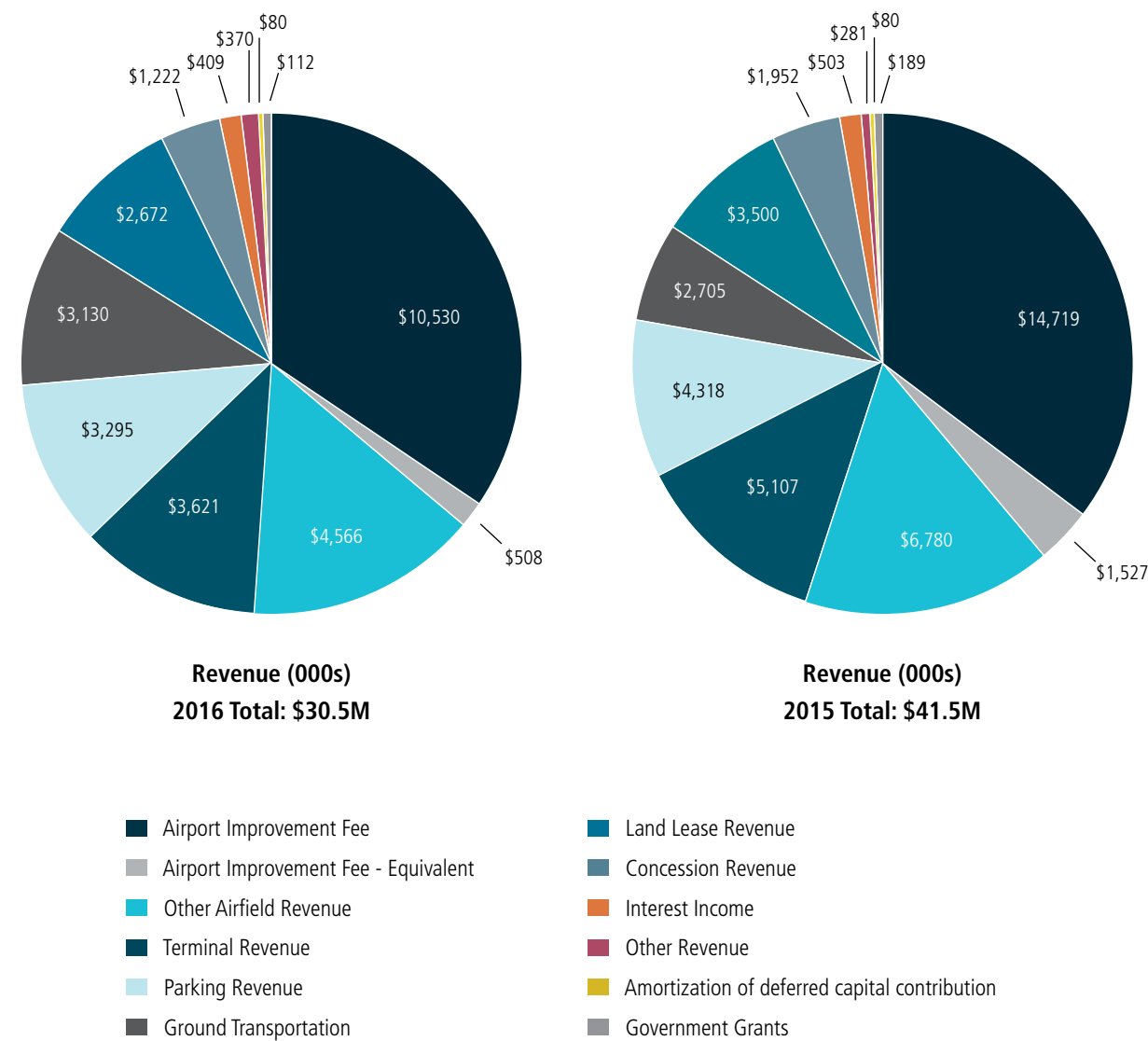
## Statement of Operations - Revenues

Airports are established providers of infrastructure assets, even with the stormy aviation industry. While airports and airlines are fundamentally associated and rely on one another to operate efficiently, they are based on different business models. Airlines are able to move quickly to respond to changes in traffic flows, by leasing or retiring capacity.

Airports, on the other hand, must make long-term planning decisions to safeguard capacity. In spite of this, FMAA maintained Airport Improvement Fees at \$30 per enplaned passenger, less a 7% handling fee paid to the passenger airlines.

