

REGINA AIRPORT AUTHORITY
2019 ANNUAL REPORT

INVESTING IN OUR

PASSENGER
EXPERIENCE

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VISION

TO BE SASKATCHEWAN'S LEADING TRAVEL GATEWAY AND BUSINESS HUB.

MISSION

TO SEAMLESSLY CONNECT PEOPLE AND BUSINESS TO A WORLD OF EXPERIENCES AND OPPORTUNITIES.

VALUES

ADAPTIVE: change is a constant within the aviation industry; we seek to understand the underlying risks and proactively plan for the unexpected.

ACT ETHICALLY AND WITH INTEGRITY: we understand the importance of honesty, consistency, transparency and the power of trusted relationships with our partners and community; and in our own actions, activities and leadership.

SAFETY AND SECURITY: we shall comply with regulatory obligations and strive to exceed safety and security targets, while maintaining and growing public and team confidence.

ENVIRONMENT AND COMMUNITY IMPACT: we shall exercise due diligence in all of our activities to meet environmental regulatory requirements and act for the benefit of our community.

RESPECT AND VALUE OUR TEAM: we actively communicate and act with fairness, dignity and respect; everyone contributes to our success. We will invest in our RAA team to realize our corporate vision.

ENRICH CUSTOMER EXPERIENCE: we focus on a “can do” attitude in all of our relationships and seek to understand, engage and respond to meet and exceed customer expectations.

FINANCIALLY RESPONSIBLE: we manage, develop and operate in a financially prudent manner to sustain and support our growth.

PROMOTE ECONOMIC GROWTH AND COMMUNITY PARTNERSHIP: we endeavour to grow our business and support community and tourism through innovation, advocacy, partnership and open communications.

MESSAGE FROM THE BOARD

As southern Saskatchewan's gateway to the world, the Regina Airport Authority (RAA) remains focused on attracting new air routes, increasing revenues to remain competitive and enhancing services to the travelling public. In 2019, we made significant progress in these areas and will continue to build to provide a wide range of travel options and high-quality services.

A major focus of the board and management has been air route development. Specifically, much work has been done to re-establish a transborder flight to the United States. Working with our partners at the City of Regina, Economic Development Regina and a number of local organizations, the airport developed a strong business case for the return of a daily flight to a US hub. In addition to transborder flights, we saw an increase in flight options to Vancouver and continued to enjoy access to a number of domestic and international locations.

A significant revenue source for the airport is parking and passenger transportation. A new program was implemented that introduced competitive pricing for long term parking, updated payment technology, special access points for ride sharing and commercial providers and better control of the terminal curbside drop off. These changes were implemented as a result of feedback from customers.

We invested significantly in providing better services for customers post-security. The recent renovation to the second floor allowed for the addition of a children's play area, increased and updated seating and better food service options. There were also improvements made to the wireless network to increase speed and connectivity.

All of this progress has been made possible due to the leadership and experience of my colleagues on the board and the management team. Working together, we continue to provide a safe and exceptional airport experience. For instance, the board recently implemented an updated Enterprise Risk Management strategy to identify potential risks to the airport. In addition, we continue to attract the best and the brightest both to the board and staff. In 2019, the board welcomed Bernadette McIntyre as a new director and reappointed Kellie Garrett. Bernadette and Kellie both bring valuable skills to the Board and have been great additions to the governance team.



While 2019 was a good year for the airport, at the time of writing this message the world was immersed in the COVID-19 pandemic. This event severely impacted airports and airlines and the Regina airport was not immune. However, due to good management, we were quick to address the challenge. While we will survive, it will take time to rebuild.

In 2020, I will be fulfilling my final year as a Director and Board Chair. I am grateful to the dedicated and skilled airport staff who work tirelessly to ensure a safe airport experience for passengers. I am also immensely proud of the improvements the airport has made and I am looking forward to tackling the challenges ahead.

SEAN MCEACHERN, BOARD CHAIR



MESSAGE FROM THE CEO

For the Regina Airport Authority, 2019 was an opportunity to re-focus our efforts on the needs of the many travellers who use YQR to begin or end their journey. As southern Saskatchewan's air access gateway, improving the passenger experience and responding to comments and suggestions from airport users helped guide the improvements that were made. In addition to numerous facility enhancements, the airport focused on positive initiatives with our own staff. I am immensely proud of our small but dedicated team who contribute each day by making YQR a safe, secure and friendly airport that our community can count on.

When it comes to responding to feedback, we heard clearly from the community that the services available for travellers once they completed their pre-board screening processes were far less than desired. To address this, the RAA made investments in the second floor of the air terminal building and shifted existing food and retail services to be enjoyed by those waiting to board their aircraft. For many passengers, the most stressful part of their journey includes processes such as transportation to the airport, checking in and security screening, where they are uncertain how long they will take. By moving more concessions beyond the security checkpoint, airport users have more reason than ever to give themselves plenty of time by arriving at least 90 minutes early and enjoying a meal before their trip.

Saskatchewan is a growing province that stays connected and values family. For those travelling with little aviators, families waiting to board an aircraft can now enjoy a fantastic new play area located adjacent to the updated food court. Internet has become woven into many parts of our daily lives. When it comes to online service at the airport, the speeds have been tripled. For the comfort of the travellers using the airport, a wide array of new seating, many with built in power connections, are now installed for your comfort.

A TOP PRIORITY FOR THE RAA IS GROWING AIR SERVICE TO OUR COMMUNITY.

Building additional frequency to Canadian hub airports and regaining a daily flight to a United States hub airport have been the strategic targets. Community partners, such as Economic Development Regina and the City of Regina, have been instrumental in these efforts and we thank them for their continued support. Despite massive challenges that had occurred worldwide with the 737 MAX grounding and the air service reductions this had on our community, the RAA was pleased to see Air Canada increase service into their Vancouver (YVR) hub. There is still more work to be done attracting a US flight to our community, but we made additional progress this year towards that objective.

Of all the areas of our business, the one that I appreciate the most is our people. In 2019, we saw the completion of a new



five-year collective agreement that provides long-term stability for our team. We introduced several initiatives focused on staff engagement and enhanced training, which supports our mandate of doing a great job for our community. I want to personally assure the residents of southern Saskatchewan that the RAA has an incredible team of experienced individuals who ensure the safety, security and satisfaction of all the airport's users.

To our community, I want to thank you for your continued support. With the challenges of COVID-19 now impacting our country, the airport has done its part to safely support the return of Canadians to our province. These challenging times will most certainly pass and our organization looks forward to supporting the economic recovery when it is time to do so.

YQR, It's Your Airport!

**JAMES BOGUSZ,
PRESIDENT & CEO**

WHERE WE FLY

Domestic Destinations:

- | | |
|-------------|-----------|
| Calgary | Toronto |
| Edmonton | Vancouver |
| Ottawa* | Winnipeg |
| Saskatoon** | |

Transborder Destinations:

- | | |
|------------|----------|
| Las Vegas† | Phoenix† |
| Orlando† | |

International Sun Destinations:

- | | |
|------------------|---------------|
| Cancun† | Puerto Plata† |
| Huatulco† | Punta Cana† |
| Ixtapa† | Cayo Coco† |
| Los Cabos† | Santa Clara† |
| Manzanillo† | Varadero† |
| Mazatlan† | Montego Bay† |
| Puerto Vallarta† | |

* Seasonal, summer service

** Service not offered through the main terminal

† Seasonal, winter service





EDMONTON

SASKATOON**

CALGARY

YQR

WINNIPEG

VANCOUVER

OTTAWA*

TORONTO

LAS VEGAS†

PHOENIX†

ORLANDO†

LOS CABOS†

MAZATLAN†

VARADERO†

SANTA CLARA†

CAYO COCO†

PUERTO VALLARTA†

CANCUN†

PUERTO PLATA†

MANZANILLO†

IXTAPA†

HUATULCO†

MONTEGO BAY†

PUNTA CANA†

STRATEGIC PLAN

The strategic plan was developed for the period of 2019-2023, and will serve as the blueprint document for RAA to deliver on its aspirations and vision for YQR.

STRATEGIC OBJECTIVES



INCREASE
AIR SERVICES



GROW
REVENUES



FACILITY
DEVELOPMENT
(to improve customer experience)

FOUNDATIONAL & BEDROCK ELEMENTS



OUR PEOPLE



CUSTOMER
SERVICE



FINANCIAL
RESPONSIBILITY



SAFETY



SECURITY



ENVIRONMENT



REIMAGINED. RENOVATED. REVITALIZED.

