ST. JOHN'S
International Airport Authority

2018 ANNUAL REPORT

ST. JOHN'S
International Airport Authority

A MESSAGE FROM THE CHAIR & CEO

A Message from the Chair & CEO

St. John's International Airport has come a long way since its humble beginnings as *Torbay Airport*, when it opened in 1941 as a military installation. It has developed into a world-class transportation facility that accommodates more than 4,000 passengers travelling through its gates each day; a far cry from the five passengers who travelled on Trans-Canada Airlines (now Air Canada) on the first commercial landing in 1942.

Airport Terminal Building Expansion

Through its evolution in becoming our province's premier transportation gateway, St. John's International Airport has undergone many changes to its infrastructure and facilities throughout the years. The most recent milestone is the completion of the first phase of the Airport Terminal Building expansion project, the largest capital project in the Airport Authority's 20-year history. This first phase opened for business in July 2018 and was completed on time and on budget. After four years of construction, the much anticipated opening of the expanded Departures Lounge and the new departure processing area in 2018, added many new amenities and services that have been roundly welcomed by airlines and passengers. At the same time, a concerted effort was made to highlight our maritime heritage and create a sense of place, which is evident in the design of the building; the added local artwork, and the creation of a Concessions Program that features local products. For those passengers travelling through our Airport, there is no question that they are in Newfoundland and Labrador. The expanded Departures area, while significantly enhancing airline operations and passenger experiences, only solved half of our capacity constraint issue. In 2019, we'll begin construction on Phase Two of this project that is focused on expanding the Arrivals area of the Terminal Building. The completion of this final phase in 2022 will remove the existing bottleneck in the Arrivals processing area and enable us to efficiently welcome as many as two million passengers annually.

Passenger Satisfaction

The improvements and the many new services and amenities offered at our Airport have had a positive impact on passenger satisfaction, according to the Airport Service Quality index survey results provided by Airports Council International – North America (ACI-NA). We're happy to report a substantial increase in both our overall passenger satisfaction rating and our ranking compared to other airports following the opening of the expanded Terminal Building. It's a true testament of our efforts, and that the work we've done is recognized and valued by the travelling public. With continuous improvements being made, we expect these to continue to be appreciated by our passengers.

Business Growth and Air Service Development

The one daily arrival and departure flight in 1942 has grown to approximately 80 daily flights in 2018, serving destinations across Canada, the US and Europe. Over the last 20 years as an Airport Authority, passenger traffic has more than doubled and our passenger volume has grown to over 1.5 million passengers annually. We are committed to continuing to work with our airline partners and to pursue new destinations and greater frequency where a strong business case exists. At the same time, we are pleased that 54 per cent of all revenue earned is generated from non-aeronautical revenue sources, including land development, concessions revenue and advertising. This is a planned strategy as it enables us to financially cushion against the impact of airline decisions that are often outside our control. We would like to take this opportunity to welcome those who recently joined our airport community as part of the new Concessions Program, as well as the new Best Western Plus hotel, Tim Hortons and North Atlantic's service station. We would also like to thank Air Canada for the investment in the development of the new Maple Leaf Lounge that opened December 2018. These investments by external parties reflect the confidence in our Airport and add services to enhance the airport experience.

National Recognition

Communication with our stakeholders and community was key throughout the expansion process and our Airport has been recognized nationally by ACI-NA. The Airport Authority received an award for best Overall Public Relations Programs for small airports in North America. We're very honoured to have received this recognition, and are committed to continued communication throughout Phase Two. None of the significant accomplishments achieved in 2018 would have been possible without the commitment, dedication and support of our Airport Authority staff, stakeholder groups, and Airport partners. As we continue to build a better gateway, we never lose sight of the impact these enhancements have on our partners and stakeholders. In enhancing the accessibility of our community and creating positive and lasting impressions at the premier gateway to and from our province, we are facilitating local trade and improving the attractiveness of the region for investment. We understand this role, and will continue to make improvements that have the added benefit of contributing significantly to our local and national economies.

Art Cheeseman

Keith Collins

ST. JOHN'S
International Airport Authority

WHO WE ARE

St. John’s International Airport Authority

St. John’s International Airport Authority is a private, non-for-profit, non-share capital corporation that exists to provide a safe and efficient transportation facility at Newfoundland and Labrador’s premier transportation gateway.

We generate our own revenue, raise our own capital, pay municipal taxes, and pay rent to the Federal Government on an annual basis to operate the Airport on behalf of the community we serve. We are committed to offering an outstanding airport experience for our passengers and enhancing the economic and social well-being of our community.

We will create
an exceptional airport experience at
Newfoundland & Labrador’s premier gateway

community leader | enabling prosperity

Board of Directors
Top Row (L-R): Art Cheeseman, Tom Williams, Gail Carroll, Darren Martin, Roger Butt, Larry Pittman
Bottom Row (L-R): Holly Hicks, Jim Heale, Jerry Byrne, Mike Donovan, Cathy Fauvre, Robert Gosse

ST. JOHN'S
International Airport Authority

STRATEGIC PLAN

Strategic Plan

The Airport Authority's 2015-2019 Strategic Business Plan defines the Authority's ideal future and includes objectives and strategic initiatives that will serve as our guiding framework that will lead to our vision of providing an exceptional airport experience at our province's premier transportation gateway. This report provides an update on our progress associated with the seven strategic objectives: Outstanding Facilities; Exceptional Passenger Experience; Focused Business and Air Service Development; Culture of Engagement; Enhanced Community Partnerships and Collaboration; Organizational Effectiveness; and Financial Stability.

Outstanding Facilities

Objective: Deliver new, improved, and expanded Airport Terminal Building and related Airport facilities to meet 2020 demand.

