Airport Governance Review

Prepared for GNWT's Department of Transportation

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THUNDER BAY AIRPORT SERVICES

Executive Summary

Governance models for five airports in two countries were reviewed to determine both similarities and differences.

The pervasive similarity across all models was the attempt to provide some level of operational and financial autonomy to the airport, and to isolate airport operational liability with the operating entity. Although this occurred to varying degrees and through various mechanisms across the surveyed airports, each owner substantially achieved this objective at arm's length from public sector stakeholders. The greatest degrees of differences were observed on financial aspects related to tax policy and ownership remuneration through rent and operating surpluses.

The five airports reviewed were:

- Duluth Airport, Minnesota
- John C. Munro Hamilton Airport, Ontario
- Kamloops Airport, British Columbia
- Kelowna Airport, British Columbia
- Thunder Bay Airport, Ontario

In four of the five airports reviewed (Kelowna being the exception), a separate legal entity has been created to operate the airport on behalf of the owner. In each of these cases, ownership was retained by either a municipal or federal level of government. The operators of those 4 airports vary from private for-profit companies to not-for-profit airport authorities, but the delegation of operational responsibility offers several similarities.

In all cases, the operator is wholly liable for all aspects of the airport operation. Airport liability insurance is purchased by the operator and saves the owner harmless from liabilities arising from the airport operation.

Government regulations require the designation of a single person as "Accountable Executive" for all aspects of aviation safety regulatory compliance. In each case where ownership and operations are separated, the Accountable Executive is the senior executive employed by the operator at the airport.

In all cases, steps have been taken to isolate financial risk. Airport operating and capital programs are funded through operating revenue sources. This delineation is very clear where the ownership and operations have been separated, but even Kelowna has taken this step by designating the airport a utility and requiring it to be self-financing. The US example provided by Duluth is significantly different as the federal and state levels of government play a much bigger role in capital program funding.

Land ownership is clearly retained by the ownership entity. Any land acquisitions made by either the owner or the operator vests into the airport property. There is ambiguity on this point in Hamilton which has the potential to reduce growth opportunities.

Property taxes are paid in one form or another by all airports except Duluth and Kelowna. Hamilton has developed a property tax regime which includes reduced operator tax liability in return for airport growth.

Airport operators in Hamilton, Kamloops and Thunder Bay also contribute financially to their respective owners through rent payments. There is considerable industry debate on the effect of rent on Canadian airport competitiveness discussed in more detail below.

All airports surveyed enjoy full rate setting autonomy save for Kelowna. With the exception of the US airport in Duluth, airport capital programs are largely funded by airport specific revenue sources. Each airport, with the exception of Thunder Bay, collects an airport improvement fee (AIF). Thunder Bay generates operating surpluses sufficient to fund capital over the longer term. The AIF is a major source of capital funding at the other Canadian airports. The US version (passenger facilities charge, PFC) is collected by the federal government and becomes the financial ceiling for capital funding applications to the Federal Aviation Administration.

The report also offers a discussion on Safety Management Systems (SMS) with particular emphasis on the practices adopted at Thunder Bay. Airports have predominantly hired external resources for design, implementation and ongoing SMS audits. Thunder Bay has opted to hire internal resources to implement and audit. A detailed assessment of the strengths and weaknesses of the two approaches is provided.

Finally, a short description of the Thunder Bay Airport's subsidiary interests is provided along with their contribution to the consolidated financial performance of the company.

Creating Value

The five airports reviewed herein are all successful in terms of the key metrics of financial performance, customer service, safety and longer term viability. Each is creating value for its owner.

In general, if an airport operator is a for-profit business entity, maximizing financial value for shareholders will undoubtedly and quite correctly be the objective. Maximizing value for the "community" is often the return objective of government or not-for-profit airport owners. Value expressed in community terms includes reasonable financial returns, but with "economic returns" identified as value added.

It is generally believed that for-profit entities are better able to find efficiencies including extracting the maximum capacity from facilities and infrastructure. Eventually however, to increase capacity requires cash, and perhaps more critically, a will to invest for the long term (10+ years). Capital from private sources will generally be more easily found for larger airports, simply because the pure business case makes the investment decision much more definitive. Significant capital investments at smaller airports, including airports in the comparable group in this paper, will at some point need capital investment justified by direct and indirect economic and socio-economic returns.

The right to set rates and charges allows airport operators to raise the moneys needed to replace, rebuild and expand needed airport facilities and infrastructure. Some contend, and it is an accepted economic principle, that the unfettered ability to raise prices lessens the need to find efficiencies, and can stifle innovation.

As part of the 1994 National Airports Policy, the Government of Canada established a "no worse off" philosophy. As Canadian airports became more financially viable, the philosophy morphed into the Government of Canada should be "better off." In Canada, the proliferation of add-on fees and compounding tax costs (Federal Rent and other fees) is the unintended consequence of the "better off" taxation policy combined with the charging freedom of airports. This coupled with increases in the value of the Canadian Dollar has resulted in a Canadian air transportation sector that has difficulty competing with our neighbours to the south and with other countries whose governments either invest directly in the sector, or do not actively extract revenue from it.

It has been argued that the Federal Government could realize more value, in terms of overall economic impact, by reducing or eliminating its input charges on the industry, a very difficult strategic investment decision for the Government of Canada, not unlike the scope of the small airport operator decision of whether or not to invest in significant capital upgrades.

Balance

We believe the key to any successful airport governance model is to establish the right balance between profit-taking (by the "owners"), efficiency motivation, and economic impact objectives.

The five airports reviewed in this report, along with the other relevant airport examples discussed, all share one pervasive common denominator—the maximization of stakeholder returns (in financial, social, and economic terms) is impaired when the governance structure does not establish a clear partnership arrangement. Investments may be bypassed in favour of short term profits. Market growth may be stifled through monopolistic pricing. Either way, the airport and its stakeholder community suffer.

Where investment responsibilities and profit taking have been shared, the subject airport clearly functions as an economic catalyst and a vital connection to global markets and services. A balance between the airport as a profit or cost centre needs to be struck and is worthy of considerable strategic discussion prior to finalizing a governance model. No two airports are alike, and similarly, no two communities have identical objectives for their airport assets. A clear vision for the role of an airport in a vibrant economy improving returns to all stakeholders is the foundation of good governance.

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Introduction

The Government of Northwest Territories (GNWT) has undertaken a comprehensive program review of the Yellowknife Airport. Within that broad mandate, GNWT has contracted TBAS, Inc. to review airport governance models at various airports.

Following discussion with the Client, the following airports were agreed to be included in the review:

- Thunder Bay Airport
- Hamilton Airport (TradePort International Corporation with airport management expertise provided by Vantage Airport Group)
- Kelowna Airport
- Kamloops Airport (Vantage Airport Group)
- Duluth (Minnesota) Airport

These airports were selected because they offer a good cross section of governance models, and enjoy passenger traffic numbers considered relevant.

Both Thunder Bay and Kelowna are part of the National Airport System (NAS) although the former is operated by an airport authority, and the latter is owned by the City of Kelowna (the only municipally held NAS airport).

Information on each airport was compiled through internet searches and interviews with airport executives.

Organization of Findings

In order to provide a snapshot of findings, a quick reference master chart was devised. This chart encapsulates the key factors defining the scope of operations, financial performance, governance structure and other notable characteristics for each subject airport.

In addition to the master chart, narrative is provided. This text is organized into Common Denominators and Noteworthy Differences.

Organization charts and financial information have also been provided if they were shared by the subject airport.

Background on Selected Airports

All airports reviewed service a mix of scheduled passenger, charter and cargo air service with mature airfields that offer at least one precision approach. Given this mix of services and clients, all sample airports offer a scope of services similar to Yellowknife Airport (YZF).

Land ownership for all airports remains with a government body. Four airports are owned by their host municipalities, while one (Thunder Bay) is owned by the Government of Canada. In all cases, efforts have been made to distance airport operations from political considerations and to insulate the land owner from both financial and operational risk.

Kelowna Airport (YLW) is the notable exception. YLW is operated as a Department within City Administration and constituted as a utility to ensure municipal tax revenues are not diverted to the airport. Despite this close tie to Council, YLW operations have been insulated from political interference in key decisions. Local management attributes this to an open and transparent governance structure and the continuous education of Council on the merits of a disciplined approach to airport operations.

Noteworthy Differences

Although all airports compete for passenger patronage to some degree, Kamloops and Hamilton suffer the highest degree of competitive pressure. Kamloops suffers passenger leakage to Kelowna, Vancouver and Bellingham, Washington. Hamilton sees passengers within their catchment area drive to catch flights from Toronto’s Pearson Airport and to Buffalo, New York.

Hamilton has a significant cargo operation that represents the majority of its revenues. This impacts capital and investment decisions and obviously provides revenue diversification.

Identification of Risks and Opportunities

Operator Liabilities

Operator liabilities define who carries Airport Operators Insurance and who is ultimately responsible for damages occurring through negligence.

Common Denominators

In all cases except Kelowna, operational risk has been shifted to an operating entity. Insurance certificates are held by the operating entity with clear language including the land owner as additionally insured.

Noteworthy Differences

In Kelowna, the City purchases all insurance and assumes all liability. "Accountable Executive" responsibility, for the purposes of the regulated Safety Management System, is delegated to Airport management.

Financial Risk

Financial risks are defined as:

- Risk associated with ongoing financial sustainability.
- The ability to raise capital funding and set capital priorities.
- Servicing on long-term debt.

Common Denominators

Each of the subject airports except Thunder Bay has a passenger fee.

Duluth, as the only US airport in the group, participates in the Federal Aviation Administration (FAA) Passenger Facility Charge (PFC) Program which allows the collection of PFC fees up to $4.50 and requires FAA approval on associated capital expenditures.

Noteworthy Differences

Generally, each airport funds its capital program through the revenues it generates from passenger fees and/or operations. Duluth however recently benefited from significant Federal and State funding as well as access to government sponsored debt financing. It is estimated that 90% of the recently completed $77.5 Million terminal redevelopment project was from Federal and State sources.

Land Issues

Ownership following any new land acquisitions reverts to the Owner of the Airport in all examples. The Owner is clearly responsible for acquisition costs of any land in Kelowna, Kamloops and Duluth.

In Thunder Bay, the Ground Lease stipulates that any land purchased by the Airport Authority to support the Airport Undertaking reverts to the Government of Canada at lease expiry. Although the Ground Lease does not contemplate a circumstance where the Government of Canada would purchase additional land, this has occurred in one instance and the property was added to the Leased Premises.

Responsibility for purchasing additional land in Hamilton is ambiguous in the current business arrangement and could hamper future growth.

Financial Sustainability

All airports surveyed are financially isolated from other revenue or expense sources, necessitating financial sustainability from operating funds. Each model had found one mechanism or another to separate operating finances:

- Duluth and Kamloops have established separate governing bodies with full operating authority and responsibility for operating funds.
- Hamilton has delegated full financial sustainability to its private operator TradePort International Corporation.
- Thunder Bay is a separate private entity with full financial responsibility delineated through the Ground Lease.
- Kelowna constitutes its airport as a utility requiring it to raise its own operating funds from internal revenue sources.

Tax and Land Rent Considerations

Tax and land rent considerations have been combined as they both represent potential sources of revenue back to various levels of government.

Income Tax Liability

Common Denominators

Only the two private companies operating in Kamloops and Hamilton are corporate income tax liable. Kelowna and Duluth are both considered municipal entities and are exempt.