Airport revenues derive from two main sources: aeronautical revenue and non-aeronautical revenue. In 2016 total revenues decreased \$11,764,047, 27.8% over 2015, reflective of the weakened economy and the fire that ravaged the community of Fort McMurray in May causing thousands of people to evacuate and the entire oilsands area to shut down.

Airport Improvement Fee ("AIF") revenue, decreased 28.5% over 2015 and Airport Improvement Fee Equivalent ("AIFE"), decreased 66.7% over 2015.



## Aeronautical Revenue

Airport income can be divided into two constituents: aeronautical and non-aeronautical. Fort Murray Airport Authority is increasingly focusing on non-aeronautical revenue to deal with the unpredictability of the airline business and the weakened economy.

Aeronautical revenue is the mainstream Revenue of an airport, comprised of AIF, airline terminal space rentals, airline landing fees, and usage fees for terminals and gates. Airlines act as airport tenants, paying rent for training facilities, storage facilities, hangars, offices and maintenance facilities. They additionally pay for landing and parking fees, and to hold a lease on ticket counter and gate space to occupy an exclusive area.

Aeronautical revenue totaled \$19,225,794 in 2016, its decrease is directly correlated with the decrease in passenger numbers.

For each passenger, FMAA generated \$25.81 in 2016 and \$25.58 in 2015 in aeronautical revenues.

## Non-Aeronautical Revenue

We continue to see an increasing trend in airports across the world turning to non-aeronautical commercial sources of income to sustain airport profitability.

These revenue streams are comprised of parking, ground transportation, land leases and concessions.

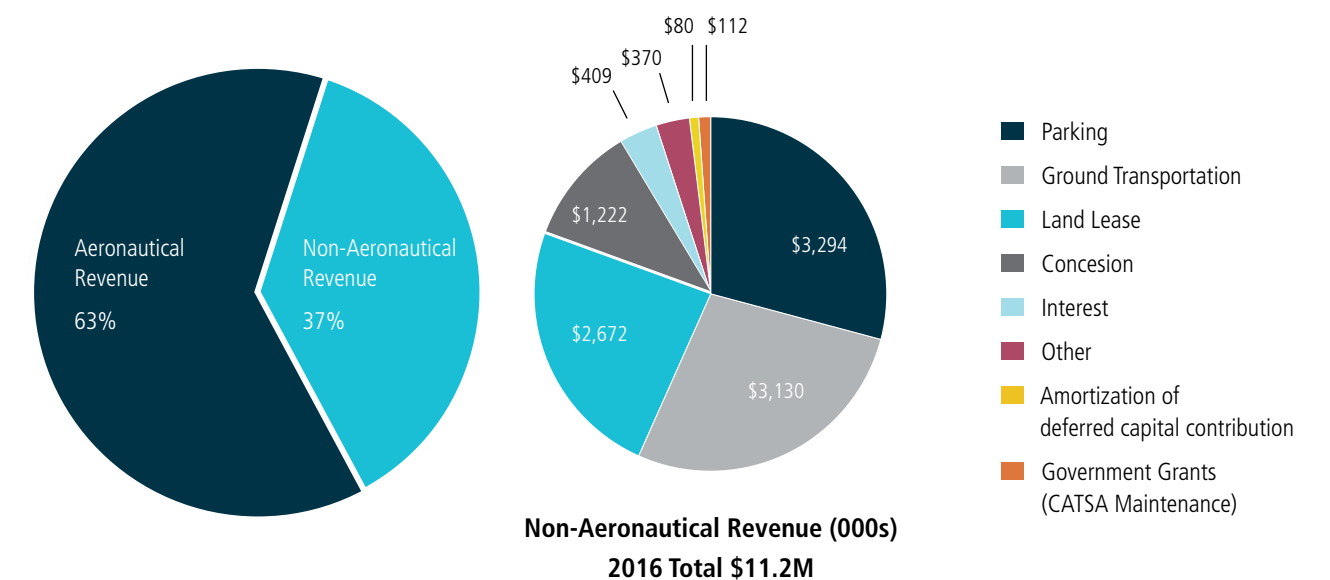
Ground transportation revenue includes taxis, limousines, shuttles and buses that transport airline passengers.

Concession revenue includes dining, retail and advertising services at YMM.

### Commercial Development, Advertising and More

Office buildings, business and industrial parks, retail centers, hotels and logistics hubs are all potential commercial projects on airport property that can boost non-aeronautical revenue streams.

