# 2023 ANNUAL REPORT

## POWERED BY PURPOSE

International Airport Authority
Ottawa
Administration de l'aéroport international

# Table of Contents



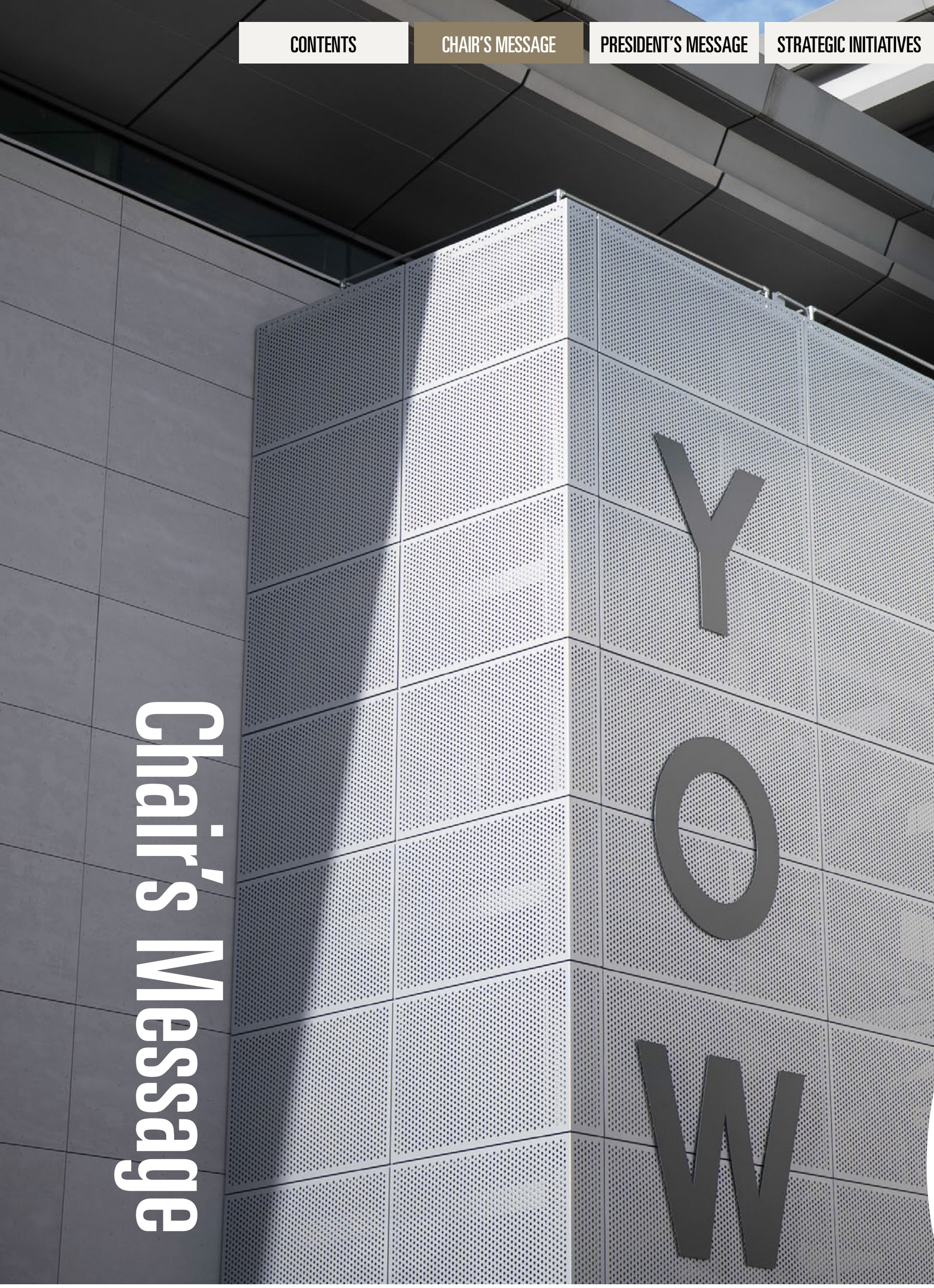












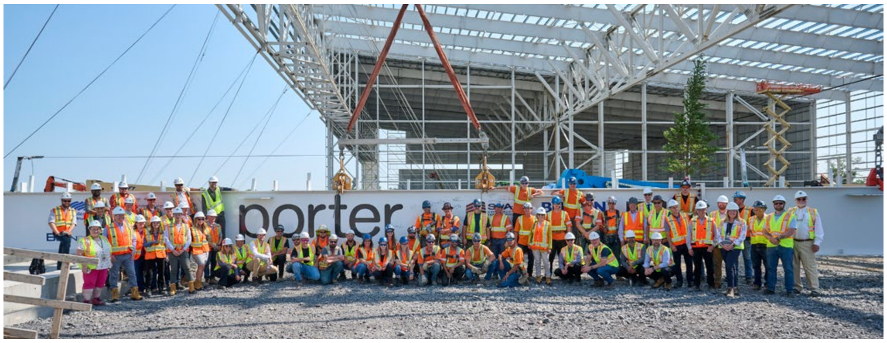

# Chair's Message

Code Cubitt
*Chair, Board of Directors*

We stepped into 2023 with a clear purpose, big aspirations, and ambitious plans. I'm pleased to share that we ended the year with results that exceeded expectations. The result was a great year for the Authority.

To begin, we were delighted to share Porter Airlines' plans to continue its expansion in Ottawa, starting with the construction of maintenance hangars for its new fleet of Embraer E195-E2 jets. The project has gone exceptionally well and will be completed on time. On June 20, we hosted Porter along with their architect and construction partners for an official topping-off ceremony where the final structural beam, which was signed by all involved, was hoisted into place.

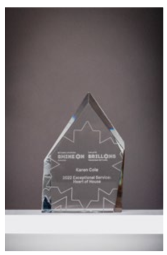
The event was particularly special because a pine tree, which holds important construction symbolism, was mounted on the beam. We learned that Ironworkers have a long-standing tradition of adding a tree to the topping-off at worksites where no lost-time events have occurred due to accidents. This is, of course, a core objective for every project at YOW. The constructor explained it best: "It means everyone has returned home each day with all their fingers and toes." My sincere congratulations to everyone involved in the project for their commitment to the safety and security of all workers on the site. ↘




DEAL OF THE YEAR – TOURISM


BEST PERFORMANCE MARKETING


EXCEPTIONAL SERVICE: HEART OF HOUSE



CREATIVITY AND EXCELLENCE

TOP DOG: 1ST PLACE OVERALL EXPLOSIVE DETECTION


We have more exciting Porter news to share, which I will leave to the CEO, but I would like to offer my congratulations to Mark and his team for this important partnership, which is adding more routes and destinations for our community. In November, the Ottawa business community recognized the partnership with Porter and the resulting investment in our community with a *Best Ottawa Business Award* in the category Deal of the Year – Tourism. It's no secret that deals of this nature take a lot of time from a dedicated team. I'm incredibly proud of the work that has been done.

In the spirit of adding more direct flight options, in January we shared the exciting news that Air France was adding YOW to their list of destinations for the summer travel season. There was a lot of excitement and celebration when the Ottawa-Paris flight took off for the first time in late June. We owe a debt of gratitude to our tourism partners, who threw the full force of their marketing efforts behind the opportunity to ensure that the inbound portion was as successful as the outbound. Nearly full flights for the entire summer were a sure sign that Ottawa-Gatineau travellers were embracing the new route as were travellers from Europe and beyond. The airline took notice, and they extended service through the winter on an even larger Boeing 787-9 aircraft, which will continue through the summer of 2024.

We published our first Environmental, Social and Governance (ESG) Report in 2023, which used baseline information from 2022 to set the stage for the years to come. The themes that were developed for the inaugural report will be tracked and reported in our second ESG Report in 2024 to ensure continued momentum and to support our commitment to sustainability, responsibility and transparency.


**In November, the Ottawa business community recognized the partnership with Porter and the resulting investment in our community with a *Best Ottawa Business Award* in the category Deal of the Year – Tourism.**

The theme for this edition of the Annual Report is **Powered by Purpose**. Last year I shared an organizational initiative to develop a Purpose Statement – something inspirational that reflects our ideas as an organization. "Building on teamwork and sustainability, YOW safely connects people, moves goods and creates economic prosperity for our community" is where we landed through collaboration with management, the entire Authority team, and the Board. ↘

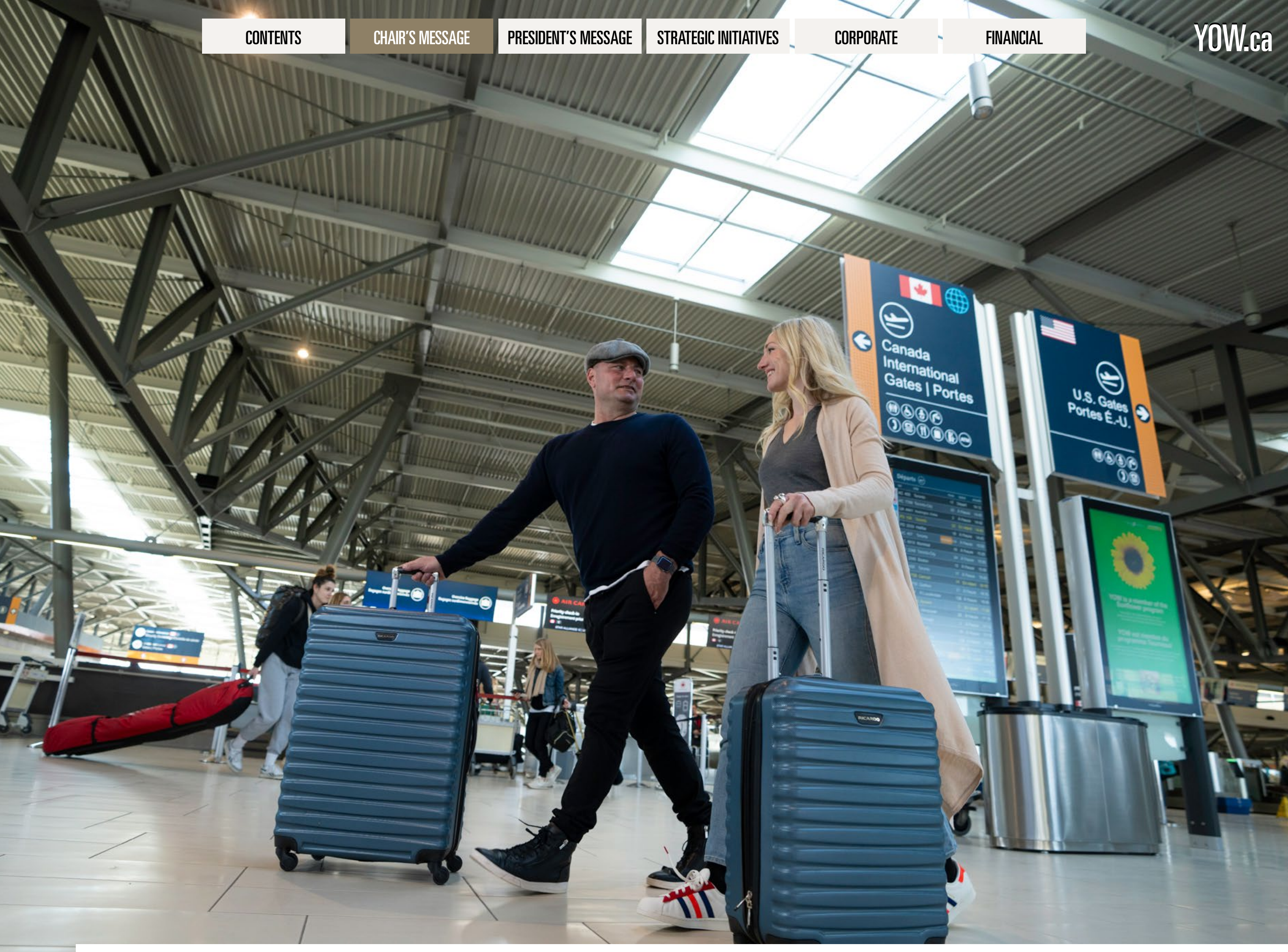
A significant amount of work went into communicating the statement both internally and externally. Hopefully, you had the opportunity to see one of the video compilations that featured our team proudly reciting it, which popped up online throughout the summer and fall. I'm also delighted to say that the campaign caught the attention of the business community in Ottawa, resulting in a *Best Ottawa Business Award* in the category Best Performance – Marketing. Congratulations to everyone who participated in bringing our Purpose Statement to life. Watch for more elements of the campaign to be introduced in 2024.

The statement reflects our employee values that emerged as vital during discussions as our Purpose Statement was being developed. Safety topped the list and provided the organization with a tool to explore employee culture. With the tagline "We put safety first", Human Resources began to track initiatives across the organization that focused on our commitment to safety for employees and passengers.

The topic of accessibility was also a key consideration in 2023 and will be a focus area in 2024. To ensure compliance with the Canadian Transportation Agency regulations such as *Accessible Travel for Persons with Disabilities* (ATPDR), and to ensure barrier-free travel, the Authority has enhanced its accessibility strategy in terms of the physical building and from a passenger journey perspective. Additional efforts include the development, consultation and publishing of an Accessibility Plan along with website updates to meet ATPDR requirements. Together, the three requirements build on prior initiatives to ensure a seamless curb-to-cabin experience for passengers who need assistance. It also ensures that our amenities are easy to find and always available.

Another important initiative I want to mention is the diversity, equity and inclusion training that was offered to all employees. I was pleased to participate in a session with the entire Board and management team. It was both insightful and educational, and delivered with compassion. This training has been rolled out across the entire organization and the feedback has been excellent. I commend Human Resources for introducing this important topic and for continuing the conversation.

Good governance relies on engaged Board members, which I'm pleased to say we are fortunate to have on the Authority's Board. I want to thank all of my Board colleagues for their commitment and dedication in all our discussions, and for ensuring that every detail was considered before a course of action was determined. With special thanks to Carole Presseault, whose term on the Board came to an end during the year. Carole's communications and public relations expertise proved a valuable asset during her tenure; we will miss her contributions. We welcomed Vanessa Pilotte to the group as a nominee of the Chambre de commerce de Gatineau. Vanessa's experience in public affairs with a sustainability focus is welcome as we move forward on our ESG journey. ↘




After serving nine years on the Board, and for five years as Chair of the Board, my term will come to an end in April. I know, however, that my role will be very capably filled by Chair-elect Bonnie Boretsky. I am confident that under Bonnie's leadership, the Authority will continue to grow and reach ever greater heights.

I've been fortunate enough to travel throughout the world thanks to my career, and I consider myself a seasoned traveller. It's incredible, however, how much I have learned during my time serving the Ottawa International Airport Authority Board. I have gained a profound appreciation for the complexities of running an airport, the challenges in attracting new air service; hint: it's not as simple as asking for new routes, and for how quickly a major weather event can upend a perfectly smooth travel day, among many other things. I also gained an appreciation for how hard the team works to tackle these challenges every single day. The pandemic is a perfect example of how the Authority team collectively turned on a dime to respond to an unprecedented and catastrophic event while keeping the operation running and staff and passengers safe and healthy.

I want to thank Mark and his team for never losing sight of our purpose, powering through the tough times, celebrating the wins, and making our community better, more connected and more prosperous.

I have sincerely enjoyed working with everyone on the Board and in the Authority, and I will genuinely miss the discussions and important decisions made around the boardroom table.

I will close with a note of thanks to the Ottawa-Gatineau community for continuing to support our airport. I encourage you to keep including YOW in your travel plans, as our community will ultimately reap the rewards.

Wishing you blue skies and safe travels,

**Code Cubitt**
*Chair, Board of Directors*

# President's Message

**Mark Laroche**
*President and CEO*

It's my pleasure to bring you the highlights of a tremendous year, best described as one of growth and transformation. As the Chair mentioned, we had some ambitious goals going into 2023, most of which we were able to achieve as planned. There were a few obstacles, however, that slowed but did not stop progress.

YOW welcomed 4.1 million passengers in 2023, which represents an increase of 37% over 2022. The figure represents 80% of 2019 passenger volumes and is an encouraging sign of recovery. Despite mixed macroeconomic trends and outlooks in 2023, there are reassuring signs for improved conditions in 2024 and continued passenger growth through strong passenger demand, air carrier schedules and flight capacity. I'll discuss air service and its contributions to passenger growth later in this letter.

We marked the 20th anniversary of the construction of the terminal in 2023. Employees who were with the Authority back in 2003 still recall the excitement of completing one of the largest construction projects in the region at the time. They mention how proud they were to open a modern, award-winning and important amenity that still has a new airport look and feel.

Twenty years have flown by – and I'm happy to say we are all still very proud of this accomplishment, particularly as we grow to meet the evolving needs of the industry and our community.

Growth is hard to miss across the airport campus. In the terminal, the YOW+ project continued to come to life in the Canada/International gate area. In August, we opened the highly anticipated Big Rig Kitchen and Brewery, a fully accessible sit-down restaurant, to rave reviews. The Canal Market Hall food court followed, complete with beloved local brand, La Bottega Nicastro, with its renowned sandwiches and Italian grocery delicacies. The food court is also home to local icon Bridgehead Coffee, which opened a little earlier in July, as well as La Grille, which offers delicious burgers and other tasty treats, Pizza Vino and Bento Sushi. ↘

In keeping with our commitment to reducing the airport's carbon footprint, the new kitchen facilities that serve Big Rig and the food court are all electric, with the exception of the pizza oven. The all-electric kitchen will reduce greenhouse gas emissions from cooking.

Construction of the Airport Station and integration with the City of Ottawa's platform and light rail transit system (LRT) is complete. The City has been testing the airport spur line in anticipation of the Trillium Line entering into service.

We're seeing growth outside the terminal as well. After a few financially challenging years in the hotel industry, Germain Hotels gave their Alt Hotel Ottawa Airport the green light. Their contractor broke ground on a very complex build in October, and they expect an approximate two-year timeline marking completion in early 2026. We are very excited that a high-quality, terminal-connected hotel with amenities that are important to our customers and airline partners is closer to reality.

Elsewhere on the campus, the Porter hangars are nearly complete and will be operational in the first half of 2024. The facility, which measures approximately 150,000 ft$^2$, will house the maintenance operation for the airline's new fleet of Embraer E195-E2 jets and their existing fleet of DeHavilland Dash-8 turboprop aircraft. Porter has indicated that the hangars represent a $65 million investment in Ottawa and will employ 200 staff, including 160 aircraft maintenance engineers.

Canadian North announced plans to double the size of its cargo facility at YOW to meet the rapidly growing needs of the northern communities it serves. Canadian North and the federal government are each committing $11 million, for a total investment of $22 million. Planning is underway; construction should begin in 2024, with the facility slated to be open and operational by 2026.

Plenty of other less visible projects were accomplished across the campus. The annual airfield work included the reconstruction of Taxiway E, including the full-depth reconstruction of 500 m of the taxiway, construction of new shoulders, stormwater pipe replacement and various apron area restorations. An emergency road from the Hendrick Building was also constructed. In the Spring, we began construction on a water pumping station that, once completed in 2024, will provide a second source of potable water for the campus. These projects represent a $7 million investment in airport infrastructure.

A project was undertaken to realign gates in a low-cost approach to improving our ability to accommodate our current aircraft mix within the existing apron and gate infrastructure. We were able to increase gate availability during peak periods and reduce our need for remote busing. The changes were seamless, improved efficiency and customer experience, and reduced operating costs.

In keeping with our ongoing commitment to net-zero emissions, we continued to install charging stations at various locations across the campus. This included four level 2 stations for electric ground handling equipment (GHE); with the start of GHE electrification at YOW, they are ready for use. We are nearing completion of a larger installation in the Parkade and loading dock areas that will result in 20 level 2 stations for the Authority's fleet as it transitions.

So how do we pay for the projects I've highlighted? For capital projects, we rely on the Airport Improvement Fee that is included in the ticket price for all enplaned passengers. ↘

Non-aeronautical revenues fund the remainder. We generate non-aeronautical revenues from land development, leasing, concessions, parking and ground transportation, and advertising, to name a few sources. We do not receive taxpayer dollars to fund our operations, so non-aeronautical revenues are vital in our effort to keep aviation fees as low as possible.

We continue to have our eye on land development in keeping with our Transport Canada (TC)-issued mandate. Priority parcels include the area north of Taxiway R, Gateway West (adjacent to the LRT's Uplands Station), as well as Hunt Club Road. We are reaching out to industry and developers, engaging in discussions to evaluate demand and identify the best opportunities that align with our mandate.

In a similar vein, we have been working with the Department of National Defence to accommodate two recently acquired CC330 aircraft at YOW on a temporary basis (approximately two to four years). The new CC330 fleet will replace the current fleet of aging CC-150 Polaris aircraft in the strategic tanker transport capability role. We will continue to work with the federal government as the aircraft are transitioned to permanent bases.