Noteworthy Differences

Thunder Bay is a noteworthy exception. TBIAA was federally incorporated as a not-for-profit corporation, as are all airport authorities in the National Airport System. TBIAA is corporate income tax exempt for income earned under a strict definition of airport operations. In order to protect this tax preferential status, other extraordinary undertakings are managed through separate incorporated, tax liable subsidiary companies.

Property Tax Liability

Common Denominators

Kelowna and Duluth are exempt from property tax liability.

Noteworthy Differences

More than any other area reviewed across the five sample airports, property taxes were the subject of the greatest differences in approaches.

All National Airport System (NAS) airports except Kelowna, Whitehorse, Yellowknife and Iqaluit were transferred with standard Ground Leases stipulating that Payments in Lieu of (Property) Taxes (PILT) were to be paid by the Airport Authority at a rate equivalent to what the Government of Canada would have paid had it maintained operation. This wording resulted in negotiations in numerous provincial and municipal jurisdictions to establish a long-term tax regime.

In Ontario, negotiations resulted in a throughput tax formula based on passenger volumes. The PILT value at time of transfer was taken as the baseline tax liability for each NAS airport in the Province (Toronto, Ottawa, Thunder Bay and London). As passenger volumes rise, PILT would increase proportionately. Tenants of the airport are separately property tax liable to the host jurisdiction.

In Kamloops, Kamloops Airport Limited (KAL) is considered the sole Tenant and is charged all taxes assessed on the Airport. KAL, in turn, adds a tax charge as part of the rent calculation for tenants.

The management of property taxes is used as an incentive in Hamilton. Property taxes due from Tradeport (private operator) are forgiven if specific airport growth targets are achieved.

Rent

Common Denominators

Rent is not paid at Kelowna or Duluth.

Noteworthy Differences

Rent is paid at the three other airports. Terms of the rent calculation were not disclosed at Hamilton.

Kamloops rents are calculated based on a sharing of net income. In this circumstance, both the owner and the operator share risk on the returns earned by the airport operation as the calculation is subject to fluctuations in revenues and expenses.

In Thunder Bay, rent is calculated based on gross revenues. This calculation sees the Owner assume no risk associated with increased expenses. Rents are calculated on a sliding scale, seeing the Government of Canada receive five percent of every dollar of gross revenue over $10million. Inflationary expense growth adds an additional burden to the Operator with no impact on the Owner.

Setting of Rates and Charges

Kelowna is the only jurisdiction requiring Council approval for changes in rates and charges. Authority to establish and implement changes is left with management at Thunder Bay, Hamilton and Kamloops.

Duluth recommends rate changes to its Board, and Kelowna proposes a rate setting by-law to Council. Neither entity has seen a proposal defeated.

Method of Determining Capital Needs

Only in the case of Kelowna, did an airport require capital plan approval from outside of its own boardroom.

Common Denominators

Duluth and Thunder Bay both require Board of Directors approval. The two private operators determine the capital plan and inform their Client of their decisions.

Noteworthy Differences

Kelowna establishes a capital plan funded by airport retained operating surpluses that are approved by Council. Council has never rejected airport management's capital plan.

Capital Funding Opportunities

Sources of Government Funding

All airports reported capital funding and priority setting autonomy from non-airport considerations save for Duluth. Capital planning is dependent on sound supporting business cases and availability of capital.

All airports except for Kelowna have capital budgets approved without direct Council/political involvement.

Common Denominators

The Canadian capital funding opportunities are determined by ownership and the size of the airport operation. As a result, in the group only Kamloops is eligible for Transport Canada's ACAP funding.

All Canadian airports are eligible for various federal or provincial infrastructure funding programs, but these are largely political determinations and are not sufficiently reliable for infrastructure planning. Whereas Kelowna has received funds from federal gas tax revenue transfers to municipalities as a municipally owned and operated airport, this funding source has not been available to the others.

Intermittent federal and provincial funding (<$3 Million) has been secured by Thunder Bay (2003 and 2013) for infrastructure construction in support of regional economic development.

Noteworthy Differences

The US example from Duluth is much different. In the US, the Federal Aviation Administration provides significant funding through its Airport Improvement Program (AIP). The AIP funds up to 90% of the cost of a project that enhances airport safety, security or capacity.

Funding requires ongoing operating assurances from the applicant for a period of up to 10 years to ensure the investment is warranted.

Duluth is also eligible for State funding of up to 70%. A municipal bond is only available in the United States.

Both of these programs are well-funded when compared to Transport Canada's ACAP. Given the relative certainty of funding support, Duluth only executes capital projects that receive funding.

Internal Financing Sources

Every airport surveyed has some ability to raise its own capital. Ability to raise capital is largely a function of airport size. Sourcing of local capital funds was not identified as a major impediment to growth by any airport.

Common Denominators

TBIAA funds all capital projects using retained surpluses or traditional bank facilities.

Tradeport similarly funds capital projects with retained surpluses bolstered by a $28.50 airport improvement fee. Tradeport is the wholly owned subsidiary of Vantage, a private airport operating contractor.

Cash reserve accounts have been established at Duluth, Kamloops and Kelowna to fund non-subsidized capital expenditures.

Noteworthy Differences

A municipal bond was issued and underwritten by the City of Duluth to partially fund Air Terminal Building construction completed in 2012. Debt servicing and principal repayment are absorbed as airport operating expenses. DAA is concerned that debt repayment obligations will see the airport run operating deficits that will deplete the cash reserve used to fund capital projects. This financial pressure is already affecting other operational decisions resulting, for example, in understaffing at the airport.

Approach to SMS and other Transport Canada Regulatory Burden

Although the FAA has issued several rulemaking notices and various guidance materials pursuant to safety management systems, there is currently no SMS regulation for US airports. It is the FAA's stated intention to implement SMS rules that are consistent with the ICAO recommendations however these may not apply to smaller airports. Any safety system at Duluth therefore is discretionary and of limited value as a comparator.

Transport Canada has phased in mandatory Safety Management regulations over the past 10 years starting with air operators and the largest 8 airports, and progressing to eventually include all certified airports.

A key milestone in the implementation of the SMS regulation is the designation of an "Accountable Executive." This person must be appointed by the airport certificate holder, and notice provided to Transport Canada. The certificate holder is the airport owner, or in the case of Thunder Bay the long-term lessee. This means that Hamilton and Thunder Bay are responsible for the appointment and in Kelowna and Kamloops the municipality is responsible for the appointment and necessary delegation.

In terms of accountable executive responsibilities, the regulations state:

"No person shall be appointed [accountable executive] unless they have control of the financial and human resources that are necessary for the activities and operations authorized under the certificate."

Worthy of note is that we are not aware of an airport governance structure wherein a single person has unilateral control over financial and human resources. Despite this Transport Canada has accepted the senior airport management person or City manager at tier 2 and smaller airports in Canada. In the case of larger airports a person acting in a Vice President Operations or similar capacity seems to be acceptable.

Resource Management

By this time most airports in Canada have or will soon have completed the implementation phases of SMS. Implementation is only the beginning however and, in terms of resource management, a relatively small portion of what will be required to manage and audit regulated requirements.

Several regulations have been implemented in recent years that, in combination with the risk analyses and audit requirements of SMS, require more compliance effort than ever before. There are basically three approaches employed by airports:

1. Leverage, recruit and/or develop in-house personnel. This may consist of reassigning staff responsibilities based on expertise and training availability, and then backfilling to cover the vacated responsibilities.
2. Hire external expertise to supplement internal staff for specific implementation and audit tasks.

Option 2 appears to be the evolving Canadian airport best practice for small to mid-size airports including, with the exception of Thunder Bay, the Canadian airports in our comparable group. There are risks associated with this approach.

Thunder Bay has chosen option 1, to develop internal capabilities, and has hired an additional manager to fill a developmental position responsible for regulatory compliance and quality assurance. There are risks associated with this approach as well.

We also note that Kelowna has developed a peer review program with the Victoria Airport, wherein each airport participates in a review of the other's safety program.

Both options are acceptable to Transport Canada assuming that in both cases the required elements of the Canadian Aviation Regulations (CAR) are completed.

Option	Benefits	Risks
1. Hire and develop internal expertise	• Acceptable method of compliance • Regulated activities may achieve greater organizational awareness • Helps instil internal safety culture • Safety/compliance program develops specifically to suit the airport • Can always supplement with external resources if necessary	• Availability of personnel • Recruitment and retention issues • Training/developmental costs • Internal audit function may be perceived as lacking independence
2. Supplement	• Acceptable method of	• Availability of consultants with

with external consultants	compliance • Relative ease of implementation • Eventually develops internal capabilities • Perceived as independent for the purposes of audit • Options available in terms of several different firms offering services	the necessary expertise • Potential for dependency on one firm • Safety culture may lean toward compliance vs. risk management • Cost escalation • Tendency for "one size fits all" approach

Beyond questions of compliance, key considerations are longer term viability, efficiency/cost considerations, and of course the effectiveness of the airport's safety program in terms of reducing risk and increasing safety.

A key criterion in determining the best option is availability of people. The implementation and management of regulated safety management systems is relatively new so there is naturally a shortage of experienced people available. Regardless of which option is chosen this shortage of people represents a challenge during implementation and audit, and a risk to the future of an airport's program.

Generally we believe the decision rests with an airport's ability to recruit, develop and retain people. All the usual recruitment factors come into play i.e. location, compensation & benefits, living costs, quality of work and home life, etc.. The more challenges an airport operator has associated with recruitment and retention, the more Option 2 becomes preferable.

From an industry/regulatory awareness perspective, industry associations are a good source of information and networking. Associations provide on-line and face to face opportunities to benchmark, learn and share experiences. This can be a key asset in the challenge of remaining current and interpreting all forms of regulations typically impacting airports.

SMS Overview

Quality Management Systems have been around for many years. Different variations on the theme, but all share the same fundamentals, i.e. instilling a culture and using a systematic approach to improving. Safety Management Systems are intended to work in the same way to improve safety. Regulated Safety Management is a little different as one of the two key elements of success "culture" may be initially missing from safety management. This is due to the simple fact that SMS has been forced on the industry, in a regulated format, as opposed to adopted voluntarily.

In the airport environment we've seen some unintended consequences in the roll out of the safety management system regulations. Transport Canada, in its desire for "one size fits all" regulations created complex and rather ambiguous publications, avoided providing specific direction, and had a tendency to invent rules as the SMS roll-out evolved. The complexity led to significant involvement of consultants which in turn resulted in safety management plans that are perhaps more onerous than they need to be, and less understood by the people charged with their day-to-day implementation.

A key success fact of every safety management system is the need to direct finite financial and human resources to where they can be most effective at reducing risk/improving safety. It was somewhat ironic therefore that TBIAA identified a risk that SMS may have the unintended consequence of diverting attention away from actual operations (the organization could potentially take its "eye off the ball").

We have also noticed a tendency for SMS to be used as lever in pursuit of other than a safety agenda. For example; an airline lobbying for changes at the airport may attempt to use safety in support of its argument. Sighting SMS obligations appears to be a further expansion of this tactic.

Another common point of confusion appears to be the delineation of regulated SMS versus Occupational Health & Safety, and Public Safety. This particular ambiguity can and does dramatically increase both the workload and leveraging potential of SMS. In our view it is vitally important that an airport's safety management plan clearly delineate SMS jurisdiction e.g. *the safety of passengers and crew from the time they board an aircraft for the purposes of flying, until they safely disembark subsequent to the flight.* More on this important point below.