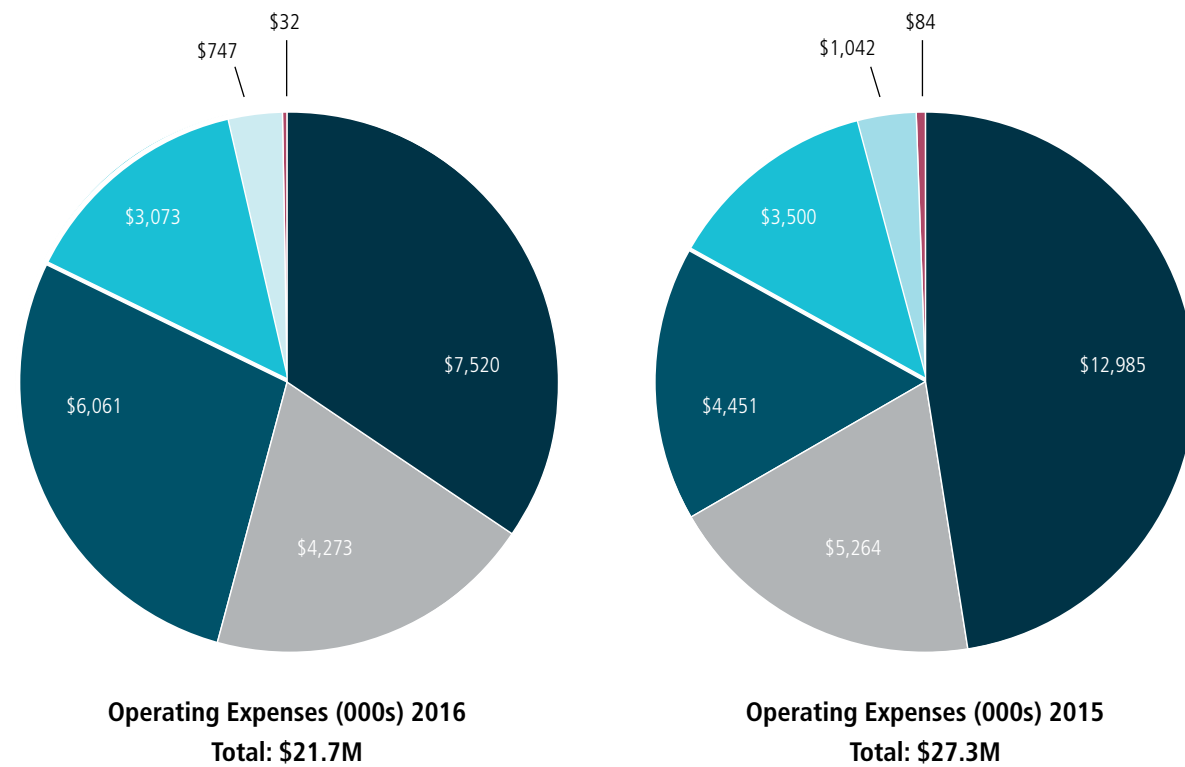
Airports also generate revenue by selling advertising space inside and outside terminals through Pattison Outdoor Advertising. Additionally, sponsored spaces, special events and branded areas can generate operating income while improving airport ambience and the passenger experience.



## Operating Expenses

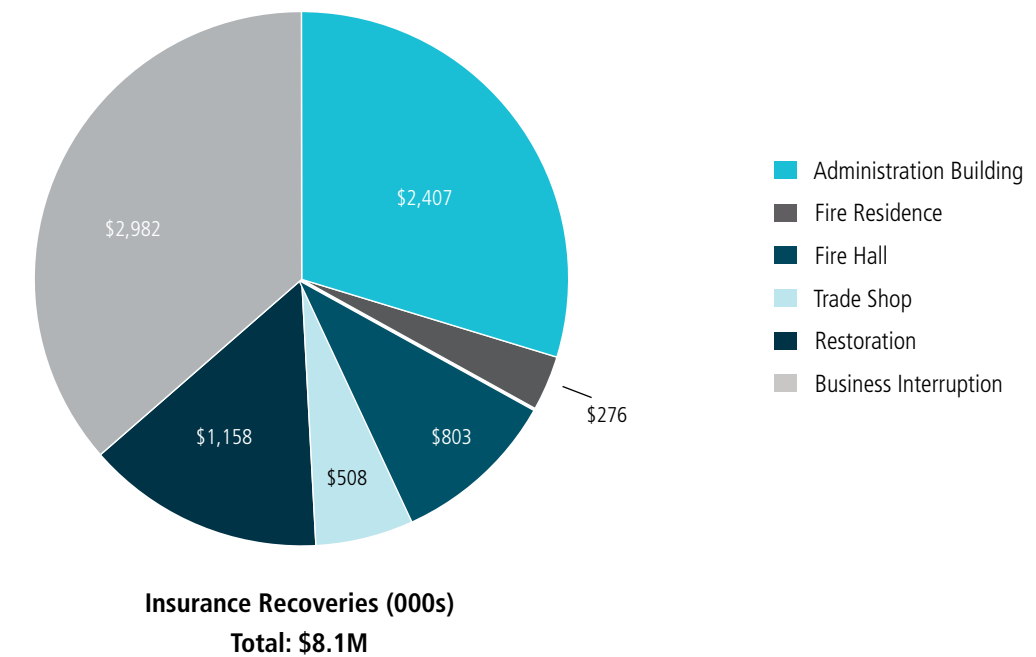
In a hard-hitting economic setting, airports must continue to work hard. Throughout the industry, the largest component of operating expenses is staffing costs, followed by contracted services. Cost reduction is challenging for airport operators as a result of their expensive asset base which must be sustained and improved over time to adapt to a changing customer base. 2016 expenditures decreased by \$5,937,250 (16.2%) over 2015. This decrease aligns with the decline in revenues and passenger traffic. Operating expenses are comprised of the costs to operate and maintain the Airport, excluding depreciation of property and equipment.