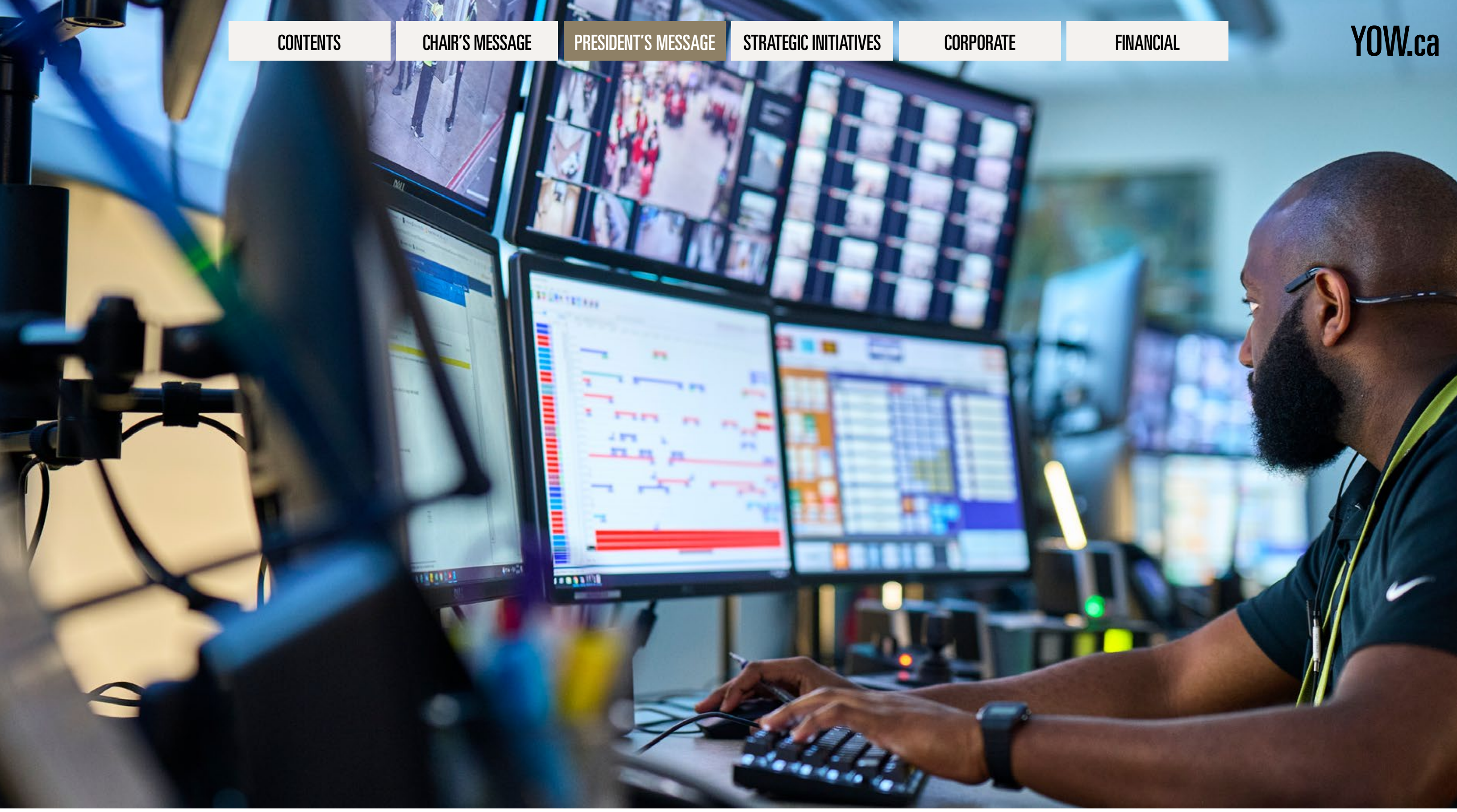
Parking and ground transportation transactions recovered nicely in 2023 and at a higher rate compared to passenger volume growth. Parking revenue recovered to 85% and ground transportation to 88% when compared to 2019 levels. While business travel has been slower to return, leisure demand is up, which means longer parking stays. This translates to higher per-passenger revenue, which is welcome news.

Revenues in 2023 were $145.6 million and 30% higher than in 2022. All revenue areas were impacted positively by the increase in passenger volumes. The Authority finished 2023 by generating earnings before depreciation (EBITDA) of $39.7 million compared to $25.7 million in 2022. After depreciation, earnings were $10.6 million in 2023 compared to a loss of $4.8 million in 2022. The Authority continued to leverage its strong balance sheet and credit facility capacity and continued to meet its regulatory, operational and debt service obligations. It's wonderful to be operating with positive EBITDA which will allow the Authority to set aside the funds necessary to repay pandemic debt of $100 million.

**Revenues in 2023 were $145.6 million and 30% higher than in 2022. All revenue areas were impacted positively by the increase in passenger volumes.**

Whether discussing investments in infrastructure or program improvements, our efforts are aimed squarely at operational efficiency and excellence.

The Information Technology (IT) Business Plan we announced in 2022 is just such an example. Launched early in 2023, the ambitious project is going well, showing substantial advancements in people, processes, and technology, and is on track for completion by the end of 2024. Its primary objectives include mitigating operational risk, enhancing our cybersecurity program, elevating stakeholder experience, and aligning more closely with industry best practices in IT. ↘



As YOW's passenger volume continues to climb back to pre-pandemic levels, the Authority's safety and security teams grew and enhanced their breadth and depth.

YOW redoubled its commitment to safety with the creation of the Safety and Accountability Management department that focuses on the safety principles of risk management, assurance, promotion and documentation. The Airport is required to have a robust Safety Management System (SMS) to track and report on key goals that include activities from Authority staff and other organizations that operate on the airfield. For 2023, we tracked bird strikes, runway incursions, main apron, and boarding bridge incidents. Targets for the first two goals were met, while the latter two had exceedances. These results call for a robust action plan in 2024 and beyond, including additional training, to mitigate possible incidents in the future.

YOW launched another initiative designed to enhance safety, security and operational efficiency. In partnership with the Edmonton Regional Airports Authority, the Authority developed the concept of an Accountability Management System (AMS). The program's structured approach incorporates incident classification, performance review, and collaborative improvement with an aim to foster a cooperative environment among airport stakeholders. The overarching goal is to improve service level standards by providing access to key performance indicators within the airport ecosystem.

Testing and development efforts are still in progress. However, we believe the initiative will have a net positive impact on operational safety and performance and, in turn, lead to improved service for our passengers.

On the security side, we had several activities of note.

The Authority's Canine Unit returned to full staffing levels in February with the addition of a third team. The new team is fully integrated into the unit and is a welcome addition to the security team. Having a Canine Unit onsite enhances our security posture. ↘

> **The foregoing supports our primary raison d'être – safe, secure air travel.**

In April, the Authority signed a contract with Allied Universal Security (AUS) to assume security duties in the terminal, airside and on the roadways in front of the terminal. The new contract allowed us to return to pre-pandemic staffing levels, and incorporate additional oversight and accountability to the contractor's obligations.

As Canada's Capital Airport, YOW regularly receives heads of state and other important visitors. In 2023, we had many such visits including the President of the United States of America, the President of Ukraine, the President of the Republic of Korea, the Prime Minister of Japan, and the King of Jordan. Our security team was heavily involved in organizing and supporting the arrival and departure security for these visits through YOW, with support from across the organization for the more complex events.

The value our teams provide was recognized by our law enforcement partners; YOW is now included as part of the National Capital Region Coordination Centre with a permanent desk within their operations centre. We are the only non-government agency both permitted inside the facility and invited to participate in activations during major events and high-profile dignitary visits.

Since November 2020, the Authority has been working with regulatory, law enforcement, and industry stakeholders to detect and monitor drone activity in the vicinity of YOW, its approach paths and other designated alert zones in Canada's Capital Region. In 2023, the first TC-issued Administrative Monetary Penalty was issued, relating to a violation involving drone activity in the vicinity of an airport after we detected and reported an event that occurred in December 2022. A second TC investigation is currently underway for another drone incident from March 2023.

The emergency management team was busy in 2023 with exercises and training events, including a regulatory full-scale emergency response exercise. YOW also hosted a City of Ottawa-facilitated full-scale LRT exercise to ensure readiness in the event of an emergency on the train once service begins. Thanks to City first responders, campus partners, and Authority teams that made the exercises a success.

The Airport Fire Service is another vital element of the Airport's emergency response. The unit meets TC Category 8 response level, which requires a minimum of Incident Commander/Crew Captain and three firefighters to operate three Airport Rescue Fire Fighting vehicles. In 2023, AFS responded to 21 aircraft emergencies, 247 medical calls, six fire-related incidents, 31 hazmat incidents, 10 fuel spills and three motor vehicle incidents. Members also have advanced medical training certification which enables them to administer lifesaving symptoms relief drugs.

The foregoing supports our primary raison d'être – safe, secure air travel. I'm pleased to say that we are in growth mode in this area as well, and on pace to recover to 2019 levels more quickly than anticipated. ↘

*Photo - Patrick Woodbury, Le Droit*

# 4.1 million

Total passenger volume, 37% increase from 2022.

# 3.2 million

Domestic passengers, 18% increase from 2022.

# 576,000

Transborder passengers, 202% increase from 2022.

The year 2023 marked a significant rebound for the aviation sector, gradually recovering from the pandemic's impact. YOW's total passenger volume reached 4.1 million, a notable 37% increase from 2022 and a positive step toward the pre-pandemic peaks of 5.1 million passengers in 2018 and 2019.

The recovery trend began with domestic passenger volume, showing an 18% uptick from 2022, totalling 3.2 million passengers. Subsequently, transborder travel rebounded by an impressive 202%, reflecting 576,000 passengers to/from the USA. The international segment, boosted by Air France, surged to 317,000 passengers, marking a remarkable 240% increase over 2022.

Analyzing August 2023 as a benchmark, YOW facilitated 521 weekly passenger aircraft departures, a 12.5% overall increase. Domestic departures rose to 433 per week and transborder increased to 83 per week. International traffic also grew significantly, including nonstop service to Europe resuming with five weekly departures (Air France), compared to none in the previous year. Notably, international flights are more active in winter, driven by popular routes to sun destinations in Mexico and the Caribbean.

From an airline perspective, Air Canada maintained its status quo with 12 nonstop summer destinations. Porter emerged as the fastest-growing carrier at YOW, witnessing a 44% increase in flights and a 60% rise in seats compared to 2022, with 13 destinations served. United Airlines also delivered impressive results with multi-daily services to Washington-Dulles (IAD), Newark (EWR), and Chicago-O'Hare (ORD). ↘

## Nonstop Destinations

**Boston** BOS
USA

**Calgary** YYC
Canada

**Cancún** CUN
Mexico

**Cayo Coco** CCC
Cuba

**Cayo Largo Del Sur** CYO
Cuba

**Charlottetown** YYG
Canada

**Chicago** ORD
USA

**Dulles** IAD
USA

**Edmonton** YEG
Canada

**Fort Lauderdale** FLL
USA

**Fort Myers** RSW
USA

**Fredericton** YFC
Canada

**Halifax** YHZ
Canada

**Holguín** HOG
Cuba

**Iqaluit** YFB
Canada

**Las Vegas** LAS
USA

**Moncton** YQM
Canada

**Montego Bay** MBJ
Jamaica

**Montréal** YUL
Canada

**New York** EWR
USA

**Orlando** MCO
USA

**Orlando** SFB
USA

**Paris** CDG
France

**Puerto Plata** POP
Dominican Republic

**Puerto Vallarta** PVR
Mexico

**Punta Cana** PUJ
Dominican Republic

**Québec** YQB
Canada

**San José Cabo** SJD
Mexico

**Santa Clara** SNU
Cuba

**Tampa** TPA
USA

**Thunder Bay** YQT
Canada

**Toronto** YYZ
Canada

**Toronto** YTZ
Canada

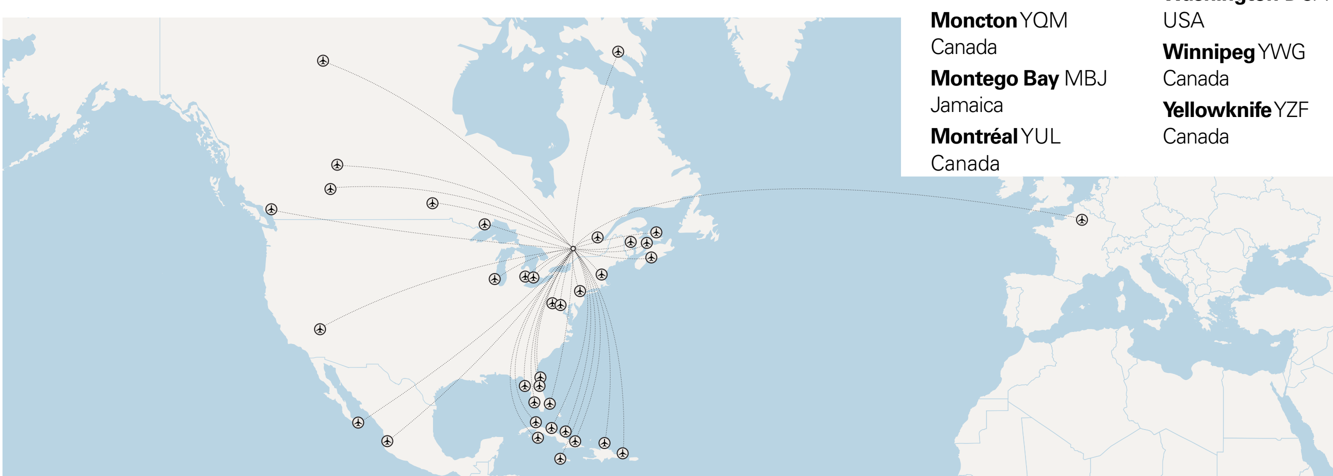
**Vancouver** YVR
Canada

**Varadero** VRA
Cuba

**Washington** DCA
USA

**Winnipeg** YWG
Canada

**Yellowknife** YZF
Canada

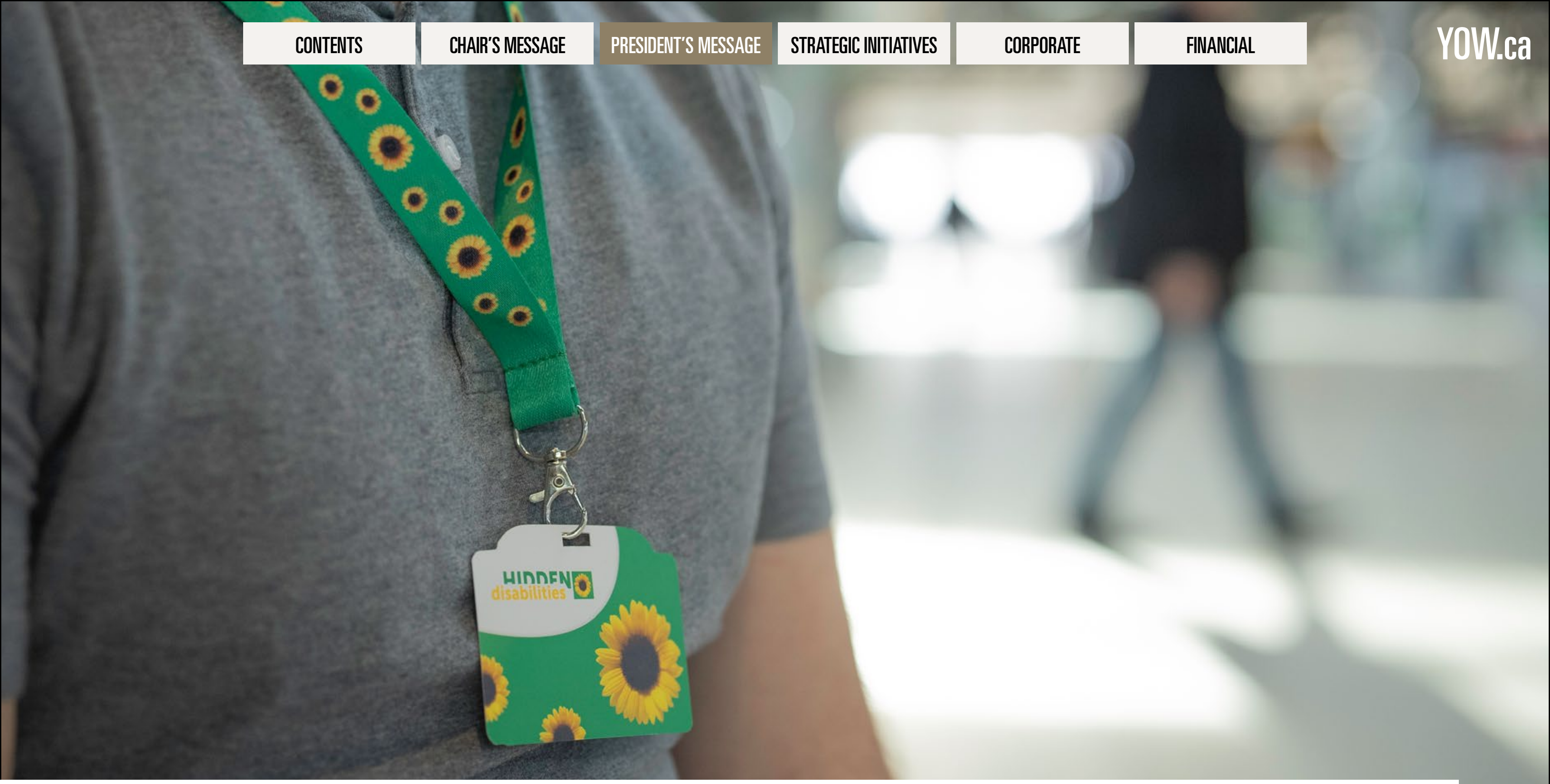


Air service development highlights include Air France's new, nonstop service to Paris-Charles de Gaulle that commenced June 27 to great fanfare! We gathered with media, tourism partners, and special guests from Air France to welcome the inaugural arrival at the gate. Departing guests were provided refreshments and treats as we officially cut the ribbon on this key route that reconnects Ottawa-Gatineau with Europe. Arriving guests enjoyed truffles courtesy of the Ottawa school of Paris-born culinary institute, Le Cordon Bleu.

In addition to in-terminal celebrations, we were delighted that His Excellency Michel Miraillet, Ambassador of France to Canada, helped introduce the route to the community at a lovely reception at the French Embassy. The event included Air France and KLM frequent flyers, members of the diplomatic community, airport and community stakeholders and our tourism and hospitality partners who enjoyed delectable fare and delicious French champagne and wines, in the Embassy's beautiful surroundings.


Feedback has been phenomenal regarding Air France's elevated onboard service as well as the ease of connection to the rest of Europe and beyond. We are thrilled that Air France recognizes the route's success and has extended service through Summer 2024. Our sincere thanks to the community for embracing Air France and confirming that there is genuine demand for service to Europe from Ottawa-Gatineau.

We owe a huge thank you to Ottawa Tourism, Tourisme Outaouais, and Destination Canada for putting their marketing support behind our efforts with Air France to ensure the route's success. ↘




Every airline partner is significant to YOW. We work closely with all of them to explore new air service possibilities for the benefit of our community.

As passenger volumes increase, customer service is increasingly important. The pandemic caused us to pause some initiatives, including the Airport Service Quality (ASQ) customer service benchmark program, the airport Infoguide volunteer program and pet therapy visits. In 2023, we created a new Director of Passenger Experience role to take a fresh and holistic look at customer service at YOW. The new Director's early activities were focused on mapping the passenger journey through every touchpoint to validate the processes, understand roles and responsibilities, and identify gaps.

Next, we engaged Skytrax, the international air transport rating agency, to help establish a benchmark customer service level. The survey touched on 800 indicators that pointed to a 4-star rating for the Airport. What does this mean for YOW? It means there are opportunities for improvement, which we will address. The good news is that projects are already underway that will resolve some of the lower scoring indicators.

A great example is the Airport's website, yow.ca. I told you last year that we would have a new site in 2023 that would be more modern, user-friendly, robust and fully accessible. After conducting a comprehensive user analysis that identified more technical and integration needs, the project scope grew significantly, which extended the timeline. We completed a competitive process to identify a development partner. We are working with the proponent and our design partners to roll out the new site in summer 2024.

The Canadian Air Transport Security Authority's Verified Traveller (VT) program helps ease congestion and improves the passenger journey for NEXUS members, and travellers who have undergone extensive background checks and carry special photo identification cards, like law enforcement and military personnel. Initially left off the list of tier 1 airports that would have the program, we advocated relentlessly with the federal government to be included for the benefit of our passengers. Our efforts paid off and we opened our VT lane on August 9 for a pilot project. Early results point to greater usage than originally predicted. We hope the final numbers will demonstrate the need for a permanent program at YOW and we will continue our efforts to that end.