In 2019, the Regina Airport Authority was focused on improving the overall passenger experience. After numerous consultations to gather feedback from airport users, a priority wish list was created.

POST-SECURITY RENOVATIONS

From lowered parking rates, to expanded ride share options, to numerous post-security renovations, RAA considered the needs of passengers from many angles throughout the year.

THE RESULTING RENOVATIONS DEMONSTRATE A CLEAR UNDERSTANDING OF PASSENGER NEEDS AND A COMMITMENT TO CONTINUAL IMPROVEMENT.

Of all the improvements undertaken at the airport, perhaps none were more extensive than those made to the post-security area.



TO ADDRESS GUEST FEEDBACK, A \$1 MILLION-DOLLAR RENOVATION WAS COMPLETED TO THE SECOND FLOOR IN LATE 2019.

These renovations helped to provide passengers with more food and beverage options, improve passenger seating, increase open spaces and modernize the terminal to provide customers with a better view of the airfield. Prior to the renovations, the majority of dining options were located before the security checkpoint. While the previous design may have accommodated those seeing off loved ones, it left limited dining options for passengers once through security and constrained revenue for the businesses that operate those outlets.

With phase one renovations now completed, passengers who are through security can enjoy food and beverage options from a full-service Tim Hortons, which offers meals and sandwiches and Skyway Grill which offers a wide variety of excellent breakfast, lunch and dinner options along with a selection of adult beverages.

Travellers can also still enjoy the pre-existing post-security options, including Brioche Dorée and Tim Hortons Express. The post-security Skyway Lounge has expanded their offerings to feature local craft beer, as well as some new food options.



Passengers waiting to board were provided several new seating options, including soft seating, privacy chairs, as well as tables equipped with USB and plug-ins for charging devices. The airport also tripled Wi-Fi speeds, which it continues to offer passengers for free. The number of wireless access points was also doubled, providing better coverage throughout the terminal. As with all of the renovations made in 2019, the motivation for change was to maximize passenger comfort and convenience.

Through all of these changes, RAA's littlest travellers have not been overlooked. An exciting new play structure was officially unveiled in December, providing travelling tots with a great place to burn off some energy before boarding their flights. The play structure, located beyond the security checkpoint, includes a jungle gym, slide, as well as security netting for the safety of all guests. As the airport was gathering feedback on renovation ideas, a child's play area was a common theme from passenger requests.

The phase one renovations were approved by the RAA Board of Directors at an approximate cost of \$1 million dollars. Renovations were funded by the airport authority's capital improvement fund, which collects \$20 from every departing ticket to fly out of YQR. The renovations made in late 2019 have received positive feedback from the majority of airport guests and promise to better serve the community for many years to come.



PARK LONGER, PAY LESS.

In early spring, the RAA shared the organization's new ground transportation strategy. Many factors were considered during the development of the plan, resulting in a modernized fee structure designed to enhance the competitive environment.

AS PART OF THE NEW STRATEGY, THE RAA INTRODUCED A NEW COST-SAVING INITIATIVE FOR LONG-TERM PARKING.

Beginning in June, travellers were able to park their vehicles in the long-term lot at the airport for a significantly reduced price. New rates dropped from \$105 to \$89 for the first week of parking, while two weeks of parking dropped from \$210 to \$138. Prior to the rate changes, vehicles parked for more than five days were subject to a \$15 per day fee, a rate lowered to just \$7 per day under the new pricing structure. Parking changes also saw economy parking transformed to an overflow lot for peak demand times.

In addition to lowering long-term parking rates, the RAA removed the annual commercial ground transportation licence fee and replaced it with a pay-per-use pick-up and drop-off charge based on the size of vehicle. With this new pay-per-use model, commercial vehicle operators will now be able to conduct their business at YQR based on their actual volume of operations.

As a self-funded not-for-profit organization, generating non-aviation revenue from parking and commercial transportation is critical to the overall operation. Such revenues allow the airport to keep fees and charges as low as possible for the travelling public, as well as the airlines. By modernizing the commercial vehicle fee structure and improving value in parking, the airport hopes to maximize overall usage of these services in the future.





AIRPORT WELCOMES RIDESHARING

A major change to ground transportation occurred at YQR in 2019, as the airport welcomed ridesharing services.

DRIVERS WORKING FOR RIDESHARING SERVICE PROVIDERS NOW USE THE COMMERCIAL VEHICLE LANE, LOCATED INSIDE THE SHORT-TERM PARKING LOT.

These lanes have also received new signage indicating the changes. Along with rideshare, the new commercial vehicle lane is used for any airport-licensed operator to pick-up customers.

The rideshare changes are part of the airport's new commercial ground transportation strategy, which was launched in June. The goals of the new strategy were to provide passengers with more options, as well as to grow commercial revenue for the airport in order to help offset operating costs.

All commercial operators who choose to operate at the airport require approval and a licence. The airport removed the annual licence fee and replaced it with a simple pay-per-use fee based on the vehicle size. This strategy is in place at most Canadian airports and levels the playing field for entrants.

NEW DE-ICING EQUIPMENT

EFFICIENCY BY THE TRUCKLOAD





Anyone who has lived in Saskatchewan for any amount of time knows how harsh and unpredictable winter weather can be. When you run an airport, these conditions can prove to be a challenge for maintaining runways and ensuring the safety of all passengers.

THAT'S WHY, IN FALL OF 2019, THE RAA INVESTED \$400,000 IN A NEW STATE-OF-THE-ART DE-ICING TRUCK.

The new truck ensures the runway has friction value, giving aircraft the ability to safely brake during icy conditions. The newest generation of the Epoke chemical spreaders allows the airport's maintenance team to have more accurate and uniform delivery of de-icing chemicals. This makes the process of de-icing more effective and efficient than the system previously used at the airport.

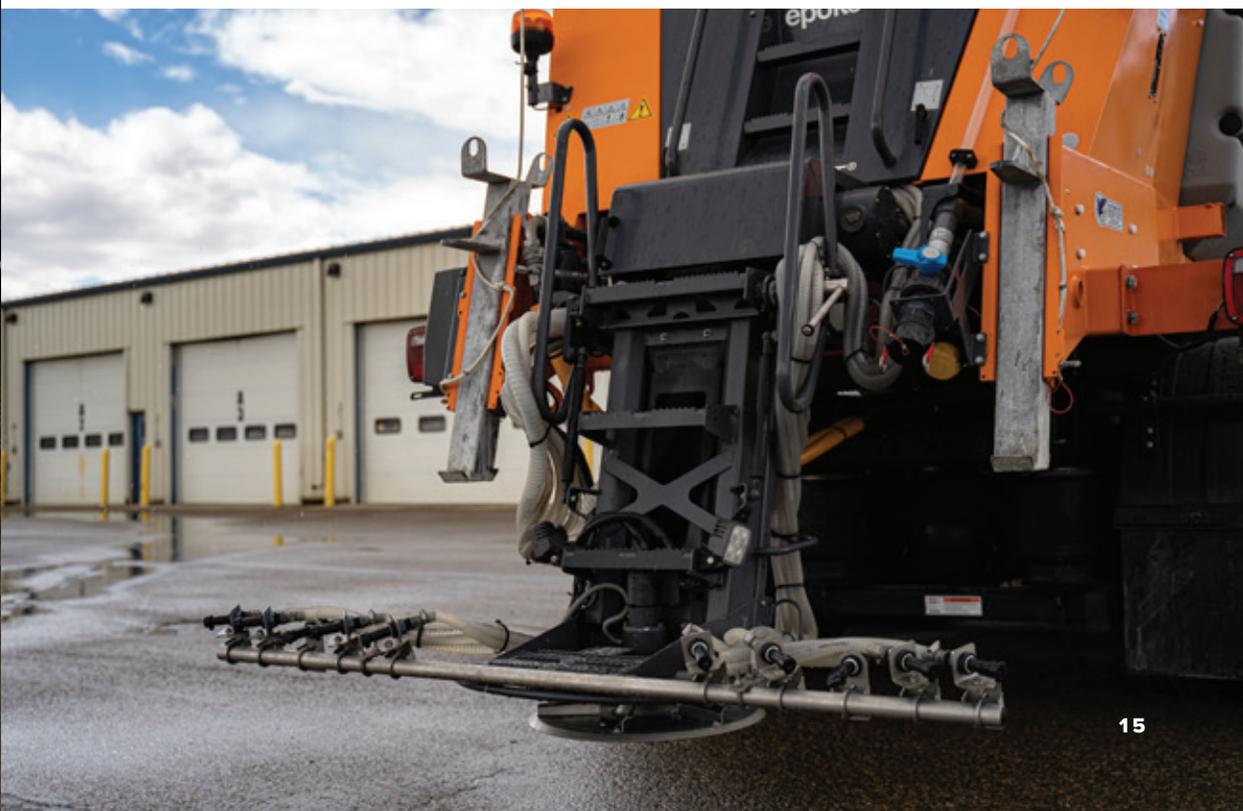
While the former system used two different trucks to spread granular and liquid chemicals, the new system combines both substances into one truck. This increased level of efficiency enables airport staff to switch between chemicals on the fly. The new system also applies a pre-wet

solid, which activates the chemicals more quickly and ensures the overall de-icing process is faster and much more efficient.