TBIAA's Experience

TBIAAI's SMS was in its infancy in 2010/11 and started growing, in terms of reports generated, in 2012 and 2013. This was largely and directly influenced by the on-line reporting system that the TBIAAI introduced to its employees in 2012. Q5SMS (by Q5 Systems) is an Internet-based reporting system used to document our SMS, ERS, Public Safety and OH&S reports, and the program is used by our front-line staff and relevant management personnel. Note that general reporting has remained relatively consistent except bird strike reporting was added in 2012.

Here is a summary of our **internal** SMS hazard and incident reports:

	Hazard Reports	**Incident Reports**
2010 (paper system)	**4**	**2**
2011 (paper system)	**4**	**5**
2012 (electronic system)	**22**	**24** **the attached charts show our incidents at a larger value due to early Q5 classification "issues" (i.e. OH&S, fire alarms, medical calls, etc. that are not SMS related and have therefore been removed from the final total.*
2013 (electronic system)	**21**	**30**

Notes:

- ***See the attached Q5 Summary Reports for a more comprehensive breakdown of TBIAAI's 2012 and 2013 hazard and incident data.***
- Bird Strikes were ***not*** reported internally in 2010 and 2011.
- We began reporting bird strikes internally in 2012 and 2013, which also included complying with the Canadian Aviation Regulation that states any bird found within 200' of the runway must be considered a bird strike. This has influenced our incident report numbers.
- We review CADOR data on a quarterly basis to assess occurrences that are within TBIAAI control or partial control. The above table and attached summaries represent our internal reports only, and these values do ***not*** include CADOR data.
- Our SMS Committee meets on a quarterly basis and one of our agenda items has a member discuss a potential SMS hazard, which is added to our hazard registry. These hazards are ***not*** included in the above data.
- When we determine that a trend is occurring, a root cause analysis will be completed. Our method of choice is the 5 Whys/Why-Why Analysis. An example has been attached (Report #179).

The many facets of safety: SMS vs. OH&S vs. Public Safety

Aviation Safety: Is regulated by Transport Canada and falls under our Safety Management System (SMS). SMS concerns the safety of people on / affected by an aircraft including air operations to the point where people enter the terminal. This includes things that have the potential to affect the safety of people on an aircraft or because of an aircraft. Examples include (but are not limited to): runway conditions, airside radio procedures and AVOP, airfield lighting and navigation systems, emergency response to aircraft and those on board, etc.

Occupational Health and Safety: This includes the safety of TBIAA (and subsidiary) employees while at work. The Canada Labour Code regulates this. For clarification, SMS is not simply airside vs. groundside. For example, if an airline employee were to trip and fall on the apron, this would fall under the respective airline's Occupational Health and Safety program, not SMS (even though the event occurred on airside). There is also some overlap. A runway incursion has the potential to cause harm to an employee, but it also has potential to cause harm to the flying public, so it is classified as SMS.

Public Safety: This includes the safety of anyone at the airport and not on an aircraft or performing work duties. This is regulated by Civil law and building codes, etc. Examples include (but are not limited to): people who are not travelling themselves but are picking up or dropping off passengers and their safety on the escalators, sidewalks, in the terminal, etc. Likewise, passengers while in the terminal, parking lot, etc. fall under this category. It is only while they are on the aircraft or embarking / disembarking it (for example walking up or down the aircraft stairs) that they fall under SMS.

SMS areas of responsibility are divided between 3 different managers at TBIAAI

Manager, Airport Services: Responsible for emergency response, airfield maintenance (non-utility) including but not limited to: runway inspections, snow removal, grass cutting and bird and wildlife management, in short, the areas of responsibility of Airport Operations Specialists (AOS).

Manager, Facilities: Responsible for building and utility maintenance including but not limited to: the baggage handling system, fire protection systems, electrical systems including power distribution, parking lot equipment, fire protection and all lighting including airfield lighting. They manage the skilled trades and other technical employees.

Each of these managers is responsible for aviation safety in their respective areas. For example, FOD on the runway would be the responsibility of the Manager, Airport Services to correct, while airfield lighting maintenance on the same runway would be the responsibility of the Manager, Facilities.

Manager, Quality & Technical Services: This manager is responsible for all regulatory compliance and supporting technical documentation and has established and maintains the administrative functions of the Q5 system and the SMS quality assurance and audit program (i.e.: “SMS Phase 4”).

Defining Success in Airport Governance

The five airports reviewed here are all successful in terms of the key metrics of financial performance, customer service, safety and longer term viability. Each is creating value for its owner.

Airports generally represent value to their owners. There are several different definitions of value that can be applied depending on the perspective and objectives of the owner. Airports cannot create value on their own, however it is clear that in today’s global economy a community/region/country that does not have low cost and reliable scheduled air service, is severely impeded in its economic growth potential. Low cost reliable air services cannot exist in the absence of well managed and adequately financed airports.

If the owner is a for-profit business entity, maximising value for shareholders will undoubtedly and quite correctly be the objective. In business there are different ways to maximize shareholder value. There are different time horizons depending on the shareholders’ investment objectives. The initial shareholders of Facebook for example, likely had a low expectation of cash flow and returns for many years, but ultimately expected a large return in exchange for their patience. Shareholders of Canadian Banks on the other hand, have an expectation for quarterly cash dividends in addition to steady growth in market value year over year.

Maximizing value for the “community” is often the return objective of government or not-for-profit airport owners. Value expressed in community terms includes reasonable financial returns, but with “economic returns” identified as value added.

Market Power

Airports have been called monopolies and there is no question that most airports enjoy a high degree of market dominance. Not all airport operators leverage this market power to the fullest extent and most appear to realise that over the long term it's not good for business. Air liberalization, low cost carriers and the general, and in many cases dramatic, reduction in real airfare prices has lessened the market power of airports, albeit imperceptible to some.

Market power increases with decreases in alternatives. In remote locations where there are no practical alternatives, airports have market power potential, but they also likely have limited market growth potential. Leveraging a market dominant position in this case would lead to prices that would be a significant barrier to the community's economic and socioeconomic wellbeing. A case can be made that airports of this type are essential services and tend to be special purpose/private (resource development companies) or government-owned, operated and subsidized.

Market power also increases depending on barriers to entry. Airports have very high barriers to entry, specifically high capital/infrastructure costs.

Leveraging market power can translate into higher prices/lower service levels, which can become a barrier to economic activity. Air travel is very price sensitive and many travellers have alternatives, if not in their choice of travel mode, in choice of destination. In short, higher airport costs lead to higher airfares, which translate into lower demand, and a community/region being perceived as difficult/expensive to get to and do business with. Organizations located in the community will face higher costs and reduced access to external economies.

Capital Decisions

Airports are a different type of business. As with most businesses, capacity is limited by facilities and infrastructure however the capital costs tend to be very high, and by necessity come in steps. It is probable that some of the capital investments will not be justifiable based on a for-profit business case alone. This is particularly true in the case of smaller airports.

It is generally believed that for-profit entities are better able to find efficiencies including extracting the maximum capacity from facilities and infrastructure. Eventually however, to increase capacity requires cash, and perhaps more critically, a will to invest for the long term (10+ years). Again, this type of investment from private sources will generally be more easily found for larger airports, simply because the pure business case makes more sense.

A smaller airport may need to extend a runway to accommodate changes in regulations and/or aircraft type frequenting the Airport. A pure business case indicates virtually no increase in revenue associated with the project, yet without the extension the Airport's growth potential and arguably, the community and region, is limited in its growth potential. Without the investment, the Airport would remain successful but may miss an opportunity in economic terms.

The Canadian National Airport System (NAS)

The Canadian airport authority model is widely regarded as successful, at least to this point. The Government of Canada, faced with mounting costs and deteriorating airport infrastructure across the country divested the 26 largest and, at the time, regionally important airports to not-for-profit corporations or Territorial Governments. Governance is through a ground lease and "Public Accountability" framework, and of course Transport Canada continues to regulate safety and security.

Two policy criteria have been key influencers of how the NAS has evolved:

1. Airport authorities maintain the right to set rates and charges (although international obligations must be met), and

2. The Government of Canada should be "no worse off" and would collect "Rent" from airport authorities to ensure Canadian taxpayers achieved "return" on the airport assets.

The right to set rates and charges allowed the airport authorities to raise the moneys needed to replace, rebuild and expand much needed airport facilities and infrastructure. Some contend, and it is an accepted economic principle, that the unfettered ability to raise prices lessens the need to find efficiencies, and can stifle innovation.

On the owner's side, the Government of Canada's "no worse off" philosophy evolved to the Government of Canada should be "better off." With no capital investments in airports, the Government of Canada is now collecting rent revenues beyond any level contemplated when policy was set.

An unintended consequence of these two divestiture criteria has been the proliferation of add-on fees and compounding Rent costs. This coupled with increases in the value of the Canadian Dollar has resulted in a Canadian air transportation sector that has difficulty competing with our neighbours to the south and with other countries whose governments either invest directly in the sector, or do not actively extract revenue from it.

It has been argued that the owner could realise more value, in terms of overall economic impact, by reducing or eliminating its input charges on the industry, a very difficult strategic investment decision for the Government of Canada, not unlike the scope of the small airport operator decision of whether or not to invest in a runway extension.

For–Profit Model

The UK is one of the longest running examples of airport divestiture to for-profit entities. The comparison to the Canadian experience is of limited value due to the large size of the majority of airports involved. As mentioned, this has made investment decisions easier, although arguably planning and approval processes have dragged on compared to a more unilateral approach more typical of government owned and operated airports.

One clear result was that the UK government recently acted to reduce the market power of the largest operator, British Airports Authority and forced the sale of the London Stansted, London Gatwick, and the Edinburgh airports.

User and passenger fees at UK airports are among the highest, and passenger service not highly rated. It is widely believed that high fees at UK airports have helped Euro zone airports like

Frankfurt grow faster than would otherwise have been the case. An ad hoc sample of Heathrow compared to Frankfurt for example reveals add-on fees 40% higher for the former.

Balance

Clearly for-profit and the various not-for-profit models can result in sustainable airport operations. Some have the demonstrated potential to rely on the relatively strong market power of airports to sustain rates and charges that can negatively impact air transportation in a country or region.

We believe the key to any successful airport governance model is to establish the right balance between profit-taking (by the “owners”), efficiency motivation, and economic impact objectives.

The Owner and Operator as Partners

The five airports reviewed in this report, along with the other relevant airport examples discussed in this section, all share one pervasive common denominator—the maximization of stakeholder returns (in financial, social, and economic terms) is impaired when the governance structure does not establish a clear partnership arrangement. Investments may be bypassed in favour of short term profits. Market growth may be stifled through monopolistic pricing. Either way, the airport and its stakeholder community suffer.

Where investment responsibilities and profit taking have been shared, the subject airport clearly functions as an economic catalyst and a vital connection to global markets and services. A balance between the airport as a profit or cost centre needs to be struck and is worthy of considerable strategic discussion prior to finalizing a governance model. No two airports are alike, and similarly, no two communities have identical objectives for their airport assets. A clear vision for the role of an airport in a vibrant economy improving returns to all stakeholders is the foundation of good governance.

TBIAA Subsidiaries

TBIAA currently holds three active subsidiary companies; two wholly owned and one with a 50% partner. The first subsidiary was established in 1998. Note that although the TBIAA supported these companies with in-kind contributions, expertise and some administrative support, they are currently self-capitalized i.e. the subsidiaries do not represent an on-going financial liability to TBIAA.

It could be argued that with more capital, the subsidiaries could have grown at a higher rate , but also with increased risk.