Salaries and benefits are the major components of the operating expenses totaling \$7,520,436 million in 2016: a decrease of \$5,464,417 or (-42.1%) compared to 2016. A collective agreement with the Authority's unionized workforce contains provisions for wage increase of 3.0% annually. This agreement expires in March 2017. Contracted services include security, custodial and groundside services. The costs of these services increased by \$1,610,569 million in 2016 compared to 2015. This increase is largely due to the increased cost of groundside maintenance.



## Insurance Recoveries

Managing and protecting property, employees and business operations can be a complicated and stressful activity. When a devastating event impacts an organization such as FMAA assets and operations, quantifying the resultant financial loss or economic damage may seem like a phenomenal task. Significant losses require that an organization's interests be represented by experts that can provide a comprehensive strategy, possess a keen understanding of your business. FMAA is part of the Tier Canadian Airports Council small airports insurance group, which represents 19 mid-sized airports (AON Risk Solutions). The AON Claims and Preparation and valuation practice assists Canadian and global business in effectively analyzing, measuring and qualifying their insurable financial losses. The below table represents the ongoing insurance claim to date.



- Salaries & Wages
- General & Administrative
- Contracted Services
- Operating
- Airport Improvement Fee Handling
- Special Events

## Capital Investment

Capital programs expenditures in 2016 totaled 2.8 million. Expenditures in 2015 totaled 11.6 million.

	\$
<b>CAPITAL INVESTMENT</b>	
Mobile equipment	\$35,738.40
Light vehicles	\$-
Airside	\$28,770.17
Buildings	\$103,270.65
Computer hardware / Software & Furniture	\$501,365.26
Building Canada Fund	\$2,145,185.00
	<b>\$2,814,329.48</b>

## Outlook

The aviation industry has proved particularly vulnerable to external events such as terrorism, pandemics and extreme weather conditions. However, rebuilding the Fort McMurray community and the current Alberta economy as a whole is certainly at the top of the list. While several other trends impact airport risks, rapid change in consumer markets, technologies, the current US exchange rate and security enhancements are creating a situation in which FMAA needs to prepare for the challenge.

A comprehensive air service marketing strategy is a key component to maintaining existing routes. Forecasting demand is a key success factor in mitigating uncertainty and building resilience into business plans and operational strategies under new leadership and business models.



Fort McMurray Airport Authority

# Audited Financial Statements

For the year ended December 31, 2016

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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, 2016, and the statements of operations and 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, 2016 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.

### Other Matter

The financial statements for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 22, 2016.