When applying the de-icing product, the computer-assisted controls can take into account the speed of the truck, wind speed and direction, temperature and current runway conditions in order to ensure the ideal amount of product is being used. This ultimately increases efficiency and reduces waste. The airport expects that the new truck will help better conserve chemical, which in turn will help control costs.

Since the new technology is capable of travelling at a faster speed, de-icing can be completed much more quickly than with the previous trucks. This translates to less time on the runway, reducing delays for air traffic and ultimately results in fewer delays for passengers.

While the new truck has only been in operation since October, all signs point to the new system being an incredible investment for the airport. Not only are runways being de-iced in a more efficient manner, less waste means long-term savings for the airport. Reduced delays also translate to a smoother functioning airport and happier travellers – two benefits the airport is pleased to see.



2019 AT A GLANCE

413,505



**PIECES OF LUGGAGE
PROCESSED**

FIGHTING HUNGER WITH RELAY

In 2019, Relay YQR made donating to the Regina Food Bank much easier. Donation bins placed within the stores allowed passengers to purchase goods from Relay and donate them on the spot.

SIGNED, SEALED, DELIVERED

In 2019, Canada Post completed construction on their new 50,000 square foot distribution facility located in YQR's business park.



TRIPLE THE SPEED

YQR tripled Wi-Fi speeds in 2019, helping passengers to download in a flash. Wi-Fi continues to be offered for free through the airport's network connection.

1,179,485

PASSENGERS WELCOMED



CARBON ACCREDITATION

In 2019, the airport maintained its Level I Carbon Accreditation. This industry-recognized program was created by the Airport Council International (ACI) and strives to help airports in reducing their carbon footprint.

ROLAND J. GROOME AIR CADETS

Each year, RAA proudly sponsors a variety of community groups and initiatives that align with its general mandate. In 2019, one such group was the Roland J. Groome Royal Canadian Air Cadets. The Cadets provide free programming to youth ages 12 - 18 in areas including gliding, leadership training, first aid and wilderness survival. As has been the case for over a decade, the RAA is proud to support the program with a financial contribution, ensuring valuable life skills continue to be shared with future generations.

KREOS GRAND OPENING

September saw the RAA welcome new tenant, Kreos Aviation. The fixed-base operator unveiled its 36,000 square foot state-of-the-art hangar during a grand opening ceremony in the fall. The private terminal provides a variety of services, such as food, lounges, vehicle detailing, meeting rooms, rest areas for crew and various other services catered to chartered and private flights.

WHAT'S YOUR WAIT TIME?



A number of new security wait time displays were added to the terminal in 2019. This addition lets passengers know how long they can expect to be waiting in pre-board screening lines, providing added convenience and peace of mind.





BOARD OF DIRECTORS

7

8

9

10

11

12

13



1 **SEAN MCEACHERN**
Board Chair
City of Regina

2 **TRENT FRASER**
Vice-Chair
City of Regina

3 **GLENDA BOYNTON**
Chair of Audit and
Finance Committee
Regina Airport Authority

4 **DONNA DOWLER**
Chair of Community
Consultative Committee
Province of Saskatchewan

5 **KELLIE GARRETT**
Chair of Human Resources
Committee
Regina Airport Authority

6 **TRISH MARTYNOOK**
Chair of Governance and
Nominations Committee
City of Moose Jaw

7 **ROBERT VANDERHOOF**
Chair of Planning and
Development Committee
RM of Sherwood

8 **TERESA DREW**
Director
The Government of Canada

9 **HAROLD HUGG**
Director
The Government of Canada

10 **RENU KAPOOR**
Director
City of Regina

11 **JIM KILKENNY**
Director
City of Regina

12 **BERNADETTE MCINTYRE**
Director
City of Regina

13 **TYLER WILLOX**
Director
City of Regina

CORPORATE GOVERNANCE

In accordance with Public Accountability Principles for Canadian Airport Authorities, the Board provides oversight to the RAA to ensure its purpose and objectives are realized and that the airport operates in a safe, efficient and reliable manner for the general benefit of the region.

The RAA is governed by a Board of Directors consisting of 11 to 13 prominent men and women from southern Saskatchewan. All members are expected to act with honesty, integrity and impartiality, adhering to the policy and procedures set out through the RAA's Governance Manual.

The Authority has six nominating entities, including itself, who strive to ensure a balanced composition of skills and knowledge relating to the aviation industry, air transportation, business, finance, administration, law, government, engineering, labour relations, risk, strategy and the interests of consumers. A Director may serve no more than three (3) year-terms for a total of nine (9) consecutive years on the Board.

Nominating Entity	Board Positions
Government of Canada	2
Province of Saskatchewan	1
City of Regina	6
City of Moose Jaw	1
RM of Sherwood	1
Regina Airport Authority	2

COMPENSATION FRAMEWORK

Board Remuneration

The annual remuneration of the Board of Directors, consisting of honorariums and per diems for the year ending December 31, 2019 was \$222,916.24 (2018 was \$189,794).

Type	Remuneration
Board Chair Annual Retainer	\$20,000
Board Vice-Chair and Committee Chair Annual Retainer	\$12,250
Individual Director Annual Retainer	\$10,000

DIRECTOR ATTENDANCE

In 2019, there were 26 Board, Committee and public meetings. Overall participation by the Board members was 85% for Committee meetings and 93% for Board meetings. The overall attendance rate was 89% (2018 was 98%).

CODE OF CONDUCT & CONFLICT OF INTEREST

RAA has adopted Code of Conduct and Conflict of Interest policies and guidelines to govern the actions of all officers and directors, with an annual disclosure requirement to avoid potential conflicts of interest.

The Conflict of Interest Policy was implemented to highlight the legal obligations of Directors and Officers. Directors, Officers and Proposed Directors and Officers are obligated to disclose any existing conflicts of interest or potential conflicts of interest that may arise in the business of the Authority and its Board.

All Directors and Officers complete disclosure statements on an annual basis.

RISK MANAGEMENT OVERSIGHT

The Audit and Finance Committee takes the lead role working closely with the Board for risk management oversight. Organizational risks, business impact analysis and business continuity reviews were considered and incorporated into annual business planning processes during 2019.

The RAA developed an entirely new Enterprise Risk Management solution in 2019 that was approved by the Board of Directors.

Director	Position	Code of Conduct	Conflict of Interest
Sean McEachern	Board Chair	✓	✓
Trent Fraser	Vice-Chair	✓	✓
Glenda Boynton	Chair, Audit and Finance Committee	✓	✓
Donna Dowler	Chair, Community Consultative Committee	✓	✓
Trish Martynook	Chair, Governance and Nominations Committee	✓	✓
Jim Kilkenny		✓	✓
Rob Vanderhooft	Chair, Planning and Development Committee	✓	✓
Renu Kapoor		✓	✓
Tyler Willox		✓	✓
Teresa Drew		✓	✓
Bernadette McIntyre*		✓	✓
Harold Hugg		✓	✓
Kellie Garrett	Chair, Human Resources Committee	✓	✓
Officer		Code of Conduct	Conflict of Interest
James Bogusz		✓	✓
Earl Spencer		✓	✓
Cindy Ziola		✓	✓