Accessibility has become a key theme in travel, and I'm pleased to say that YOW continues to work diligently to ensure barrier-free travel. Led by the Communications team, the Authority published its first Accessibility Plan on June 1. We have also been working with the Canadian Transportation Agency to ensure full compliance with their Accessible Transportation for Persons with Disabilities Regulations that encompass every travel touchpoint. Audits of several programs and elements of our website have been successful, and complement past initiatives that have resulted in accolades from organizations like the Rick Hansen Foundation.

The Authority was very pleased to introduce the Hidden Disabilities' Sunflower program at YOW during Accessibility Week in October. As part of the program, a passenger with a hidden disability is invited to wear a bright green lanyard with the sunflower symbol while at the airport to discreetly alert staff that they may need extra help or additional time throughout the travel process. We provided training to airlines and other front-line staff to ensure widespread awareness of the program and the unique needs of users. ↘


The magnitude of growth I have described called for a level of recruitment the Authority hasn't experienced since it was first established. Our Human Resources (HR) department rose to the challenge, expanding its own team in the process. HR also supported departmental reviews in groundside operations to optimize resources and reclassify on-call employees to seasonal, and in trades to conduct a complete reclassification review resulting in several paygrade changes.

Revamping the IT team's skills and capacity emerged as a cornerstone of the IT Business Plan mentioned earlier. To support the Plan's objectives of strengthening operational resilience and reliability across key services, HR completed a departmental structural review and analysis. We were pleased to see promotions from within and new skills introduced to the group that will help the organization reach its IT goals.

A most astonishing feat in 2023 was the amount of recruitment the HR team facilitated – 69 new hires, including 27 new seasonal employees, the return of 28 seasonal employees and 21 internal promotions. The levels of effort and teamwork required to fill so many critical roles and organize the associated onboarding activities were Herculean, and the resulting additions and promotions have the Authority on solid footing for the future.

HR and Communications collaborated in a novel-to-us approach to recruitment with two major social media blitzes in search of millwrights and heavy equipment operators. Both campaigns were overwhelmingly successful in terms of reach and applications received, and they raised the Authority's profile to candidates for other openings. Plans are already underway to launch similar blitzes in 2024.

And while hiring will still be a priority with more vacancies left to fill, the team will also maintain its focus on pay equity in keeping with federal regulations that came into force in August 2021. The regulations require us to document a comprehensive plan, deploy an evaluation tool, and examine every job profile in the organization – all of which must be implemented by September 2024. As you can imagine, this is a mammoth task for a small, busy team. We have engaged an outside firm to assist our effort.

With all of this growth in staffing and operational activities, and financial transactions, the finance and procurement teams have also been busy training new hires, partnering with teams on significant procurement activities and accounting to meet the burgeoning transaction volume growth that exceeds 2019 levels.

So many of the programs we have undertaken are directly related to operating responsibly, sustainably, transparently, and with sound governance, which was part of our motivation for moving to ESG reporting. Building on our inaugural effort, the Authority is publishing its second ESG Report in 2024. Acknowledging sustainability as a continuous learning experience, the report reflects progress made in the first year since formalizing our sustainability plan. It focuses on key material topics identified in the previous year, emphasizing goals, objectives, and key performance indicators aligned with established sustainability reporting frameworks.


Introducing a Disclosures Index, we are enhancing transparency by aligning our disclosures with the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD) to offer a comprehensive view of our dedication to sustainability. I encourage you to explore this report and related information on our website, to learn more about our shared journey towards a future where our Airport and community thrive sustainably. ↘


I hope you will agree that 2023 was productive, with transformative projects that are setting YOW on a path for continued growth and success. As our volumes continue to recover, and the evolving landscape of air travel in the post-COVID era prevails, the Authority is proactively revisiting its Master Plan. This strategic initiative aims to position the Airport optimally for the future, providing a resilient and dynamic hub for economic growth and collaboration for Canada's Capital Region.

Recognizing the need for a long-term perspective on infrastructure development, and in light of new traffic profiles that put greater emphasis on leisure travel, we have launched a comprehensive series of studies aimed at assessing and forecasting traffic growth over the next decade and beyond. We are exploring the need for additional capacity and a significant expansion project to accommodate the anticipated surge in traffic and new traffic profiles.

Looking ahead to 2024, the Authority is poised to embark on the next phase of this strategic initiative. By laying robust foundations and adopting a sustainable and innovative approach to airport infrastructure, we aim to solidify our role as a key player in shaping the future of air travel, ensuring a seamless and efficient experience for passengers while adapting to the evolving realities of traffic demand.

In response to the robust recovery of the industry and our resulting capacity challenges and the need to revisit our plans for the future, we welcomed a new Vice President of Major Capital and Strategic Planning to strengthen our senior leadership team and to steward these complex analyses forward.

We have some exciting years ahead of us, but I want to close 2023 with some words of thanks. The Chair mentioned the Purpose Statement and the efforts that went into developing and communicating it. The next priority is living it, and our team shows me every day that they are doing just that. We are approaching new projects, and breathing life into ongoing projects with purpose to make sure that we live up to our bold statement. Thank you for your hard work and dedication – it's noticed and appreciated.

I would also like to thank the Board for engaging in the files and matters that have required attention and care. I, too, enjoy the lively discussions and the sound knowledge that we are all committed to the same goal – YOW's success. Mr. Chair, your leadership at the Board has been exemplary and will be missed. I look forward to working with Chair-elect, Bonnie Boretsky and building on the excellent work Code has done.

Final thanks are extended to the community for its ongoing support and for flying Ottawa first. Together, we are ensuring YOW recovers fully, and enjoys continued growth and transformation for decades to come.

Bon voyage,

**Mark Laroche**
*President and CEO*

# Strategic Initiatives

The Ottawa International Airport Authority (Authority)'s priorities and plans are linked to the Strategic Plan, which is developed in collaboration with the Board of Directors. The following identifies the initiatives within each strategic direction across the 2021-2025 timeline, as well as actual results compared to the Business Plan for 2023: ↘

1

## To grow strategically

- to grow non-aeronautical revenues; and
- to provide passengers and commercial airlines with world-class Airport facilities.

2

## To increase the economic footprint of the Airport within Canada's Capital Region

- to increase the economic footprint of the Airport by generating employment and economic activity on Airport land; and
- to ensure efficient transportation access to the airport through continued advocacy with the City of Ottawa concerning a Light Rail Transit (LRT) Airport link.

3

## To optimize operational performance, ensuring safe and secure operations

- to be recognized for strong financial management practices and strong financial performance among airports in Canada;
- to show continued leadership in Airport safety and security; and
- to show continued leadership in sustainable Airport management and environmental practice.

4

## To pursue excellence

- to continue to achieve consistently high customer satisfaction;
- to ensure excellence in employee engagement; and
- to demonstrate leadership in corporate governance.

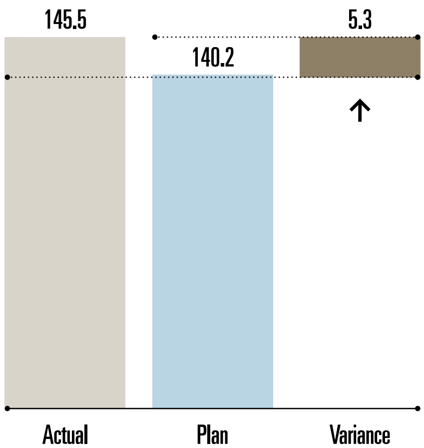
5

## To provide additional flight frequencies and destinations

- to increase flight options through the implementation of an effective air service development strategy; and
- to support tourism, business and convention development in Ottawa by stimulating demand for air travel.

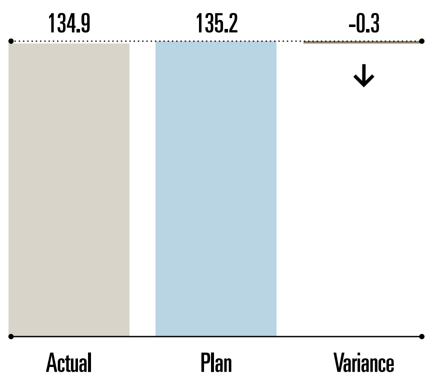
## 2023 Actual vs. Business Plan (in millions of Canadian dollars)

### Revenue



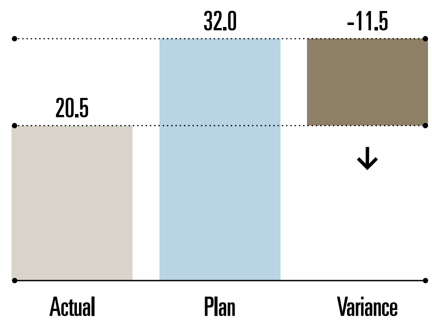

The variance is due to better performance in concessions revenues including car rentals, food services and ground transportation as well as strong performance in parking revenues. Robust interest income resulted from a higher interest rate environment combined with higher than expected cash balances.

### Expenses



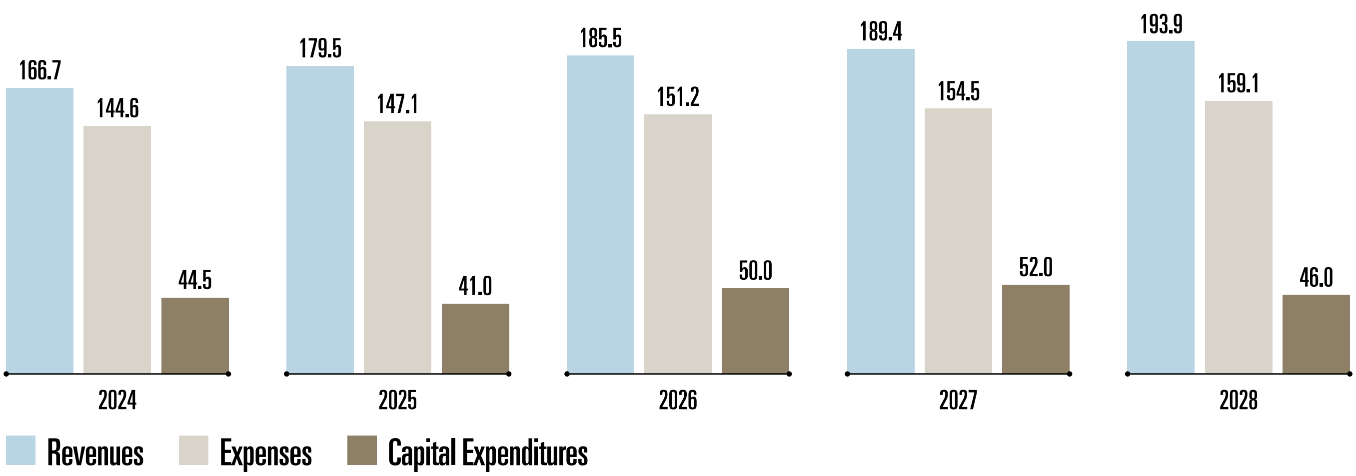

Operational expenses were consistent with the Plan.

### Capital Expenditures




The Authority experienced a combination of short delays due to supply chain and labour capacity with deferred project spending into 2024.

## Financial projections 2024 – 2028 (in millions of Canadian dollars)



## Summary of amounts spent in the Ottawa region (in millions of Canadian dollars)

| | 2019 $ | 2020 $ | 2021 $ | 2022 $ | 2023 $ | TOTAL $ |
|---|---|---|---|---|---|---|
| Wage bill | 24.9 | 23.7 | 21.8 | 23.9 | 28.0 | 122.3 |
| Payments in lieu of municipal taxes | 5.5 | 5.5 | 1.5 | 1.3 | 3.2 | 17.0 |
| Operations costs | 40.0 | 24.0 | 22.0 | 31.6 | 42.5 | 160.1 |
| Capital costs | 36.3 | 16.8 | 9.8 | 14.7 | 20.5 | 98.1 |
| **Total** | **106.7** | **70.0** | **55.1** | **71.5** | **94.2** | **397.5** |

Notes:
The wage bill includes benefits and excludes CEWS subsidy. Payments in lieu of municipal taxes (PILT) – paid to the City of Ottawa.
Operations costs do not include rent, PILT, payroll, depreciation and interest expenses.

## Passenger growth by sector

| | YEAR | DOMESTIC | ANNUAL GROWTH % | TRANSBORDER | ANNUAL GROWTH % | INTERNATIONAL | ANNUAL GROWTH % | TOTAL | ANNUAL GROWTH % |
|---|---|---|---|---|---|---|---|---|---|
| ACTUAL | 2013 | 3,363,685 | (2.6) | 772,678 | (0.3) | 442,228 | (3.1) | 4,578,591 | (2.3) |
| | 2014 | 3,434,209 | 2.1 | 741,285 | (4.1) | 440,954 | (0.3) | 4,616,448 | 0.8 |
| | 2015 | 3,488,629 | 1.6 | 735,755 | (0.7) | 431,976 | (2.0) | 4,656,360 | 0.9 |
| | 2016 | 3,679,232 | 5.5 | 673,434 | (8.5) | 390,425 | (9.6) | 4,743,091 | 1.9 |
| | 2017 | 3,813,672 | 3.6 | 647,574 | (3.8) | 378,431 | (3.1) | 4,839,677 | 2.0 |
| | 2018 | 4,002,209 | 4.9 | 720,770 | 11.3 | 387,822 | 2.5 | 5,110,801 | 5.6 |
| | 2019 | 3,993,553 | (0.22) | 686,297 | (4.78) | 426,637 | 10.01 | 5,106,487 | (0.08) |
| | 2020 | 1,032,037 | (74.2) | 163,093 | (76.2) | 168,382 | (60.5) | 1,363,512 | (73.3) |
| | 2021 | 1,143,950 | 10.8 | 11,242 | (93.1) | 15,597 | (90.7) | 1,170,789 | (14.1) |
| | 2022 | 2,708,999 | 136.8 | 190,335 | 1,593.1 | 93,000 | 496.3 | 2,992,334 | 155.6 |
| | 2023 | 3,202,899 | 18.2 | 576,133 | 202.7 | 316,883 | 240.7 | 4,095,915 | 36.9 |
| FORECAST | 2024 | 3,693,187 | 15.3 | 653,081 | 13.4 | 403,732 | 27.4 | 4,750,000 | 16.0 |
| | 2025 | 3,915,712 | 6.0 | 842,290 | 29.0 | 467,130 | 15.7 | 5,225,132 | 10.0 |
| | 2030 | 4,620,836 | 18.0 | 1,222,411 | 45.1 | 573,673 | 22.8 | 6,416,920 | 3.0 |
| | 2035 | 5,201,927 | 12.6 | 1,376,135 | 12.6 | 645,815 | 12.6 | 7,117,120 | 1.5 |

## Key measurements

| | YEAR | PASSENGERS | ANNUAL GROWTH % | AIRCRAFT MOVEMENTS | ANNUAL GROWTH % | RENT TO TRANSPORT CANADA $ | ANNUAL GROWTH % |
|---|---|---|---|---|---|---|---|
| ACTUAL | 2013 | 4,578,591 | (2.3) | 83,567 | (7.9) | 7,420,000 | (3.6) |
| | 2014 | 4,616,448 | 0.8 | 78,073 | (6.6) | 8,317,000 | 12.1 |
| | 2015 | 4,656,360 | 0.9 | 75,107 | (3.8) | 8,737,000 | 5.0 |
| | 2016 | 4,743,091 | 1.9 | 74,345 | (1.0) | 8,994,000 | 2.9 |
| | 2017 | 4,839,677 | 2.0 | 74,755 | 0.6 | 9,626,000 | 7.0 |
| | 2018 | 5,110,801 | 5.6 | 77,728 | 4.0 | 10,553,000 | 9.63 |
| | 2019 | 5,106,487 | (0.08) | 75,799 | (2.48) | 10,530,000 | (0.22) |
| | 2020 | 1,363,512 | (73.3) | 23,388 | (69.1) | 439,000 | (95.8) |
| | 2021 | 1,170,789 | (14.1) | 17,397 | (25.6) | — | (100.0) |
| | 2022 | 2,992,334 | 155.6 | 39,716 | 128.3 | 7,832,000 | 100.0 |
| | 2023 | 4,095,915 | 36.9 | 51,484 | 29.6 | 11,032,000 | 40.9 |
| FORECAST | 2024 | 4,750,000 | 16.0 | 65,607 | 27.4 | 13,191,000 | 19.6 |
| | 2025 | 5,225,132 | 10.0 | 79,812 | 21.7 | 14,550,000 | 10.3 |
| | 2026 | 5,486,240 | 5.0 | 85,141 | 6.7 | 15,133,000 | 4.0 |
| | 2027 | 5,760,621 | 5.0 | 89,860 | 5.5 | 15,529,000 | 2.6 |
| | 2028 | 6,048,562 | 5.0 | 94,351 | 5.0 | 15,987,000 | 3.0 |

Notes:
Federal Government Net Book Value at time of transfer: $75.0 million. Total rent projected 1997-2027: $288 million.
Forecast passenger volumes are as provided by outside consultants. For financial planning purposes, the Authority forecasts on a more conservative basis.

## Five-year review (in thousands of Canadian dollars)

| | 2019 $ | 2020 $ | 2021 $ | 2022 $ | 2023 $ |
|---|---|---|---|---|---|
| Revenues | 138,062 | 48,584 | 56,638 | 111,795 | 145,624 |
| Expenses before depreciation | 101,838 | 68,110 | 62,029 | 86,123 | 105,629 |
| Earnings (loss) before depreciation | 36,224 | (19,526) | (5,391) | 25,672 | 39,995 |
| Capital expenditures | 36,300 | 16,853 | 9,799 | 14,728 | 20,595 |
| AIF revenues | 53,988 | 14,649 | 19,343 | 50,265 | 67,189 |

## Average daily nonstop departures (based on peak period)

| | | DAILY | | WEEKLY |
|---|---|---|---|---|
| | YEAR | DOMESTIC | TRANSBORDER | INTERNATIONAL |
| ACTUAL | 2013 | 84 | 27 | 22 |
| | 2014 | 80 | 24 | 23 |
| | 2015 | 78 | 21 | 24 |
| | 2016 | 80 | 20 | 23 |
| | 2017 | 82 | 19 | 23 |
| Origin and destination 96.5% of traffic (estimated) | 2018 | 85 | 20 | 20 |
| | 2019 | 83 | 19 | 22 |
| | 2020 | 27 | 4 | 11 |
| | 2021 | 34 | 2 | 2 |
| | 2022 | 61 | 5 | 10 |
| | 2023 | 64 | 19 | 38 |

# Corporate Governance, Accountability and Transparency

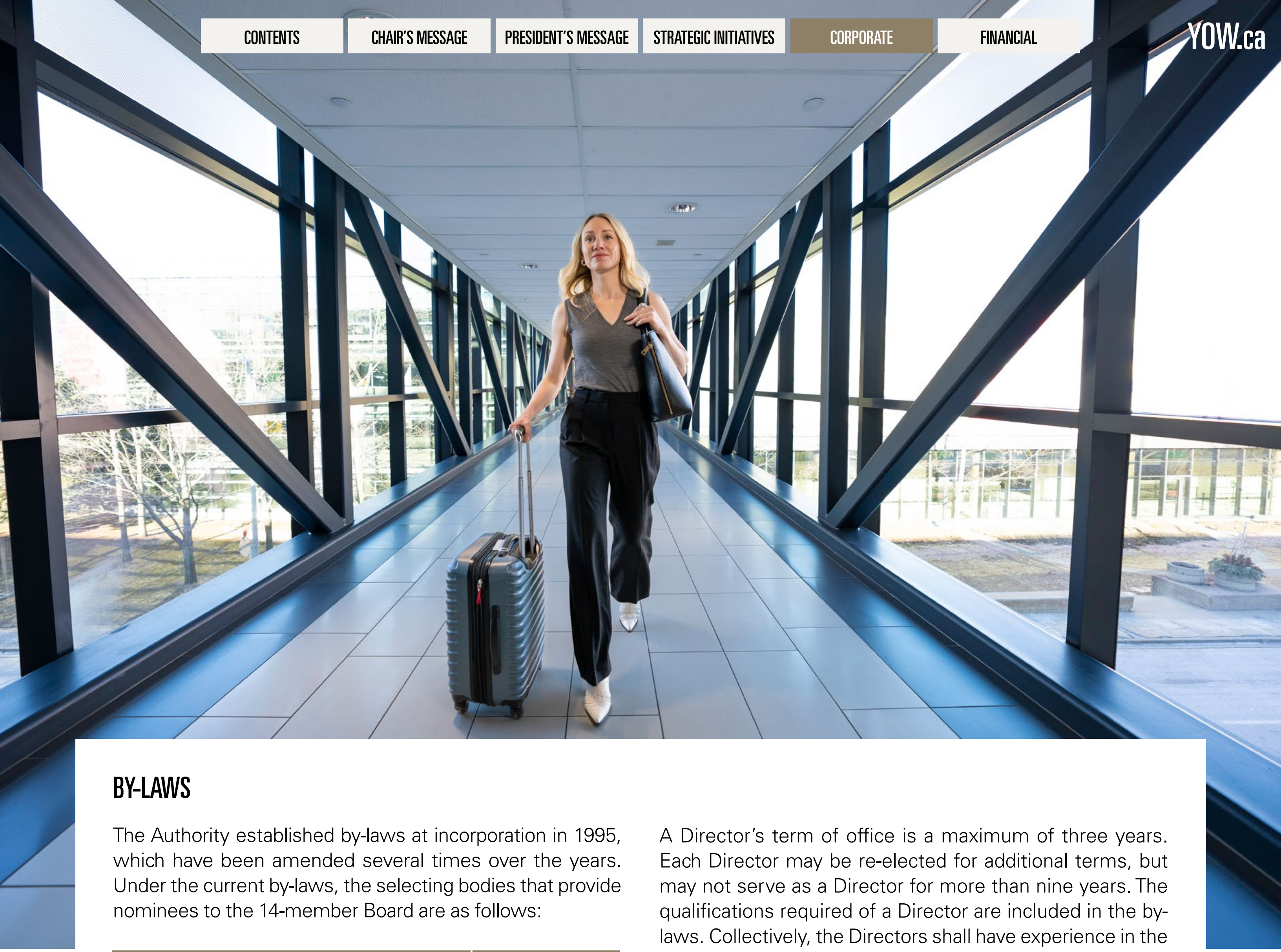
The Authority's mission is to be a leader in providing quality, safe, secure, sustainable, and affordable transportation services to the Airport's customers and communities, and be a driver of economic growth within Canada's Capital Region.