Airport Terminal Building Expansion

The largest capital project in the Airport Authority's 20-year history is the Airport Terminal Building Expansion project, which is being constructed in two phases:

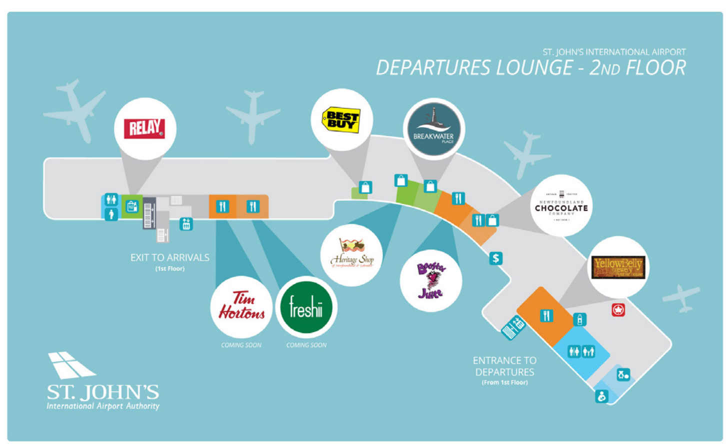
- Phase One (2014-2018) – now open with an additional 145,000 square feet added to the Airport Terminal Building focussing on the Departures process.
- Phase Two (2019-2022) – an additional 100,000 square feet will be added to the Airport Terminal Building and will focus on the Arrivals process.

> Phase One of the Airport Terminal Building Expansion was on time and on budget.

In July 2018, Phase One of the Airport Terminal Building expansion opened on time and on budget. It boasts an additional 145,000 square feet to the building bringing it to almost 315,000 square feet to facilitate airport operations, while keeping passenger comfort and convenience top of mind.

When Phase Two commences which focuses on the Arrivals area, work will begin on the construction of additional space for international customs operations for the Canadian Border Services Agency; additional space for baggage handling operations, and an expanded Ground Transportation area to assist with taxi and shuttle bus queuing. The Departures Lounge will also be expanded with more seating and two additional gates and passenger loading bridges.

Once complete, the total size of the Airport Terminal Building will be close to 420,000 square feet. It's expanding to add capacity; to accommodate new security requirements; to enable the province's economic growth and to address the changing expectations of today's traveller.



- Larger check-in space for airline operations
- Larger pre-board screening/security area for CATSA operations; relocated from Level 2 to Level 1; next to check-in
- Double the number of washrooms in the Departures Lounge
- A new filtered water refill station
- New Concessions Program with new food and beverage and retail outlets
- 6 new gates for a total of 12
- 2 new passenger loading bridges for a total of 7
- Triple the seating capacity in the Departures Lounge with new lounge chairs and seats suitable for those with accessibility issues
- Approximately half of the seats in the Departures Lounge have charging capabilities
- Special needs/multi-purpose room
- New Children's Play Area
- New Nursing Mother's Area adjacent to the Children's Play Area
- Overhaul of IT infrastructure to improve resilience and availability

Airport Terminal Building Improvements

In addition to the expansion, there were numerous enhancements and improvements made in 2018 to improve passenger experience and increase passenger satisfaction. In 2019, and throughout the second phase of the expansion, general upgrades and improvements will continue.

Exceptional Passenger Experience

2018	Improvements made to the existing washrooms including: kids step-ups; stainless steel partitions; tile repair and replacement; new hand dryers and lighting upgrades
	Carpet and tiles were replaced in older section of the terminal building
	Interactive information screens were installed in the Departures Lounge to highlight new components and help with wayfinding
	New Breach Control was installed – a one-way exit corridor that guides the flow of arriving passengers from the Departures Lounge to the Arrivals Area
	Reversed direction of centre court escalator to promote an alternative exit for those without checked baggage
	New wayfinding signage installed to highlight the new components
	Relay renovated its store and opened JellyBean Harbour on Level 1 which provides all travel essentials
	New concrete pad for bridging aircraft
2019	New check-in counters for airline operations
	Replacement of the lighting in the older section of the terminal building
	Two new Tim Hortons opening on Level 1 (pre-security) and Level 2 (post-security)
	LED lighting upgrades inside and outside Terminal Building to improve efficiency

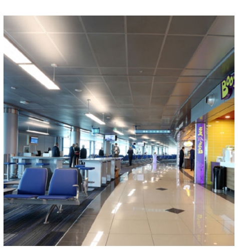
Objective: Provide an exceptional passenger experience at our Airport.

In order to measure passengers' level of satisfaction at the Airport, the Airport Authority participates in a year-round Airport Service Quality index survey. This global research tool provides quantitative feedback on all aspects of the Airport experience and provides benchmark data from other airports worldwide. Despite continuous construction and transition period leading up to the opening of the first phase of the Airport Terminal Building expansion, the passenger satisfaction rating increased by two per cent to 85 per cent for 2018 overall, largely as a result of high ratings (88 per cent) received in the final quarter results which reflect many of the new enhancements experienced by passengers.

88%

passenger satisfaction rating achieved after the opening of the expanded Terminal Building.

The significant increase in passenger satisfaction levels can be partially attributed to the many new offerings at the Airport.



A new Concessions Program with retail and food and beverage options featuring local and national brands, including the first full-service family restaurant past security

A new Children's Play Area with equipment that are iconic symbols of Newfoundland and Labrador – a 7 ft. lighthouse with a tunnel and slide; an iceberg slide with a puffin sitting on top and a humpback whale climbing play structure

A new Nursing Mother's Area (adjacent to the Children's Play Area) with ample space for stroller parking and comfortable furniture suitable for breastfeeding

A new family washroom and female and male washrooms – all equipped with change tables

The new anxiously-awaited full-menu Tim Hortons locations (Level 1 and Level 2) will be open in 2019 offering more Canadian flavours to visitors from around the world, in addition to brand-loyal locals.

Focused Business & Air Service Development

Objective: Pursue revenue diversification and aggressive air service development.

Air Service Development

Attracting new and expanded airline services to the region is a core function of business for the Airport Authority. The number of passengers travelling through the Airport has more than doubled since the Airport privatized in 1998, and in 2018, there were more than 1.5 million passengers annually. St. John's International Airport has approximately 80 daily flights to and from 21 destinations in Canada, Europe and the US.