*Term started during 2019

MANAGEMENT DISCUSSION & ANALYSIS

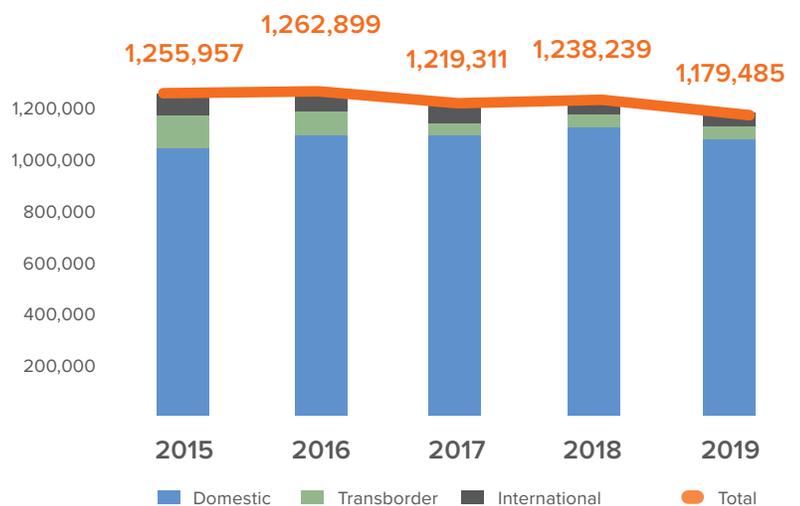
The Management Discussion and Analysis (MD&A) provides details to assist in the interpretation of the operations and financial condition of the Regina Airport Authority Inc. (RAA) for the fiscal period ending December 31, 2019. The MD&A should be read in conjunction with the RAA's audited financial statements and note disclosures, which have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook – Accounting.

The RAA is a not-for-profit, locally based entity without share capital that manages and operates the Regina International Airport (YQR). All excess revenues over expenditures are applied to managing and operating the Regina International Airport consistent with its mission statement. As of December 31, 2019, the RAA is into its 21st year of operation in its lease arrangement with the Crown. The lease will expire on April 30, 2079.

Passenger Statistics

Passenger volumes are the key driver for most of the RAA's revenues. Total passenger volumes were down 4.7% (58,754 fewer passengers compared to 2018; 95,515 fewer compared to budgeted passengers of 1,275,000). All three streams (Domestic, Transborder and International) have decreased in comparison to prior years. The passenger traffic statistics year-over-year are summarized in Figure 1.

Figure 1



The lower passenger volumes are mainly attributable to a 6.6% reduction in airline seats serving the local market, which is related to airlines re-deploying their fleet to accommodate fleet shortages as a result of the grounding of the 737 Max 8 aircrafts.

The decreased passenger traffic had a negative affect on revenue. For example, aeronautical revenues and parking revenues decreased by a total of \$1,196,000.

Airport Improvement Fees	-4.2%	\$ (467,000)
Public Parking	-10.6%	\$ (449,000)
Airline Fees (Landing, Terminal, Other)	-3.7%	\$ (280,000)

For 2020, 1,226,275 passengers are anticipated based upon a 2.5% passenger growth target applied to forecasted 2019 results.

Rate and Fees

There were no aeronautical rate and fee changes in 2019 and likewise, there are no rate and fees changes expected in 2020.

Airport Improvement Fee (AIF)

The Airport Improvement Fee (AIF) is a major source of the RAA's revenue base, approximating 38.0% of all revenue in 2019. The AIF is collected by the airlines on behalf of the RAA for the purpose of funding capital programs for airport infrastructure and the related financing costs. The AIF is collected from all passengers originating from YQR and does not include connecting and non-revenue passengers.

During 2019, AIF revenue decreased \$467,000 attributed to the decrease in enplaned passenger volume compared to the prior year.

AIF eligible expenditures in 2019 were low due to longer-term strategic capital planning initiatives, resulting in a surplus of AIF revenue over expenditures of \$5,171,000. On a cumulative basis, since inception in May of 1999, the RAA has a deficiency of AIF revenue over expenditures of \$29,658,000 (2018 - \$34,829,000). Over the longer-term planning period, loans and interest incurred are repaid from future AIF funds collected.

The current AIF rates remain unchanged at \$20/enplaned passenger and \$5/enplaned passenger for intra-provincial enplanements.

Capital Activity Highlights

The 2019 capital programming included the following major project highlights on a capital spend of \$4,494,000 (2018 – \$2,290,000):

ELIGIBLE AIF FUNDED ACTIVITIES: \$4,297,000

\$ 936,000	Parking equipment renewal
\$ 792,000	Hold room renovations
\$ 339,000	Runway truck and de-icer spreader
\$ 320,000	Cyber security monitoring
\$ 212,000	Administration and technology office renovations
\$ 190,000	Radio communication system
\$ 176,000	Airport land improvements
\$ 157,000	Air terminal building sign replacement requirements
\$ 138,000	Wireless network improvements
\$ 86,000	User technology device replacement
\$ 77,000	Air Terminal Building power saving initiatives
\$ 54,000	Runway Surface condition Reporting Truck
\$ 820,000	Other Leasehold Program capital maintenance programs

AIF eligible interest expense of \$1,192,000 was incurred during 2019 (\$1,287,000 – 2018).

NON-ELIGIBLE AIF FUNDED ACTIVITIES: \$197,000

\$ 115,000	Airport land improvements
\$ 24,000	Information technology disaster recovery
\$ 20,000	Re-alignment of YQR Way
\$ 38,000	Other leasehold program capital maintenance programs

Non-AIF eligible interest expense of \$397,000 was incurred during 2019 (\$424,000 – 2018).

For 2020, the RAA has projected a capital spend of \$11,511,000. Activities will focus on the terminal building, a common-use glycol supply blending facility, technology, upgrades to airside surfaces, runway lighting and operating equipment.

CONTINUED

Liquidity and Capital Resources

The RAA is funded through operating revenues, AIF revenues and bank credit facilities.

The RAA completed 2019 operations with a cash balance of \$9,653,000, compared to \$ 9,457,022 at December 31, 2018. The cash flow from operations of \$8,275,000 was almost completely offset by \$4,494,000 spent on capital expenditures and \$3,553,000 in debt repayment. As the ending cash balance remained relatively stable year-over-year (i.e. approximately \$9,000,000) and the RAA carried a significant amount of debt (\$46,723,000), an early debt repayment of \$6,590,000 has been made in January 2020. After this debt repayment, the RAA remains in a strong financial position to continue to support its operations and capital investment requirements.

LENDING ARRANGEMENTS

- Debt Service Ratio (DSR)
The RAA must maintain a DSR of 1.25 to 1 or better. The DSR is earnings before interest, taxes, depreciation and amortization (EBITDA) divided by annual interest payments and current portions of long-term debt. The 2019 DSR ratio is 2.93 - 1 (2018 – 2.84 - 1).

LINES OF CREDIT

The RAA carries two lines of credit:

- Operating line of credit facility of \$2,000,000, which is undrawn at December 31, 2019
- Revolving line of credit of \$15,000,000 for capital expenditures, which is undrawn at December 31, 2019

Subsequent to December 31, 2019, the World Health Organization made the assessment that the COVID-19 outbreak was a pandemic. As of the date of approval of these financial statements, the RAA started experiencing the impact of COVID-19 on its activities and the activities of its major counterparties. The extent of the ultimate impact on the operations of the RAA is unknown at this time but may be significant. The RAA is closely monitoring the situation and is prepared to modify its capital and operating expenditures based on future impacts from the outbreak.

Statement of Financial Position

Total assets of the corporation decreased by \$5,829,000 (4.0%) to \$138,771,000 (2018 - \$144,600,000).

Capital net assets decreased \$6,072,000 due to expenditures of \$4,494,000 and amortization of \$10,476,000. The higher than expected amortization was mainly due to a comprehensive review of the useful lives of capital assets. Approximately 20% of amortization expense (\$1,855,000) was attributable to the decrease in remaining useful life.

Pension net assets decreased by \$687,000, reflecting an actuarial loss due to a change in assumptions. Effective January 1, 2019, the RAA implemented a dynamic de-risking investment strategy in order to achieve a portfolio that will allow settlement of the pension obligation while reducing the volatility of the Plan's funding position and required contributions given that the defined benefit component is closed to new members. The new asset mix is aligned with the RAA's de-risking strategy and investment policy.

Receivables increased \$555,000 primarily due a loan to a land tenant at the airport to aid upgrading facilities and a new receivable for customer parking revenue. The RAA contracted a service provider for parking services at the end of 2019, resulting in parking revenues being received two times per month, versus daily.

Total liabilities decreased by \$3,779,000 (6.4%) to \$55,145,000 (2018 - \$58,924,000). Accounts payable and accrued liabilities remained relatively static year over year; total debt decreased \$3,553,000 due to debt repayments; and, amortization of \$253,000 related to funding of Hold Baggage Screening and Non-Passenger Screening was recognized.