The companies are:

iFIDS.com: held in partnership with Aviation Intertec Services, iFIDS.com provides an increasingly diverse suite of information technology products to the transportation sector including both airlines and airports.

SGE Ltd.: Exclusive distributor of Swiss-manufactured advanced technology surface management equipment for airport, highway and municipal use.

TBAS Inc: Management/Consulting company currently operating the Red Lake Airport, providing accounts receivable services to the Canadian Coast Guard and providing airport expertise on a consulting contract basis.

Why Create Subsidiaries?

By creating subsidiary companies, TBIAA simultaneously solved problems and created opportunities.

The Opportunities

TBIAA recognized a need to diversify its business beyond its core airport operation. With a catchment area of 180,000 isolated from other population areas, the Airport would quickly maximize its profitability at levels below long term sustainable levels required by its capital plan.

The subsidiaries offered the ability to leverage expertise and relationships into separate companies. These subsidiaries also provide another method of achieving economic development objectives by generating revenues from jurisdictions outside of Thunder Bay i.e. revenue potential not normally available to an airport.

The Problems

Establishment of the subsidiaries reduced risk to TBIAA in a number of ways:

- TBIAA's not-for-profit status extends to the airport operation only. Establishing the subsidiaries protected that status as activity extended beyond the Airport boundaries.
- Insulates to the extent possible under the law, the TBIAA, its Officers and Directors from the financial and other liabilities associated with the subsidiary operations and revenue generating activities.
- In 1997 one airline customer represented 45% of TBIAA's total revenues. Today the largest customer represents less than 20%. Subsidiary sales have contributed to this revenue diversification and associated reduction in business risk.

Performance

With only a few exceptions, over the past fifteen years the subsidiaries have contributed positively in both financial and non-financial ways.

Financially, the subsidiaries have consistently improved the revenue and profitability of TBIAA as demonstrated in the chart below. The chart provides a comparison of revenue and profitability for the last two fiscal years. Non-consolidated values are those accruing to the Thunder Bay Airport operation. Consolidated reporting incorporates all subsidiary activity. In each of these years, revenue growth and profitability both improved.

Revenue	**2012**	**2011**
Consolidated	$ 10,161,578	$ 9,493,085
Non-consolidated	$ 9,459,995	$ 8,842,124
Excess of Revenue over Expenses		
Consolidated	$ 2,979,706	$ 2,085,305
Non-consolidated	$ 2,860,507	$ 2,001,491

Note: Consolidated includes 50% of iFIDS.com

TBIAA has articulated economic development objectives that attempt to leverage the Airport to generate additional economic activity within the community.

The subsidiaries have contributed economic activity to the region that otherwise would not have transpired. A 2012 tally of vendor invoices and subsidiary payroll calculated that $1.1million of cash was directly injected in the local economy that would not have occurred had there been no subsidiaries.

Appendix 1: Governance Master Chart

	THUNDER BAY (NAS)	DULUTH	HAMILTON	KELOWNA (NAS)	KAMLOOPS
Governance					
Background	Transferred from Government of Canada in 1997 through the execution of a 60-year Ground Lease as part of the National Airports Program.	Former US Air Force transferred to City of Duluth in increments since the fifties.	Municipally owned. 40 year Ground Lease executed in 1996 with private, for-profit corporation.	Largest municipally owned and operated airport in Canada. Airport on land leased from the Government of Canada in January 1, 1969. Rent of $1 was due and paid for a 39 year extension executed in 1996.	Airport transferred from Government of Canada to Municipality in 1997. Municipality establishes Kamloops Airport Authority Society (KAAS) as governing body.
Type of Entity	Federally incorporated not-for-profit, non-share capital corporation.	Municipally owned and operated through an Airport Authority Board.	Operator (TradePort International Corporation) is a privately held, for profit corporation. TradePort is a separate operating company owned by Vantage (formerly YVR Services).	Airport is considered a Department of Kelowna and an independent utility so that no tax revenues are channelled to airport operations. As such, the Airport reports to City Council.	Operator (Kamloops Airport Ltd.-KAL) is a privately held, for profit corporation contracted by KAAS. KAAS has signed a 45 year lease with Vantage Group (formerly YVR Airport Services). KAL is a separate operating company owned by Vantage (formerly YVR Services).
				Council has established an Airport Advisory Committee with 18 members from regional municipalities, first nations, and Chambers of Commerce.	KAAS has three members comprised of Mayor, Chief Administrative Officer and one member of Council. Seven Directors comprised of three Councillors, three at large from the community and one employee of City.

	THUNDER BAY	DULUTH	HAMILTON	KELOWNA	KAMLOOPS
	Board composition is based on National Airport Policy that calls for a broad range of community stakeholders. Specifically, TBIAA Board comprised of representation from the Governments of Canada, Ontario, Municipality of Thunder Bay, Chamber of Commerce, District Labour Council and at-large	Airport Authority Board Directors are all appointed by the Mayor. No politicians sit on Board. Board is responsible for operating both the Duluth International Airport and the Sky Harbor Floatplane Base.	4 person Board appointed by the sole shareholder.		Decision making effectively with KAL with advice to Directors.
					Members (Mayor) signs City confirmation for capital contributions with federal or provincial governments.
Unionized Staff	Yes	Yes	Yes	Yes	Yes
Long Term Strategic Issues					
Financial Viability	Profitable each year since transfer. Cash reserves in excess of $17million.	Operating surplus in 2012 of $237,100 on revenues of $3.4million.	Profitability each of last 5 years after paying income taxes and rent to City.	Operating surplus (including Airport Improvement Fees) of $6.2million in 2012 and $5.7million in 2011.	YKA posted a $591,550 surplus on revenues of $2.6million in 2012.
		No financial support is provided by the City. The Airport retains operating surpluses to fund capital projects with the exception of major capital projects requiring bond issues.	Airport operation is not funded or subsidized by City.	Airport is self-funding from fees, charges and Airport Improvement Fee.	Airport is self-funding from fees and charges. Capital Reserve is funded by Airport Improvement Fees and KAAS' portion of operating surpluses. These funds, in turn, become KAAS' contributions towards capital projects.

	THUNDER BAY	DULUTH	HAMILTON	KELOWNA	KAMLOOPS
Fees & Charges	Set by Airport Authority and subject to a 60-day notice period obligation through Ground Lease with Government of Canada. Part of the National Airports System (NAS).	Rates and charges recommended by Management and approved by Board. Rates and charges do not require Council approval.	Rates and charges set by Vantage.	Calculated and recommended by Airport Management and approved by Council through a by-law. Part of the National Airports System (NAS).	Calculated at implemented by KAL.
Raising Capital Dollars	Not eligible for federal ACAP funding as property is owned by Government of Canada. Airport has twice received Federal and Provincial funding in support of economic development based construction.	Eligible for grants from the FAA and the Minnesota Dept. of Transportation. Multi-year FAA project funding requests are submitted annually. If approved, FAA funds 90% and the Airport 10%. Some projects are also supported with State funding with the State paying 70% of approved projects.	Was eligible for ACAP until passenger volumes exceeded program ceiling. Capital funding decisions based purely on financial analysis.	AIF expenditures of $82million since inception in 1998. Airport was ACAP eligible prior to outgrowing program. Airport has received federal funding as a part of a program to diversify the economy following pine beetle forest devastation. In 2012, YLW reported receiving over $880,000 of $1.25 million in federal gas tax fund. YLW is unique in its access to this funding source.	ACAP eligible and also eligible for provincial funding programs.
	Capital funds are raised via internal cash reserves or credit facilities with the bank. Airport does not collect an Airport Improvement Fee.	FAA collected Passenger Facility Charge (PFC) offers capital funding source. Air Terminal Building expansion ineligible for PFC. Project funded with municipal bonds repaid with DAA operating revenues.	Capital funds are raised via internal cash reserves or credit facilities with the bank. Airport collects Airport Improvement Fee.	Airport Team prepares capital plan with input from Airport Advisory Committee with Council as approving authority. Airport collects Airport Improvement Fee.	Airport collects Airport Improvement Fee.

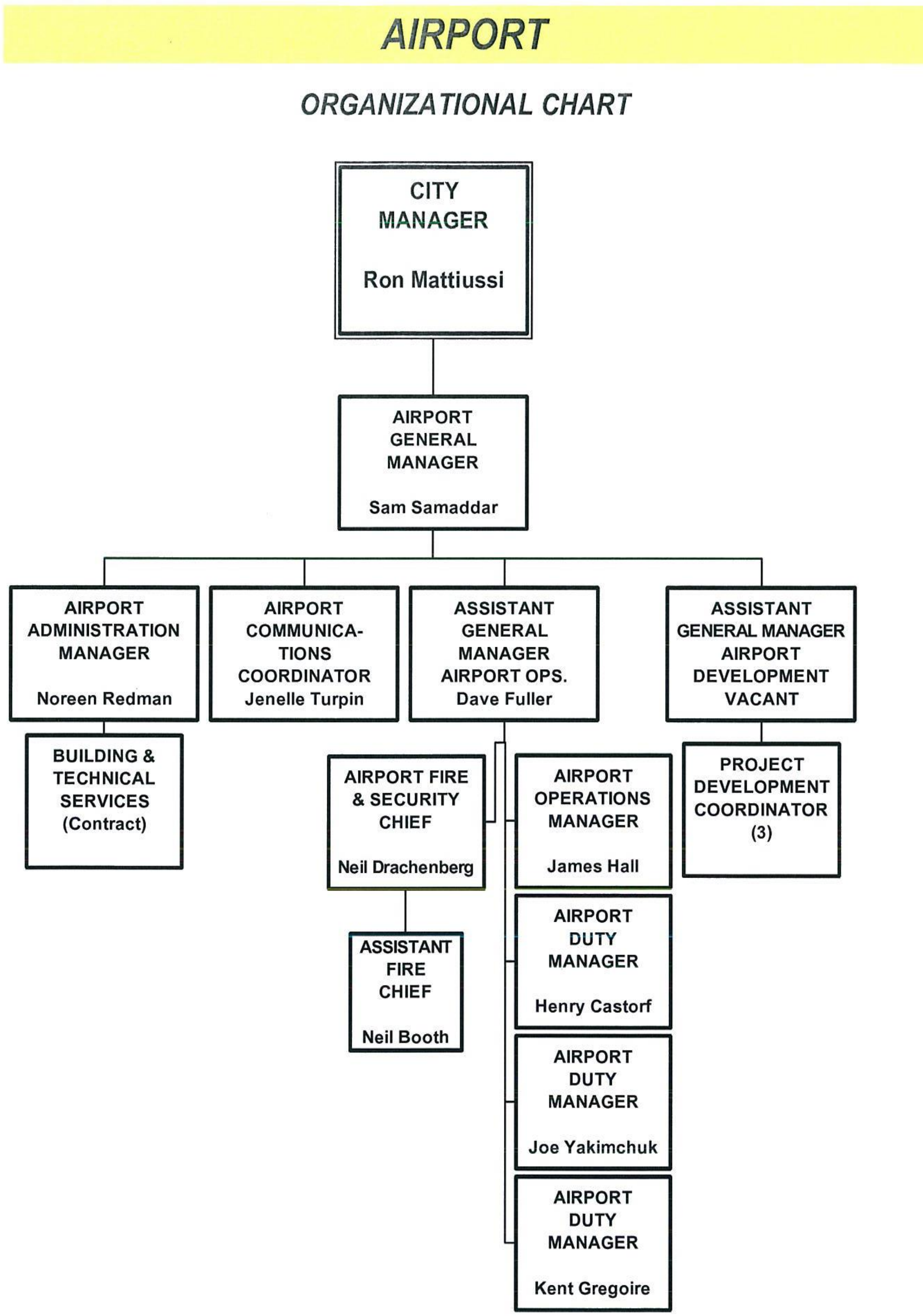
	THUNDER BAY	DULUTH	HAMILTON	KELOWNA	KAMLOOPS
Risks and Opportunities	TBIAA operates with private sector financial discipline tempered by awareness of the airport's economic generator role within the community. Although the operation benefits from profit-oriented financial discipline, broader regional economic development goals also affect investment decisions.	Risk: All FAA funding requires a 10-year commitment to continue to operate the airport in the same or larger scope. Given the deficits generated at the floatplane base, this is a risk.	Risks: As a pure private company, Vantage decisions are profit motivated. Operations benefit from strict profit-oriented financial discipline. Expenditures that may increase local economic activity but not generate sufficient return to Vantage would not necessarily be undertaken.	Risks: Municipal bureaucracies can be slow and cumbersome when prompt decisions are required to pursue new business opportunities.	As a pure private company, Vantage decisions are profit motivated. Operations benefit from strict profit-oriented financial discipline. Expenditures that may increase local economic activity but not generate sufficient return to Vantage would not necessarily be undertaken.
		DAA completed a New Air Terminal Building in late 2012. The new operating costs and debt service charges are eliminating operating surpluses and diminishing reserves. Risks associated with long-term financial self-sustainability now exist.		A close tie exists between Airport operations and political pressure requiring constant education of Council.	
	Airport Operational risk held by Airport Authority. Government of Canada indemnified from any risk.	DAA entity holds Airport Operator's Liability. No operational liability to the City.	Airport Operational liabilities passed from Municipality to Private Operator.	Municipality assumes all Airport Operational liabilities.	Airport Operational liabilities passed from Municipality to Private Operator.