The region's close proximity, plus its business and cultural ties, makes Europe a priority for air service development. There have been challenges in maintaining service to this region over the last year, but the Airport Authority is committed to pursuing an airline to provide service to Dublin, and to working with stakeholders to support the Air Canada London Heathrow flight. Both are very important routes to the long-term growth of the region.

One of the Airport Authority's targets in its Strategic Plan was to increase the number of Florida destinations served from the region. In late 2018, WestJet announced its third Florida destination it would be serving in 2019: a new seasonal direct service to Fort Lauderdale. Florida is the number one US destination from St. John's International Airport, and WestJet is now providing seasonal service to Fort Lauderdale and Tampa Bay, and year-round service to Orlando.

Air Canada has also increased overall seat capacity to and from the province, and WestJet will launch a new seasonal service in 2019 to the largest unserved market from St. John's: Edmonton.

While there have been significant increases in the number of destinations served over the last 10 years, pursuing direct air service development continues to key destinations where a strong business case exists, including direct service to New York.

Non-Aeronautical Revenue

While Air Service Development is pivotal to success, significant efforts have been made to increase and diversify revenue received from non-aeronautical sources in order to reduce dependency on fees received from airlines.

In 2018, non-aeronautical revenue was 54 per cent of total annual revenue, a proportion that is much higher than the North American average of 45 per cent. This was achieved through the successful focused business program that generates revenue through advertising, concessions and land leases.

The Advertising Sales Program continues to offer a viable advertising location for local and national brands looking to connect with the 1.5 million passengers that travel through the airport annually. The new food and beverage and retail outlets that are part of the new Concessions Program have far exceeded expectations in terms of sales and revenue forecasts. Having various options for passengers not only offers choice for passengers, but adds to the revenue diversification strategy.

> 54% revenue from non-aeronautical sources

Land Development

Located just 10 mins from the downtown core of the city and with approximately 250 acres still available for development, the Airport represents a prime location for further aviation and non-aviation related development. Land lease opportunities at the Airport will continue to be pursued, and efforts will be placed on identifying business opportunities that represent new sources of non-aeronautical revenue.

Last year, new amenities were added resulting in an increase in non-aeronautical revenue. Best Western Plus hotel opened its doors and North Atlantic Petroleum also opened a service station with an Orangestore and retail and food options. In addition, a Tim Hortons outlet opened in the same building and a Subway outlet is set to come in 2019. These options add convenience for hotel guests, the Airport community and neighbours, and the travelling public.

Culture of Engagement

Objective: Create a culture of employee engagement within the organization.

The Airport Authority recognizes the value of a strong culture of engagement for employee satisfaction and organizational effectiveness. Defined as a culture where communication channels and dialogue are open; there is a sense of community in the workplace; employees feel their work is meaningful, and all parties are committed to a shared and valued vision.

Over the last year, the Airport Authority has continued to advance this strategic objective with new and revised initiatives based on feedback from the active Employee Engagement Committee, comprised of both management and unionized employees. To ensure regular, open dialogue, the Airport Authority also has an active Labour Management Committee that discusses and resolves a variety of workplace issues. It provides a forum for information sharing to connect employees to business goals and supports the improvement of employee engagement initiatives for the approximately 100 employees of the Airport Authority. In addition, an employee newsletter has also been created and distributed on a regular basis, based on information solicited from employees.

Enhanced Community Partnerships & Collaboration

Objective: Enhance partnerships and collaboration with community while strengthening our brand.

As the premier transportation gateway to Newfoundland and Labrador, St. John's International Airport plays a significant role in the economic and social well-being of the province. The Airport Authority is committed to finding opportunities to collaborate and establish partnerships to increase air services at St. John's International Airport; enhance passenger experience; showcase the unique identity and culture to visitors; and establish a sense of pride within the community for the facilities and services offered.

The Airport Authority continues to meet regularly with the Air Service Development Committee, comprised of leaders in the community who help to define air service development priorities and strategy, and provide information that can be factored into a business case.

The Airport Authority's relationship with Business and Arts Newfoundland and Labrador (BANL) continues to strengthen as well. As part of the expansion of the Airport Terminal Building, the goal was to find artwork for the expanded Departures Lounge that was culturally relevant. Through collaboration with BANL, three pieces of digital mosaic artworks by local artist, Vessela Brakalova, were commissioned. Two of the backlit tiled fabric artwork feature the abundance of wildlife that can be found in the rich waters of the North Atlantic Ocean, and the third piece depicts St. John's harbour and represents the history and people of St. John's. The Authority continues to look for opportunities to highlight local talent and support the community while enhancing the experience for passengers at the Airport.

Organizational Effectiveness

Objective: Improve organizational effectiveness with improvements to processes and systems.

St. John's International Airport Authority continues to improve its processes and systems in order to deliver more efficient and effective services at the Airport, allowing resources to be focused on areas that have the greatest impact on achieving the strategic goals.

A Document Management System continues to be implemented that facilitates the sharing and storage of data. In addition, two vehicular assets were added to the fleet in 2018. The Airport Authority invested over $2 million in a new and improved fire truck and a new snow blower that is the most powerful and capable unit on the market today. These new machines enhance the emergency response capabilities and strengthen the winter operations capabilities.

In addition to increasing its physical assets, the staff complement also strengthened in 2018 and, on average, each full time employee received almost five days of training. These additions and investments ensure the organization is equipped to meet its objectives.

Financial Sustainability

Objective: Ensure financial sustainability.

As a private, not-for-profit, non-share capital corporation, St. John's International Airport Authority is responsible for generating its own revenue and raising its own capital funds to support the Airport's operations and its infrastructure improvement plans. All earnings generated through the operations of the Airport are reinvested back into the infrastructure and operations of the Airport.

> Since 1998, $336 Million has been invested in infrastructure improvements

The 10-year Airport Improvement and Expansion Plan announced in 2018 includes investments to ensure safety and operational integrity of the Airport; to complete the expansion of its facilities to accommodate two million passengers annually; as well as investments required for airside maintenance and fleet renewals and upgrades. The total investment in infrastructure improvements was $24 million for 2018, and the total investment in the Airport's facilities will be $191 million between 2018 and 2027.