Overall net assets decreased \$2,050,000 (\$4,595,000 increase during 2018) reflective of excess expenses over revenue and the employee future benefits re-measurement.

Statement of Operations

REVENUE:

Revenues decreased \$767,000, a 2.7% decrease compared to the prior year. This was mainly driven by a decrease in passenger traffic as noted earlier.

Other items impacting revenue include:

- Competition for parking such as rideshare and off-site parking, resulting in the RAA reducing long-term parking rates to encourage higher volumes
- Payment for an early termination of a land lease
- Targeted initiatives to increase concession revenues: fee changes for taxi and ridesharing companies; enlargement of the hold room area to increase shopping and food/beverage availability
- Higher interest income received because of a higher average cash balance

EXPENSES:

Expenses increased \$4,623,000 (19.1%) compared to the prior year. This was mainly driven by the increase in amortization noted earlier (\$1,855,000) and an increase in personnel costs (\$2,858,000), where the increase is related to a pension adjustment made in 2018.

Services, supplies and administration increased \$635,000 due to higher building and groundside maintenance costs, higher contract service cost for security and customer service and increased marketing spending on air service development and ground transportation strategy.

Property taxes decreased \$539,000 due to a conditional grant in the form of a property tax exemption to support the RAA obtaining and retaining an airline to commit to a daily year-round service to a US hub. This exemption was shared by both the municipal and provincial governments. This exemption is available for up to five years if all conditions are met by the end of 2020.

Interest cost decreased by \$122,000 due to the decrease in long-term debt.

Contracts Not Tendered

All projects with a value in excess of \$125,000 require a public tender or request for proposal process. All projects complied with this requirement for 2019.

**BUSINESS PLAN
FINANCIAL SUMMARY**

Report on the Business Plan and Objectives for 2019 - shown in (000s)

	Plan	Actual	POS (NEG) Variance
Operating Revenue	18,220	17,146	(1,074)
Operating Expense	17,427	16,698	729
Net Airport Improvement Fees	11,620	10,659	(961)
Capital Expenditures*	11,254	4,494	(6,760)

* includes carry over on multi-year projects

Report on the Business Forecast for 2020-2024 - shown in (000s)

	2020	2021	2022	2023	2024
Operating Revenue	17,926	18,374	18,834	19,304	19,787
Operating Expense	18,649	19,115	19,593	20,083	20,585
Capital Expenditures*	11,511	20,360	18,150	19,315	32,950

* includes carry over on multi-year projects

- Capital Expenses & forecast include both eligible and non-eligible AIF items
- Auditors Report & Financial Statements are found within the 2019 Financial Statement Section
- Management Discussion & Analysis may also be found within the 2019 Financial Statement Sections

March 5, 2020

The accompanying financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles. The most significant of these are set out in Note 3 of the financial statements.

Regina Airport Authority Inc. (Authority) accounting procedures and related system of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. These financial statements include some amounts based upon management's best estimate and judgements. Recognizing that the Authority is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared within reasonable limits of materiality.

The Board of Directors has appointed an Audit and Finance Committee consisting of four (4) independent Directors. The Committee meets periodically during the year to review with management and the auditors any significant accounting, internal controls, and auditing matters. They also review and finalize the annual financial statements.

The financial information throughout the text of this annual report is consistent with the information presented in these consolidated financial statements.

On behalf of the Regina Airport Authority Inc.:



James Bogusz
President and CEO



Cindy Ziola, CPA, CA
Chief Financial Officer

FINANCIALS

Financial Statements of

REGINA AIRPORT AUTHORITY INC.

Year ended December 31, 2019

Independent Auditor's Report

To the Members of
Regina Airport Authority Inc.

Opinion

We have audited the financial statements of Regina Airport Authority Inc. (the "Authority"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The image shows the signature of Deloitte LLP in a cursive, handwritten style.

Chartered Professional Accountants

Regina, Saskatchewan
March 26, 2020

REGINA AIRPORT AUTHORITY INC.

Statement of Financial Position
As at December 31, 2019

	2019	2018
ASSETS		
Current Assets:		
Cash	\$ 9,652,991	\$ 9,457,022
Accounts receivable and accrued revenue (note 4)	3,286,992	2,732,171
Investments (note 5)	2,063,288	2,012,890
Prepaid materials and supplies	906,040	788,687
	<u>15,909,311</u>	<u>14,990,770</u>
Pension asset (note 10)	2,089,000	2,776,000
Investments (note 5)	51,890	40,602
Capital assets (note 6)	120,720,587	126,792,854
	<u>\$ 138,770,788</u>	<u>\$ 144,600,226</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 2,225,027	\$ 2,110,628
Deferred revenue	71,324	158,619
Current portion of long-term debt (note 9)	8,847,096	3,553,452
	<u>11,143,447</u>	<u>5,822,699</u>
Long-term debt (note 9)	37,875,406	46,722,502
Tenant security deposits	99,320	98,820
Deferred contributions (note 12)	6,026,499	6,279,625
	<u>55,144,672</u>	<u>58,923,646</u>
Net assets	83,626,116	85,676,580
	<u>\$ 138,770,788</u>	<u>\$ 144,600,226</u>
Commitments (note 13)		

See accompanying notes to financial statements

Approved on behalf of the Board:

Sean McEachern, Chair of Board

Glenda Boynton, Chair of Audit and Finance Committee

REGINA AIRPORT AUTHORITY INC.

Statement of Operations and Net Assets
Year ended December 31, 2019

	2019	2018
Revenue:		
Airport improvement fees (note 14)	\$ 10,659,016	\$ 11,125,659
Public parking	3,789,733	4,239,233
Landing fees	2,724,528	2,783,182
General terminal fees	2,470,583	2,547,399
Concessions	2,765,990	2,748,457
Other airline fees	2,010,764	2,155,155
Rentals	1,817,222	1,633,170
Customer facility charge (note 15)	956,186	970,504
Other	611,316	346,374
Amortization of deferred contributions (note 12)	253,126	276,137
	28,058,464	28,825,270
Expenses:		
Amortization	10,476,233	8,645,800
Salaries and benefits (Note 10)	6,206,698	3,320,345
Services, supplies and administration	7,454,400	6,819,030
Property taxes	986,224	1,561,687
Utilities	1,057,029	1,110,149
Ground lease	993,151	1,062,494
Interest (note 17)	1,589,106	1,710,687
Loss on disposal of capital assets	90,087	-
	28,852,928	24,230,192
(Deficit) excess of revenue over expenses	(794,464)	4,595,078
Net assets, beginning of year	85,676,580	81,787,502
Employee future benefits remeasurement (note 10)	(1,256,000)	(706,000)
Net assets, end of year	\$ 83,626,116	\$ 85,676,580

See accompanying notes to financial statements

REGINA AIRPORT AUTHORITY INC.

Statement of Cash Flows
Year ended December 31, 2019

	2019	2018
Cash provided by (used in):		
Operations:		
(Deficit) excess of revenue over expenses	\$ (794,464)	\$ 4,595,078
Add (deduct) non-cash items:		
Amortization of capital assets	10,476,233	8,645,800
Amortization of deferred contributions	(253,126)	(276,137)
Loss on disposal of capital assets	90,087	-
Release of valuation allowance (Note 10)	-	(2,858,000)
Difference between pension expense and amount funded	(569,000)	(624,000)
Unrealized gain on investments	(29,978)	(10,968)
	8,919,752	9,471,773
Changes in non-cash working capital:		
Accounts receivable and accrued revenue	(554,821)	171,881
Prepaid materials and supplies	(117,353)	(104,303)
Accounts payable and accrued liabilities	114,399	395,090
Deferred revenue	(87,295)	118,437
Tenant security deposits	500	-
Cash flow from operations	8,275,182	10,052,878
Investing:		
Purchase of capital assets	(4,494,053)	(2,290,553)
Purchase of investments	(4,080,614)	(1,584,922)
Proceeds on sale and maturity of investments	4,048,906	1,568,861
Cash flow used in investing activities	(4,525,761)	(2,306,614)
Financing:		
Repayments of long term debt	(3,553,452)	(3,553,452)
Cash flow used in financing activities	(3,553,452)	(3,553,452)
Increase in cash	195,969	4,192,812
Cash, beginning of year	9,457,022	5,264,210
Cash, end of year	\$ 9,652,991	\$ 9,457,022

See accompanying notes to financial statements

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

1. Purpose and description of business:

Regina Airport Authority Inc. (the "Authority") was incorporated June 18, 1997 as a corporation without share capital under Part II of the *Canada Corporations Act* (the "Act") and continued under the Canada Not-for-profit Corporations Act. The Authority is exempt from federal and provincial income tax. The Authority has operated Regina International Airport since May 1, 1999, under a lease from the Government of Canada (the "Ground Lease"). The Ground Lease had an initial term of 60 years with an option to extend for 20 years. The option to extend the Ground Lease was exercised in 2014 and, accordingly the Ground Lease will now expire on April 30, 2079. The parties agreed that the extension is on the same conditions as the initial Ground Lease, except that there is no longer any option to renew the Ground Lease or further extend the term. At the end of the renewal term, the Authority is obligated to return control of the Airport to the Landlord. The Airport must be returned in a state of good order, condition and repair. The Airport must also be free and clear of any Occupancy Agreement, Transfer, Leasehold Mortgage, (as defined in the Ground Lease) or other encumbrances of any nature or kind except those which the Landlord has granted rights of non-disturbance.