	THUNDER BAY	DULUTH	HAMILTON	KELOWNA	KAMLOOPS
	Opportunities: Operating as a private business creates flexibility to pursue all opportunities. Internal expertise leveraged into subsidiary businesses. High level of community support for airport initiatives.	Opportunities: Council has never rejected an Airport operating or capital budget. Airport runs with effective financial autonomy.	Opportunities: Incentive structure of Lease sees forgiveness of property taxes if Airport grows creating an incentive for growth. Incentives ensure that as activity grows, both the Municipality and the operating company benefit. Vantage is able to raise and deploy capital quickly to seize business opportunities. Decision making processes are streamlined and disciplined from a business perspective.	Opportunities: Open and transparent governance structure. High level of community participation. High level of political engagement. Administrative services (HR, Purchasing, etc.) sourced from City rather than incurring cost of resident resources. Expertise available within City that would otherwise need to be purchased.	Opportunities: Contract offers incentives to grow airport business. KAL remuneration is supplemented by formulae that include a portion of revenue growth and net income growth. Net income is calculated on an earnings before interest, depreciation and amortization basis.
	Threats: Increased regulation. Human resources retention and attraction. Competitiveness of Canadian aviation system .	Threats: DAA unable to raise its own capital Capital is only raised through Federal/State funding applications or municipal bonds.	Threats: Worthwhile capital investment that provides insufficient financial returns will not be undertaken.	Threats: Potential for politically motivated decisions not supported by financial analysis.	Threats: Worthwhile capital investment that provides insufficient financial returns will not be undertaken.
Operations					
Infrastructure	Two runways: 07/25-7313 foot precision. 12/30-5300 foot non-instrument Air Terminal Building: 3 storey, 9100 square metre facility.	Two runways: 09/27-10,162 foot precision. 03/21-5,719 foot non-instrument. New Terminal Building opened in 2012.	Two runways: 12/30 10,006 foot precision 06/24 6,010 foot non-instrument Small renovations to Terminal Building throughout Lease Term.	One runway: 16/34-8900 foot precision.	Two runways: 08/26-8000 foot precision 04/22-2780 foot non-instrument

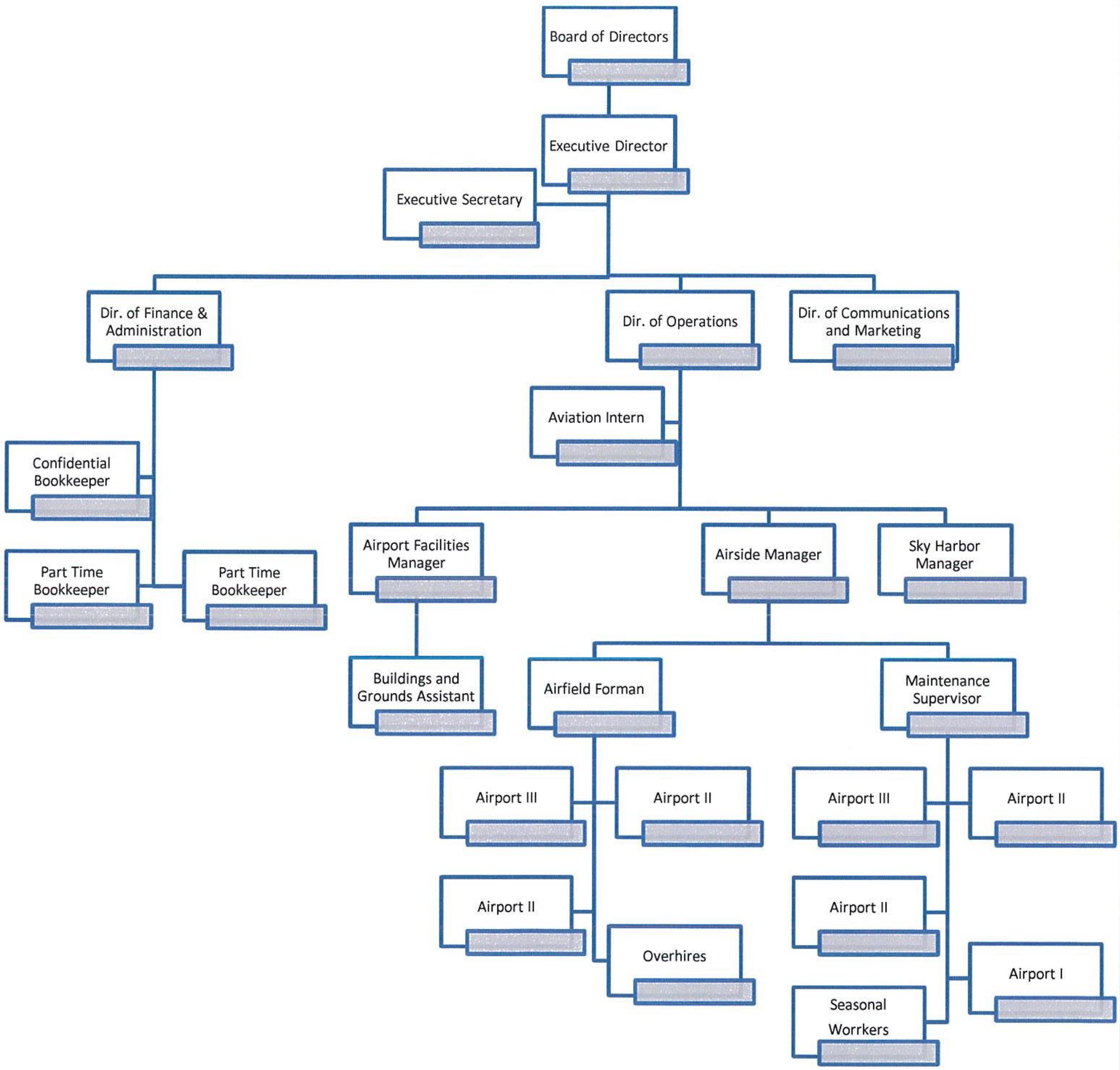
	THUNDER BAY	DULUTH	HAMILTON	KELOWNA	KAMLOOPS
Activity Statistics	761,893 total passengers in 2012. 108,130 aircraft movements in 2012. 2,892 cargo movements in 2012.	Approx. 340,000 total passengers in 2012. Approx. 57,000 aircraft movements in 2012. Cargo unavailable. Floatplane base with one water approach.	351,491 total passengers in 2012. 39,296 aircraft movements in 2012. 18,762 cargo movements in 2012.	1,440,952 total passengers in 2012. 75,633 aircraft movements in 2012. 5,238 cargo movements in 2012.	263,290 total passengers in 2012. 38,853 aircraft movements in 2012. 3,140 cargo movements in 2012.
Tax Considerations	Exempt from corporate income tax for core airport operations. Grants in Lieu of Taxes paid to host municipality over property taxes. Rent paid to Government of Canada.	Exempt from corporate and property taxes.	Airport operation is income tax liability. Rent paid to City of Hamilton Property taxes forgiven for a period of time under Ground Lease as an incentive. Taxes continue to be deferred or forgiven if growth is achieved.	Tax exempt as a municipal entity.	KAL pays property taxes to City as part of its operating expenses. KAL is sole tenant to City. Sub-tenants are pro-rated their portion of property tax liability and charged by KAL acting as Landlord.