## THE BOARD OF DIRECTORS

The adoption of the National Airports Policy in 1994 resulted in the creation of local airport authorities across the country. These authorities were created with community-nominated Boards of Directors who were tasked with overseeing the management of their local facility. The Authority's Board follows these guidelines, which are included in the Authority's by-laws:

- Includes professional representation nominated by all three levels of government as well as community and business organizations;
- Directors shall not be elected officials or government employees; each Director has a fiduciary duty to the Authority;
- Each Director has a fiduciary duty to the Authority;
- Meets 8 to 10 times during the year;
- Views its principal responsibility as overseeing the conduct of the business and supervising management to ensure that long-term goals and strategies are met; and
- Must meet Conflict of Interest rules, adhere to the Authority's Code of Conduct and the Public Accountability Principles for Canadian Airport Authorities.

Each Director has filed a Conflict of Interest declaration for 2023, as required by the Authority's by-laws. Furthermore, to the Authority's knowledge, all Directors are in compliance with the conflict of interest and Code of Conduct guidelines noted above. ↘

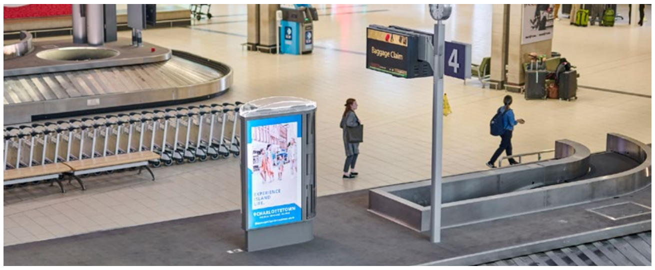


## BY-LAWS

The Authority established by-laws at incorporation in 1995, which have been amended several times over the years. Under the current by-laws, the selecting bodies that provide nominees to the 14-member Board are as follows:

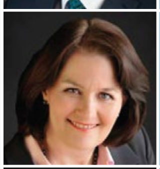
| SELECTING BODIES | NUMBER OF DIRECTORS NOMINATED |
|---|---|
| Minister of Transport (Government of Canada) | **2** |
| Government of Ontario | **1** |
| City of Ottawa | **2** |
| City of Gatineau | **1** |
| Ottawa Board of Trade | **1** |
| Ottawa Tourism and Convention Authority | **1** |
| Chambre de commerce de Gatineau | **1** |
| Invest Ottawa | **1** |
| At Large | **4** |
| **Total** | **14** |

A Director's term of office is a maximum of three years. Each Director may be re-elected for additional terms, but may not serve as a Director for more than nine years. The qualifications required of a Director are included in the by-laws. Collectively, the Directors shall have experience in the fields of law, engineering, accounting, business management, and aviation industry management. In addition, the by-laws include restrictions to eliminate possible conflicts of interest arising from relationships with selecting bodies, thereby ensuring the independence of Directors and reinforcing their fiduciary responsibilities to the Authority. The Governance Committee has the power to ensure that the selecting bodies provide candidates for nomination to the Board having the skills and expertise necessary for the Board as a whole to carry out its duties. ↘



**The following represents the composition of the Board (as of December 31, 2023)**

| NAME AND POSITION | | OCCUPATION | SELECTING BODY AND YEAR APPOINTED |
|---|---|---|---|
|  | **Code Cubitt**<br>Chair of the Board | Managing Director<br>Mistral Venture Partners | Invest Ottawa<br>2015 |
|  | **Shane Bennett** [2] | Vice President<br>Bennett Insurance Agency Limited | Government of Ontario<br>2019 |
|  | **Bonnie Boretsky** [1] | Retired Executive | Transport Canada<br>2019 |
|  | **Dick Brown** [2,3] | Retired Executive | Ottawa Tourism<br>2016 |
|  | **Mario Cuconato** [3,4] | Vice President<br>Eastern Canada Civeo | City of Ottawa<br>2020 |
|  | **Marc Joyal** [1,4] | Retired Executive | At Large<br>2022 |
|  | **Michèle Lafontaine** [2]<br>Chair, Governance Committee | Retired Notary and Legal Counsel | Ville de Gatineau<br>2017 |

| NAME AND POSITION | OCCUPATION | SELECTING BODY AND YEAR APPOINTED |
|---|---|---|
|  **Bruce Lazenby** (3)(4) | Semi-Retired Executive Coach | At Large<br>2022 |
|  **Kevin McGarr** (3)<br>Chair, Human Resources and Compensation Committee | Principal<br>McGarr Advisory Services | At Large<br>2019 |
|  **Deanna Monaghan** (1)<br>Chair, Audit Committee | Retired Executive | At Large<br>2022 |
|  **Laurel Murray** (1) | President<br>Murray Consulting Inc. | Transport Canada<br>2019 |
|  **Vanessa Pilotte** (4) | President<br>Fondation Choquette-Legault<br>CEO<br>Gestion Choquette-Legault | Chambre de commerce de Gatineau<br>2023 |
|  **John Proctor** (4)<br>Chair, Major Infrastructure and Environment Committee | Retired Executive | Ottawa Board of Trade<br>2021 |
|  **Lisa Stilborn** (2) | Vice President<br>Public Affairs and Government Relations<br>Canadian Fuels Association | City of Ottawa<br>2016 |

(1) Member of Audit Committee
(2) Member of Governance Committee
(3) Member of Human Resources and Compensation Committee
(4) Member of Major Infrastructure and Environment Committee


## ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

| BOARD MEMBER | BOARD MEETINGS ATTENDED | COMMITTEE MEETINGS ATTENDED WHILE MEMBER OF A COMMITTEE |
|---|---|---|
| Shane Bennett | 9 out of 10 | 5 out of 5 |
| Bonnie Boretsky | 10 out of 10 | 7 out of 7 |
| Dick Brown | 10 out of 10 | 7 out of 7 |
| Code Cubitt | 10 out of 10 | 22 out of 23 |
| Mario Cuconato | 10 out of 10 | 11 out of 11 |
| Marc Joyal | 10 out of 10 | 7 out of 10 |
| Michèle Lafontaine | 10 out of 10 | 7 out of 8 |
| Bruce Lazenby | 9 out of 10 | 8 out of 8 |
| Kevin McGarr | 10 out of 10 | 8 out of 8 |
| Deanna Monaghan | 10 out of 10 | 7 out of 7 |
| Laurel Murray | 9 out of 10 | 7 out of 7 |
| Vanessa Pilotte (2) | 7 out of 7 | 3 out of 3 |
| Carole Presseault (1) | 3 out of 3 | 4 out of 4 |
| John Proctor | 8 out of 10 | 6 out of 6 |
| Lisa Stilborn | 7 out of 10 | 2 out of 5 |

(1) Term ended on April 26, 2023
(2) New Board member effective April 26, 2023

## DIRECTOR'S COMPENSATION IN 2023

### Annual Retainer

- Chair: $56,040
- Audit Committee Chair: $27,399
- Committee Chairs: $24,908
- All other Directors: $14,944

### Per Meeting Fee

- $686 per meeting
- $249 per teleconference

## COMMITTEES OF THE BOARD

The following is a list of Committees of the Board and the general mandate of each:

### Governance Committee

- oversight and initiation of procedures to deliver best practices in the area of corporate governance;
- review the Annual Report as prepared by the President;
- establish the nomination procedures, the skill sets required for nominees and the length of the term of selected nominees to the Board;
- evaluate and recommend nominees for Board positions to the Board;
- oversee the application of Conflict of Interest rules to Board members and nominees;
- develop a process for nomination of the Chair of the Board and oversee such process;
- review the annual Board evaluation process and any associated recommendations for change;
- review recommendations of the Chair of the Board regarding the composition of the Committees of the Board and appointment of the Committee Chairs;
- review changes to the Charters of all Board Committees and recommend changes for Board approval;
- review Director compensation and recommend any changes for Board approval;
- review the Authority's structures and procedures to ensure the Board is able to function independently from the management;
- review and monitor the Authority's stakeholders' engagement; and
- review and oversight of the Environmental, Social, Governance (ESG) report.

### Major Infrastructure and Environment Committee

- oversee the Authority's major infrastructure projects;
- oversee best practices in the area of environmental stewardship;
- review the overall technical merits of proposed major infrastructure projects, reports and other documents on design, cost (not affordability), quality, schedule, risk, and construction;
- review updates to the Authority's Master Plan;
- review and recommend to the Board for approval the infrastructure investment plans prepared as part of the annual Business Plan in consultation with the Audit Committee;
- review the Authority's environmental management reports, including issues related to noise;
- review the Authority's Information Technology reports including security, and
- review the Authority's Net-Zero management plan.

## Audit Committee

- assist the Board in fulfilling its oversight responsibilities with regard to financial reporting, risk management, and audit functions;
- oversee selection, appointment, independence, compensation, performance review, and termination of the Authority's external auditor;
- oversee annual external audit process including review of the audit plan, emerging issues, accounting principals, and communications with external auditors;
- annually review proposed fiscal operating and capital budgets for recommendation to and approval by the Board;
- review the annual audited financial statements of the Authority for recommendation to and approval by the Board;
- review and approve the interim unaudited quarterly financial statements of the Authority;
- oversee selection, appointment, termination, compensation, performance review, and audit plan of the Authority's internal audit function, including the review of significant reports prepared by internal audit together with management's response and follow-up actions to these reports;
- oversee the Authority's processes for enterprise risk management, including the review of financial and business risks, compliance with legal and regulatory requirements, review of the insurance program, and review of the Code of Conduct and whistleblower programs; and
- oversee matters having a material financial impact on the Authority, including financing and liquidity requirements and compliance with debtholder obligations and make recommendations to the Board, as required.

## Human Resources and Compensation Committee

- review succession plans for senior management;
- review the competitiveness and appropriateness of the Authority's policies regarding management compensation, including the at risk pay program, pension plans, benefits, and all other aspects of compensation;
- recommend to the Board the remuneration plan for excluded employees as well as mandates for collective bargaining and changes to collective agreements for unionized employees;
- review key human resources metrics on a regular basis, including the results of employee satisfaction surveys and key performance indicators;
- monitor the workplace culture of the Authority and recommend initiatives to enhance engagement;
- ensure that appropriate policies and procedures are in place with respect to workplace harassment as well as ensuring such policies and procedures are followed with respect to any incidents of workplace harassment; and
- monitor compliance with employment and labour-related statutory requirements.

Other Ad-Hoc committees may be formed from time to time that include members of the Board.


# ACCOUNTABILITY

The Authority's policy is to be accountable to the community and to be transparent in relations with its business partners and customers. The Authority's mandate, as set out in its Articles of Continuance, establishes a standard against which its performance can be measured.

The mandate of the Authority is:

- to manage, operate and develop the Ottawa International Airport, the premises of which will be leased to the Authority by Transport Canada, and any other airport in Canada's Capital Region for which the Authority becomes responsible, in a safe, secure, efficient, cost-effective, and financially viable manner with reasonable airport user charges and equitable access to all carriers;
- to undertake and promote the development of airport lands, for which it is responsible, for uses that are compatible with air transportation activities; and
- to expand transportation facilities and generate economic activity in ways that are compatible with air transportation activities.

In executing its objects, the Authority shall confer regularly with governments and community entities on matters affecting the operation and development of the airports for which it is responsible and shall engage only in those activities that are consistent with its objects.

The Authority accounts for its actions to the community in a number of ways:

- by publishing an Annual Report;
- by hosting an Annual Public Meeting;
- by hosting an annual meeting with selecting bodies;
- by establishing and/or reporting to the following consultation committees:

  - Airport Noise Committee;
  - Airline Consultative Committee;
  - Airport Operators Committee;
  - Community Consultative Committee;
  - Airside Safety Committee;
- through meetings and/or consultations with local city officials;
- through extensive public consultations on the periodic renewal of the Airport Master Plan, which was updated in 1998, 2008 and 2018, and the Land Use Plan, which was last updated and approved by the Minister of Transport in 2022; and
- by maintaining a corporate website at www.yow.ca.

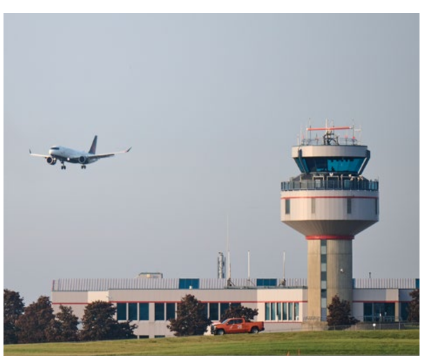
In addition, a performance review must be conducted at least once every five years, in keeping with the Authority's Ground Lease with Transport Canada. This performance review was last completed in February 2023.


# TRANSPARENCY

## Procurement and Contracting

The Authority is transparent in its procurement practices. The Public Accountability Principles for Canadian Airport Authorities and the Authority's Ground Lease require that all contracts for the procurement of goods, services, and construction services with a value in excess of $136,706 ($75,000 in 1994 dollars adjusted for CPI to December 31, 2022), must be awarded through a competitive public tendering process, or be disclosed in the Authority's Annual Report together with the reasons why they were not awarded through a public competitive process.

Contracts in excess of $136,706 that were not awarded on the basis of a public competitive process during 2023: (see table to the right)



| CONTRACTOR | CONTRACT DESCRIPTION | REASON FOR SOLE SOURCE |
|---|---|---|
| Peter J.W VanZyl & Sons Limited | Tree removal services on emergency basis - May 2022 Derecho windstorm | See C below |
| Aviramp Limited | Mobile boarding ramps | See B below |
| Campbell Ford | Purchase of four (4) Ford Lightning pickup trucks (Electric) | See A below |
| Johnson Controls Canada LP | Building Automation System modernization 2023 | See B below |
| BellMobility Inc. (Radio Division) | Upgrade of airport operations control centre Avtec dispatch consoles | See B below |
| Decisive Group Inc. | Professional services to provide assistance with the delivery of the technology modernization project | See B below |
| Hydro Ottawa | Design, supply and install new electrical service for potable water pumping station | See B below |
| Johnson Controls Canada LP | Building Automation System modernization 2024–2027 | See B below |

A. Sole source to ensure integration, functionality and familiarity with existing systems and regulations and product/services originally purchased following a public competitive process

B. Single source for specialized proprietary equipment and/or services are available from only one supplier

C. Sole source due to the urgent nature of the service where delay would be injurious to the user community

## Executive Management Salary Ranges

The base salary range for the President of the Authority in 2023 was between $367,000 and $477,000. The base salary ranges for Vice Presidents in 2023 was between $133,261 and $269,836.

In addition, under the at risk pay program for excluded employees, the President and the Vice Presidents receive their at risk pay following fiscal year-end based on the achievement of performance targets/objectives that are consistent with the Authority's Strategic Plan.

## Fees and Charges

The Authority provides 60 days advance notice in local news media for all changes in user charges (excluding rent), together with an explanation for the noted increase. This includes aeronautical fees charged to air carriers and the Airport Improvement Fee (AIF).

While the Authority's goal is to keep the aeronautical fees it charges air carriers reasonable, it has been necessary to adjust these fees on occasion. The Authority's process for adjusting aeronautical fees and charges includes:

- prior to any change, consulting with air carriers through the Airline Consultative Committee, with necessary explanations and calculations showing how these fees were determined, at least 65 days in advance of the effective date of the change; and
- providing 60 days notice of the increase in fees to the airlines.

The Authority publicizes the reason for imposing an AIF, or for making changes to the fee. It last did this when it announced on February 27, 2021, that it was increasing its fee to $35 effective June 1, 2021. The purpose of the existing AIF is to pay for the construction of, and the debt service requirements associated with, the Authority's major infrastructure investment programs.

The process for adjusting the AIF is similar to the process for adjusting aeronautical fees and charges, including public notice in the local news media.

## Public Access to Documents

In accordance with Public Accountability Principles for Canadian Airport Authorities, the Authority makes the following corporate documents available for examination, at no charge.

The documents listed below can be accessed at any time on the Authority's website at www.yow.ca

- its five (5) most recent annual reports each of which include a general summary of its undertaking and affairs during the previous fiscal year;
- the most recent and the previous annual financial statements with the accompanying auditors' reports thereon;
- the summary of its business plan for the then current Lease Year and the business plan containing the forecast for the next five (5) year period (located within each annual report);
- current Airport Master Plan executive summary;
- Economic Impact Study (current and archived);
- Environmental Report (current and archived);
- current Land Use Plan; and
- current ESG Report.

The following documents can be consulted by appointment during regular business hours:

- the current Airport Master Plan;
- a copy of its 5-year Performance Reviews pursuant to Section 9.02 of the Ground Lease;
- its constating documents and bylaws including any amendments thereto; and
- the signed Ground Lease and all signed airport transfer agreements.

# Financial Review — 2023

This Financial Review reports on the results and financial position of the Ottawa International Airport Authority ["Authority"] for its year ended December 31, 2023. This review should be read in conjunction with the audited financial statements and related notes of the Authority. This review contains forward-looking statements, including statements regarding the business and anticipated financial performance of the Authority. These statements are subject to a number of risks and uncertainties that will cause actual results to differ from those contemplated in the forward-looking statements.

## OVERALL PERFORMANCE

The Authority recorded income of $40 million before depreciation for the year ended December 31, 2023 and compares to income of $25.7 million for the year ended December 31, 2022. The Authority recorded depreciation of $29.2 million in 2023 compared to $30.5 million in 2022. After subtracting depreciation, the Authority generated net income of $10.8 million in 2023 compared to a net loss of $4.8 million in 2022.

The Authority's net operating results for the three years ended December 31, 2023 are summarized as follows:

| IN MILLIONS OF CANADIAN DOLLARS | 2023 | 2022 | 2021 |
|---|---|---|---|
| Revenues | **145.6** | 111.8 | 56.6 |
| Expenses | **105.6** | 86.1 | 62.0 |
| Income (loss) before depreciation | **40.0** | 25.7 | (5.4) |
| Depreciation | **29.2** | 30.5 | 31.3 |
| **Net income (loss)** | **10.8** | (4.8) | (36.7) |
| **Total assets** | **483.9** | 488.6 | 500.0 |
| **Gross - long-term debt** | **465.8** | 482.8 | 496.8 |

Passenger volumes trended higher throughout 2023. While the return to higher volumes is encouraging, 2023 passenger volumes are 80% of 2019 levels and the Authority looks forward to continued momentum for 2024 as it moves closer to reaching and exceeding 2019 passenger volumes over the next few years. The Authority remains cautious about potential disruptions from a variety of sources including macro-economic trends and outlooks and the Authority continues to monitor the passenger mix flowing through the Airport and the evolution of the passenger profile in the future. The strong return of leisure passenger volumes has anchored the recovery at the Airport and across the industry and 2023 experienced a strong return of the transborder and international passenger. There remains a lag in the number of business passengers arriving and departing the airport as the National Capital Region adjusts for normalized business operations that includes the use of digital meetings and remote work activities. The composition of the Airport's local market with a large component of the community in ongoing remote work arrangements may cause a lag in the return of business passengers as compared to other large airports in Canada.

The Authority continued to apply strict cost discipline as it adjusts its operations to expected volumes. The Authority continues to leverage its strong balance sheet and continued to meet its regulatory, operational and debt service obligations.