In order to finance these investments, the Airport Authority also developed a 10-year Financial Plan that includes long-term debt facilities with policies in place to ensure the long-term financial sustainability of the Airport. In 2014, the Airport Authority secured a $60 million private placement bond and a $25 million line of credit. In order to finance the new 10-year Plan, the line of credit was increased to $40 million in 2016. Since the Airport Authority first went into the bond market in 2007, it has maintained a positive A1 bond credit rating. This has been reaffirmed each year for the last 10 years by Moody's Investors Service, recognizing prudent financial management and sound strategic planning.

The Airport's primary source of revenue to finance its long-term debt and credit facilities for expenditures associated with capital projects that have a positive impact on the passenger experience is the Airport Improvement Fee (AIF).

Since the Airport Authority was incorporated in 1998, it has invested $336 million in infrastructure improvements. This level of investment is substantially more than the total collected in Airport Improvement Fees over the same period. To date, the Airport has collected 63 per cent of the total invested through the Airport Improvement Fees. These investments were important to make in advance of collecting the total costs associated with them so that passengers could enjoy the improvements sooner rather than later, and airlines could continue to expand services.

The Airport Authority is focused on diversifying revenue streams and identifying new sources of revenue with the goal to lessen dependency on the commercial aviation industry. In 2018, 54 per cent of revenue was received from non-aeronautical sources.

ST. JOHN'S
International Airport Authority

BUSINESS PLAN

Business Plan Summary

2018 Capital Program

The ATB East Expansion and associated projects were successfully completed in 2018 on time and on budget. Related projects include the installation of two new passenger loading bridges, the associated concrete apron gates, completion of the east end loading zone and the purchase of an automated secure area exit (Breach Control) unit. A second unit will be delivered in 2019. Finally, there was significant progress made towards the manufacturing and installation of a sophisticated new Hold Bag Screening System which is scheduled to be fully operational in 2019.

2018 Actual vs. Business Plan

(shown in thousands of dollars)

	Actual	Plan	Difference	Explanation
Revenue (Note 1)	$49,802	$49,959	($157)	Modestly lower operating revenues offset by higher airport improvement fees than planned.
Expenses (Note 2)	$29,629	$30,947	($1,318)	A mild winter resulted in lower winter operating costs as well as lower interest on borrowed funds.
Capital	$24,179	$29,429	($5,250)	Delivery of heavy equipment was deferred until 2019. Certain projects were partially completed in 2018 and will be finished in 2019 including the new Hold Bag Screen-ing system.

Note 1. Revenue includes net AIF and operating revenue.
Note 2. Expenses include interest and exclude the non-cash items of depreciation and amortization.

Planning for Growth (2019-2023)

We have completed a long-term infrastructure plan to address capacity constraints and to accommodate projected passenger traffic. The two-phased Airport Terminal Building expansion is well underway with the first phase completed in 2018, and the second phase scheduled to be completed early in 2023. A long-term Financial Plan was also prepared in order to support the investment in infrastructure improvements, and includes future borrowings in the form of a private placement bond and credit facilities.

Business Plan Forecast 2019-2023

(shown in thousands of dollars)

	2019	2020	2021	2022	2023
Revenue (Note 1 & 2)	$49,876	$50,919	$53,003	$55,483	$55,013
Expenses (Note 3)	$28,806	$31,704	$32,752	$33,736	$34,696
Capital (Note 4)	$19,358	$20,574	$24,210	$19,283	$18,918

Note 1. Assumes passenger growth will be 0% in 2019, 2020 and 2021 and 1.5% each year thereafter.
Note 2. Revenue includes net AIF and operating revenue.
Note 3. Expenses include interest and exclude the non-cash items of depreciation and amortization.
Note 4. Capital includes the expansion of the Airport Terminal Building, additional passenger loading bridges, the expansion of the hold bag screening system and the rehabilitation of apron II.

ST. JOHN'S
International Airport Authority

FINANCIAL REPORT

Independent auditor's report

To the Board of Directors of St. John's International Airport Authority

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of St. John's International Airport Authority (the Authority) as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises (ASPE).

What we have audited
The Authority's financial statements comprise:

- the balance sheet as at December 31, 2018;
- the statement of operations and equity in capital assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers LLP
125 Kelsey Drive, Suite 200, St. John's, Newfoundland & Labrador, Canada A1B 0L2
T: +1 709 722 3883, F: +1 709 722 5874

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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 ASPE, 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

St. John's, Newfoundland and Labrador
May 3rd, 2019

St. John's International Airport Authority
Balance Sheet

As at December 31, 2018

(in thousands of dollars)

		2018		2017
Assets				
Current				
Cash and cash equivalents	$	1,331	$	1,626
Accounts receivable (note 3)		3,875		4,822
Consumable inventory (note 2)		414		365
Prepaid expenses		431		449
Total current assets		6,051		7,262
Capital assets, net (note 4)		239,676		230,194
Debt service reserve fund (note 6)		2,772		2,765
Intangible assets, net		139		173
	$	**248,638**	**$**	**240,394**

		2018		2017
Liabilities and Equity in Capital Assets				
Current				
Accounts payable and accrued liabilities (notes 5 and 13)	$	20,713	$	24,990
Current portion of long-term debt (note 6)		7,280		752
Total current liabilities		27,993		25,742
Long-term debt (note 6)		106,665		107,270
Deferred contributions for capital projects, net (note 7)		30,751		31,581
Equity in capital assets (note 1)		83,229		75,801
	$	**248,638**	**$**	**240,394**

Commitments (note 11)
See accompanying notes
On behalf of the Board:

Art Cheeseman

Art Cheeseman, Chair

Roger Butt

Roger Butt, Chair, Finance and Audit Committee

St. John's International Airport Authority
Statement of Operations and Equity in Capital Assets

For the year ended December 31, 2018
(in thousands of dollars)