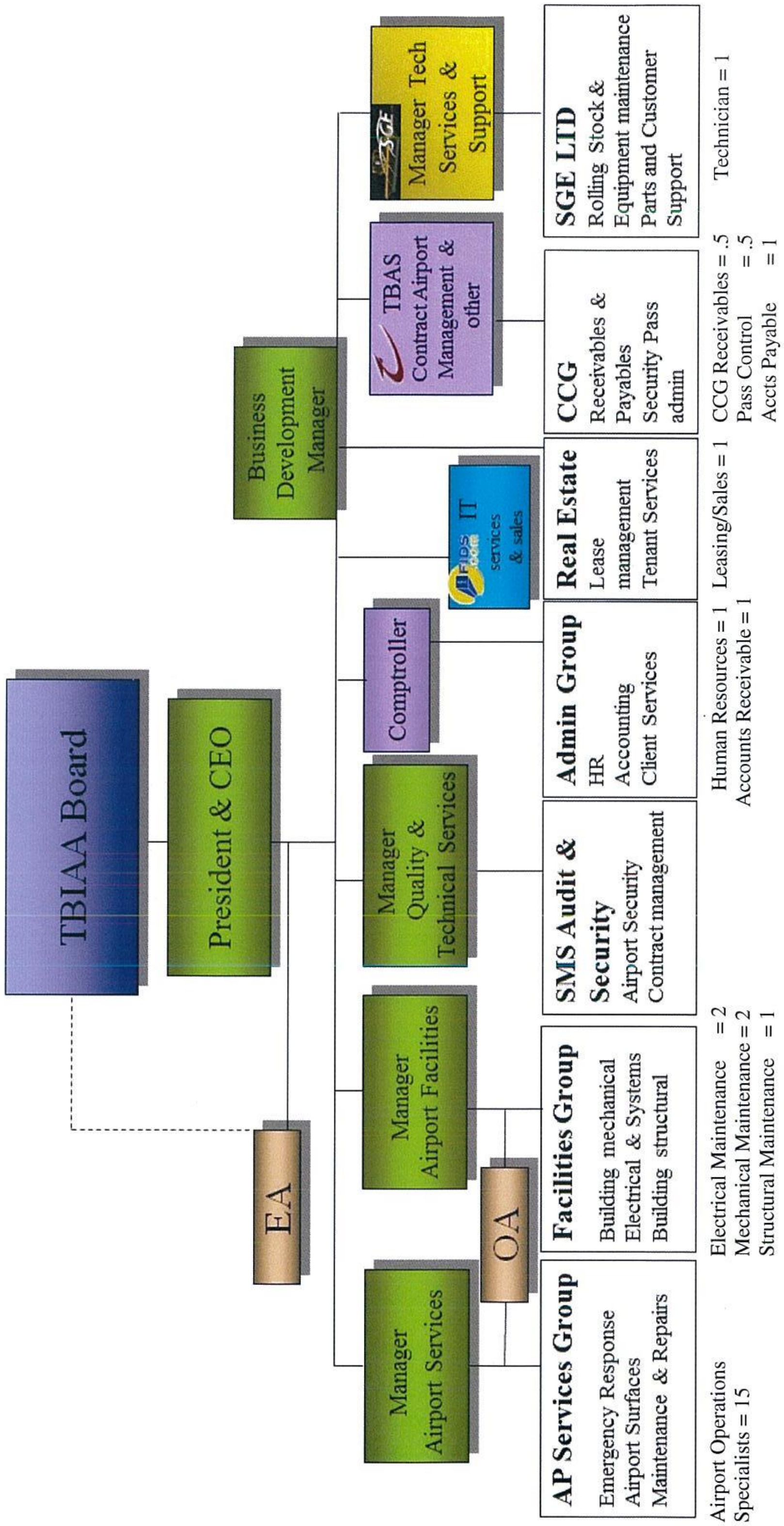
Appendix 2: Organization Charts

City of Kelowna, British Columbia



DULUTH AIRPORT AUTHORITY
ORGANIZATION CHART
October 23rd, 2013





TBIAA Board
President & CEO
EA
Manager Airport Services
OA
Manager Airport Facilities
Manager Quality & Technical Services
Comptroller
FIDS.com IT services & sales
Business Development Manager
TBAS Contract Airport Management & other
SGE Manager Tech Services & Support
AP Services Group
Emergency Response
Airport Surfaces
Maintenance & Repairs
Facilities Group
Building mechanical
Electrical & Systems
Building structural
SMS Audit & Security
Airport Security
Contract management
Admin Group
HR
Accounting
Client Services
Real Estate
Lease management
Tenant Services
CCG
Receivables & Payables
Security Pass admin
SGE LTD
Rolling Stock &
Equipment maintenance
Parts and Customer Support
Airport Operations Specialists = 15
Electrical Maintenance = 2
Mechanical Maintenance = 2
Structural Maintenance = 1
Human Resources = 1
Accounts Receivable = 1
Leasing/Sales = 1
CCG Receivables = .5
Pass Control = .5
Accts Payable = 1
Technician = 1

Appendix 3: Financial Statements

THUNDER BAY INTERNATIONAL AIRPORTS AUTHORITY INC.
PROFIT & LOSS STATEMENT

Thunder Bay International Airports Authority Inc.		
Statement of Operations	**2012**	**2011**
Revenue	$	$
AIRCRAFT PARKING	78,534	74,141
AIRPORT ERS FEES	153,483	138,687
AIRSIDE LAND RENTAL	51,609	50,281
AIRSIDE RECOVERABLE SERVICES	3,041	350
AVIATION FUEL (CONCESSION)	29,177	47,120
ELECTRICAL CHARGE A/C PARKING	250	445
FUEL SPILLAGE CLEANUP FEE	108	
GLYCOL CLEANUP FEE	52,963	38,006
LANDING FEE-DOMESTIC	2,481,205	2,358,670
LANDING FEE-TRANSBORDER	85,876	62,407
MOBILE REGISTRATION FEES	7,589	8,462
Airside	2,943,835	2,778,568
AMC CHARGE ON IND. LAND RENTAL	16,732	16,766
INDUSTRIAL LAND RENTAL	496,133	456,411
INDUSTRIAL RECOVERABLE SERVICE		125
RENTAL OF INDUSTRIAL COMPLEX	114,688	112,305
Industrial	627,553	585,608
GAIN/LOSS ON FOREIGN EXCHANGE	(184)	(267)
GAIN/LOSS ON SALE-NON-CHATTELS		2,212
INTEREST EARNED	3,904	7,626
INTEREST INCOME (CLIENTS)	641	
OTHER INCOME	62,914	22,262
RECOVERABLE INCOME	108,500	108,500
Miscellaneous Income	175,775	140,333
COURTESY VEHICLE	9,592	9,271
CURB PARKING FINES	306	311
EMPLOYEE PARKING	52,426	47,217
PARK & FLY	1,447	1,412
PARKING - OTHER RECOVERABLE	7,864	8,377
PARKING LOT	1,326,437	1,237,408
RENT-A-CAR PARKING SPACES	53,048	43,877
TAXI	23,400	23,250
Parking & Ground Transportation	1,474,520	1,371,122
CONSULTING & ADMINISTRATION	69,265	112,644
NORTHSIDE LAND RENTAL	252,633	228,477
Revenue from Business Initiatives	321,897	341,121
AIRLINE OFFICE/COUNTER SPACE	434,380	428,705
BANKING MACHINES	23,072	19,286
BOARDROOM RENTALS	4,550	4,585
BUSINESS CENTRE & KIOSK	96	66
FIDS	18,266	20,040
GENERAL TERM. UTILITES - GAS	574	560
GENERAL TERM. UTILITIES-POWER	648	(100)
GIFT SHOP MG & CONCESSION	87,164	80,682
HBS SURCHARGE	152,857	131,097
INDOOR ADVERTISING - ATB	127,442	105,943
LOADING BRIDGES - DOMESTIC	504,289	445,458
LOADING BRIDGES - TRANSBORDER	6,700	4,467
OFF AIRPORT RENTAL ACCESS		85,246

UNAUDITED

THUNDER BAY INTERNATIONAL AIRPORTS AUTHORITY INC.
PROFIT & LOSS STATEMENT

OTHER ATB SPACE	70,002	60,178
OUTDOOR ADVERTISING	13,645	12,300
RENT-A-CAR ATB SPACE	30,443	27,684
RENT-A-CAR MG + CONCESSION	693,956	609,999
RESTAURANT MG & CONCESSION	171,940	171,555
TELEPHONE	560	
TERMINAL FEE - DOMESTIC	1,461,064	1,335,281
TERMINAL FEE - TRANSBORDER	65,714	34,360
VENDING MACHINES-AMUSEMENT	10,609	12,989
WIRELESS	5,704	5,225
Terminal	3,883,674	3,595,604
FEDERAL RENT RECOVERY FEE	32,742	29,768
Federal Rent Recovery Fee	32,742	29,768
Total Operating Revenue	**9,459,995**	**8,842,124**
Direct Expenditures		
TC LEASE RENT	54,932	42,877
Federal Rent	54,932	42,877
ADVERTISING	21,410	29,840
CONTRIBUTIONS & DONATIONS	55,452	13,912
MEALS & ENTERTAINMENT	22,753	16,587
OTHER ADVERTISING & PROMOTION	3,720	10,000
PROMOTIONAL MATERIAL		328
PUBLIC RELATIONS	10,112	9,199
Advertising & Promotion	113,445	79,866
ALLOWANCE-DEATH BENEFIT	5,000	5,000
BENEFITS-ACCRUED		
CANADA PENSION PLAN	76,688	68,067
DENTAL	26,641	25,556
FITNESS	3,158	2,037
FOOTWEAR ALLOWANCE		
HEALTH CARE	50,243	47,340
LIFE INSURANCE	8,211	7,248
LONG TERM DISABILITY	35,820	23,550
MEAL ALLOWANCES	781	1,697
ONTARIO HEALTH TAX	36,811	32,467
PENSION CONT-SPECIAL PAYMENT	2,447	91,463
PENSION CONTRIBUTION	206,651	175,275
SEVERANCE/RETIRING ALLOWANCE	26,206	23,602
UNEMPLOYMENT INSURANCE	36,834	32,451
WCB	49,972	42,165
Benefits	565,464	577,919
BUILDING MAINTENANCE	9,900	19,898
CONTRACT COMPUTER EQUIP MAINT	78,389	74,026
CONTRACT LANDSCAPING/ROADS MTC	0	2,908
CONTRACT SECURITY EQUIP MAINT	468	
CONTRACT VEHICLE MAINTENANCE	48,594	52,606
CONTRACTED DRY CLEANING	88	108
CONTRACTED ELECTRICAL MAINT.	10,528	33,812
CONTRACTED GARBAGE DISPOSAL	3,030	2,878
CONTRACTED HVAC MAINTENANCE	12,662	10,258
CONTRACTED JANITORIAL SERVICE	135,136	135,118
CONTRACTED MACH & EQUIP MAINT	10,112	9,405
CONTRACTED SNOW REMOVAL	5,500	10,638
ELEVATORS & ESCALATORS MTCE	17,892	14,798
OTHER MAINTENANCE/INSPECTIONS	18,553	29,266

UNAUDITED

THUNDER BAY INTERNATIONAL AIRPORTS AUTHORITY INC.
PROFIT & LOSS STATEMENT

Contracted Maintenance/Inspect.	350,850	395,720
CONTRACTED SECURITY SERVICES	620,385	498,764
Contracted Services	620,385	498,764
EQUIPMENT RENTAL	16,079	3,002
Equipment Rental	16,079	3,002
BRISTLES & BROOMS	37,608	30,628
BUILDING MATERIALS	9,186	7,430
CHEMICALS	9,852	57,745
CLOTHING APPAREL	9,981	16,436
ELECTRICAL & ELECTRONIC SUPPLY	42,370	35,916
FIELD MAINTENANCE SUPPLIES	36,212	16,088
FUEL FOR FIREFIGHTING TRAINING	21,014	22,170
FUEL FOR VEHICLES	131,190	119,262
HVAC PARTS	9,708	6,793
LIGHTING	12,441	20,607
MECHANICAL SUPPLIES	23,088	19,213
MOBILE EQUIPMENT PARTS	74,991	109,422
OTHER FLUIDS (OIL,GREASE)	6,835	6,917
OTHER MATERIALS	40,888	19,393
PAPER PRODUCT SUPPLIES	22,594	28,891
PLUMBING	2,672	4,304
SAFETY/MEDICAL SUPPLIES	7,119	9,429
SAND	2,971	555
TIRES & TUBES	8,625	1,926
TOOLS & EQUIPMENT	11,577	7,527
Materials & Supplies	520,922	540,650
BOOKS, MANUALS, MAPS	458	485
COMPUTER HARDWARE	6,730	12,836
COMPUTER SOFTWARE	9,244	5,634
COMPUTER SUPPLIES	476	1,015
FURNITURE	2,169	1,933
LICENSE FEES	6,553	9,765
OFFICE EQUIPMENT		1,281
OTHER OFFICE & ADMIN	445	635
POSTAGE, COURIER & FREIGHT	12,454	7,194
PRINTING & REPROD. SERVICES	377	866
RECRUITMENT EXPENSES		1,059
RENTAL SPACE	150	400
SERVICE CHARGE FEE	656	759
STATIONARY SUPPLIES	5,784	4,956
SUBSCRIPTIONS AND MEMBERSHIPS	7,783	9,298
Office & Administration	53,278	58,117
AUDIT & ACCOUNTING	21,771	22,578
COMPUTER SERVICES	23,444	21,420
DAMAGE CLAIMS	1,447	
DESIGN & DRAFTING SERVICES	6,871	7,374
ENGINEERING	2,683	846
ENVIRONMENTAL ASSESSMENTS	7,142	4,035
LEGAL	57,769	29,931
MANAGEMENT CONSULTING	73,143	106,186
MARKETING CONSULTING	122,680	46,710
MEDICALS/HEARING/PHYSICAL FIT.	1,990	1,692
OTHER PROFESSIONAL FEES	1,033	907
RESEARCH/SURVEYS	19,805	4,877
Professional Fees	339,778	246,556
OTHER PURCHASED REPAIRS	24,420	26,962