# RESULTS OF OPERATIONS

## Operating Activities

During 2023, the Airport experienced a 37% increase in passenger volumes compared to 2022 and 250% higher than 2021.

The following table summarizes passenger volumes for the last three fiscal years:

| | | | | % CHANGE – 2023 VERSUS | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2022 | 2021 |
| Domestic | **3,202,899** | 2,708,999 | 1,143,950 | 18 | 180 |
| Transborder | **576,133** | 190,335 | 11,242 | 203 | 5,025 |
| International | **316,882** | 93,000 | 15,597 | 241 | 1,932 |
| Total | **4,095,914** | 2,992,334 | 1,170,789 | 37 | 250 |

All three sectors continued to show encouraging trends, however, passenger and flight activity remain lower than pre-pandemic activity levels. Air carriers continued to build out their networks in the domestic market to accommodate rising demand for travel. Notable increases by Porter Airlines and Air Canada in 2023 contributed to the 18% year over year improvement over 2022.

Transborder and international sectors continued to experience strong year over year growth with the return of capacity and demand for both transborder and international destinations throughout 2023. Notable increases by Porter Airlines, Air Canada, United, Flair and Air France in both transborder and international flight volume contributed to strong year over year results.

By sector, a quarterly view of 2023 passenger volumes as compared to 2022 is as follows:

| | DOMESTIC | TRANSBORDER | INTERNATIONAL |
|---|---|---|---|
| Q1 | Higher by 77% | Higher by 611% | Higher by 373% |
| Q2 | Higher by 17% | Higher by 212% | Higher by 278% |
| Q3 | Higher by 8% | Higher by 183% | Higher by 100% |
| Q4 | Higher by 3% | Higher by 107% | Higher by 90% |
| Total | Higher by 18% | Higher by 203% | Higher by 241% |

By quarter, total passenger volumes were as follows:

| | 2023 | 2022 | % CHANGE |
|---|---|---|---|
| Q1 | **951,321** | 417,518 | 128 |
| Q2 | **1,001,994** | 768,326 | 30 |
| Q3 | **1,107,227** | 926,891 | 20 |
| Q4 | **1,035,372** | 879,599 | 18 |
| Total | **4,095,914** | 2,992,334 | 37 |

The size of an aircraft [based on maximum takeoff weight] and the number of "landed" seats on an aircraft [regardless of whether those seats are occupied by passengers] are the most significant drivers of aeronautical revenue. In 2023, the number of landed seats increased by 28% from the comparable period in 2022.

Domestic, transborder and international landed seats increased by 13%, 181% and 141%, respectively, on a year over year basis. Variances in the sectors mirror the variances experienced in passenger volumes as explained above.

# REVENUES

In 2023, total revenues increased $33.8 million to $145.6 million from $111.8 million in 2022.

| REVENUES BY CATEGORY (IN THOUSANDS OF CANADIAN DOLLARS) | 2023 | 2022 | CHANGE $ | % |
|---|---|---|---|---|
| Airport Improvement Fees | **67,189** | 50,265 | 16,924 | 34 |
| Terminal fees | **22,875** | 18,218 | 4,657 | 26 |
| Landing fees | **11,345** | 9,592 | 1,753 | 18 |
| Concessions | **16,345** | 12,229 | 4,116 | 34 |
| Car parking | **13,739** | 9,994 | 3,745 | 38 |
| Land and space rentals | **7,214** | 6,886 | 328 | 5 |
| Other revenue | **6,917** | 4,611 | 2,306 | 50 |
| | **145,624** | 111,795 | 33,829 | 30 |

Airport Improvement Fees ["AIF"] of $67.2 million in 2023 increased $16.9 million as compared to 2022. The year over year increase of 37% in passenger volumes favourably impacted AIF revenues and offset by a small increase in connecting passengers (96.5% vs 96.8% in 2022). Passengers connecting through Ottawa are exempt from the AIF. Under an agreement with the air carriers, AIF is collected by the air carriers in the price of a ticket and are remitted to the Authority on an estimated basis, net of air carrier administration fees of 6%, on the first of the month following the month of enplanement of passengers. Final settlement based on actual passenger enplanements occurs at the end of the month following the month of enplanement.

Aeronautical revenues of $34.2 million, encompassing terminal and landing fees, loading bridge charges, and security fees levied on air carriers, increased 23% over the prior year. The increase is attributed largely to the 28% year over year growth in landed seats in 2023 and offset slightly by the impact of the change in mix from larger gauge aircraft towards smaller gauge aircraft which attract lower tariff rates.

Revenues of $16.3 million from concessions increased 34% over the prior year. The increase was attributable mostly to the higher passenger volumes and their associated spending on food, retail and ground transportation services.

Parking revenues of $13.7 million are $3.7 million higher than 2022 and represent an increase of 38% on a year over year basis. The year over year passenger volume increase of 37% was the main contributor to this favourable variance.

Other revenues increased by $2.3 million from 2022. The increase was attributable to $1.8 million in higher interest income due to elevated interest rates on higher cash balances combined with higher utility recoveries from tenants.

# EXPENSES

Total expenses before depreciation increased by 23% to $105.6 million from $86.1 million in 2022.

| EXPENSES BY CATEGORY (IN THOUSANDS OF CANADIAN DOLLARS) | 2023 | 2022 | CHANGE $ | % |
|---|---|---|---|---|
| Interest | **20,844** | 21,588 | (744) | (3) |
| Ground rent | **11,032** | 7,832 | 3,200 | 41 |
| Materials, supplies and services | **42,519** | 31,550 | 10,969 | 35 |
| Salaries and benefits | **28,010** | 23,892 | 4,118 | 17 |
| Payments in lieu of municipal taxes | **3,224** | 1,261 | 1,962 | 156 |
| | **105,629** | 86,123 | 19,506 | 23 |

Interest expense reflected in the statement of operations results from borrowing to invest in the Authority's capital programs. The $0.7 million decrease in interest expense in 2023 relates to interest on the declining balance of the three bonds held by the Authority.

Rent payable to the Government of Canada increased by 41% to $11 million in 2023 due to higher revenues. The Authority operates the Airport under the terms of a Ground Lease [as amended, the "Lease"] with the Government of Canada that sets out the formula for calculating annual rent. The amount reflected as rent expense is estimated based on that formula. The formula calculates rent as a royalty based on a percentage of gross annual revenues on a progressive scale. Rent is calculated as a percentage of gross annual revenues as defined in the Lease, with no rent payable on the Authority's first $5 million in annual revenue and an increasing rent percentage payable as revenue increases, on a cumulative basis. Rent is levied at a maximum 12% rate on annual revenues in excess of $250 million as follows:

| GROSS REVENUES | RENT PAYABLE % | CUMULATIVE MAXIMUM RENT $ |
|---|---|---|
| On the first $5 million of revenues | 0.0 | 0 |
| On the next $5 million | 1.0 | 50,000 |
| On the next $15 million | 5.0 | 800,000 |
| On the next $75 million | 8.0 | 6,800,000 |
| On the next $150 million | 10.0 | 21,800,000 |
| On revenues over $250 million | 12.0 | |

Based on the Authority's projections, estimated rent payments under the Lease for the next five years are as follows:

| | |
|---|---|
| 2024 | $13.2 million |
| 2025 | $14.6 million |
| 2026 | $15.1 million |
| 2027 | $15.5 million |
| 2028 | $16.0 million |

The cost of materials, supplies and services increased $11 million to $42.5 million in 2023. While continuing to apply strict cost discipline, the Airport continues to adjust its spending on operations to ensure operational readiness aligns to expected passenger and flight volume increases. In 2023, the Authority experienced significant cost increases due to labour, inflation, supply chain and other factors in the spending for professional and contractor fees, supplies and materials. Contract services and repairs were $6.2 million higher than the prior year as increased demand for services aligned with higher passenger flows. Year over year winter operation expenses in 2023 were $0.9 million higher due to expanded requirements for airfield operations as compared to the prior year. Utilities were $0.3 million higher due to higher usage and rates for gas and hydro. Furthermore, AIF handling fees paid to carriers were $1.1 million higher due to the increase in AIF revenues.

The cost of salaries and benefits increased by 17% to $28 million in 2023. The increase was a result of contracted increases for salaries and related benefits, the successful hiring of planned new and replacement positions combined with higher overtime required to ensure full staffing during staff shortage and training events, emergency exercises and winter weather conditions in 2023 winter season.

Payments in lieu of municipal taxes has increased by 156% and reflects the impact of the prescribed calculation of this obligation under provincial legislation. Under this legislation, payments in lieu of municipal taxes are based on a fixed legislated rate per passenger for the Authority, multiplied by the previous year's passenger numbers. This legislation was adjusted in 2022 to suspend temporarily the cap that was previously in place in the prescribed formula and which limited the year over year increase in payments to 5%. Upon the return of 2019 passenger volumes, the 5% cap will be reinstated within the prescribed calculation. The removal of the cap benefits the municipality as payments in lieu of municipal taxes will rise at the same rate as passenger volumes [expected to be higher than 5% per year until 2019 levels are reached] as the Airport recovers from the pandemic. The Authority agreed to this change. The $3.2 million paid in 2023 reflects this prescribed calculation.

Depreciation reflects the allocation of cost over the useful life of the assets and investments in property, plant and equipment. In 2023, depreciation of $29.1 million was $1.3 million lower higher than 2022. The lower depreciation is due to the impact of a lower rate of annual investment in each of the last four years and the associated depreciation on those investments.

# SUMMARY OF QUARTERLY RESULTS

The Authority's quarterly results are influenced by passenger activity, aircraft movements, public health and other factors such as weather conditions and economic conditions and do not necessarily fluctuate consistently over time based on the season. Due to these external factors, the historic results on a quarterly basis cannot be relied upon as a predictor of future trends.

Selected unaudited quarterly financial information for the eight most recently completed quarters is set out below:

| QUARTER ENDED | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| ($ IN MILLIONS) | MAR | JUNE | SEPT | DEC | MAR | JUNE | SEPT | DEC |
| Revenues | 18.2 | 27.8 | 32.8 | 33.0 | **35.7** | **35.8** | **37.7** | **36.4** |
| Expenses | 20.0 | 20.0 | 21.6 | 24.5 | **26.2** | **25.4** | **25.0** | **29.0** |
| Income (loss) before depreciation | (1.8) | 7.8 | 11.2 | 8.5 | **9.5** | **10.4** | **12.7** | **7.4** |
| Depreciation | 7.5 | 7.8 | 7.9 | 7.3 | **7.2** | **7.2** | **7.3** | **7.5** |
| Net income (loss) | (9.3) | 0.0 | 3.3 | 1.2 | **2.3** | **3.2** | **5.4** | **(0.1)** |

# CAPITAL EXPENDITURES

In accordance with the Authority's mandate, all net income is retained and reinvested in Airport operations and development, including investment in property, plant, and equipment to meet ongoing operating requirements.

During 2023, the Authority invested $20.5 million in its capital expenditure programs. Significant spending on capital projects include taxiway refurbishment at $8 million, concession and terminal upgrades at $5.1 million, technology upgrades of $3.7 million, major fleet expansion of $1.7 million, booster pumping system of $1.3 million and greenhouse gas emission reduction projects of $0.8 million.

# CONTRACTUAL OBLIGATIONS

In addition to rent payments noted above, the Authority has operating commitments in the ordinary course of business requiring payments, which diminish as contracts expire, as follows:

| IN THOUSANDS OF | PAYMENTS FOR YEARS ENDING DECEMBER 31 | | | | | | |
|---|---|---|---|---|---|---|---|
| CANADIAN DOLLARS | TOTAL | 2024 | 2025 | 2026 | 2027 | 2028 | THEREAFTER |
| Long-term debt [1] | 467,788 | 16,014 | 17,107 | 18,271 | 19,509 | 20,828 | 376,059 |
| Operating commitments | 25,145 | 12,965 | 8,673 | 3,411 | 96 | | |
| Capital commitments | 17,797 | 17,797 | | | | | |
| Total contractual obligations | 510,730 | 46,776 | 25,780 | 21,682 | 19,605 | 20,828 | 376,059 |

[1]Further information on interest rates and maturity dates on long-term debt are provided in Note 7 to the Authority's audited financial statements.

# LIQUIDITY AND CAPITAL RESOURCES

As a non-share capital corporation, the Authority funds its operating requirements, including debt service, through operating revenues and AIF revenues. The Authority manages its operations to ensure that AIF revenues are not used to fund regular operational expenses or operational capital. AIF revenues are used to fund debt service costs and other expenses and cash flows related to the Authority's infrastructure investment programs including Airport expansion projects. The Authority finances infrastructure expenditures by borrowing in the capital markets and by using bank indebtedness.

The Authority maintains access to an aggregate of $120 million in committed credit facilities ["Credit Facilities"] with two Canadian banks. The following table summarizes the amounts available under each of these Credit Facilities, along with their related expiry dates and intended purposes:

| TYPE OF FACILITY | DEC 31, 2023 CDN$ [MILLIONS] | DEC 31, 2022 CDN$ [MILLIONS] | MATURITY | PURPOSE |
|---|---|---|---|---|
| Revolver - 364 Day | **40.0** | 40.0 | October 13, 2024 | General corporate and capital expenditures |
| Revolver - 2-Year | **-** | 50.0 | May 31, 2023 | General corporate and capital expenditures |
| Revolver - 3-Year | **40.0** | 40.0 | July 4, 2026 | General corporate and capital expenditures |
| Revolver - 5-Year | **40.0** | 40.0 | May 31, 2025 | General corporate and capital expenditures |
| Total | **120.0** | 170.0 | | |

The Authority's cash and cash equivalents increased by $2.8 million during 2023 to $49 million as at December 31, 2023.

The Authority issues revenue bonds [collectively, "Bonds"] under a trust indenture dated May 24, 2002 [as amended or supplemented, the "Master Trust Indenture"] setting out the terms of all debt, including bank facilities and revenue bonds. Under the Master Trust Indenture, the Authority is required to maintain with the trustee under the Master Trust Indenture ["Trustee"], a debt service fund ["Debt Service Reserve Fund"] equal to six months' debt service in the form of cash, qualified investments or letter of credit.

At December 31, 2023, the balance of cash and qualified investments held in the Debt Service Reserve Fund for the Series B Amortizing Revenue Bonds and the Series F Revenue Bonds was $8.6 million.

Furthermore, in order to satisfy the Debt Service Reserve Fund requirement for the Series E Amortizing Revenue Bonds, $9.5 million of the Authority's Credit Facility has been drawn from an irrevocable standby letter of credit in favor of the Trustee.

The Master Trust Indenture also requires that the Authority maintain an operating fund ["Operating and Maintenance Reserve Fund"] in an amount equal to 25% of defined operating and maintenance expenses for the previous year. This fund may be maintained in the form of cash and investments held by the Authority or the undrawn availability of a committed credit facility. As at December 31, 2023, $17.6 million of the Authority's Credit Facilities had been designated exclusively to the Operating and Maintenance Reserve Fund.

As at December 31, 2023, Credit Facilities available net of designated and drawn amounts is $92.9 million [2022 - $146.6 million].

On April 23, 2021, the Authority received the support of bondholders to waive temporarily, for the fiscal years ended December 31, 2021 and 2022, the requirement to comply with the rate covenants [debt service coverage ratio and gross debt service coverage ratio], the additional indebtedness covenant and the requirement to comply with the rate covenant for the sale of assets. Accordingly, the Authority is compliant with all provisions of its debt facilities, including the Master Trust Indenture provisions related to reserve funds, the flow of funds and the rate covenant requirements, as consented by the bondholders for the year ended December 31, 2022. For the year ended December 31, 2023, the Authority is compliant with all provisions of its debt facilities, including the Master Trust Indenture provisions related to reserve funds, the flow of funds and the rate covenant requirements.

In 2023, S&P Global reaffirmed the Authority's credit rating of A in respect of the Authority's Bonds under the Master Trust Indenture and revised its outlook to "Positive" from "Stable" on the basis of improved volumes.

# BALANCE SHEET AND OTHER HIGHLIGHTS

Accounts receivables decreased $0.2 million to $13.8 million at December 31, 2023 reflecting timely collections consistent with prior year.

Accounts payable and accrued liabilities decreased by $1.2 million to $21.0 million at December 31, 2023 and is due to timely payments to vendors which kept the balance comparable to prior year.

# RISKS AND UNCERTAINTIES

## Aviation Activity

The Authority will continue to face certain risks beyond its control which can have a significant impact on its financial condition. The Canadian airports model is based on the user community paying for all Authority activities with no ongoing government funding of operations. Airports establish reasonable rates and charges to its user community and stakeholders that must ensure financial sustainability. Airport revenue is largely a function of passenger volumes. Air travel demand drives capacity and supply.

The financial health of commercial aviation is an ongoing risk to the Authority. Global events of the past several years including the pandemic and headwinds from emerging macroeconomic factors have all emphasized the volatile nature of aviation. A multitude of external factors impact the commercial aviation sector and include upward interest rate pressures, inflation, recessionary trends, health epidemics, remote working trends, frequency of business travel, geopolitical trends, government regulation, price of airfares, additional taxes on airline tickets, leakage of passengers to nearby airports, alternative modes of travel and the financial uncertainty of the airline industry.

The financial uncertainty of the airline industry has improved over the last twelve months and remains an ongoing risk to the Authority given the ongoing impact of new air carriers, different pace of recovery for business and leisure travelers, traveler discretion on mode of travel and associated environmental impact and pace of economic recovery may present risks to the resumption of flights to their previous activity levels as well as to all previous destinations. The high level of origin and destination passenger activity at the Airport [96.5% - 2023; 96.8% - 2022] continues to be a strong driver and predictor of the strength of the Ottawa market.

## Aviation Liability Insurance

The availability of adequate insurance coverage is subject to the conditions of the overall insurance market and the Authority's claims and performance record. The Authority participates with an insurance buying group that also includes airport authorities from Vancouver, Edmonton, Calgary, Winnipeg, Montreal, and Halifax. This group has been successful in placing all of its insurance needs.

# Financial Statements

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management of the Authority is responsible for the integrity of the accompanying financial statements and all other information in this Annual Report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, which for publicly accountable enterprises, and in the case of the Authority, require International Financial Reporting Standards. Their preparation necessarily involves the use of management's best estimates and careful judgement, particularly in those circumstances where transactions affecting a current period are dependent upon future events. All financial information in the Annual Report is consistent with the information and data contained in the financial statements.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and reliable preparation of financial statements.

The Board of Directors discharges its responsibilities for the financial statements primarily through its Audit Committee, which is composed solely of directors who are neither officers nor employees of the Authority. This committee meets periodically with management and the independent auditors to review performance and to discuss audit, internal control, accounting policy, and financial reporting matters. The Audit Committee reports its findings to the Board of Directors which reviews and approves the annual financial statements. These financial statements were reviewed by the Audit Committee and approved by the Board of Directors.

The financial statements have been audited by Ernst & Young LLP, who were appointed at the annual general meeting. Their report is presented below.

Mark Laroche
President and Chief Executive Officer

Rob Turpin, CPA, CA, CPA (Illinois, USA)
Vice President, Finance and Chief Financial Officer

Ottawa Ontario Canada, February 23, 2024

# INDEPENDENT AUDITOR'S REPORT

To the Directors of

**Ottawa Macdonald-Cartier International Airport Authority**

## OPINION

We have audited the financial statements of **Ottawa Macdonald-Cartier International Airport Authority** [the "Authority"], which comprise the statement of financial position as at December 31, 2023, and the statement of operations and comprehensive income (loss), statement of changes in deficiency and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

## 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 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

The other information obtained at the date of the auditor's report is the Financial Review included in the annual report but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

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 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 on the other information obtained prior to the date of this auditor's report, 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 IFRSs, 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.