	2018	2017
Revenues		
Landing fees	$ 6,395	$ 6,233
Terminal fees	5,480	5,329
Concessions	4,873	4,668
Car parking	3,478	3,629
Rentals	4,541	4,298
Other	1,234	1,239
	26,001	25,396
Airport improvement fees (note 8)	23,801	21,697
	49,802	47,093
Expenses		
Amortization	12,745	10,174
Salaries and benefits	10,631	10,602
Operating	7,823	7,034
Interest and financing costs	5,190	5,033
Ground rent (note 11)	2,923	2,693
General and administrative	1,338	1,147
Municipal tax	885	1,091
Professional services	380	590
Business development	459	486
Bad debts	-	40
	42,374	38,890
Excess of revenues over expenses	**$ 7,428**	**$ 8,203**
Total equity in capital assets, beginning of year	75,801	67,598
Total equity in capital assets, end of year	**$ 83,229**	**$ 75,801**

See accompanying notes

St. John's International Airport Authority
Statement of Cash Flows

For the year ended December 31, 2018
(in thousands of dollars)

		2018		2017
Operating Activities				
Excess of revenues over expenses	$	7,428	$	8,203
Add (deduct) items not involving cash				
Amortization - capital assets, net		14,697		12,143
Amortization - deferred contributions		(1,990)		(1,977)
Amortization - intangible assets		38		8
Amortization - other		188		178
(Gain) loss on disposal of capital assets		(86)		60
		20,275		18,615
Changes in non-cash working capital balances related to operations				
Accounts receivable		947		(872)
Consumable inventory		(49)		(31)
Prepaid expenses		18		82
Accounts payable and accrued liabilities		(4,277)		2,436
Cash provided by operating activities		16,914		20,230
Financing Activities				
Increase in debt service reserve fund		(7)		(2)
Increase in transaction costs		-		(32)
Proceeds from revolving credit facility		92,660		-
Repayment of revolving credit facility		(86,173)		-
Repayment of revenue bond		(752)		(715)
Cash provided by (used in) financing activities		5,728		(749)
Investing Activities				
Additions to capital assets		(24,179)		(32,074)
Additions to deferred contributions		1,160		1,197
Additions to intangible assets		(4)		(60)
Proceeds from sale of capital assets		86		99
Cash used in investing activities		(22,937)		(30,838)
Net decrease in cash during the year		**(295)**		**(11,357)**
Cash and cash equivalents, beginning of year		1,626		12,983
Cash and cash equivalents, end of year	**$**	**1,331**	**$**	**1,626**

See accompanying notes

Notes to Financial Statements

December 31, 2018
(tabular amounts expressed in thousands of dollars except where otherwise noted)

1. Organization and nature of operations

The St. John's International Airport Authority (the "SJIAA") was incorporated on May 6, 1996 as a corporation without share capital under Part II of the Canada Corporations Act. The *Airport Transfers (Miscellaneous Matters) Act* exempts the corporation from paying income and large corporations tax.

On December 1, 1998, the operations and undertakings of the St. John's International Airport (the "Airport"), previously administered by Transport Canada, were transferred to the SJIAA. The SJIAA operates the Airport pursuant to the provisions of a long-term lease with the Government of Canada (the "Ground Lease"). As the principal document governing the relationship and allocating responsibilities between the SJIAA and the Government of Canada, the Ground Lease provides a formula for the calculation and payment of Ground Rent, after an initial rent-free period which ended December 31, 2005. The term of the Ground Lease is eighty years, ending 2078.

The SJIAA has all the powers and obligations of any Canadian private corporation and operates on a fully commercial basis. The SJIAA has the autonomy to set all fees and charges and does not rely on grants, donations or on contributions with restrictions imposed by the contributor.

The corporate structure ensures that the excess of revenues over expenses, or surplus from operations, is retained and reinvested in capital assets for development of the Airport. Equity in capital assets includes the net assets invested in capital assets to date and cumulative surpluses restricted for future airport infrastructure projects and associated financing costs.

2. Significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises (ASPE) as issued by the Canadian Accounting Standards Board.

Management estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the year. Significant estimates include the valuation of accounts receivable, useful lives of depreciable assets and completeness of accounts payable and accrued liabilities. Actual results could differ from those estimates.

Cash and cash equivalents

The SJIAA considers deposits in banks, certificates of deposits and short-term investments with original maturities of three months or less as cash and cash equivalents.

Ground Lease

The Ground Lease is accounted for as an operating lease.

Notes to Financial Statements

December 31, 2018
(tabular amounts expressed in thousands of dollars except where otherwise noted)

2. Significant accounting policies (continued)

Severance pay

A liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payment. This includes a provision for severance pay liability for employees who have less than ten years of continual service.

Capital assets

Capital assets are recorded at cost and are amortized on a straight-line basis from their in-service date over the estimated useful lives of the assets at the following annual rates:

Asset	Rate
Airport terminal building, other buildings and bridges	15 - 30 years
Leasehold improvements and improvements to leased land	15 - 30 years
Vehicles, machinery, furniture and fixtures	5 - 20 years
Computer hardware and software	3 - 15 years
Multi-purpose/central de-icing facility	25 years

Assets under construction or development are recorded at cost and are transferred to capital assets when the projects are complete and the assets are placed into service.

Intangible assets

Intangible assets of the SJIAA include computer software and are recorded at cost and amortized on a straight-line basis over their estimated useful lives. Amortization of $37,998 (2017 – $8,477) is included in operating expenses for the year.

Revenue recognition

Landing fees, terminal fees, and car parking revenues are recognized as the facilities are utilized. Airport improvement fees ("AIF"), net of airline administration costs, are recognized when originating departing passengers board the respective aircraft, and are subject to reconciliation with air carriers. Concessions revenue is charged on a monthly basis and is recognized based on a percentage-of-sales or specified minimum levels. Rental revenue is recognized on a straight-line basis over the duration of the respective agreements.

Contributions for capital projects, exclusive of AIF, are accounted for under the deferral method. Contributions externally restricted for the purchase of capital assets are deferred and recognized in income as the related assets are amortized.