Fort McMurray, Alberta

April 7, 2017

**MNP LLP**  
Chartered Professional Accountants

**MNP**  
LLP

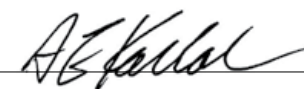
## Statement of Financial Position

as at December 31, 2016

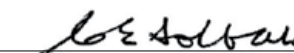
	2016	2015
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	4,930,807	11,856,583
Insurance claim receivable (Note 20)	4,003,134	-
Accounts receivable	2,397,099	3,440,476
Inventory	289,128	307,129
Prepaid expenses	181,594	303,283
	<b>11,801,762</b>	15,907,471
<b>Non-Current</b>		
Tangible capital assets (Note 3)	306,183,008	322,404,543
Intangible assets (Note 4)	402,169	280,525
Investments (Note 5)	37,810,749	37,383,311
	<b>356,197,688</b>	375,975,850
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	4,775,983	7,569,579
Deferred revenue	336,650	121,123
Current portion of long-term debt (Note 7)	4,210,382	4,018,511
	<b>9,323,015</b>	11,709,213
<b>Non-Current</b>		
Long-term debt (Note 7)	184,084,082	188,294,463
Deferred capital contributions (Note 9)	24,000,000	24,000,000
Unamortized capital contributions (Note 9)	3,014,713	3,095,105
	<b>220,421,810</b>	227,098,781
Contractual Obligation (Note 16)		
<b>NET ASSETS</b>		
Unrestricted net assets	133,083,250	147,877,069
Internally restricted net assets (Note 17)	2,692,628	1,000,000
	<b>135,775,878</b>	148,877,069
	<b>356,197,688</b>	375,975,850

See accompanying notes to financial statements.

Approved by the Board



Director



Director

## Statement of Operations and Net Assets

Year Ended December 31, 2016

	2016	2015
	\$	\$
<b>REVENUE</b>		(Restated Note 21)
Airport improvement fee (Note 10)	10,530,890	14,718,680
Airport improvement fee - equivalent (Note 11)	507,936	1,527,480
Other airfield	4,565,652	6,780,199
Terminal	3,621,316	5,107,570
Parking	3,294,699	4,318,681
Ground transportation	3,129,699	3,313,455
Land lease	2,672,173	3,499,990
Concession	1,221,832	2,039,455
Interest	408,520	503,167
Other	370,269	281,556
Amortization of deferred capital contribution (Note 9)	80,392	80,392
Government grant (Note 12)	112,000	108,800
	<b>30,515,378</b>	42,279,426
<b>EXPENSES</b>		
Salaries and wages	7,520,436	12,984,853
Amortization expense	17,518,819	17,543,526
Interest	8,921,945	9,239,568
Contracted Services	6,061,349	4,450,780
General and administrative	4,272,598	5,264,199
Operating	3,073,343	3,500,342
Airport improvement fee handling (Note 10)	747,209	1,041,946
Special Events	31,815	84,257
	<b>48,147,514</b>	54,109,471
<b>NET LOSS BEFORE OTHER INCOME (EXPENSE)</b>	<b>(17,632,136)</b>	(11,830,045)
<b>OTHER INCOME (EXPENSE)</b>		
Loss on disposal of tangible capital assets	(1,936,698)	–
Loss on disposal of investments (Note 20)	(125,048)	–
Insurance Recoveries (Note 20)	8,003,134	–
Building Restoration expense (Note 20)	(1,410,443)	–
	<b>4,530,945</b>	–
<b>NET LOSS</b>		
<b>NET ASSETS, BEGINNING OF YEAR</b> (Note 21)	<b>(13,101,191)</b>	(11,830,045)
<b>NET ASSETS, END OF YEAR</b>	<b>148,877,069</b>	160,707,114
	<b>135,775,878</b>	148,877,069

See accompanying notes to financial statements.

## Statement of Cash Flows

as at December 31, 2016

	2016	2015
	\$	\$
<b>OPERATIONS</b>		(Restated Note 21)
Net (loss)	(13,101,191)	(11,830,045)
Items not affecting cash		
Amortization of tangible capital assets	17,518,819	17,543,526
Loss on disposal long term investments (Note 20)	125,048	–
Amortization of deferred capital contribution	(80,392)	(80,392)
Loss on disposal of tangible capital assets	1,936,698	–
	<b>6,398,982</b>	5,633,089
Change in non-cash working capital items		
Accounts receivable	1,043,377	2,819,731
Insurance claim receivable	(4,003,134)	–
Inventory	18,001	(128,631)
Prepaid expenses	121,689	(43,703)
Account payable and accrued liabilities	(2,813,281)	(1,451,290)
Deferred revenue	235,212	(638,169)
	<b>1,000,846</b>	6,191,027
<b>INVESTING</b>		
Net change in investments and restricted cash	(552,486)	15,025,461
Purchase of major capital projects assets	(2,814,329)	(4,545,683)
Purchase of tangible capital assets	(328,849)	(6,772,428)
Purchase of intangible capital assets	(238,448)	(303,460)
Proceeds on disposal of tangible capital assets	26,000	–
	<b>(3,908,112)</b>	3,403,890
<b>FINANCING</b>		
Repayment of long-term debt	(4,018,511)	(3,835,384)
	<b>(4,018,511)</b>	(3,835,384)
Decrease (Increase) in cash and cash equivalents	<b>(6,925,776)</b>	5,759,533
Cash and cash equivalents, beginning of year	<b>11,856,583</b>	6,097,050
Cash and cash equivalents, end of year	<b>4,930,807</b>	11,856,583

See accompanying notes to financial statements.