A member firm of Ernst & Young Global Limited

## 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.

Ernst & Young LLP

**Chartered Professional Accountants**
*Licensed Public Accountants*

Ottawa, Canada
February 21, 2024

A member firm of Ernst & Young Global Limited

# STATEMENT OF FINANCIAL POSITION [expressed in thousands of dollars – as at December 31]

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | **48,991** | 46,219 |
| Trade and other receivables *[note 11]* | **13,807** | 14,046 |
| Consumable supplies | **4,330** | 3,781 |
| Prepaid expenses and advances | **2,654** | 1,922 |
| **Total current assets** | **69,782** | 65,968 |
| **Non-current** | | |
| Debt Service Reserve Fund *[note 7[a]]* | **8,631** | 8,507 |
| Finance lease receivables *[note 12]* | **11,687** | 11,668 |
| Property, plant and equipment, net *[notes 3 and 13]* | **388,776** | 397,395 |
| Other assets *[note 4]* | **5,035** | 5,098 |
| | **483,911** | 488,636 |
| **LIABILITIES AND DEFICIENCY** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **20,988** | 22,144 |
| Current portion of long-term debt *[note 7]* | **16,014** | 14,988 |
| **Total current liabilities** | **37,002** | 37,132 |
| **Non-current** | | |
| Other post-employment benefit liability *[note 9]* | **6,399** | 6,969 |
| Long-term debt *[note 7]* | **449,726** | 465,503 |
| **Total liabilities** | **493,127** | 509,604 |
| Commitments and contingencies *[note 15]* | | |
| **Deficiency** | | |
| Deficit | **(2,701)** | (13,545) |
| Accumulated other comprehensive loss | **(6,515)** | (7,423) |
| **Total deficiency** | **(9,216)** | (20,968) |
| | **483,911** | 488,636 |

*See accompanying notes*

On behalf of the Board:

Director    Director

# STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

**[expressed in thousands of dollars – year ended December 31]**

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **REVENUE** | | |
| Airport Improvement Fees *[note 8]* | **67,189** | 50,265 |
| Terminal fees and loading bridge charges | **22,875** | 18,218 |
| Landing fees | **11,345** | 9,592 |
| Concessions | **16,345** | 12,229 |
| Car parking | **13,739** | 9,994 |
| Land and space rentals *[note 12]* | **7,214** | 6,886 |
| Other revenue | **6,917** | 4,611 |
| | **145,624** | 111,795 |
| **EXPENSES** | | |
| Interest *[note 7[b]]* | **20,844** | 21,588 |
| Ground rent *[note 12]* | **11,032** | 7,832 |
| Materials, supplies and services | **42,519** | 31,550 |
| Salaries and benefits *[note 9]* | **28,010** | 23,892 |
| Payments in lieu of municipal taxes | **3,224** | 1,261 |
| | **105,629** | 86,123 |
| Income before depreciation | **39,995** | 25,672 |
| Depreciation | **29,151** | 30,474 |
| **Net income (loss) for the year** | **10,844** | (4,802) |
| | | |
| **Other comprehensive income** | | |
| Item that will never be reclassified subsequently to net loss | | |
| Remeasurement of defined benefit plans *[note 9]* | **908** | 2,006 |
| **Comprehensive income (loss) for the year** | **11,752** | (2,796) |

*See accompanying notes*

# STATEMENT OF CHANGES IN DEFICIENCY **[expressed in thousands of dollars – year ended December 31]**

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Deficit, beginning of year** | **(13,545)** | (8,743) |
| Net income (loss) for the year | **10,844** | (4,802) |
| **Deficit, end of year** | **(2,701)** | (13,545) |
| | | |
| **Accumulated other comprehensive loss, beginning of year** | **(7,423)** | (9,429) |
| Item that will never be recycled into net loss | | |
| Income on remeasurement of defined benefit plan [note 9] | **908** | 2,006 |
| **Accumulated other comprehensive loss, end of year** | **(6,515)** | (7,423) |
| **Total deficiency** | **(9,216)** | (20,968) |

*See accompanying notes*

# STATEMENT OF CASH FLOWS [expressed in thousands of dollars – year ended December 31]

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income (loss) for the year | **10,844** | (4,802) |
| Add items not involving cash | | |
| Depreciation | **29,151** | 30,474 |
| Amortization of deferred financing costs | **236** | 239 |
| Interest expense | **20,844** | 21,588 |
| Decrease in other assets | **64** | 64 |
| Increase in other post-employment benefit liability | **338** | 294 |
| | **61,477** | 47,857 |
| Changes in non-cash working capital balances related to operations | | |
| Trade and other receivables | **(736)** | (5,532) |
| Prepaid expenses and consumable supplies | **(1,281)** | (1,246) |
| Accounts payable and accrued liabilities | **(2,203)** | 7,212 |
| **Cash provided by operating activities** | **57,257** | 48,291 |
| **INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | **(20,592)** | (14,728) |
| Proceeds on disposal of property, plant and equipment | **63** | — |
| Lease payments received from finance leases | **527** | 519 |
| Change in accounts payable and accrued liabilities related to investing activities | **1,095** | (262) |
| Interest received | **448** | 318 |
| **Cash used in investing activities** | **(18,459)** | (14,153) |
| **FINANCING ACTIVITIES** | | |
| Increase in Debt Service Reserve Fund | **(374)** | (211) |
| Interest paid | **(20,664)** | (21,401) |
| Repayment of long-term debt | **(14,988)** | (14,023) |
| **Cash used in financing activities** | **(36,026)** | (35,635) |
| **Net increase (decrease) in cash during the year** | **2,772** | (1,497) |
| Cash and cash equivalents, beginning of year | **46,219** | 47,716 |
| **Cash and cash equivalents, end of year** | **48,991** | 46,219 |

*See accompanying notes*

# NOTES TO FINANCIAL STATEMENTS [expressed in thousands of dollars, unless otherwise noted – December 31, 2023]

## 1. Description of business

Ottawa Macdonald-Cartier International Airport Authority [the "Authority"] was incorporated January 1, 1995 as a corporation without share capital under Part II of the *Canada Corporations Act* and continued under the *Canada Not-for-profit Corporations Act* on January 17, 2014. All earnings of the Authority are retained and reinvested in airport operations and development.

The objectives of the Authority are:

**[a]** To manage, operate and develop the Ottawa Macdonald-Cartier International Airport [the "Airport"], the premises of which are leased to the Authority by the Government of Canada *[note 12]*, and any other airport in the National Capital Region for which the Authority becomes responsible, in a safe, secure, efficient, cost-effective and financially viable manner with reasonable airport user charges and equitable access to all carriers;

**[b]** To undertake and promote the development of the Airport lands, for which it is responsible, for uses compatible with air transportation activities; and

**[c]** To expand transportation facilities and generate economic activity in ways that are compatible with air transportation activities.

The Authority is governed by a 14-member Board of Directors, 10 of whom are nominated by the Minister of Transport for the Government of Canada, the Government of the Province of Ontario, the City of Ottawa, the City of Gatineau, the Ottawa Chamber of Commerce, the Ottawa Tourism and Convention Authority, Chambre de commerce de Gatineau and Invest Ottawa. The remaining four members are appointed by the Board of Directors from the community at large.

On January 31, 1997, the Authority signed a 60-year ground lease [that was later extended to 80 years in 2013] with the Government of Canada and assumed responsibility for the management, operation and development of the Airport.

The Authority is exempt from federal and provincial income taxes and Ontario capital tax. The Authority is domiciled in Canada. The address of the Authority's registered office and its principal place of business is Suite 2500, 1000 Airport Parkway Private, Ottawa, Ontario, Canada, K1V 9B4.

## 2. Basis of preparation and summary of accounting policies

The financial statements were authorized for issue by the Board of Directors on February 21, 2024. The financial statements and amounts included in the notes to the financial statements are presented in Canadian dollars, which is the Authority's functional currency.

The Authority prepares its financial statements in accordance with International Financial Reporting Standards ["IFRS"]. These financial statements have been prepared on a going concern basis using the historical cost basis, except for the revaluation of certain financial assets and financial liabilities measured at fair value, which include the post-employment benefit liability.

### Cash and cash equivalents

Cash and cash equivalents are defined as cash and short-term investments with original terms to maturity of 90 days or less. Such short-term investments are recorded at fair value.

### Government assistance

Government grants are not recognized until there is reasonable assurance that the Authority will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Authority are recognized in the statement of operations and comprehensive income (loss) as either other revenue, net of operating expenses or as a reduction in purchases of property, plant and equipment in the period in which they become receivable.

### Consumable supplies

Inventories of consumable supplies are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value, based on estimated replacement cost.

### Property, plant and equipment

Property, plant and equipment are recorded at cost, net of government assistance, if any, and include only the amounts expended by the Authority. These assets will revert to the Government of Canada upon the expiration or termination of the Authority's ground lease with the Government of Canada. Property, plant and equipment do not include the cost of facilities that were included in the original ground lease with the Government of Canada. Incremental borrowing costs incurred during the construction phase of qualifying assets are included in the cost. During the years ended December 31, 2023 and 2022, no incremental borrowing costs were capitalized.

Amounts initially recognized in respect of an item of property, plant and equipment are allocated to its significant parts and depreciated separately when the cost of the component is significant in relation to the total cost of the item and when its useful life is different from the useful life of the item. Residual values, the method of depreciation and estimated useful lives of assets are reviewed annually and adjusted if appropriate.

Depreciation is provided on a straight-line basis over the useful lives of individual assets and their component parts as illustrated follows:

| | |
|---|---|
| Buildings and support facilities | 3–40 years |
| Runways, roadways and other paved surfaces | 10–50 years |
| Information technology, furniture and equipment | 2–25 years |
| Vehicles | 3–20 years |
| Land improvements | 10–25 years |

Construction in progress is recorded at cost and is capitalized to buildings and support facilities and other asset categories as appropriate when the project is complete and the asset is available for use, or is written off when, due to changed circumstances, management does not expect the project to be completed. Construction in progress is not subject to depreciation until the project is completed and the relevant asset is available for use.

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition [determined as the difference between net disposal proceeds and the carrying amount of the item] is included in the statement of operations and comprehensive income (loss) when the item is derecognized.

### Impairment of non-financial assets

Property, plant and equipment and other assets are tested for impairment at the cash-generating unit level when events or changes in circumstances indicate that their carrying amount may not be recoverable, and in the case of indefinite-life assets, at least annually. A cash-generating unit is the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets. An impairment loss is recognized when the carrying value of the assets in the cash-generating unit exceeds the recoverable amount of the cash-generating unit.

Because the Authority's business model is to provide services to the travelling public, none of the assets of the Authority are considered to generate cash flows that are largely independent of the other assets and liabilities of the Authority. Consequently, all of the assets are considered part of the same cash-generating unit. In addition, the Authority's unfettered ability to raise its rates and charges as required to meet its obligations mitigates its risk of impairment losses. Management regularly reviews indicators and has assessed that there are no indicators of impairment affecting non-financial assets.

### Deferred financing costs

Transaction costs relating to the issuance of long-term debt including underwriting fees, professional fees, termination of interest rate swap agreements and bond discounts are deferred and amortized using the effective interest rate method over the term of the related debt. Under the effective interest rate method, amortization is recognized over the life of the debt at a constant rate applied to the net carrying amount of the debt. Amortization of deferred financing costs is included in interest expense. Deferred financing costs are reflected as a reduction in the carrying amount of related long-term debt.

## Leases

At inception of a contract, the Authority assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Authority assesses whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Authority has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Authority has the right to direct the use of the asset. The Authority has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and for what purpose the asset is used is predetermined, the Authority has the right to direct the use of the asset if either:
  - The Authority has the right to operate the asset; or
  - The Authority designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Authority allocates the consideration in the contract to each lease component based on their relative stand-alone prices. However, for the leases of land and buildings, the Authority has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

### The Authority as lessee

Except for the ground lease, the Authority elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of 12 months or less and leases of low-value assets, including photocopiers and printers. The Authority recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### Ground lease

The Authority recognizes its ground lease in the same manner as a short-term lease given the payments are variable in nature. Rent imposed under the ground lease with the Government of Canada is calculated based on airport revenues for the year as defined in the lease and is considered contingent rent. Ground rent expense is accounted for as a short-term lease in the statement of operations and comprehensive income (loss).

### The Authority as lessor

When the Authority acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Authority makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Authority considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Authority applies IFRS 15, *Revenue from Contracts with Customers* to allocate the consideration in the contract.

The Authority recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of lease revenue.

The amount receivable from the lessee in accordance with a finance lease is recognized at an amount equal to the net investment of the Authority in the lease. Payments received from finance leases are recognized over the term of the lease in order to reflect a constant periodic return on the Authority's net investment in the finance lease as part of other revenue.

### Revenue recognition

The Authority's principal sources of revenue comprise revenue from the rendering of services for landing fees, terminal fees and loading bridge charges, Airport Improvement Fees ["AIF"], car parking, concession, land and space rental and other income.

Revenue is measured by reference to the transaction price agreed to by the Authority and the customer for services rendered, net of rebates and discounts.

Revenue is recognized when or as, the Authority satisfies a performance obligation by transferring control of a product or service to a customer, which occurs when the criteria for each of the Authority's different revenue activities have been met, as described below.

Landing fees, terminal fees and parking revenues are recognized as the Airport facilities are utilized.

AIF are recognized upon the enplanement of origination and destination passengers using information from air carriers obtained after enplanement has occurred. AIF revenue is remitted to the Authority based on airlines self-assessing their passenger counts. The Authority performs an annual reconciliation with air carriers.

Concession revenue is recognized on the accrual basis and calculated using agreed percentages of reported concessionaire sales, with specified minimum annual guarantees. For a period in 2022 and as part of pandemic measures to provide relief to concessionaires, the minimum annual guarantees for concessionaires were temporarily waived by the Authority. Minimum annual guarantees were reinstated on car rentals and other concession contracts in the latter part of 2022 to coincide with the gradual return of passenger volumes at the Airport.

Land and space rental revenue is recognized over the lives of respective leases, licenses and permits. Tenant inducements associated with leased premises, including the value of rent-free periods, are deferred and amortized on a straight-line basis over the term of the related lease and recognized as part of material, supplies and service expenses.

Other income includes income from other sources, including interest income, and is recognized as earned.

### Pension plan and other post-employment benefits

The post-employment pension benefit asset (liability) recognized on the statement of financial position is the fair value of plan assets less the present values of defined pension benefit obligations as at the statement of financial position date. The accrued benefit obligation is discounted using the market interest rate on high-quality corporate debt instruments as at the measurement date, approximating the terms of the related pension liability.

The Authority accrues its obligations under pension and other post-employment benefit plans as employees render the services necessary to earn these benefits. The costs of these plans are actuarially determined using the projected unit credit method based on length of service. This determination reflects management's best estimates at the beginning of each fiscal year of the rate of salary increases and various other factors including mortality, termination, retirement rates and expected future health care costs. For the purpose of calculating the net interest cost on the pension obligations net of pension plan assets, the pension plan assets are valued at fair value.

The other post-employment benefit liability recognized on the statement of financial position is the present value of the defined benefit obligation as at the statement of financial position date. The accrued benefit obligation is discounted using the market interest rate on high-quality corporate debt instruments as at the measurement date, approximating the terms of the related other post-employment benefit liability.

Pension expense for the defined benefit pension plan includes current service cost and the net interest cost on the pension obligations, net of pension plan assets calculated using the market interest rate on high-quality corporate debt instruments as determined for the previous statement of financial postion date. Past service costs are recognized immediately in the statement of operations and comprehensive loss. Pension expense is included in salaries and benefits on the statement of operations and comprehensive income (loss).

Actuarial gains and losses [experience gains and losses that arise because actual experience for each year will differ from the beginning-of-year assumptions used for purposes of determining the cost and liabilities of these plans] and the effect of the asset ceiling are recognized in full as remeasurements of defined benefit plans in the period in which they occur in other comprehensive income ["OCI"] without recycling to the statement of operations and comprehensive income (loss) in subsequent periods.

Pension expense for the defined contribution pension plan is recorded as the benefits are earned by the employees covered by the plan.

### Employee benefits other than post-employment benefits

The Authority recognizes the expense related to compensation and compensated absences, such as sick leave and vacations, as short-term benefits in the period the employee renders the service. Costs related to employee health, dental and life insurance plans are recognized in the period that expenses are incurred. The liabilities related to these benefits are not discounted due to their short-term nature.

## Financial instruments

### Financial assets

The Authority classifies its financial assets in the measurement categories outlined below, and the classification will depend on the type of financial assets and the contractual terms of the cash flows.

**[i]** Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets at amortized cost are initially recognized at fair value plus any transaction costs. They are subsequently measured at amortized cost using the effective interest rate, net of an allowance for expected credit loss ["ECL"]. The ECL is recognized in the statement of operations and comprehensive income (loss) for such instruments. Gains and losses arising on derecognition are recognized directly in the statement of operations and comprehensive income (loss) and presented in other revenue.

**[ii]** Fair value through other comprehensive income ["FVOCI"]: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the financial assets' cash flows represent solely payments of principal and interest. Financial assets at FVOCI are initially recognized at fair value plus any transaction costs. They are subsequently measured at fair value. ECLs are recognized on financial assets held at FVOCI. The cumulative ECL allowance is recorded in OCI and does not reduce the carrying amount of the financial asset on the statement of financial position. The change in the ECL allowance is recognized in the statement of operations and comprehensive income (loss). Unrealized gains and losses arising from changes in fair value are recorded in OCI until the financial asset is derecognized, at which point cumulative gains or losses previously recognized in OCI are reclassified from accumulated other comprehensive loss to net gains (losses) on financial instruments.

**[iii]** Fair value through profit or loss ["FVTPL"]: Assets that do not meet the criteria for classification as financial assets at amortized cost or financial assets at FVOCI are measured at FVTPL unless an irrevocable election has been made at initial recognition for certain equity investments to have their changes in fair value be presented in OCI. Financial assets at FVTPL are initially recognized and subsequently measured at fair value. Unrealized gains and losses arising from changes in fair value and gains and losses realized on disposition are recorded in net gains (losses) on financial instruments. Transaction costs are expensed as incurred.

The Authority's financial assets, including cash and cash equivalents, trade and other receivables and the Debt Service Reserve Fund, are classified at amortized cost.

### Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or loans and borrowings at amortized cost. All financial liabilities are initially recognized at fair value plus any transaction costs. They are subsequently measured, depending on their classification, at fair value with gains and losses through the statement of operations and comprehensive income (loss) or at amortized cost using the effective interest rate method.

The Authority's financial liabilities, including accounts payable and accrued liabilities and long-term debt, are classified at amortized cost.

### Fair value hierarchy

When measuring the fair value of an asset or a liability, the Authority uses market observable data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

**Level 1:** Valuation based on quoted prices in active markets for identical assets or liabilities obtained from the investment custodian, investment managers or dealer markets.

**Level 2:** Valuation techniques with significant observable market parameters including quoted prices for assets in markets that are considered less active.

**Level 3:** Valuation techniques with significant unobservable market parameters.

The Authority recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

There have been no transfers between levels of the fair value hierarchy as at the end of the reporting period.

### Measurement of ECLs

ECL is defined as the weighted average of credit losses determined by evaluating a range of possible outcomes using reasonable supportable information about past events and current and forecasted future economic conditions.

The Authority has developed an impairment model to determine the allowance for ECL on trade and other receivables classified at amortized cost. The Authority determines an allowance for ECL at initial recognition of the financial instrument that is updated at each reporting period throughout the life of the instrument.

The ECL allowance is based on the ECL over the life of the financial instrument ["Lifetime ECL"], unless there has been a significant increase in credit risk since initial recognition, in which case the ECL allowance is measured at an amount equal to the portion of Lifetime ECL that results from default events possible within the next 12 months. ECL is determined based on three main drivers: probability of default, loss given default and exposure at default.

The Authority assesses on a forward-looking basis the ECL associated with its financial instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Authority uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on the Authority's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

The Authority has adopted the simplified approach and, as such, the Authority does not track changes in its customers' credit risk, but instead recognizes a loss allowance based on Lifetime ECLs at each reporting date. The Authority has established a provision that is based on its historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment.

Therefore, the Authority recognizes impairment and measures ECL as Lifetime ECL. The carrying amount of these assets in the statement of financial position is stated net of any loss allowance. Impairment of trade and other receivables is presented within materials, supplies and service expenses in the statement of operations and comprehensive income (loss).

The Authority will use a "three-stage" model for impairment, if any since initial recognition, on financial instruments other than trade and other receivables, based on changes in credit quality as summarized below.

- **Stage 1** – A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and its credit risk is continuously monitored by the Authority. Financial instruments in "Stage 1" have their ECL measured at an amount equal to the portion of Lifetime ECLs that result from default events possible within the next 12 months.
- **Stage 2** – If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The ECL is measured based on the Lifetime ECL basis.
- **Stage 3** – The financial instrument is credit-impaired and the financial instrument is written off as a credit loss.

## Estimation uncertainty and key judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, commitments and contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accounting estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

These accounting estimates and assumptions are reviewed on an ongoing basis. Actual results could significantly differ from those estimates. Adjustments, if any, will be reflected in the statement of operations and comprehensive income (loss) in the period of settlement or in the period of revision and future periods if the revision affects both current and future periods.

Key judgment areas, estimations and assumptions include leases, the useful lives of property, plant and equipment, valuation adjustments including ECLs, the cost of employee future benefits and provisions for contingencies.

### Leases

The Authority applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16, Leases that are recognized are subject to further judgment and estimation in various areas specific to the arrangement.

When a lease contract contains an option to extend or terminate a lease, the Authority must use its best estimate to determine the appropriate lease term. The Authority will consider all facts and circumstances to determine if there is an economic benefit to exercise an extension option or to not exercise a termination option.