Pursuant to the Act, the Authority shall operate as a not-for-profit corporation and as such, the Authority reinvests all excess of revenue over expenses in the capital renovation and expansion requirements of the airport for which it is responsible. In addition to the investment of the excess of revenue over expenses, the Authority is authorized to borrow to invest in the airport infrastructure, and current borrowings are detailed in Note 9. Capital requirements are generally determined on an annual basis in conjunction with the Authority's business planning cycle, although longer term projects may involve financial commitments that extend beyond one year. The Authority annually re-evaluates its economic condition and facility demands in setting its objectives.

The mandate of the Authority is to manage and operate the airport in a safe, secure, efficient and commercially viable and environmentally responsible manner in its objective to advance economic and community development by means that include promoting and encouraging improved airline transportation for the general benefit of the public in its region.

2. Basis of preparation:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook-Accounting.

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

3. Significant accounting policies:

The following accounting policies are considered significant:

a) *Changes in accounting policies:*

On January 1, 2019, the Authority adopted Section 4433 tangible capital assets held by not-for-profit organizations. The Section was applied prospectively as defined in Accounting Changes, paragraph 1506.05(g)(i) in Part II of the Handbook.

Componentization requirements as established by paragraph 3061.18 to tangible capital assets held as at January 1, 2019 were applied by allocating the costs of tangible capital assets and related amortization to their component parts based on their relative cost at the date the assets were acquired. As a result of adoption of this Section, the amount of amortization expense charged to the statement of operations for 2019 decreased by approximately \$114,000.

The Authority considered other standards effective for fiscal years beginning on or after January 1, 2019 and found that adoption of these standards has no impact on the Authority's financial statements.

b) *Future changes in accounting policies*

Section 3032 *Inventories held by not-for-profit organizations* is effective for fiscal years beginning on or after January 1, 2021. This Section prescribes the accounting treatment for inventories of a not-for-profit organization. Management is still evaluating the impact from adoption of this Section and currently does not expect such impact to be significant.

c) *Capital assets*

Capital assets are recorded at cost less accumulated amortization. Cost includes expenditures that are directly attributable to the acquisition of the asset. Acquisition costs include the purchase price, installation, design and engineering fees, legal fees, survey costs, site preparation, transportation, direct labour, insurance and duties required to bring the asset to a working condition for its intended use.

The cost of capital assets are allocated into significant separable parts to record and amortize. Componentization is performed when costs may be reasonably allocated between parts and a reasonable estimate can be made of the useful lives of the separable components.

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

3. Significant accounting policies (continued):

Interest on debt directly attributable to finance the construction of capital assets is capitalized and included in the cost of capital assets. Capitalization of interest ceases when the asset is substantially complete and available for use.

Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Category	Years
Leased land	48-65
Office furniture and equipment	3-10
Computer equipment	3- 5
Vehicles and equipment	3-15
Leasehold improvements	1-50
Work in progress	not amortized, as not available for use

The various components of the air terminal building, other building structures, roadways and airfield surfaces, included in leasehold improvements, are amortized on a straight-line basis over the estimated economic life of the component asset, limited to the term of the Ground Lease. These assets revert back to the Government of Canada upon expiry of the Ground Lease.

The Authority has previously purchased Land for operational purposes and future development. The Ground Lease requires that at commencement of development the applicable land be transferred to the Government of Canada at which time the Authority reclassifies Land to Leased Land and commences amortization on a straight-line basis over the remaining full fiscal years of the Ground Lease.

Capital projects uncompleted at year end are capitalized to work in progress at cost. Costs are transferred to the appropriate capital asset class and amortization commences when the project is completed and the assets become operational.

d) *Impairment of long-lived assets*

The Authority uses a two-step process for determining whether an impairment of long-lived assets should be recognized in the financial statements. If events or changes in circumstances indicate that the carrying value of the long lived asset may have been impaired, a recoverability analysis is performed on the estimated undiscounted cash flows to be generated from the asset's operations and its projected disposition. If the analysis indicates that the carrying value is not recoverable from future cash flows, the long lived asset is written down to its estimated fair value and an impairment loss is recognized in the statement of operations. If circumstances change impairment loss may be adjusted reflecting a partial or full reversal.

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

3. Significant accounting policies (continued):

e) *Employee future benefits - Pension plan*

The Authority has a retirement pension plan (the "Plan") for all permanent and term employees. The plan provided employees with an option to elect to continue as defined benefit members or elect to become defined contribution members at the time of transfer (May 1, 1999) to the Authority from the Government of Canada. The defined benefit membership is limited to those that continued on as defined benefit members with all new employees since transfer classified as defined contribution members. The Authority does not provide any non-pension post-retirement benefits.

The Authority accrues its obligation under the pension plan as the employees render their services necessary to earn the pension benefits. For the defined benefit plan, the fair value of pension assets are used for the purpose of calculating the expected return on plan assets. Pension obligation is determined by an independent actuary using the projected benefit method prorated on service and management's best estimate assumptions. The Authority uses the funding valuation as the basis for financial reporting purposes and determination of costs. The cost of the defined contribution component of the plan is recognized based on the contributions required to be made during each period. Actuarial gains and losses arise because of changes in assumptions and from experience differing from what has been assumed. Actuarial gains and losses arising from remeasurement are recognized in net assets.

f) *Financial instruments*

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

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

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

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

3. Significant accounting policies (continued):

The Authority accounts for a qualifying hedge of an interest-bearing liability as follows:

- (i) Interest on the hedged item is recognized using the instrument's stated interest rate plus or minus amortization of any initial premium or discount and any financing fees and any transaction costs.
- (ii) Net amounts receivable or payable on the interest rate swap are recognized as an adjustment to interest on the hedged item in the period in which they accrue.

g) *Revenue recognition*

Restricted contributions are reflected as deferred contributions and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Government contribution towards capital assets are deferred and amortized on the same basis as the related capital assets.

h) *Revenue recognition (continued):*

Specifically, revenue is recognized as follows:

- Landing, general terminal and other airline fees are recognized when airport facilities are utilized.
- Public parking and concession revenues are recognized when facilities are utilized. Concession revenue is recognized based on the greater of agreed percentages of reported concessionaire sales and specified minimum guaranteed amounts over the terms of the respective leases.
- Rental revenues are recognized over the terms of the respective leases at the commencement of each month when rent is due.
- Other income is recognized when earned or received.
- Airport Improvement Fee ("AIF") revenue is recognized when the originating departing passengers board their aircraft as reported by the airlines.
- Customer Facility Charge ("CFC") revenue is recognized based on the transaction day information contained in the rental car agreements as reported by the operators.

Deferred revenue consists primarily of land leasing, space rental, aeronautical fees and concession fees received in advance of land or facilities being utilized.

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

3. Significant accounting policies (continued):

i) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful lives of capital assets and determination of pension plan liability. Actual results could differ from those estimates.

During the year, the Authority reviewed the useful lives of its capital assets. As a result of the review the useful lives of some of its assets were decreased. This change in accounting estimates was accounted for prospectively as of the current period and increased amortization expense by approximately \$1,855,000.

4. Accounts receivable and accrued revenue:

Accounts receivable and accrued revenue are reported net of any allowance for bad debts that are estimated to occur. The allowance for as at December 31, 2019 is \$11,763 (December 31, 2018 – \$674). Bad debts expense for 2019 is \$12,734 (2018 – recovery is \$207).