## Notes to the Financial Statements

as at December 31, 2015

### 1. Nature of operations

The 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

#### a) Basis of accounting

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:

#### b) Controlled entities

The Authority has elected not to consolidate controlled entities as allowed under ASNPO. The investment controlled by these 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 Holdings Inc., which is currently dormant and had no activity in the year.

#### c) 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 and cash equivalents also include bank indebtedness consisting of overdrawn bank accounts. Bank indebtedness is included in cash and cash equivalents as it regularly fluctuates from being positive to overdrawn.

#### d) Inventory

Inventory is valued at the lower of cost and the net realizable value with the cost being determined on a first in, first out basis.

#### e) Tangible capital assets

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 based on their estimated useful life at the following rates using the straight line method:

ASSET	RATE
Buildings	15–40 years
Apron expansion	11 years
Maintenance equipment	10 years
Roadways and airside/groundside paving structures	10 years
Airside lighting structures	10 years
Parking lots	6–20 years
Fire trucks and equipment	5–10 years
Light vehicle fleet	4–5 years
Furniture, fixtures and equipment	5 years
Computer hardware	3 years

#### f) Intangible assets

Intangible assets with a finite life are accounted for at cost less accumulated amortization. Amortization is based on an estimated life of five years.

#### g) Investments

Cash investments are recorded at amortized cost. Earnings from these investments are recognized only to the extent received or receivable. The Authority recognizes an impairment loss in net earnings, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net earnings in the period the reversal occurs. An impairment of \$125,048 was recognized in the statement of operations for the year ended December 31, 2016 as a result of the Fort McMurray Wildfire (Note 20).

#### h) Impairment of long-lived assets

When a long-lived asset no longer has any long-term service potential to the Authority, the excess of its net carrying amount over any residual value is recognized as an impairment loss and expensed in the statement of operations and net assets. Impairment losses of \$1,939,783 were recorded in the statement of operations for the year ended December 31, 2016. These impaired losses were a direct result of the Fort McMurray wildfire (Note 20).

**i) Revenue recognition**

The Authority recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price to the user is fixed or determinable and collection is reasonably assured. Specifically, revenue generated from airport improvement fees, airfield revenues, fees charged for parking, terminal and ground transportation and other revenues 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.

**j) 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 of long-lived assets. Actual results could differ from these estimates.

**k) Financial instruments**

Financial assets and financial liabilities are initially recognized at fair value when the Authority becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for the following instruments:

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Authority recognizes in operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in operations in the period the reversal occurs.

**3. Tangible capital assets**

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Land	25,037,536	–	25,037,536	25,037,536
Buildings	260,031,999	21,654,227	238,377,772	247,391,894
Assets under construction	5,436,774	–	5,436,774	2,622,745
Maintenance equipment	7,978,096	4,376,274	3,601,822	4,182,923
Roadways & groundside paving structure	2,821,090	48,331	2,772,759	2,795,363
Airside paving structure	45,266,277	30,948,584	14,317,693	18,724,131
Airside lighting structures	2,412,939	1,659,006	753,933	995,225
Parking lots	2,580,216	2,580,216	–	366,663
Apron expansion	41,535,313	26,431,565	15,103,748	18,879,686
Light vehicle fleet	900,315	900,315	–	130,743
Fire trucks & equipment	1,357,262	950,083	407,179	657,290
Furnitures, fixtures & equipment	764,482	403,319	361,163	205,865
Computer hardware	1,443,256	1,430,627	12,629	414,479
	397,565,555	91,382,547	306,183,008	322,404,543

The Authority has commenced an expansion project under the Building Canada Fund (Note 16). Assets under construction include \$5,436,774 (2015 - \$2,622,745) which are not subject to amortization as the asset was not available for use at December 31, 2016. Assets under construction include \$1,060,912 of construction costs for buildings that perished during the Fort McMurray Wildfire (Note 20).

#### 4. Intangible assets

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer software	704,295	302,126	402,169	280,525

During the year the Authority abandoned plans to implement Unit 4 Accounting Software. As a result, \$102,714 was recorded as an impairment against previously capitalized costs and is included in amortization expense in the statement of operations.