UNAUDITED

PR MACHINERY, RADIOS, EQUIP	13,134	6,565
PURC REPAIR SECURITY EQUIP	3,053	334
PURC REPAIRS LOADING BRIDGES	1,929	6,736
PURC. REP. ELEV/CONVEY/ROLLUP	76,015	11,473
PURC. REPAIR PARKING FACILITY	44,846	2,058
PURCHASE REPAIR BUILDING	9,391	41,744
PURCHASE REPAIR HVAC SYSTEMS	5,117	14,117
PURCHASE REPAIR VEHICLES	91,447	90,118
Purchased Repairs	269,352	200,106
ACTING PAY		
COMP TIME PAYOUT	10,733	16,243
OVERTIME	35,744	53,838
REGULAR PAY	2,004,526	1,786,727
SHIFT/WEEKEND PREMIUM	544	786
STANDBY	2,300	2,860
TRANSITION/PERFORMANCE PAY	1,980	3,220
VACATION PAY	1,767	1,385
VACATION PAY ALLOW LIABILITY	(7,627)	
WAGES - ACCRUED		
Salaries	2,049,968	1,865,059
CELLULAR SERVICES	11,035	9,069
PHONE ACCESS & SERVICE CHARG	22,151	16,964
PHONE LONG DISTANCE	1,670	1,565
ROUTER/INTERNET CHARGES	3,506	4,836
Telephone/Router	38,362	32,434
COMPUTER TRAINING	199	
CONFERENCE, SEMINAR, REG. FEE	11,984	14,381
OTHER TC&M COSTS		5,500
SAFETY/MEDICAL TRAINING	10,879	10,109
TECHNICAL TRAINING	6,149	2,439
TRAINING CONSULTANTS	10,417	17,100
UNIVERSITY/COLLEGE FEES	3,644	
Training/Conferences/Meetings	43,271	49,528
MEALS & INCIDENTALS	3,634	4,881
MILEAGE CLAIM	1,034	1,166
TRAVEL & LIVING	38,550	37,754
TRAVEL ADVANCES	200	359
Travel	43,418	44,160
ELECTRICITY	304,263	287,164
NATURAL GAS	62,912	83,550
SURCHARGE WASTE DISPOSAL CITY		41,733
WATER	57,532	50,902
Utilities	424,706	463,350
Total Direct	**5,504,212**	**5,098,109**
Indirect Expenditures		
AMORT. ON LAND TRANSFER TAX	3,062	3,062
DEPREC. MACHINERY/EQUIPMENT	278,848	269,961
DEPREC. AIRSIDE FACIL. & PAVEM	570,503	527,766
DEPREC. COMP HRDWARE/SOFTWARE	14,322	12,350
DEPREC. INDUSTRIAL FACIL & PAV	56,201	56,543
DEPRECIATION FURNITURE & LEASE	20,269	18,828
DEPRECIATION LAND DEVELOPMENT	124,658	124,005
DEPRECIATION MAINTENACE GARAGE	12,936	12,936
DEPRECIATION PARKING/GROUND	271,771	108,924
DEPRECIATION TERMINAL FACIL.	299,894	743,271

THUNDER BAY INTERNATIONAL AIRPORTS AUTHORITY INC.
PROFIT & LOSS STATEMENT

Amortization	1,652,463	1,877,646
BAD DEBTS	44,240	(928)
Bad Debt	44,240	(928)
DIRECTORS SALARIES	149,284	122,900
Directors' Fees	149,284	122,900
PROPERTY TAXES	352,688	335,894
Payment in Lieu of Property Taxes	352,688	335,894
AIRPORT OPERATIONS LIABILITY	69,949	73,521
AUTOMOBILE INSURANCE	8,709	8,673
BROKERS FEES	19,938	19,132
OTHER INSURANCE	16,253	18,405
PROPERTY INSURANCE	31,960	30,243
SELF-INSURED CLAIMS		241
Insurance	146,810	150,215
BANK CHARGES	3,616	3,346
BANK INTEREST LINE OF CR	48	
CREDIT CARD SERVICE CHARGES	38,078	34,670
PAYROLL SERVICE CHARGE	4,314	4,225
Interest & Bank Charges	46,056	42,241
INTEREST ON LONG TERM DEBT	121,371	115,876
Interest on Long Term Debt	121,371	115,876
Miscellaneous Expenses	0	0
Total Indirect	**2,512,910**	**2,643,844**
Total Operating Expenditures	**8,017,122**	**7,741,953**
Net Earnings (Loss) Before The Following	**1,442,873**	**1,100,171**
Realized Earnings on Investment	659,994	328,517
Fair Market Value Adjustment	535,539	(9,965)
Amort of Def Cap Contribution	222,101	772,209
Asset write-down		(189,592)
Earnings (loss of the Period)	**2,860,507**	**2,001,340**

UNAUDITED

KAMLOOPS AIRPORT AUTHORITY SOCIETY
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2012, with comparatives for 2011

	2012 Fiscal Plan	2012	2011
Revenue			
Fees, rates and sales of service	$ -	$ 1,780,314	1,728,025
Government transfers	-	833,547	275,475
Investment Income	-	54,621	36,637
	-	2,668,482	2,040,137
Expenses			
Kamloops Airport Authority Society	-	2,073,332	2,008,294
Transfers to other funds	-	8,000	15,147
Loss (Gain) on disposal of capital assets		(4,400)	
	-	2,076,932	2,023,441
Increase (decrease) in accumulated surplus	$ -	$ 591,550	$ 16,696

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012, with comparatives for 2011

14 . Operating activities by segment (continued):

	2012 Fiscal Plan	2012	2011
Kamloops Airport Authority Society:			
Revenue			
Fees, rates and sales of service	$ -	$ 1,776,346	$ 2,085,661
Government transfers	-	833,547	275,475
Investment income	-	54,621	36,637
Total operating revenue	$ -	$ 2,664,514	$ 2,397,773
Expenses			
Supplies and other expenses	$ -	$ -	$ -
Contractual services	-	84,952	54,545
Debt servicing costs	-	356,492	357,636
Amortization of tangible capital assets	-	1,631,888	1,596,113
Total operating expenses	$ -	$ 2,073,332	$ 2,008,294
Loss (gain) on disposal of capital assets	$ -	$ (4,400)	$ -
Transfers of equity			
Transfer to (from) reserves	$ -	$ 85,182	$ 1,970,445
Transfer to (from) other funds	-	8,000	15,147
Transfer to (from) capital equity	-	502,400	(1,596,113)
Total transfers of equity	$ -	$ 595,582	$ 389,479
Venture Kamloops Business Development Society:			
Revenue			
Fees, rates and sales of service	$ 13,000	$ 200	$ 2,426
Government transfers	5,000	3,185	15,772
Investment income	500	2,135	2,601
Total operating revenue	$ 18,500	$ 5,520	$ 20,799
Expenses			
Supplies and other expenses	$ 653,914	$ 615,185	$ 613,608
Amortization of tangible capital assets	10,000	9,993	5,389
Total operating expenses	$ 663,914	$ 625,178	$ 618,997
Transfers of equity			
Transfer to (from) reserves	$ (84,002)	$ (24,253)	$ 1,060
Transfer to (from) other funds	(551,412)	(585,412)	(593,869)
Transfer to (from) capital equity	(10,000)	(9,993)	(5,389)
Total transfers of equity	$ (645,414)	$ (619,658)	$ (598,198)

KELOWNA INTERNATIONAL AIRPORT

Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2012

	Budget 2012	Actual 2012	Actual 2011
Revenue			
Sale of services (Note 11)	$ 19,658,951	$ 20,082,469	$ 18,786,958
Interest earned	171,000	196,746	235,968
Conditional transfers - Federal government	429,350	1,062,758	408,736
Other capital contributions	-	166,401	108,745
	20,259,301	21,508,374	19,540,407
Expenditures			
Administration	2,067,645	2,087,018	1,810,200
Interest	894,000	744,000	744,000
Terminal operations	3,604,521	3,407,468	3,246,976
Airport improvement fee	322,521	321,691	277,569
Airport policing	374,000	372,259	360,454
Groundside operations	1,742,223	1,635,842	1,561,169
Airside operations	2,049,422	2,425,548	2,135,472
Loss on disposal of tangible capital assets	-	-	956
Amortization	-	4,256,847	4,141,919
	11,054,332	15,250,673	14,278,715
Excess of Revenue Over Expenditures	$ 9,204,969	6,257,701	5,261,692
Accumulated Surplus, beginning of year		79,232,866	73,971,174
Accumulated Surplus, end of year		$ 85,490,567	$ 79,232,866

See accompanying notes to the financial statements

10. Airport improvement fees (continued)

Since implementation, AIF fees have been charged at the following rates per departing passenger:

Effective date	Rate
February 1, 1998	$5
March 1, 2002	$8
November 1, 2007	$10
January 1, 2011	$12
January 1, 2013	$15

Airport improvement fee summary since implementation to December 31:

	2012	2011
Cumulative AIF revenue	$ 64,116,355	$ 56,161,925
Cumulative AIF expenditures	82,431,355	69,236,021
Deficiency of revenue over expenditures	$ (18,315,000)	$ (13,074,096)

11. Sale of service by object

	2012	2011
Airport improvement fee	$ 7,967,484	$ 7,691,644
Aircraft parking	112,591	78,358
Airline CUTE charges	-	42,551
Airline terminal fees	1,932,450	1,772,057
Apron equipment parking	11,659	11,659
Aviation fuel concessions	16,202	15,249
Car rentals	1,778,471	1,700,758
Ground handler concessions	56,118	58,031
Land lease revenue	507,068	477,611
Landing fees	2,697,866	2,557,531
Other	165,039	176,130
Terminal building space rental	427,186	431,789
Terminal concessions	649,845	643,142
Vehicle parking	3,760,490	3,130,448
	$ 20,082,469	$ 18,786,958

DULUTH AIRPORT AUTHORITY
INCOME AND EXPENSE STATEMENT
December 31, 2013
(unaudited)