2. Significant accounting policies (continued)

Pension plans

In 2005, the SJIAA established a contributory defined contribution pension plan for new employees hired after March 9, 2003, whereby retirement benefits are based on the investment in the marketplace of both the employer and the employee contributions. The employees determine where their funds are invested. The SJIAA's contributions to this plan for the year ended December 31, 2018 amounted to $331,395 (2017 – $308,488).

The SJIAA has a contributory defined benefit pension plan for its employees whereby retirement benefits are based on length of service and the best six years' average earnings. The defined benefit pension cost is charged to salaries and benefits expense as employees render services.

The Authority's policies for accounting for future employee benefits for the defined benefit pension plan are as follows:

I. The defined benefit obligation of the pension plan is measured using the most recently completed funding valuation filed with the Office of the Superintendent of Financial Institutions ("OSFI"). The cost of pensions earned by employees is actuarially determined using the projected unit credit actuarial cost method. Under this method, the accrued benefit obligation represents the pensionable service accrued as at the valuation date and long-term best estimate assumptions consistent with the going concern valuation prepared for funding purposes.

II. For the purpose of calculating expected return on plan assets, those assets are valued at market value.

III. Actuarial gains and losses are recognized in full in the period in which they occur, in excess of revenues over expenses.

Financial instruments

The financial instruments, which include cash and cash equivalents, accounts receivable, debt service reserve fund, accounts payable and accrued liabilities and long-term debt, are recorded at amortized cost. Amortization is recorded on a straight-line basis.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

Derivative financial instruments, including interest rate swaps, may be used from time to time to reduce exposure to fluctuations in interest rates. These financial instruments will be accounted for under the deferral method if the Authority meets the hedging requirements set out in existing accounting pronouncements and the Authority chooses to designate these financial instruments as hedges. Accordingly, the book value will not be adjusted to reflect the current market values. Payments and receipts under interest rate swap agreements will be recognized as adjustments to interest and financing costs where the underlying instrument is an Authority debt issue.

Derivative financial instruments that are not designated by the Authority to be an effective hedging relationship will be carried at fair value with the changes in fair value, including any payments or receipts made or received, being recorded in interest and financing costs.

Realized and unrealized gains or losses associated with derivative financial instruments, which have been terminated, designated from a hedging relationship or cease to be effective prior to maturity, will be deferred and recognized in the period during which the underlying hedged item is realized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative financial instrument, any

(tabular amounts expressed in thousands of dollars except where otherwise noted)

2. Significant accounting policies (continued)

realized or unrealized gain or loss on such derivative financial instrument will be recognized in the statement of operations and equity in capital assets.

Effective interest rate method

Transaction costs are included in the debt balances and are recognized as an adjustment to interest expense over the term of the debt. The SJIAA uses the effective interest rate method to recognize bond interest expense and financing costs where the amount to be recognized varies over the life of the debt based on the principal outstanding.

Consumable inventory

Inventories are valued at the lower of cost and replacement cost. For 2018, $816,057 (2017 – $963,111) of inventories were recognized as an expense.

3. Accounts receivable:

		2018		**2017**
Trade	$	2,359	$	2,880
Airport improvement fees		496		513
HST		664		1,103
Payroll advances		212		312
Other		363		241
Allowance for doubtful accounts		(219)		(227)
	$	3,875	$	4,822

4. Capital assets:

						2018		**2017**
		Cost		Accumulated Amortization		Net book value		Net book value
Airport terminal building, other buildings and bridges	$	155,773	$	43,980	$	111,793	$	39,686
Leasehold improvements and improvements to leased land		132,339		36,029		96,310		94,949
Vehicles, machinery, furniture and fixtures		31,280		17,372		13,908		13,676
Computer hardware and software		6,955		5,479		1,476		662
Multi-purpose/central de-icing facility		14,344		6,644		7,700		8,262
Assets under construction or development		8,489		-		8,489		72,959
	$	349,180	$	109,504	$	239,676	$	230,194

Assets under construction or development in 2018 were not being amortized and consisted of the Airport Terminal Building West Expansion and the Hold Bag Screening System Expansion.

Notes to Financial Statements

December 31, 2018
(tabular amounts expressed in thousands of dollars except where otherwise noted)

5. Accounts payable and accrued liabilities

		2018		2017
Trade	$	8,187	$	11,767
Accrued liabilities		10,991		11,766
Salaries and benefits		1,093		1,024
Deferred revenue and other		442		433
	$	20,713	$	24,990

6. Long-term debt

		2018		2017
Revenue bonds	$	110,469	$	111,220
Revolving credit facility		6,487		-
		116,956		111,220
Less transaction costs (net of amortization of $187,115; 2017 - $178,616)		(3,011)		(3,198)
		113,945		108,022
Current portion		7,280		752
	$	106,665	$	107,270

(a) Bond Issue

In May 2007, the SJIAA completed its inaugural $55,000,000 Revenue Bond issue. The $55,000,000, 5.252% Series A Revenue Bonds pay interest semi-annually. $27,500,000 of the initial principal amount is repayable in semi-annual installments. The remaining principal is payable on maturity, which is May 11, 2037.

In July 2014, the SJIAA completed a $60,000,000 Revenue Bond issue. The $60,000,000, 3.479% Series C Revenue Bonds are due on July 15, 2024.

The net proceeds from these offerings are used to finance the capital plan and for general corporate purposes. These purposes include repaying existing bank indebtedness and funding of the Debt Service Reserve Fund. The bonds are direct obligations of the Authority ranking *pari passu* with all other indebtedness issued under the Master Trust Indenture.

(b) Reserve Funds

Pursuant to the terms of the Master Trust Indenture, the SJIAA is required to establish and maintain with a trustee a Debt Service Reserve Fund with a balance at least equal to 50% of the annual debt service costs. As at December 31, 2018, the Debt Service Reserve Fund included $2,771,554 (2017 – $2,764,999) in interest-bearing deposits held in trust. These trust funds are held for the benefit of bondholders for use in accordance with the terms of the Master Trust Indenture.