#### 5. Investments

	2016	2015
	\$	\$
Bank GIC - 1.75% annual interest matures July 15, 2019	154,632	151,965
Other investments (Note 20)	–	125,048
RBC Wealth Management Dominion Securities (1.55% to 1.71%)	35,233,993	–
High interest bank account - 0.85% annual interest	–	25,000,000
High interest bank account - 0.85% annual interest	–	10,134,704
Bank account - quick-turn-around (QTA) project	2,422,124	1,971,594
<b>Total Investments</b>	<b>37,810,749</b>	<b>37,383,311</b>

Bank account – quick-turn-around project

This cash is received from the car rental agencies (the “agencies”) operating from the Airport. The money is 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

	2016	2015
	\$	\$
Salary deductions	97,100	93,816
GST	36,810	–
<b>Total payable</b>	<b>133,910</b>	<b>93,816</b>

#### 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 that 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 commenced 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.

Long term debt relating to the Authority at year-end is \$188,294,464 (2014 - \$192,312,974) and the current portion is \$4,210,382 (2015 - \$4,018,511). 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 of BBB. During the year, the Authority’s S&P credit rating was downgraded to BB+ as a direct result of the Fort McMurray Wildfire (Note 20). 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.

Principal payments required in the next five years and thereafter are as follows:

##### ACFA Principal Repayment

	\$
2017	4,210,382
2018	4,411,413
2019	4,622,044
2020	4,842,731
2021	5,073,955
Thereafter	165,133,928
	<b>188,294,463</b>

## 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 plus 0.00%. The operating facility is secured by land and assignment of lease rentals and repayment terms are on demand. No amounts were drawn in 2016. (2015 – Nil amounts drawn).

## 9. Grants and capital contributions

### Regional Municipality of Wood Buffalo (RMWB)

On May 24, 2011, the Council of the RMWB approved a matching funding grant of \$25,000,000 to the Authority. \$24,000,000 of the grant is to provide support for airport infrastructure development.

The amount will be reclassified to unamortized capital contributions when the funds have been utilized as intended. This balance will be amortized over the life of the assets to which it relates and will commence as and when the related assets are available for use.

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.

### Unamortized capital contribution

In 2014, the Canadian Air Transport Security Authority ("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 the government grant revenue of \$80,392 (2015 - \$80,392).

## 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.

	2016	2015
	\$	\$
Earned Revenue	10,530,890	14,718,680
Airline / ATAC handling and administration fees	747,209	1,041,946
<b>Net AIF Revenue Earned</b>	<b>9,783,681</b>	<b>13,676,734</b>

## 11. Airport improvement fee – equivalent

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

## 12. 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 2016 in the amount of \$112,000 (2015 - \$108,800).

## 13. Related party transactions

### Staff housing

The Authority owns seven staff housing units, which are rented to current employees. The rental charge is based on the housing policy of the RMWB.

	2016	2015
	\$	\$
Rental Charge	120,050	116,717
Direct Expenses	31,201	37,487
<b>Net Revenue Earned</b>	<b>88,849</b>	<b>79,230</b>

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In January 2016, the Authority reclassified two staff housing units with a carrying value of \$559,300 as held for sale. During the year one of these units was destroyed by the Fort McMurray Wildfire (Note 20). The second unit was reclassified from held for sale and returned to operations as a rental unit. Amortization of the property commenced at the time the unit was returned to operations.

## 14. Employee future benefits

### Pension and retirement plans

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, 2015, the LAPP reported an actuarial deficiency of \$0.9 billion (2014 - \$2.5 billion deficiency).

An actuarial valuation is carried out every year. Any differences between the actuarial valuation results and extrapolated results will next be reported as at December 31, 2015. Total service contributions by the Authority to the LAPP for 2016 totaled \$931,817 (2015 - \$833,463).

The Authority had a defined contribution supplementary retirement plan for two senior executives in 2016. The expense recorded in the statement of operations and net assets for 2016 totaled \$44,110 (2015 - \$46,705). The Authority required the senior executives to contribute to the plan at a rate equal to that required by LAPP.

## 15. Financial Instruments

Financial Assets of the Authority, which consist of cash and cash equivalents, accounts receivable, insurance claim receivable, and investments are measured at amortized cost.

### a) 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, 2016, the Authority had three major customers which represented 56% of the Authority's accounts receivable (2015- 58%). Accounts receivable are presented net of an allowance for doubtful accounts of \$82,041 (2015 - \$14,541) in the statement of financial position.