	2012 CURRENT MONTH	2013 LAST MONTH	2013 CURRENT MONTH	2013 CURR MO. BUDGET	2012 YTD TOTAL	2013 YTD TOTAL	2013 YTD BUDGET
OPERATING INCOME							
TOWER BUILDING							
Space Rental	$30,202	$16,812	$16,812	$18,250	$195,487	$202,182	$195,000
Utility Sales	5,462	587	428	442	5,902	7,135	5,300
Total	35,664	17,399	17,240	18,692	201,389	209,317	200,300
TERMINAL BUILDING							
Office/Space Rental/Loading Bridges	25,963	56,493	58,185	56,008	447,182	672,087	672,100
Conference Room Rental		315	375			2,940	
Marketing Grant	23,800		16,450	6,417	52,410	84,101	77,000
Utility Sales	(2,079)	1,224	774	667	42,176	10,487	8,000
Terminal Utility Grants		4,864				40,418	
Sponsorship- Anchor Agreements		(6,209)				13,160	
Lease Concessions	620	100	135		8,004	1,190	
Restaurant/Gift Concessions		2,648	1,298	1,150		43,325	13,800
Vending Machines	734	391	478	100	5,168	4,843	1,200
Auto Rent Commission	28,815	30,424	34,693	33,333	450,958	474,257	400,000
Permits/Reimbursments/Misc	230	2,069	2,884	3,750	258,648	70,884	45,000
Total	75,083	90,339	113,280	101,425	1,284,543	1,416,432	1,217,100
PARKING LOT/ROADWAYS							
Parking Lot Receipts	62,816	86,259	71,138	66,667	791,477	849,138	800,000
Parking - Garage/Employee/Overnight	107	90	(7)	2,083	54,401	36,191	25,000
Parking - Rental Car Spaces		2,244	2,244	2,500		26,571	30,000
Total	62,923	88,593	73,375	71,250	845,878	911,900	855,000
LAND, FIELD, RUNWAYS, ETC.							
Base Facility Rent	7,478	7,867	7,875	8,333	101,547	78,928	100,000
Base Utilities	5,258	645	50	1,250	13,886	11,883	15,000
Land/Field Rentals	16,092	13,401	19,224	19,917	237,787	241,031	239,000
TSA Fees Law Enforcement	7,244			7,450	90,077	79,561	89,400
State Aid Duluth Airport M&O	48,081			14,050	168,569	148,762	168,600
Landing & Ramp Fees	21,525	25,208	20,890	30,417	346,137	272,640	365,000
Passenger Terminal Fees	2,310	2,464	2,772	2,892	17,684	34,034	34,700
Fuel Flowage Fee	7,722	20,377	6,890	10,417	109,656	105,251	125,000
Percent Of Leases	352	1,337	883	2,917	31,891	8,895	35,000
Total	116,061	71,499	58,584	97,643	1,117,493	982,083	1,171,700
SKY HARBOR							
Sky Harbor-Land, Field-Rent	(1,285)			1,250	13,521	18,828	15,000
Sky Harbor-Fuel/Misc Sales	2,201	2,616	1,453	8,333	102,522	79,330	100,000
Sky Harbor-Hangar Rental	800	800	800	750	9,600	9,600	9,000
SH Float Storage	(90)			125	1,380	1,430	1,500
Sky Harbor-Tiedowns	435	330	345	250	3,221	3,260	3,000
Sky Harbor- Apartment Rental	500	100	500	500	6,000	5,600	6,000
Sky Harbor- Event Income						2,000	
State Aid Sky Harbor M&O				1,692	20,285	20,285	20,300
Sky Harbor-Percent Of Leases		19	22	125	920	3,110	1,500
Total	2,561	3,865	3,120	13,025	157,449	143,243	156,300
OTHER LAND & BUILDINGS							
Hangar Rental	12,996	16,391	12,420	12,083	214,481	207,935	145,000
Hangar-Utility Sales	1,317			2,500	24,122	48,409	30,000
Total	14,313	16,391	12,420	14,583	238,603	256,344	175,000
TOTAL OPERATING INCOME	295,605	288,086	278,019	314,618	3,825,355	3,921,319	3,775,400

DULUTH AIRPORT AUTHORITY
INCOME AND EXPENSE STATEMENT
December 31, 2013
(unaudited)

	2012 CURRENT MONTH	2013 LAST MONTH	2013 CURRENT MONTH	2013 CURR MO. BUDGET	2012 YTD TOTAL	2013 YTD TOTAL	2013 YTD BUDGET
OPERATING EXPENSES							
TOWER BUILDING							
Salaries & Wages	$199	$892	$540	$250	$4,213	$6,667	$3,000
Operating Supplies	225	254	255	208	2,678	3,129	2,500
Utilities	3,415	2,582		2,250	27,448	25,410	27,000
Repairs & Maintenance/Misc.	1,141	14,956	1,678	1,083	12,951	30,135	13,000
Insurance	464	128	128	125	1,535	1,535	1,500
Depreciation	51,668	29,387	29,387	29,367	352,400	352,400	352,400
Total	57,110	48,179	31,968	33,283	401,235	419,176	399,400
TERMINAL BUILDING							
Salaries & Wages	12,136	4,880	5,603	5,833	76,249	61,844	70,000
Operating Supplies	2,198	2,223	2,593	6,409	31,765	41,668	76,910
Utilities	27,891	35,061	2,721	26,208	294,658	373,497	314,500
Repairs & Maint.	5,840	2,813	118	2,542	32,080	11,982	30,500
Contract Cleaning	17,379	28,047	64	10,469	103,907	158,687	125,625
Contract Mechanical	5,120	5,195	4,995	4,792	62,070	60,700	57,600
Insurance	4,543	4,619	4,519	1,375	18,502	54,230	16,500
Depreciation	(10,823)	34,402	34,402	34,402	412,829	412,829	412,829
Total	64,284	116,940	54,916	92,030	1,030,080	1,175,357	1,104,384
PARKING LOT							
Salaries & Wages	6,468		5,010	917	13,381	21,246	11,000
Maint. & Snow Removal	1,430	1,260		2,042	23,048	18,884	24,500
Utilities		27		42		1,108	500
Parking Lot Supplies - Permits			302			302	
Depreciation	19,960	19,960	19,960	19,960	239,516	239,516	239,516
Total	27,862	21,247	25,272	22,961	275,953	281,056	276,516
LAND, FIELD, RUNWAYS, ETC.							
Salaries & Wages	60,244	25,439	54,426	25,000	313,570	373,842	300,000
Contract Police	14,706	7,608		10,417	121,899	82,018	125,000
Contract Police/Charters	91			250	2,926	1,276	3,000
SP FAA Security-Materials	941	422	40	833	2,670	4,399	10,000
SP FAA Security-Claims	(475)	6,610	600	4,642	46,031	76,499	54,500
Uniforms/Equipment				208	460		2,500
Base Utility/Building Repairs	25	4,356	5,268		192	10,440	
Utilities	6,867	3,383		3,833	45,948	42,776	46,000
Reporting Software- FICONS		24				2,024	
Base Facility Utility Expense	3,801	2,617		1,333	17,359	27,670	16,000
Repairs & Maint.	13,111	1,600	1,121	5,458	46,507	65,339	65,500
Insurance	2,599	384	384	292	4,604	4,604	3,600
Depreciation	279,913	321,092	321,092	321,092	3,853,107	3,853,107	3,853,107
Total	381,925	373,535	382,931	373,258	4,454,973	4,542,993	4,479,107
SKY HARBOR							
Salaries & Wages	2,460	2,722	2,614	2,000	24,280	29,037	24,000
Operating Supplies	611	70	627	862	8,494	5,896	10,340
Advertising Expense				42	592		500
Cost of Goods Sold	232			7,083	88,813	63,149	85,000
Utilities	1,648	578	1,658	1,117	13,372	13,520	13,400
Repairs & Maint.	217	17	1,287	281	8,132	2,873	3,375
Professional Services			640			4,880	
Insurance	127	37	37	33	400	438	400
Depreciation	5,877	5,877	5,877	5,877	70,527	70,527	70,527
Total	11,172	9,301	12,918	17,295	210,570	190,420	207,542
OTHER LAND & BUILDINGS							
Utilities	7,488	6,595	77	2,633	43,601	45,335	31,600
Repairs-Building	1,900	897	209	292	3,470	2,976	3,600
Hangar Management Fee			228			228	
Insurance	2,084	547	547	583	7,007	6,564	7,000
Depreciation	(7,998)	10,699	10,699	10,699	128,390	128,390	128,390
Total	3,476	18,738	11,760	14,207	182,668	183,493	170,490
ADMINISTRATIVE							
Salaries & Wages	58,094	42,316	43,242	45,417	473,901	462,821	545,000
Operating Supplies	4,408	1,946	1,346	4,479	33,633	25,394	53,750
Professional Services	6,415	16,435	4,772	10,833	98,798	189,571	130,000
Travel	2,854	2,488	315	2,083	22,109	24,768	25,000
Fee To The City of Duluth	3,663	3,787	3,787	4,167	46,298	48,001	50,000
Employee Fringe Benefits	128,529	38,499	40,013	240,221	662,342	449,816	703,779
Marketing / Advertising	6,420	765	600	9,125	78,724	128,117	109,500
Insurance	25,938	8,892	8,892	8,667	108,700	106,650	104,000
Depreciation	(2,247)	38	38	38	452	452	452
Amortization	10,557	11,057	11,057	8,024	132,687	129,654	96,293
Total	244,631	124,203	113,942	333,054	1,555,644	1,563,444	1,817,774
GARAGE							
Salaries & Wages	2,073	158	497	1,500	21,418	8,557	18,000
Operating Supplies	1,718	1,689	2,605	3,458	31,858	25,314	41,500
Utilities	6,778	4,032	458	4,250	49,310	46,597	51,000
Repairs & Maint.				500	6,260	2,807	6,000
Insurance	1,200	378	378	333	4,037	4,532	4,000
Depreciation	10,803	11,405	11,405	11,405	136,863	136,863	136,863
Total	22,572	17,662	15,543	21,446	249,764	222,470	257,363
EQUIPMENT							
Salaries & Wages	10,841	7,734	5,512	6,750	85,349	97,367	81,000
Operating Supplies	33,500	7,081	60,891	9,583	76,784	189,014	115,000
Repairs & Maint.	28,345	23,738	4,477	5,875	101,581	122,117	70,500
Insurance	2,212	424	424	417	5,068	5,068	5,000
Depreciation	(2,827)	24,368	24,356	24,366	292,392	292,392	292,392
Total	70,071	63,323	95,670	46,991	561,174	705,978	563,892

DULUTH AIRPORT AUTHORITY
INCOME AND EXPENSE STATEMENT
December 31, 2013
(unaudited)

	2012 CURRENT MONTH	2013 LAST MONTH	2013 CURRENT MONTH	2013 CURR MO. BUDGET	2012 YTD TOTAL	2013 YTD TOTAL	2013 YTD BUDGET
TOTAL OPERATING EXPENSES	$883,103	$793,028	$744,919	$954,525	$8,922,061	$9,286,387	$9,275,448
NET OPERATING INC (LOSS)	(587,498)	(504,942)	(466,900)	(639,907)	(5,096,706)	(5,365,068)	(5,500,048)
Net Operating Inc (Loss), Less Depr & Amort	(232,615)	(36,679)	1,363	(174,677)	522,457	251,062	82,721
NONOPERATING INCOME							
Interest Income	3,183	2,703	3,678	1,250	33,518	38,619	16,000
Customer Facility Charge	10,984	16,488	15,644	17,500	250,288	250,928	210,000
Passenger Facility Charge	133,387	48,841	47,755	50,000	625,680	636,309	600,000
Gain/Loss Fixed Asset Disposal					(1,104,442)	25,648	
Government Grants - Federal	8,795,738	934,141	2,040,863		20,226,683	3,308,435	
Government Grants - State	3,494,391	38,650	565,354		8,457,366	1,673,828	
Total Nonoperating Income	12,437,683	1,040,823	2,673,294	68,750	28,489,092	5,833,568	825,000
NONOPERATING EXPENSES							
Other Non Operating Expenses	106,105			8,472	109,684		724,946
Construction Work-In-Progress	5,849,074				32,636,372	9,422,026	
Interest Expense	261,107	2,541	236,671	765	388,859	279,012	9,054
Total Nonoperating Expenses	6,216,286	2,541	236,671	9,227	33,134,815	9,701,038	734,000
TOTAL NET INCOME (LOSS)	(6,803,855)	(1,543,224)	(2,903,523)	(699,430)	(450,983)	(1,497,598)	(5,591,048)