(tabular amounts expressed in thousands of dollars except where otherwise noted)

6. Long term debt (continued)

For 2018, the SJIAA was required to maintain an Operating and Maintenance Reserve Fund of approximately $4,635,000. The Operating and Maintenance Reserve Fund must be established and funded as required by the Master Trust Indenture, for the benefit of bondholders. The balance in the fund is equal to 25% of the actual or estimated Operating and Maintenance Expenses incurred by the SJIAA over the previous 12-month period. For 2019, approximately $5,158,000 will be required to fund the Operating and Maintenance Reserve Fund. The Operating and Maintenance Reserve Fund may be satisfied by cash, qualified investments, letters of credit and the allocation by the Authority of un-drawn availability under a Committed Credit Facility.

(c) Credit Facilities

The credit facilities of the SJIAA are secured by a $75,000,000 pledge bond issued pursuant to the Master Trust Indenture. Indebtedness under the credit facilities ranks *pari passu* with other indebtedness issued under the Master Trust Indenture.

i) Revolving Credit Facility

In May 2007, the SJIAA entered into a Revolving Credit Facility ("Revolving Facility"). Under this Revolving Facility, the SJIAA was provided with a $15,000,000 facility for general business requirements, capital expenditures and funding for the Operating and Maintenance Reserve Fund, as necessary. In May 2012, the Revolving Credit Facility was amended and increased to $25,000,000. In August 2017, the Revolving Credit Facility was amended and increased to $40,000,000. The facility has a term of five years.

As at December 31, 2018, letters of credit for $218,721 (2017 – $218,721) were outstanding against the facility. Indebtedness under the Revolving Facility bears interest at rates that vary with the lender's prime rate and Banker's Acceptance rates, as appropriate. During 2018, the interest rate ranged from 0.7% to 0.8%.

ii) Demand Installment Loan

In July 2010, the SJIAA entered into a Demand Installment Loan ("Demand Loan"). Under this Demand Loan, the SJIAA is provided with a $2,500,000 non-revolving Installment Loan to be used for capital expenditures relating to movable equipment. In July 2015, the Demand Loan was amended and increased to $10,000,000. The term of each advance under this facility is in accordance with the useful life of the respective assets to a maximum of ten years.

Indebtedness under the Demand Loan bears interest at rates that vary with the lender's prime rate and Banker's Acceptance rates, as appropriate.

(d) The annual principal payments required over the next five years and thereafter are as follows:

2019	$	7,280
2020		834
2021		879
2022		926
2023		975
Thereafter		106,062
	$	116,956

Notes to Financial Statements

December 31, 2018
(tabular amounts expressed in thousands of dollars except where otherwise noted)

7. Deferred contributions for capital projects

From time to time the SJIAA receives contributions for capital projects from various sources. These funds are accounted for under the deferral method, as outlined in note 2.

		2018		2017
Balance, beginning of the year	$	31,581	$	32,361
Add capital contributions received during the year		1,160		1,197
Less amortization		(1,990)		(1,977)
Net deferred contributions for capital projects	$	30,751	$	31,581

During the year the SJIAA received capital contributions of $1,140,051 (2017 – $956,701) from the Canadian Air Transport Security Authority for the Hold Bag Screening System Expansion.

8. Airport improvement fees

The SJIAA entered into an AIF agreement dated May 27, 1999 with the Air Transport Association of Canada and major air carriers serving the Airport. The AIF agreement provides for a consultative process with air carriers regarding the expansion of airport facilities and the collection of AIF by air carriers. The air carriers collect the AIF from passengers on behalf of the SJIAA which entitles them to withhold a handling fee. The AIF rate at December 31, 2018 was $35 (2017 – $35) and applies to each departing enplaned passenger. AIF revenues earned and the cash collected can only be used to fund Airport infrastructure projects and associated financing costs that relate primarily to the passenger-handling functions of the Airport.

As at December 31, 2018, cumulative expenditures of $328,911,504 (2017 – $304,829,762) exceeded cumulative net AIF revenue collected of $206,247,645 (2017 – $182,446,320) by $122,663,859 (2017 – $122,383,442). A summary of the AIF collected and the related collection costs are as follows:

AIF revenue (net):		2018		2017
AIF revenue	$	25,600	$	23,338
AIF collection costs		(1,799)		(1,641)
	$	23,801	$	21,697

(tabular amounts expressed in thousands of dollars except where otherwise noted)

9. Defined benefit pension plan

	2018	2017
Plan assets		
Market value, beginning of year	$ 24,080	$ 22,074
Interest earned	1,283	1,173
Employer contributions	1,140	962
Employee contributions	120	81
Benefits paid	(525)	(491)
Actuarial (loss) gain	(2,363)	281
Market value, end of year	23,735	24,080
Plan obligations		
Accrued benefit obligations, beginning of year	16,950	16,303
Employee contributions	120	81
Current service cost	360	374
Interest cost	888	855
Benefits paid	(525)	(491)
Actuarial gain	(295)	(172)
Accrued benefit obligation, end of year	17,498	16,950
Determination of total cost for the period		
Current service costs	360	374
Finance cost	(21)	(15)
Remeasurement and other items	801	603
Income for the period	1,140	962
Defined benefit asset		
Defined benefit asset, beginning of year	-	-
Income for the period	(1,140)	(962)
Employer contributions during the period	1,140	962
Defined benefit asset, end of year	-	-
Valuation allowance		
Valuation allowance, beginning of year	7,130	5,770
Effect of valuation allowance on finance cost	374	303
Remeasurement of valuation allowance	(1,267)	1,057
Valuation allowance, end of year	6,237	7,130

Notes to Financial Statements

December 31, 2018
(tabular amounts expressed in thousands of dollars except where otherwise noted)

9. Defined benefit pension plan (continued)

Weighted average actuarial assumptions

	2018	**2017**
Discount rate	5.25%	5.25%
Rate of salary increases	3.25%	3.25%

The assets of the pension plan are invested and maintain the following asset mix:

	Percentage of plan assets	
	2018	**2017**
Bonds/fixed income securities	37.69%	39.32%
Equity securities	62.31%	60.68%
Total	100%	100%

The date of the last actuarial valuation of the defined benefit pension plan is December 31, 2017. According to this valuation, the SJIAA's employer service contribution as a percentage of payroll was 21.3% for 2018 (2017 – 21%). A $2,541,900 solvency deficiency in the defined benefits pension plan existed as at December 31, 2017. This resulted in a special annual payment to fund the deficiency in the amount of $578,980 for 2018. This annual special payment of $578,980 is required over the next five years.