### b) 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. 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 with respect to investments in guaranteed investment certificates and investments. Changes in market interest rates could impact investments to the extent that the investments mature and are reinvested at current market interest rates. There is no impact on the ACFA project financing as the debt bears interest at a fixed rate of 4.719% for the 30-year term.

### c) 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.

## 16. Contractual obligations

The Authority commenced an expansion of runway project during the year. 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.

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.

## 17. Internally restricted net assets

In 2014, the Authority restricted \$1,000,000 of net assets for the purpose of infrastructure development related to the RMWB funding grant (note 9). The funds were restricted for capital expenditures related to the construction or improvement of the airport infrastructure. In the current year, this amount was transferred to unrestricted net assets as the funds were used for their intended purposes.

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 \$2,692,628 (Note 21) for future expenditures related to this charge.

## 18. 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.

## 19. Directors' and Officers' remuneration

This information is provided pursuant to The Regulations of the Not-for-profit Corporations Act (S.C. 2009, c. 23) and represents the total compensation paid and expenses reimbursed to each Director and Officer for the year ended December 31, 2016.

				2016	2015
	Gross Pay	Travel	Training & Development	Total	Total
Director Remuneration and Expenses	\$	\$	\$	\$	\$
Balkwill, Kenneth	16,425	2,025	–	<b>18,450</b>	23,402
Kallal, Allan	26,685	1,48	–	<b>28,170</b>	24,885
Obrigewitsch, Trent	–	–	–	–	21,988
Ralph, Mildred	12,330	–	–	<b>12,330</b>	17,091
Schroeder, Sheldon	10,785	875	–	<b>11,660</b>	45,965
Solbak, Colin	16,035	225	–	<b>16,260</b>	20,144
Wehmeyer, Bernd	16,560	–	–	<b>16,560</b>	25,311
Williams, Roy	15,570	225	–	<b>15,795</b>	18,110
Flett, Corie	11,520	–	–	<b>11,520</b>	13,261
Day, Joanne	11,115	–	–	<b>11,115</b>	–
Zebedee, Peter	–	–	–	–	–
Authority Officers' Remuneration and Expenses	\$	\$	\$	\$	\$
President & CEO	73,979	6,893	–	<b>80,872</b>	–
President & CEO (a) 8 months	340,249	18,167	–	<b>358,416</b>	596,259
VP Operations	272,135	18,338	–	<b>290,473</b>	323,174
VP Corporate Services & CFO (b) 8 months	–	–	–	–	180,477
VP Corporate Services & CFO	210,126	10,130	–	<b>220,256</b>	66,953

Officer compensation includes base salary, bonus, pension, employer paid contributions and taxable benefits.

(a) Departure of the President & CEO in September 2016 and their replacement started on September 12th 2016.

2015 Includes a long term incentive bonus related to the major capital project (\$229,409).

(b) 2015 includes the departure of the VP Corporate Services & CFO in September 2015 and their replacement started in September 2015.

## 20. 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 wild fire 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, operations have still not returned to normal. 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, 2016, costs of remediation and restoration of buildings and equipment is estimated at \$5,045,981 for property damage and \$2,957,153 for losses due to business interruption, for total insurance recoveries of \$8,003,134, which has been recognized as an estimated insurance recovery in the statement of operations.

FM Global has advanced \$4,000,000 of this recovery amount during the year and the balance of \$4,003,134 is recorded as insurance recoveries receivable at December 31, 2016.

Properties lost in the fire include buildings and equipment with a net carrying amount of \$1,939,783. This impairment loss has been 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 commenced reconstruction of replacement buildings and has recorded \$1,060,912 as assets under construction in the statement of financial position at December 31, 2016.

Remediation expenses of \$1,410,443 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 2017. 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.

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, the Authority has recorded an impairment loss on the investment of \$125,048.

## 21. Correction of error

During the year the Authority determined that amounts recorded as deferred revenue did not meet the definition of a liability and should have been recognized as revenue. As at, and for the year ended December 31, 2016, the retroactive impact of this correction of an error resulted in an increase in revenue for the year ended December 31, 2016 of \$559,074 (2015 - \$695,582), an increase in opening net assets of \$2,133,554 (2015 - \$1,437,972) and a decrease in deferred revenue of \$2,692,628 (2015-\$2,133,554).

	2016	2015
	\$	\$
Net assets at beginning of year as previously stated	146,743,515	159,269,142
Correction of error	2,133,554	1,437,972
Net assets beginning of year as restated	148,877,069	160,707,114
Net Loss	(13,101,191)	(11,830,045)
Net assets at the end of the year	135,775,878	148,877,069



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