5. Investments:

The carrying value of the Authority's investments are as follows:

	2019	2018
Current investments:		
Guaranteed Investment Certificates and growth notes	\$ 2,063,288	\$ 2,012,890
	2,063,288	2,012,890
Long-term investments:		
Common shares	49,407	40,602
Other Investments	2,483	-
	51,890	40,602
		-
	\$ 2,115,178	\$ 2,053,492

The GIC's, growth notes and savings account include mainly high interest savings at an interest rate of 2.2% maturing in January 2020 (2018 includes mainly money market financial instruments with the interest rate of 1.70%-2.65% and maturing between February 2019 and May 2019).

The fair value of the GIC's, growth notes and savings account approximates cost due to their short-term nature. The fair value of common shares is based on quoted market values.

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

6. Capital assets:

Asset Category	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Leased land	\$ 3,407,484	\$ 504,334	\$ 2,903,150	\$ 2,537,979
Leasehold improvements	172,913,327	62,073,186	110,840,141	119,733,724
Vehicles and equipment	8,614,296	5,372,633	3,241,663	3,327,823
Computer equipment	1,319,628	626,989	692,639	410,329
Office furniture and equipment	180,219	58,911	121,308	77,541
Work in progress	2,921,686	-	2,921,686	705,458
	<u>\$189,356,640</u>	<u>\$ 68,636,053</u>	<u>\$120,720,587</u>	<u>\$126,792,854</u>

7. Operating line of credit:

The Authority has a \$2,000,000 (2018 - \$500,000) operating line of credit (the "Operating Facility") bearing interest at prime lending rate less 0.50%. The Operating Facility is unsecured and repayment terms are on demand. As at December 31, 2019 and December 31, 2018 no amounts were drawn against this line of credit.

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable for provincial sales taxes and goods and services taxes of \$59,969 (2018 – \$118,539).

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

9. Long-term debt:

Details of the long-term debt outstanding are described in the following table:

	2019	2018
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly instalments of \$54,795 plus interest and stamping fee, due May 2042	\$ 14,684,360	\$ 15,341,900
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly installments of \$65,828 plus interest and stamping fee, due September 2031	9,281,708	10,071,644
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum repaid January 2020	6,590,052	7,886,460
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly instalments of \$25,000 plus interest and stamping fee, due October 2041	6,550,000	6,850,000
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly instalments of \$25,794 plus interest and stamping fee, due June 2037	5,416,542	5,726,070
Term loan bearing interest at prime lending rate less 0.50% per annum plus stamping fee of 1.25% per annum, repayable in monthly instalments of \$16,670 plus interest and stamping fee, due December 2040	4,199,840	4,399,880
	46,722,502	50,275,954
Less: current portion	8,847,096	3,553,452
	\$ 37,875,406	\$ 46,722,502

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

9. Long-term debt (continued):

Interest rate swap financial contracts (note 17(a)) are used to reduce cash flow risk on 100% of the outstanding loan balance. Accordingly, the effective interest rate on the Authority's long-term debt was 3.35% in 2019 (2018 – 3.35%).

The Authority has a credit facility that provides for an ongoing \$15,000,000 commitment to finance construction and acquisition of capital assets, bearing interest at prime lending rate less 0.50%. As at December 31, 2019 and December 31, 2018 no amounts were drawn against this line of credit.

Future principal payments required on all long-term debt, without considering any renegotiation of the due dates, for the next five years are as follows:

2020	\$ 8,847,096
2021	2,257,044
2022	2,257,044
2023	2,257,044
2024	2,257,044

The Authority is required to maintain at all times a ratio of earnings before interest and depreciation to interest expenses plus current portion of long term debt of 1.25:1 or better. As at December 31, 2019 the Authority was in compliance with the covenant (2018 – in compliance).

10. Pension plan liability:

The Authority sponsors and funds a registered pension plan (the "Plan") on behalf of its employees, which has both defined benefit and defined contribution components. Pensions payable from the defined benefit component are generally based on the member's average annual earnings near retirement and indexed annually at 100% of the consumer price index. The Authority accrues its obligation and related costs under the Plan, net from plan assets.

The last actuarial valuation for funding was prepared as at December 31, 2018 by Mercer. The results of the valuation have been extrapolated to December 31, 2019. The next scheduled valuation for funding purposes will be completed as at December 31, 2019, final valuation results are not available for this reporting period.

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

10. Pension plan liability (continued):

Significant actuarial assumptions used in measuring the Authority's accrued benefits are:

Discount rate for 2019 was 3.90% (2018 – 4.80%), rate of compensation increases for 2019 was 2.5% (2018 – 3.00%) and pre and post-retirement indexing for 2019 at 2.00% (2018 – 2.00%).

Information about the defined benefit component of the Authority's pension plan is as follows:

	2019	2018
Accrued benefit obligation:		
Balance, beginning of year	\$ 10,686,000	\$ 10,537,000
Current service cost	242,000	189,000
Interest cost	417,000	506,000
Employee contributions	38,000	40,000
Benefits paid	(329,000)	(298,000)
Actuarial loss (gain) due to changes in assumption	2,290,000	(288,000)
Balance, end of year	\$ 13,344,000	\$ 10,686,000
Fair value of plan assets:		
Balance, beginning of year	\$ 13,462,000	\$ 13,395,000
Interest income	525,000	643,000
Actual return on plan assets (excluding interest income)	1,034,000	(994,000)
Employer contributions	703,000	676,000
Employee contributions	38,000	40,000
Benefits paid	(329,000)	(298,000)
Balance, end of year	\$ 15,433,000	\$ 13,462,000
Funding status of plan:		
Accrued benefit obligation	\$ 13,344,000	\$ 10,686,000
Fair value of plan assets	15,433,000	13,462,000
Funding Status	\$ 2,089,000	\$ 2,776,000

Special payments paid during 2019 total \$397,500 (2018 - \$464,100). As the December 31, 2019 final funding valuation results are not available, 2020 special payments are not yet determined.

Salaries and benefits are recorded net of recognition of pension plan recovery of \$ nil (2018 recovery - \$2,858,000).

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

10. Pension plan liability (continued):

The Authority's policy is to invest fund assets in a balanced and diversified manner in accordance with the Pension Benefits Standards Act.

Effective January 1, 2019 the Authority implemented a dynamic de-risking investment strategy in order to achieve a portfolio that will allow settlement of the obligation while reducing the volatility of the Plan's funding position and required contributions given that the defined benefit component is closed to new members. The new asset mix is aligned with the Authority's de-risking strategy and investment policy.

The asset allocation benchmark and actual balanced fund asset allocations are:

	2019 Benchmark	2019	2018 Benchmark	2018
Equities	30.0%	30.1%	60.0%	60.1%
Fixed income	70.0%	69.9%	37.0%	36.1%
Cash/cash equivalents			3.0%	3.8%

The total defined contribution expense recorded in salaries and benefits for the year ended December 31, 2019 was \$229,450 (2018 - \$194,641).

11. Government assistance:

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 2019 in the amount of \$96,250 (2018 - \$96,250) and are recorded in other revenue in the statement of operations.

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

12. Deferred contributions:

The Authority received funding from CATSA for capital reimbursement in the amount of \$6,903,434 for Hold Baggage Screening Recapitalization and Non-Passenger Screening Vehicle Checkpoint projects. The funding is recognized as a deferred contribution on the Balance Sheet and is amortized into revenue over the estimated useful life of the assets.

	2019	2018
CATSA grants	\$ 6,903,434	\$ 6,903,434
Accumulated amortization	(876,935)	(623,809)
	\$ 6,026,499	\$ 6,279,625

13. Commitments:

a) Ground lease commitments:

The Authority pays an annual ground lease rental payment based on a sliding scale percentage of gross revenue to Transport Canada pursuant to the Ground Lease. The estimated operating lease payments over the next five years are:

2020	\$ 1,150,000
2021	1,203,000
2022	1,258,000
2023	1,314,000
2024	1,371,000

b) Contracted and other operating leases:

The Authority is committed under contractual and operating lease agreements with the following estimated annual payments over the next five years:

2020	\$ 2,003,000
2021	1,255,000
2022	767,000
2023	479,000
2024	51,000

c) Capital commitments:

During the year the Authority also entered into contractual agreements for certain capital projects. As at December 31, 2019 \$856,000 (2018 - \$897,000) in work remains to be completed on these projects.