The lease term must be reassessed if a significant event or change in circumstance occurs. Lease liabilities will be estimated and recognized using a discount rate equal to the Authority's estimated incremental borrowing rate. This rate represents the rate that the Authority would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

The Authority will evaluate all new lease agreements as a lessor and will determine whether these leases are classified as an operating or as a finance lease. This process will be reviewed on a quarterly basis with further analysis completed annually to ensure that leases are adequately recognized within the standard.

### Useful lives of property, plant and equipment

Critical judgments are used to determine depreciation rates, useful lives and residual values of assets that impact depreciation amounts.

### Loss allowance

The Authority establishes an ECL that involves management review of individual receivable balances based on current economic trends and the condition of the industry as a whole, and analysis of historical credit losses. The Authority is not able to predict changes in the financial condition of its customers, and if circumstances related to its customers' financial condition deteriorate, the estimates of the recoverability of trade and other receivables could be materially affected and the Authority may be required to record additional allowances. Alternatively, if the Authority provides more allowances than needed, a reversal of a portion of such allowances in future periods may be required based on actual collection experience.

### Cost of employee future benefits

The Authority accounts for pension and other post-employment benefits based on actuarial valuation information provided by the Authority's independent actuaries. These valuations rely on statistical and other factors in order to anticipate future events. These factors include discount rates and key actuarial assumptions such as expected salary increases, expected retirement ages and mortality rates.

### Provisions for contingencies

Provisions are recognized when the Authority has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of economic resources will be required to settle the obligation, and when the amount can be reliably estimated.

## Payment in lieu of municipal taxes

In December 2000, the Province of Ontario amended the *Assessment Act* to change the methodology for determining payments in lieu of taxes ["PILT"] for airports in Ontario. Under regulations signed in March 2001, PILT paid by airport authorities designated under the *Airport Transfer (Miscellaneous Matters) Act* are based on a fixed rate specific to each airport multiplied by the airport's prior year passenger volumes. This legislation effectively removes airports in Ontario from the effects of market value assessment.

### Total comprehensive loss

Total comprehensive loss is defined to include net loss plus or minus OCI for the year. OCI includes actuarial gains and losses related to the Authority's pension plan and other post-employment benefits. OCI is accumulated as a separate component of deficiency called accumulated other comprehensive loss.

### New and amended standards and interpretations

The Authority actively monitors new standards and amendments to existing standards that have been issued by the International Accounting Standards Board ["IASB"]. The Authority has consistently applied the accounting policies to all periods presented in these financial statements.

The Authority has adopted the following amendments effective January 1, 2023. These changes were made in accordance with the applicable transitional provisions.

#### Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

The amendments did not result in any changes to the accounting policies or the accounting policy information disclosed in the financial statements. The IAS 1 amendment requires the disclosure of "material", rather than "significant", accounting policies. The amendment also provides guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Additionally, the new IAS 8 amendments require financial disclosures be considered in the context of monetary amounts that are subject to measurement uncertainty.

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

#### Amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current

Under this amendment, an entity will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. The entity is required to disclose information about the timing of settlement to enable users of the financial statements to understand the impact of the liability on the entity's financial position. In addition, a requirement has been introduced to require disclosure when a libility arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendment is effective for annual periods beginning on or after January 1, 2024. These amendments are not expected to have a material impact on the financial statements.

## 3. Property, plant and equipment

| | BUILDINGS AND SUPPORT FACILITIES $ | RUNWAYS, ROADWAYS AND OTHER PAVED SURFACES $ | INFORMATION TECHNOLOGY, FURNITURE AND EQUIPMENT $ | VEHICLES $ | LAND IMPROVEMENTS $ | CONSTRUCTION IN PROGRESS $ | TOTAL $ |
|---|---|---|---|---|---|---|---|
| **Gross value** | | | | | | | |
| As at January 1, 2022 | 539,856 | 125,633 | 57,260 | 35,434 | 11,321 | 13,842 | 783,346 |
| Additions | — | — | — | — | — | 14,728 | 14,728 |
| Transfers | 6,629 | 4,250 | 2,086 | 242 | 616 | (13,823) | — |
| Disposals | (1,880) | — | (2,148) | (105) | — | — | (4,133) |
| As at December 31, 2022 | 544,605 | 129,883 | 57,198 | 35,571 | 11,937 | 14,747 | 793,941 |
| **Accumulated depreciation** | | | | | | | |
| As at January 1, 2022 | 249,864 | 51,579 | 41,088 | 18,506 | 9,168 | — | 370,205 |
| Depreciation | 19,707 | 4,488 | 3,696 | 2,170 | 413 | — | 30,474 |
| Disposals | (1,880) | — | (2,148) | (105) | — | — | (4,133) |
| As at December 31, 2022 | 267,691 | 56,067 | 42,636 | 20,571 | 9,581 | — | 396,546 |
| **Net book value** | | | | | | | |
| As at December 31, 2022 | 276,914 | 73,816 | 14,562 | 15,000 | 2,356 | 14,747 | 397,395 |

| | BUILDINGS AND SUPPORT FACILITIES $ | RUNWAYS, ROADWAYS AND OTHER PAVED SURFACES $ | INFORMATION TECHNOLOGY, FURNITURE AND EQUIPMENT $ | VEHICLES $ | LAND IMPROVEMENTS $ | CONSTRUCTION IN PROGRESS $ | TOTAL $ |
|---|---|---|---|---|---|---|---|
| **Gross value** | | | | | | | |
| As at January 1, 2023 | 544,605 | 129,883 | 57,198 | 35,571 | 11,937 | 14,747 | 793,941 |
| Additions | — | — | — | — | — | 20,595 | 20,595 |
| Transfers | 17,003 | 6,149 | 3,042 | 868 | 237 | (27,299)[1] | — |
| Disposals | (143) | (157) | (758) | (235) | (37) | — | (1,330) |
| As at December 31, 2023 | 561,465 | 135,875 | 59,482 | 36,204 | 12,137 | 8,043 | 813,206 |
| **Accumulated depreciation** | | | | | | | |
| As at January 1, 2023 | 267,691 | 56,067 | 42,636 | 20,571 | 9,581 | — | 396,546 |
| Depreciation | 19,011 | 4,659 | 2,982 | 2,097 | 402 | — | 29,151 |
| Disposals | (143) | (157) | (758) | (172) | (37) | — | (1,267) |
| As at December 31, 2023 | 286,559 | 60,569 | 44,860 | 22,496 | 9,946 | — | 424,430 |
| **Net book value** | | | | | | | |
| As at December 31, 2023 | **274,906** | **75,306** | **14,622** | **13,708** | **2,191** | **8,043** | **388,776** |

[1]Transfers from construction in progress to capital categories upon completion relate primarily to LRT, concession and taxiway and apron refurbishment projects.

## 4. Other assets

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Interest in 4160 Riverside Drive, at cost | **2,930** | 2,930 |
| Tenant improvements and leasehold inducements, net of amortization | **2,105** | 2,168 |
| | **5,035** | 5,098 |

### Interest in 4160 Riverside Drive

In an agreement signed on May 27, 1999, the Authority agreed to assist the Regional Municipality of Ottawa-Carleton [now the City of Ottawa, or the "City"] in acquiring lands municipally known as 4160 Riverside Drive by contributing to the City 50% of the funds required for the acquisition. In return, the City agreed to place restrictions on the use of the lands to ensure the lands are used for purposes that are compatible with the operations of the Authority. In addition, the Authority will receive 50% of the net proceeds from any future sale, transfer, lease or other conveyance of the lands. The Authority has reviewed a valuation assessment of this parcel of land and confirmed that there is no impairment in the value as currently recorded.

### Tenant improvements and leasehold inducements

During 2011, the Authority entered into a long-term lease with a subtenant that included a 3-year rent-free period and provided, as a tenant inducement, a payment of $1.5 million towards the cost of utilities infrastructure and other site improvements, and the value of this rent-free period has been amortized over the term of the lease.

## 5. Credit facilities

The Authority maintains access to an aggregate of $120 million [2022 – $170 million] in committed credit facilities ["Credit Facilities"] with two Canadian banks. The 364-day Credit Facilities that expired on October 13, 2023 have been extended for another 364-day term expiring on October 13, 2024. The 3-year Credit Facilities have been renewed for a further three year term expiring on July 4, 2026. The Credit Facilities are secured under a trust indenture dated May 24, 2002 [as amended or supplemented, the "Master Trust Indenture"] [*note 7[a]*] and are available by way of overdraft, prime rate loans or bankers' acceptances. Indebtedness under the Credit Facilities bears interest at rates that vary with the lender's prime rate and bankers' acceptance rates, as appropriate.

The following table summarizes the amounts authorized under each of the Credit Facilities, along with their related expiry dates and intended purposes:

| TYPE OF FACILITY | MATURITY | PURPOSE | 2023 $ MILLIONS | 2022 $ MILLIONS |
|---|---|---|---|---|
| Revolver – 364-day | October 13, 2024 | General corporate and capital expenditures | **40** | 40 |
| Revolver – 2-year | May 31, 2023 | General corporate and capital expenditures | **—** | 50 |
| Revolver – 3-year | July 4, 2026 | General corporate and capital expenditures | **40** | 40 |
| Revolver – 5-year | May 31, 2025 | General corporate and capital expenditures | **40** | 40 |
| | | | **120** | 170 |

As at December 31, 2023, there was no bank indebtedness under these facilities.

As at December 31, 2023, $17.6 million [2022 – $13.9 million] of the Credit Facilities has been designated to the Operating and Maintenance Reserve Fund *[note 7[a]]*.

In order to satisfy the Debt Service Reserve Fund requirement for the Series E Amortizing Revenue Bonds, an irrevocable standby letter of credit in favour of the trustee under the Master Trust Indenture ["Trustee"] in the amount of $9.5 million has been drawn from the available Credit Facilities.

As at December 31, 2023, Credit Facilities available net of designated and drawn amounts total $92.9 million [2022 – $146.6 million].

## 6. Capital management

The Authority is continued without share capital under the *Canada Not-for-profit Corporations Act* and, as such, all earnings are retained and reinvested in airport operations and development. Accordingly, the Authority's only sources of capital for investing in airport operations and development are long-term debt and accumulated income included on the Authority's statement of financial position as deficit.

The Authority incurs debt, including long-term debt, to finance development. It does so on the basis of the amount that it considers it can afford and manage based on revenue from AIF and to maintain appropriate debt service coverage and long-term debt per enplaned passenger ratios. This provides for a self-imposed limit on what the Authority can spend on major development of the Airport, such as the Authority's major infrastructure construction programs.

The Authority manages its rates and charges for aeronautical and other fees to safeguard the Authority's ability to continue as a going concern and to maintain a conservative capital structure. It makes adjustments to these rates in light of changes in economic conditions, operating expense profiles and regulatory environment to maintain sufficient net earnings to meet ongoing debt coverage requirements.

The Authority is not subject to capital requirements imposed by a regulator, but manages its capital to comply with the covenants of the Master Trust Indenture *[note 7[a]]* and to maintain its credit ratings in order to secure access to financing at a reasonable cost.

## 7. Long-term debt

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| 6.973% Amortizing Revenue Bonds, Series B, due May 25, 2032, interest payable on May 25 and November 25 of each year until maturity commencing November 25, 2002, scheduled accelerating semi-annual instalments of principal payable on each interest payment date commencing November 25, 2004 through to May 25, 2032 | **94,377** | 101,395 |
| 3.933% Amortizing Revenue Bonds, Series E, due June 9, 2045, interest payable on June 9 and December 9 of each year commencing December 9, 2015 followed by scheduled fixed semi-annual instalments of $9,480 including principal and interest payable on each interest payment date commencing December 9, 2020 through to June 9, 2045 | **273,410** | 281,380 |
| 2.698% Revenue Bonds, Series F, due May 5, 2031, interest payable on May 5 and November 5 of each year until maturity commencing November 5, 2021 through to May 5, 2031 | **100,000** | 100,000 |
| | **467,787** | 482,775 |
| Less deferred financing costs | **2,047** | 2,284 |
| | **465,740** | 480,491 |
| Less current portion | **16,014** | 14,988 |
| | **449,726** | 465,503 |

### [a] Bond issues

The Authority issues revenue bonds [collectively, "Bonds"] under the Master Trust Indenture. In May 2002, the Authority completed its original $270 million revenue bond issue with two series, the $120 million Revenue Bonds, Series A at 5.64% due on May 25, 2007, and the $150 million Amortizing Revenue Bonds, Series B at 6.973% due on May 25, 2032. In May 2007, the Authority completed the $200 million Revenue Bonds, Series D at 4.733%, in part to refinance the Series A Revenue Bonds repaid on May 25, 2007.

On June 9, 2015, the Authority completed the $300 million Amortizing Revenue Bonds, Series E, which bear interest at a rate of 3.933% and are due on June 9, 2045. Part of the net proceeds from this offering were used to prefund the repayment of the $200 million Series D Bonds, which matured and were repaid on May 2, 2017.

On May 5, 2021, the Authority completed the issuance of the Series F $100 million Revenue Bonds that bear interest at a rate of 2.698% and are due on May 5, 2031. Part of the net proceeds from this offering were used for the repayment of $35 million in bank indebtedness, and $1.4 million was allocated to satisfy the Debt Service Reserve Fund requirement for the Series F Revenue Bonds.

The Series B Amortizing Revenue Bonds are redeemable, in whole or in part, at the option of the Authority at any time, and the Series E Amortizing Revenue Bonds are redeemable until six months prior to the maturity date, upon payment of the greater of:

**[i]** The aggregate principal amount remaining unpaid on the Bonds to be redeemed; and

**[ii]** The value that would result in a yield to maturity equivalent to that of a Government of Canada bond of equivalent maturity plus a premium. The premium is 0.24% for the Series B Amortizing Revenue Bonds, 0.42% for the Series E Amortizing Revenue Bonds and 0.27% for the Series F Revenue Bonds. If the Series E Amortizing Revenue Bonds are redeemed within six months of the maturity date, the Series E Amortizing Revenue Bonds will be redeemable at a price equal to 100% of the principal amount outstanding plus any accrued and unpaid interest.

The net proceeds from these offerings were used to finance the Authority's infrastructure construction programs, and for general corporate purposes. These purposes included refinancing existing debt and bank indebtedness incurred by the Authority in connection with these construction programs and funding of the Debt Service Reserve Fund [see below].

Under the Master Trust Indenture, all of these bond issues are direct obligations of the Authority ranking pari passu with all other indebtedness issued. All indebtedness, including indebtedness under Credit Facilities, is secured under the Master Trust Indenture by an assignment of revenues and related book debts, a security interest on money in reserve funds and certain accounts of the Authority, a security interest in leases, concessions and other revenue contracts of the Authority, and an unregistered mortgage of the Authority's leasehold interest in airport lands.

On April 23, 2021, the Authority received the support of bondholders to waive temporarily, for the fiscal years ended December 31, 2021 and 2022, the requirement to comply with the rate covenants [debt service coverage ratio and gross debt service coverage ratio], the additional indebtedness covenant and the requirement to comply with the rate covenant for the sale of assets. Accordingly, the Authority is compliant with all provisions of its debt facilities, including the Master Trust Indenture provisions related to reserve funds, the flow of funds and the rate covenant requirements, as consented by the bondholders for the year ended December 31, 2022. For the year ended December 31, 2023, the Authority is compliant with all provisions of its debt facilities, including the Master Trust Indenture provisions related to reserve funds, the flow of funds and the rate covenant requirements.

Under the terms of the Master Trust Indenture, the Authority is required to maintain with the Trustee a Debt Service Reserve Fund equal to six months' debt service in the form of cash, qualified investments or letter of credit. As at December 31, 2023, the balance of cash and qualified investments held to satisfy the Debt Service Reserve Fund requirements is $8.6 million [2022 – $8.5 million] and includes the Debt Service Reserve Fund requirement for the Series B Amortizing Revenue Bonds of $7.2 million [2022 – $7.1 million] and the Debt Service Reserve Fund requirement for the Series F Revenue Bonds of $ 1.4 million [2022 – $1.4 million]. Furthermore, in order to satisfy the Debt Service Reserve Fund requirement for the Series E Amortizing Revenue Bonds, an irrevocable standby letter of credit in favour of the Trustee in the amount of $9.5 million has been drawn from the available Credit Facilities. These trust funds are held for the benefit of the bondholders for use and application in accordance with the terms of the Master Trust Indenture. In addition, the Authority is required to maintain an Operating and Maintenance Reserve Fund equal to 25% of defined operating and maintenance expenses from the previous 12 months. As at December 31, 2023, $17.6 million [2022 – $13.9 million] of the Credit Facilities has been designated to the Operating and Maintenance Reserve Fund *[note 5]*.

### [b] Interest expenses

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Bond interest | **20,564** | 21,336 |
| Other interest and deferred financing expense | **280** | 252 |
| | **20,844** | 21,588 |

### [c] Future annual principal payments for all long-term debt

| | $ |
|---|---|
| 2024 | 16,014 |
| 2025 | 17,107 |
| 2026 | 18,271 |
| 2027 | 19,509 |
| 2028 | 20,828 |
| Thereafter | 376,058 |
| | 467,787 |

### [d] Deferred financing costs

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Deferred financing costs | **5,155** | 5,155 |
| Less accumulated amortization | **3,108** | 2,871 |
| | **2,047** | 2,284 |

## 8. Airport Improvement Fees

AIF are collected by the air carriers in the price of a ticket and are paid to the Authority on an estimated basis, net of air carrier administrative fees between 6-7% [2022 – 7%], on the basis of estimated enplaned passengers under an agreement between the Authority, the Air Transport Association of Canada and the air carriers serving the Airport. Under the agreement, AIF revenue may only be used to pay for the capital and related financing costs of airport infrastructure development. AIF revenue is recorded at its gross amount on the statement of operations and comprehensive income (loss). Administrative fees paid to the air carriers were $4.5 million [2022 – $3.4 million].

AIF funding activities in the year are outlined below:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Earned revenue | **67,189** | 50,265 |
| Air carrier administrative fees | **(4,530)** | (3,408) |
| **Net AIF revenue earned** | **62,659** | 46,857 |
| Eligible capital asset purchases | **(21,465)** | (14,728) |
| Eligible interest expense | **(20,352)** | (21,463) |
| Other eligible expenses | **(311)** | (314) |
| | **(42,128)** | (36,505) |
| **Excess of AIF revenue over AIF expenditures** | **20,531** | 10,352 |

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

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Earned revenue | **847,702** | 780,513 |
| Air carrier administrative fees | **(52,090)** | (47,560) |
| **Net AIF revenue earned** | **795,612** | 732,953 |
| Eligible capital asset purchases | **(781,645)** | (760,180) |
| Eligible interest expense | **(467,905)** | (447,553) |
| Other eligible expenses | **(3,370)** | (3,059) |
| | **(1,252,920)** | (1,210,792) |
| **Deficiency of AIF revenue over AIF expenditures** | **(457,308)** | (477,849) |

The AIF will continue to be collected until the cumulative excess of expenditures over AIF revenue is reduced to zero.

## 9. Pension plan and other post-employment benefits

The amounts recognized as the post-employment liabilities on the statement of financial position as at December 31 are as follows:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Other post-employment benefit liability | **6,399** | 6,969 |

The Authority sponsors and funds a pension plan for its employees, which has defined benefit and defined contribution components.

Under the defined contribution plan, the Authority pays fixed contributions into an independent entity to match certain employee contributions. The Authority has no legal or constructive obligation to pay further contributions after its payment of the fixed contribution.

The defined benefit plan includes employees who were employees of the Authority on the date of transfer of the responsibility for the management, operation and development of the Airport from Transport Canada on January 31, 1997 *[note 1]*, including former Transport Canada employees, the majority of whom transferred their vested benefits from the Public Service Superannuation Plan to the Authority's pension plan. Pension benefits payable under the defined benefit component of the plan are based on members' years of service and the average of the best six years' consecutive earnings near retirement up to the maximums allowed by law. Benefits are indexed annually to reflect the increase in the consumer price index to a maximum of 8% in any one year.

Pension plan costs are charged to operations as services are rendered based on an actuarial valuation of the obligation.

In addition to pension plan benefits, the Authority provides other post-employment and retirement benefits to some of its employees, including health care insurance and payments upon retirement or termination of employment. The Authority accrues the cost of these future benefits as employees render their services based on an actuarial valuation. This plan is not funded.

As at the date of the most recent actuarial valuation of the pension plan, which was as at December 31, 2022, and was completed and was filed in June 2023 as required by law, the plan had a surplus on a funding [going concern] basis of $4,347 assuming a discount rate of 3.5% [2021 – $3,389 surplus assuming a discount rate of 3%]. This amount differs from the amount reflected below primarily because the obligation is calculated using the discount rate that represents the expected long-term rate of return of assets. For accounting purposes, it is calculated using an interest rate determined with reference to market rates on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

*The Pension Benefits Standards Act, 1985* [the "Act"] requires that a solvency analysis of the plan be performed to determine the financial position [on a "solvency basis"] of the plan as if it were fully terminated on the valuation date due to insolvency of the sponsor or a decision to terminate. As at December 31, 2022, the plan had a deficit on a solvency basis of $64 [2021 – $1,257] before considering the present value of additional solvency payments required under the Act. In 2023, the Authority made additional solvency payments of $13 [2022 – $251] to amortize this deficiency.