10. Financial risk factors

(a) Interest rate risk:

The SJIAA's exposure to interest rate risk relates to its floating rate Credit Facilities described in Note 6 (c), long-term debt. It should be noted that the majority of SJIAA's debt is fixed-rate debt and therefore changes in interest rates do not significantly impact interest payments but may impact the fair value of this debt.

(b) Credit risk:

The SJIAA is subject to credit risk through its financial assets. The SJIAA performs ongoing credit valuations of these balances and maintains valuation allowances for potential credit loss. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about the customer.

The SJIAA's revenues are largely dependent on the domestic air transportation industry. One major carrier providing passenger traffic to the Airport accounted for approximately 58.8% (2017 – 54.0%) of the total enplaned and deplaned passengers for the Airport during the year.

Notes to Financial Statements

December 31, 2018
(tabular amounts expresed in thousands of dollars except where otherwise noted)

11. Commitments

Ground Lease:

In January 2006, the SJIAA began paying Ground Rent to Transport Canada as outlined in its terms of the Ground Lease. The annual payments are forecasted to be as follows over the next five years:

2019	$	2,915
2020		3,016
2021		3,103
2022		3,223
2023		3,348

12. Other information

The Authority may, from time to time, be involved in legal proceedings, claims and litigation that arise in the ordinary course of business which the Authority believes would not reasonably be expected to have a material adverse effect on the financial condition of the Authority.

13. Government remittances

Government remittances consist of amounts (such as payroll withholding taxes, property tax and sales taxes) required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, $5,816,639 (2017 – $4,548,813) is included in accounts payable and accrued liabilities.

14. Related party transactions

During the year, there were no related party transactions for services rendered to SJIAA relating to the operation of the Airport (2017 – $164,731). These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties. There was no balance outstanding as of December 31, 2018 (2017 – $27,731).

15. Directors' and officers' remuneration

The salary range for the Authority's President and Chief Executive Officer and for senior managers reporting to the President and Chief Executive Officer was $127,715 to $286,165 during 2018 (2017 – $124,600 to $279,185).

Corporate Governance

The St. John's International Airport Authority is a private, not-for-profit, non-share capital corporation with the mandate to provide the region with a safe and cost-efficient transportation facility that is a catalyst for economic growth. Under the provisions of a long-term Ground Lease with the Government of Canada, the Airport Authority is responsible for the management, maintenance and development of the St. John's International Airport on behalf of the community it serves.

The community's interests are represented through a Board of 12 Directors, nominated by various stakeholders in the region. These Directors are appointed or nominated by the following entities:

Federal Government	2
Provincial Government	1
City of St. John's	2
St. John's Board of Trade	1
City of Mount Pearl	1
Mount Pearl Paradise Chamber of Commerce	1
Town of Conception Bay South	1
SJIAA Board of Directors	3

The role of the Board of Directors is to guide strategic direction for the Airport Authority. Solid business practice, including formal strategic planning, is carried out and reviewed periodically. Directors also serve on the committees of the Board: Development; Finance and Audit; and Governance. The Board is kept informed on the day-to-day operation of the Airport through monthly financial statements and management reports. Compensation for the Directors of the Airport Authority is reviewed annually and the amounts paid to the Airport Authority's Directors during 2018 are listed below.

Schedule of Director's Fees for the year 2018

Board Member	Total
Art Cheeseman (Board Chair)	$37,500
Tom Williams (Board Vice Chair)	26,000
Gail Carroll[1]	22,500
Darren Martin[2]	23,000
Roger Butt[3]	24,000
Holly Hicks	18,000
Jim Heale	18,000
Robert Gosse	17,500
Jerry Byrne	15,500
Cathy Farve	15,550
Mike Donovan[4]	11,500
Larry Pittman	3,176
Total	**$231,667**

[1] Chair, Governance Committee
[2] Chair, Development Committee
[3] Chair, Finance and Audit Committee
[4] Completed Term August 31, 2018

The corporate operations and the activities of the Board of Directors are guided by the National Airports Policy of 1994 – specifically the "Public Accountability Principles for Canadian Airports" and the Authority's Operating By-Laws. The St. John's International Airport Authority's Operating By-Laws were amended in 2008 to incorporate the relevant elements of the Not-For-Profit Corporations Act, the proposed Canada Airports Act, as well as the best practices of corporate governance currently employed in Canada. Further amendments to the By-Laws, as required under the new Canada Not-For-Profit Corporations Act, were submitted to Transport Canada in 2014 for approval.

The By-Laws contain Conflict of Interest Guidelines and a prescribed Code of Conduct. In 2018, there were no breaches of the Conflict of Interest Guidelines by any Officer or Director of the Airport Authority.

The St. John's International Airport Authority is committed to conducting business in a competitive fashion. All projects with a value in excess of $75,000 (base year 1998 = 100 CPI annually adjusted) require a public tender or request for proposal. To that end, the Authority sought competitive bids on all contracts as required, with one exception. The contract with the Corps of Commissionaires for building and property security, and parking lot kiosk staff, valued at an annual rate of $1.8 million, expired on Oct. 31, 2017 and was extended to March 30, 2019. The unanimous decision by the Board of Directors to extend for the additional period was related to the risk of a change in security companies during the middle of critical airside and groundside construction projects that required additional security staff. A change in contractors during this critical construction period had the potential to limit availability of staff with security clearance, resulting in construction delays and penalties for the Airport Authority. Also, the full security staff requirements were unknown until certain decisions related to the expanded Terminal Building were finalized. A public tender was issued in late 2018 for this contracted service.