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

14. Airport improvement fee:

The Authority derives revenue from the AIF which is collected by the 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, signatories receive a 7% collection fee. AIF revenue is used to fund the costs of new airport infrastructure, as well as major improvements to existing facilities, at the Regina International Airport. The AIF as at December 31, 2019 was \$20 (2018 - \$20) for each originating passenger departing Regina International Airport. Intra-provincial flights are charged an AIF of \$5 (2018 - \$5) per enplaned passenger.

AIF funding activities on the year are outlined below:

	2019	2018
Earned revenue	\$ 11,473,783	\$ 11,975,082
Airline/ATAC handling and administration fees	(814,767)	(849,423)
Net AIF revenue earned	10,659,016	11,125,659
Eligible capital asset purchases	(4,296,665)	(1,986,328)
Eligible interest expense	(1,191,759)	(1,287,484)
Surplus of AIF revenue over AIF expenditures	\$ 5,170,592	\$ 7,851,847

AIF funding activities on a cumulative basis since inception of the AIF are outlined below:

	2019	2018
Earned revenue	\$ 159,287,659	\$ 147,813,876
Airline/ATAC handling and administration fees	(11,324,049)	(10,509,282)
Net AIF revenue earned	147,963,610	137,304,594
Eligible capital asset purchases	(171,826,504)	(167,529,839)
Eligible interest expense	(5,795,556)	(4,603,797)
Deficiency of AIF revenue over AIF expenditures	\$ (29,658,450)	\$ (34,829,042)

15. Customer facility charge:

The Authority derives revenue from the CFC which is collected by the rental vehicle concession operators pursuant to the Rental Vehicle Concessionaires Agreements (the "RVCA"). Pursuant to the RVCA agreements, revenue is used to fund the capital investment, financing, operation and maintenance of the common use support facility at Regina International Airport. The CFC as at December 31, 2019 was \$5.50 (2018 - \$5.50) applied for each transaction day under the rental agreement.

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

16. Financial risk management:

a) Risk management

The Authority's Board is responsible for understanding the principal risks of the business in which the Authority is engaged, achieving a proper balance between risks incurred and the legislated purpose of the Authority and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Authority.

b) Credit risk

The Authority is subject to credit risk through its accounts receivable and accrued revenue, cash and GIC's, growth notes and savings account. The maximum credit risk to which it is exposed as at December 31, 2019 is limited to the fair value of the financial assets summarized as follows:

	2019	2018
Accounts receivable and accrued revenue	\$ 3,286,992	\$ 2,732,171
Cash	9,652,991	9,457,022
GIC's, growth notes and savings account	2,065,771	2,012,890
	<u>\$ 15,005,754</u>	<u>\$ 14,202,083</u>

Accounts receivable and accrued revenue consist primarily of airline fees and AIF owing from the carriers and concession and CFC fees owing from concession operators. The majority of concessions and CFC owing are settled within 15 days after the end of the month. The majority of airline fees are billed monthly and settled within 30 days thereafter. The majority of AIF owing is settled on a monthly basis on the first day of the subsequent month. Accounts receivable credit risk is reduced further by the Authority's requirement for letters of credit, customer credit evaluations and maintenance of an allowance for potential credit losses. Provisions under the Airport Transfer (Miscellaneous Matters) Act provide the Authority with the right to seize and detain aircraft until unpaid airline fees are paid further mitigating risk.

Credit risk in cash, GIC's, growth notes and savings account is managed through an investment policy that limits debt instruments to those of high credit quality.

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

16. Financial risk management (continued):

c) *Liquidity risk*

The Authority manages its liquidity risk by maintaining adequate cash, investments and credit facilities by updating and reviewing multi-year cash flow projects on a regular and as-needed basis and by matching its long-term financing arrangements with its cash flow needs. The Authority achieves mitigation of liquidity risk through funds generated by operations and ready access to sufficient long-term funds as well as lines of credit through a credit facility. The Authority has an investment policy in place providing for the ability to liquidate investments on short notice. The policy restricts investments to high grade securities.

d) *Foreign currency risk*

The Authority's functional currency is the Canadian dollar, and major purchases and revenue receipts are transacted in Canadian dollars. Management believes that foreign exchange risk from currency conversions is negligible.

e) *Interest rate risk*

Interest rate risk arises because of fluctuations in interest rates. The Authority is exposed to interest rate risk on its cash and investments which are maintained to provide liquidity while achieving a satisfactory return. The Authority is exposed to interest rate risk associated with its long term debt which is managed by entering into interest rate swaps. The Authority is also exposed to interest rate risk in the valuation of its pension plan obligation.

f) *Market risk*

Market risk represents the potential for loss from changes in the value of financial instruments including those in the pension plan. Value can be affected by changes in interest rates and equity prices. Market risk primarily impacts the value of common share investments.

Common shares represent 0.42% (2018 – 0.41%) of the fair value of the Authority's total investments.

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2019

17. Financial Instruments:

a) *Interest rate swap contracts*

The Authority has entered into interest rate swap contracts, to reduce the interest rate risk of any potential increases in interest rate related to the Authority's long-term debt. The Authority applies hedge accounting to these contracts. The following contracts hedge 100% of the outstanding debt at a fixed interest rate and are projected to match the Authority's loan repayment terms:

- i. Declining balance interest rate swap contract with interest rate fixed at 2.58%. The initial contract balance had a notional amount of \$12,964,058 which declined on a monthly basis by \$108,034 until the contract was terminated on January 2, 2020. As at December 31, 2019 the notional amount of the contract is \$6,590,052 (2018 - \$7,886,460).
- ii. Declining balance interest rate swap contract with interest rate fixed at 2.58%. The initial contract balance had a notional amount of \$6,938,388 which declines on a monthly basis by \$25,794 until the end of the contract on January 2, 2025. As at December 31, 2019 the notional amount of the contract is \$5,416,542 (2018 - \$5,726,070).
- iii. Declining balance interest rate swap contract with interest rate fixed at 2.14%. The initial contract balance was a notional amount of \$5,000,000 which declines on a monthly basis by \$16,670 until the end of the contract on December 15, 2025. As at December 31, 2019 the notional amount of the contract is \$4,199,840 (2018 - \$4,399,880).
- iv. Declining balance interest rate swap contract with interest rate fixed at 1.62%. The initial contract balance was a notional amount of \$11,717,344 which declines on a monthly basis by \$65,828 until the end of the contract on November 7, 2025. As at December 31, 2019 the notional amount of the contract is \$9,281,708 (2018 - \$10,071,644).
- v. Declining balance interest rate swap contract with interest rate fixed at 1.62%. The initial contract balance was a notional amount of \$7,475,000 which declines on a monthly basis by \$25,000 until the end of the contract on November 7, 2025. As at December 31, 2019 the notional amount of the contract is \$6,550,000 (2018 - \$6,850,000).
- vi. Declining balance interest rate swap contract with interest rate fixed at 2.03%. The initial contract balance was a notional amount of \$16,437,800 which declines on a monthly basis by \$54,795 until the end of the contract on April 20, 2027. As at December 31, 2019 the notional amount of the contract is \$14,684,360 (2018 - \$15,341,900).

REGINA AIRPORT AUTHORITY INC.

Notes to the Financial Statements
Year ended December 31, 2018

17. Financial Instruments (continued):

(b) Interest income and interest expense

Interest and investment income received during 2019 was \$266,715 (2017 -\$176,456).

Interest capitalized and expensed during the year was as follows:

	2019	2018
Interest on long-term variable interest-bearing loans (note 9)	\$ 965,938	\$ 913,403
Stamping fee on long-term loans (note 9)	603,839	647,588
Payments made on settlement of interest rate swaps	19,329	149,696
Interest expense for the year reflected in statement of operations	\$ 1,589,106	\$ 1,710,687

18. Officer's remuneration:

Officers of the Authority comprised of the President and Chief Executive Officer, Vice President Administration and Chief Financial Officer, and Vice President Operations received compensation for the period ended December 31, 2019 in the amount of \$553,444 (2018 – \$519,918).

19. Comparative information:

Certain comparative information has been reclassified to conform to the current year's presentation.

20. Subsequent event:

Subsequent to December 31, 2019, the World Health Organization made the assessment that the COVID-19 outbreak was a pandemic. As of the date of approval of these financial statements, the Authority started experiencing the impact of COVID-19 on its activities and the activities of its major counterparties. The extent of the ultimate impact on the operations of the Authority is unknown at this time but may be significant. The Authority is closely monitoring the situation.



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