The next required actuarial valuation of the defined benefit pension plan, which will be as at December 31, 2023, is scheduled to be completed and filed by its June 2024 due date. The plan's funded position and the amounts of solvency payments required under the Act are subject to fluctuations in interest rates. It is expected that, once the actuarial valuation is completed, the additional solvency payments that are required for 2024 will be $13 [2023 – $13]. In addition, the Authority expects to contribute approximately $218 [2023 actual – $252] on account of current service in 2024 to the defined benefit component of the pension plan for the year ending December 31, 2024.

Based on the most recent actuarial determination of pension plan benefits completed as at December 31, 2022 and extrapolated to December 31, 2023 by the Authority's actuaries, the estimated status of the defined benefit pension plan is as follows:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Accrued benefit obligation – defined benefit pensions** | | |
| **Balance, beginning of year** | **51,328** | 64,939 |
| Employee contributions | **38** | 46 |
| Benefits paid | **(2,832)** | (2,691) |
| Current service cost | **153** | 288 |
| Interest cost on accrued benefit obligation | **2,505** | 1,918 |
| Actuarial loss (gain) – change in economic assumptions | **2,410** | (14,413) |
| Actuarial loss – change in plan experience | **746** | 1,241 |
| **Balance, end of year** | **54,348** | 51,328 |
| | | |
| **Plan assets – defined benefit pensions** | | |
| **Fair value, beginning of year** | **55,454** | 69,188 |
| Employee contributions | **38** | 46 |
| Employer contributions | **252** | 295 |
| Employer contributions, special solvency payments | **13** | 251 |
| Benefits paid | **(2,832)** | (2,691) |
| Interest on plan assets [net of administrative expenses] | **2,603** | 1,861 |
| Actuarial gain (loss) on plan assets | **3,275** | (13,496) |
| Fair value – plan assets | **58,803** | 55,454 |
| Effect of limiting the net defined benefit asset to the asset ceiling | **(4,455)** | (4,126) |
| **Fair value, end of year** | **54,348** | 51,328 |
| | | |
| **Post-employment pension benefit asset, net** | **—** | — |

The net defined benefit pension plan expense for the year ended December 31 was as follows:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Current service cost | **153** | 288 |
| Interest cost on accrued benefit obligation, net of interest on effect of limiting ceiling | **2,711** | 2,038 |
| Interest on plan assets [net of administrative expenses] | **(2,603)** | (1,861) |
| **Defined benefit pension plan expense recognized in salaries and benefits expense in net income (loss)** | **261** | 465 |

In addition to pension benefits, the Authority provides other post-employment benefits to its employees. The status of other post-employment benefit plans, based on the most recent actuarial reports, measured as of December 31 is as follows:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Accrued benefit obligation – other post-employment benefits** | | |
| **Balance, beginning of year** | **6,969** | 8,944 |
| Benefits paid | **(307)** | (350) |
| Current service cost | **282** | 409 |
| Interest cost | **354** | 268 |
| Actuarial gain – change in economic assumptions | **(899)** | (2,302) |
| **Balance, end of year** | **6,399** | 6,969 |

The net expense for other post-employment benefit plans for the year ended December 31 was as follows:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Current service cost | **282** | 409 |
| Interest cost | **354** | 268 |
| **Expense recognized in salaries and benefits expense in net income (loss)** | **636** | 677 |

The amount recognized in OCI for defined benefit pension plans and other post-employment benefit plans for the year ended December 31 was as follows:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Defined benefit pension plans** | | |
| Actuarial loss (gain) – change in economic assumptions | **2,410** | (14,413) |
| Actuarial loss – change in plan experience | **746** | 1,241 |
| Actuarial gain (loss) on plan assets | **(3,275)** | 13,496 |
| Effect of limiting the net defined benefit asset to the asset ceiling | **110** | (28) |
| **Other post-employment benefit plans** | | |
| Actuarial gain – change in economic assumptions | **(899)** | (2,302) |
| **Total income recognized in OCI** | **(908)** | (2,006) |

The costs of the defined benefit component of the pension plan and of other post-employment benefits are actuarially determined using the projected benefit method prorated on services. This determination reflects management's best estimates of the rate of return on plan assets, rate of salary increases and various other factors, including mortality, termination and retirement rates.

The significant economic assumptions used by the Authority's actuaries in measuring the Authority's accrued benefit obligations as at December 31 are as follows:

| | 2023<br>% | 2022<br>% |
|---|---|---|
| **Defined benefit pension plan** | | |
| Discount rate to determine expense | **5.00** | 3.00 |
| Discount rate to determine year-end obligations | **4.75** | 5.00 |
| Interest rate on plan assets | **5.00** | 3.00 |
| Rate of average compensation increases | **3.00** | 3.00 |
| Rate of inflation indexation post-retirement [consumer price index] – represents 3.00% for next two years and 2.00% thereafter | **3.00/2.00** | 2.00 |
| **Other post-employment benefit plans** | | |
| Discount rate to determine expense | | |
| Health care | **5.00** | 3.00 |
| Severance program | **5.00** | 2.75 |
| Discount rate to determine year-end obligation | | |
| Health care | **5.00** | 3.00 |
| Severance program | **4.75** | 5.00 |
| Rate of average compensation increases | **3.00** | 3.00 |
| Rate of increases in health care costs | | |
| Trend rate for the next fiscal year | **5.30** | 5.20 |
| Ultimate trend rate | **3.90** | 4.00 |
| Fiscal year the ultimate trend rate is reached | **2039** | 2036 |

The Authority's defined benefit pension plans and post-retirement benefit plans face a number of risks, including inflation, but the most significant of these risks relates to changes in interest rates [discount rate]. The defined benefit pension plan's liability is calculated for various purposes using discount rates set with reference to corporate bond yields. If plan assets underperform this yield, this will increase the deficit. A decrease in this discount rate will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings. In addition to the risks of fluctuations in interest rates [discount rate] outlined above, the Authority's pension plans are subject to a number of other risks. The Authority has taken steps to reduce the risk of fluctuations in interest rates and other factors by purchasing fully indexed annuities from a leading Canadian insurance provider covering 97% [2022 – 99%] of all retired members. Relative to the actuarial assumptions noted above, the financial impact of changes in key assumptions is outlined below:

| | CHANGE IN ASSUMPTION | IMPACT ON OBLIGATION AFTER INCREASE IN ASSUMPTION $ | IMPACT ON OBLIGATION AFTER DECREASE IN ASSUMPTION $ |
|---|---|---|---|
| **Defined benefit pension plan** | | | |
| Discount rate | 1% | 1,270) | 1,594 |
| Inflation | 1% | 1,447 | (1,183) |
| Compensation | 1% | 34 | (89) |
| Life expectancy | 1 year | 170 | n/a |
| Discount rate – solvency liability as at December 31, 2022 | 1% | (1,545) | 1,967 |
| **Other post-employment benefit plans** | | | |
| Discount rate | | | |
| Health care | 1% | (524) | 668 |
| Severance program | 1% | (180) | 209 |
| Health care costs | 1% | 647 | (517) |
| Life expectancy | 1 year | 154 | (159) |

The Authority's pension and other post-employment benefit plans are designed to provide benefits for the life of the member. Increases in life expectancy will result in an increase in the plans' liabilities. The obligations for these plans as at December 31, 2023 have been estimated by the Authority's actuaries using the most recent mortality tables available [Canadian Pensioner Mortality 2014 Combined Sector Mortality Table].

The investment policy for the pension plan's defined benefit funds was revised in 2018 to adopt a strategy based on plan maturity with segmentation based on retirees as at December 31, 2018 and all other members at that date. This approach involved setting up a liability-matching fund for retired members who were receiving a pension as at December 31, 2018 and a balanced growth fund for managing the assets related to the liabilities of all other members.

Under the liability matching fund, all assets are fully invested in a buy-in annuity contract purchased in December 2018 for 57 retired members. Under the balanced growth fund, the pension plan purchased, in October 2020, a fully indexed buy-in annuity contract for five additional retired members as at December 1, 2020 with a further fully indexed buy-in annuity contract completed in October 2022 for five additional retired members as at November 1, 2022.

As at December 31, 2023, 97% [2022 – 99%] of all retired members were covered by fully indexed buy-in annuity contracts. For future retirements of active and deferred members, additional buy-in or buy-out annuities may be considered depending on market conditions. The defined benefit plan is a closed plan. As at the date of the most recent actuarial valuation as at December 31, 2022, the average age of the six active members was 55 years. The average age of the 67 retired members was 70 years.

Responsibility for governance of the plans, including overseeing aspects of the plans such as investment decisions, lies with the Authority through a Pension Committee. The Pension Committee in turn has appointed experienced independent experts such as investment advisors, investment managers, actuaries and a custodian for assets.

The percentage distribution of total fair value of assets of the pension plans by major asset category as at December 31 is as follows:

| | 2023<br>% | 2022<br>% |
|---|---|---|
| Fixed income fund | **17** | 12 |
| Commercial mortgages fund | **2** | 2 |
| Annuity buy-in contract | **76** | 77 |
| Equity funds – Canadian funds | **1** | 2 |
| Equity funds – International and global funds | **2** | 5 |
| Emerging market fund | **1** | 1 |
| Real estate fund | **1** | 1 |

The Authority's contribution to the defined contribution component of the pension plan is a maximum of 8% of the employee's gross earnings to match employee contributions. Information on this component is as follows:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Employer contributions – defined contribution plan | **1,299** | 1,142 |
| Employee contributions – defined contribution plan | **1,450** | 1,272 |
| Net expense recognized in salaries and benefits expense | **1,299** | 1,142 |

## 10. Fair value measurement

Fair values are measured and disclosed in relation to the fair value hierarchy [as discussed in note 2] that reflects the significance of inputs used in determining the estimates.

The Authority has assessed that the fair values of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Authority's long-term debt, including Revenue Bonds outstanding, is reflected in the financial statements at amortized cost *[note 7]*. As at December 31, 2023, the estimated fair value of the long-term Series B and Series E Amortizing Revenue Bonds and Series F Revenue Bonds is $102 million, $248.6 million and $88.4 million, respectively [2022 – $109.7 million, $246.2 million and $85.1 million for Series B, Series E and Series F, respectively]. Pursuant to the Level 2 valuation methodology as set out in the fair value hierarchy, the fair value of the bonds is estimated by calculating the present value of future cash flows based on year-end benchmark interest rates and credit spreads for similar instruments.

## 11. Financial instruments and risk management

The Authority is exposed to a number of risks as a result of the financial instruments on its statement of financial position that can affect its operating performance. These risks include interest rate risk, liquidity risk, credit risk and concentration risk. The Authority's financial instruments are not subject to foreign exchange risk or other price risk.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following financial instruments are subject to interest rate risk as at December 31:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | CARRYING VALUE $ | EFFECTIVE YEAR-END INTEREST RATE % | CARRYING VALUE $ | EFFECTIVE YEAR-END INTEREST RATE % |
| Cash and cash equivalents [floating rates] [1] | **57,287** | **4.96** | 54,667 | 3.86 |
| Long-term debt [at fixed cost] | **465,740** | **See note 7** | 480,491 | See note 7 |

[1] Includes Debt Service Reserve Fund of $8,631 [2022 – $8,507]

The Authority has entered into fixed rate long-term debt and, accordingly, the impact of interest rate fluctuations has no effect on interest payments until such time as this debt is to be refinanced. Changes in prevailing benchmark interest rates and credit spreads, however, may impact the fair value of this debt. The Authority's most significant exposure to interest rate risk relates to its future anticipated borrowings and refinancing.

In addition, the Authority's cash and cash equivalents and its Debt Service Reserve Fund are subject to floating interest rates. Management has oversight over interest rates that apply to its cash and cash equivalents and the Debt Service Reserve Fund. These funds are invested from time to time in short-term bankers' acceptances and guaranteed investment certificates as permitted by the Master Trust Indenture, while maintaining liquidity for purposes of investing in the Authority's capital programs. Management has oversight over interest rates that apply to its bank indebtedness and fixes these rates for short-term periods of up to 90 days based on bankers' acceptance rates.

If interest rates had been 50 basis points [0.5%] higher/lower and all other variables were held constant, including timing of expenditures related to the Authority's capital expenditure programs, the Authority's loss for the year would have increased/decreased by $0.3 million as a result of the Authority's exposure to interest rates on its floating rate assets and liabilities. The Authority believes, however, that this exposure is not significant and that interest income is not essential to the Authority's operations as these assets are intended for reinvestment in airport operations and development, and not for purposes of generating interest income.

### Liquidity risk

The Authority manages its liquidity risk by maintaining adequate cash, bank indebtedness and Credit Facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis and by matching its long-term financing arrangements with its cash flow needs. The Authority believes it has a strong credit rating that gives it access to sufficient long-term funds as well as committed lines of credit through Credit Facilities with two Canadian banks.

The Authority has unfettered ability to raise its rates and charges as required to meet its obligations. Under the Master Trust Indenture entered into by the Authority in connection with its debt offerings *[note 7[a]]*, the Authority is required to take all lawful measures to maintain its compliance with the gross debt service coverage ratio of 1.25 and the debt service coverage ratio of 1.0. If this debt service covenant ratio is not met in any year, the Authority is not in default of its obligations under the Master Trust Indenture. Because of the unfettered ability to increase rates and charges and with strong cash balances, the Authority expects to continue to have sufficient liquidity to cover all of its obligations as they come due, including interest payments of approximately $19.8 million per year. The future annual principal payment requirements of the Authority's obligations under its long-term debt are described in note 7[c].

### Credit risk and concentration risk

The Authority is subject to credit risk through its cash and cash equivalents, its Debt Service Reserve Fund, and its trade and other receivables. The counterparties of cash and cash equivalents and the Debt Service Reserve Fund are highly rated Canadian financial institutions. The trade and other receivables consist primarily of current aeronautical fees and AIF owing from air carriers. The majority of the Authority's trade and other receivables are paid within 35 days [2022 – 44 days] of the date that they are due. A significant portion of the Authority's revenue, and resulting receivable balances, is derived from air carriers. The Authority performs ongoing credit valuations of receivable balances and maintains an allowance for potential credit losses. The Authority's right under the *Airport Transfer (Miscellaneous Matters) Act* to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses. ECLs are maintained, consistent with the credit risk, historical trends, general economic conditions and other information, as described below, and are taken into account in the financial statements.

Impairment analysis is performed at each reporting date using a credit loss provision model to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns [i.e. airlines, concessionaires, land tenants, etc.]. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The Authority has adopted the simplified method to evaluate the required ECL provision for trade and other receivables. Approximately 97% of the Authority's trade and other receivables are in the current category [less than 30 days overdue]. The Authority has recognized $98 in 2023 as an ECL provision [2022 – $98], which is largely represented by the 1.25% [2022 – 1.13%] of ECL rate in the less than 30 days overdue category.

The Authority derives approximately 46% [2022 – 47%] of its landing fee and terminal fee revenues from Air Canada and its affiliates. Management believes, however, that the Authority's long-term exposure to any single air carrier is mitigated by the fact that approximately 96.5% [2022 – 96.8%] of the passenger traffic through the Airport is origin and destination traffic and, therefore, other carriers are likely to absorb the traffic of any carrier that ceases operations. In addition, the Authority's unfettered ability to increase its rates and charges mitigates the impact of these risks.

## 12. Leases

### The Authority as lessee

On January 31, 1997, the Authority signed a 60-year ground lease [as amended, the "Lease"] with the Government of Canada [Transport Canada] for the management, operation and development of the Airport. The Lease contains provisions for compliance with a number of requirements, including environmental standards, minimum insurance coverage, specific accounting and reporting requirements, and various other matters that have a significant effect on the day-to-day operation of the Airport. The Authority believes that it has complied with all requirements under the Lease.

On February 25, 2013, the Minister of Transport for the Government of Canada signed an amendment to the Lease to extend the term from 60 years to 80 years ending on January 31, 2077. At the end of the renewal term, unless otherwise extended, the Authority is obligated to return control of the Airport to the Government of Canada.

The Authority recognizes its ground lease in the same manner as a short-term lease given the payments are variable in nature. Rent imposed under the ground lease with the Government of Canada is calculated based on airport revenue for the year as defined in the Lease and is considered contingent rent. Ground rent expense is accounted for as a lease in the statement of operations and comprehensive loss.

Based on forecasts of future revenues, which are subject to change depending on economic conditions, passenger volumes and changes in the Authority's rates and fees, estimated rent payments for the next five years are approximately as follows:

| | $ |
|---|---|
| 2024 | 13,191 |
| 2025 | 14,550 |
| 2026 | 15,133 |
| 2027 | 15,529 |
| 2028 | 15,987 |

### The Authority as lessor

Finance leases

The Authority has entered into two land lease arrangements as a lessor that are considered finance leases. This is the result of the Authority transferring substantially all of the risks and rewards of ownership of these assets to the lessee and Authority as the lessor recognizes these agreements as a receivable.

Finance lease receivables are classified under non-current assets.

The maturity analysis of the finance lease receivables, including the undiscounted lease payments to be received, is as follows:

| | 2023<br>$ |
|---|---|
| Less than 1 year | **534** |
| 1–2 years | **542** |
| 2–3 years | **550** |
| 3–4 years | **558** |
| 4–5 years | **566** |
| Over 5 years | **23,260** |
| Total undiscounted lease payments receivable | **26,009** |
| Unearned finance income | **(14,323)** |
| **Finance lease receivables** | **11,687** |

### Operating leases

In addition, the Authority also leases out, under operating leases, land and certain assets that are included in property, plant and equipment. Many leases include renewal options, in which case they are subject to market price revision. The lessee does not have the possibility of acquiring the leased assets at the end of the lease.

The estimated lease revenue under operating leases for the next five years is approximately as follows:

| | $ |
|---|---|
| 2024 | 7,384 |
| 2025 | 7,615 |
| 2026 | 7,934 |
| 2027 | 8,143 |
| 2028 | 8,381 |

## 13. Government assistance – COVID-19 pandemic

### Airport Critical Infrastructure Program

On May 11, 2021, the Government of Canada launched a new contribution funding program to help Canada's airports recover from the effects of the COVID-19 pandemic. The Airport Critical Infrastructure Program ["ACIP"] will financially assist Canada's larger airports with investments in critical infrastructure related to safety, security or connectivity.

In 2021, the Authority qualified for a maximum of $10.4 million in federal government ACIP funding to support capital spending on two major construction projects and has received $9.3 million to date. During 2023, $1.2 million [2022 – $6.4 million] of this subsidy was applied as a reduction to capitalized construction costs included in property, plant and equipment incurred by the Authority. The balance of the ACIP funding will be applied in 2024, pursuant to qualifying criteria, to incurred eligible construction costs on these approved projects.

## 14. Related party transactions

Compensation paid, payable or provided by the Authority to key management personnel during the year ended December 31 is recorded at cost and is as follows:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Salaries and short-term benefits | **2,729** | 2,731 |
| Post-employment benefits | **220** | 164 |
| | **2,949** | 2,895 |

Key management includes the Authority's Board of Directors and members of the executive team, including the President and CEO, and seven vice-presidents.

The defined benefit pension plan referred to in note 9 is a related party to the Authority. The Authority's transactions with the pension plan include contributions paid to the plan, which are disclosed in note 9. The Authority has not entered into other transactions with the pension plan.

## 15. Commitments and contingencies

### Ground lease commitments

The Lease requires the Authority to calculate rent payable to Transport Canada utilizing a formula reflecting annual airport revenues *[note 12]*.

### Operating and capital commitments

As at December 31, 2023, the Authority has total operating commitments from the ordinary course of business in the amount of $25.1 million [2022 – $30 million], for which payments of $12.9 million relate to 2024, and diminishing in each year over the next five years as contracts expire. In addition to these operating commitments, there are further capital investment commitments related to contracts for the purchase of property, plant and equipment of approximately $17.7 million that expire in 2024.

The operating commitments from the ordinary course of business for the next four years are approximately as follows:

| | $ |
|---|---|
| 2024 | 12,965 |
| 2025 | 8,673 |
| 2026 | 3,411 |
| 2027 | 96 |
| 2028 | — |

### Contingencies

The Authority may, from time to time, be involved in legal proceedings, claims and litigation that arise in the ordinary course of business. The Authority does not expect the outcome of any proceedings to have a material adverse impact on the financial position or results of operations of the Authority.

## 16. Comparative figures

Certain comparative figures have been reclassified, where necessary, to conform with 2023 presentation.

# 2023 ANNUAL REPORT

## POWERED BY PURPOSE

International Airport Authority
Ottawa
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