HalifaxStanfield

HALIFAX INTERNATIONAL AIRPORT AUTHORITY
2018 ANNUAL BUSINESS PLAN

2018

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EXECUTIVE SUMMARY

PLANNING PROCESS

Halifax International Airport Authority (HIAA) has a four-tiered planning process to guide airport operations and development in the long, medium and short term.

The ***20-year Master Plan*** serves as a framework to guide the long-term development of the facility to meet the needs of the community, our stakeholders and the industry.

The ***10-Year Capital and Financial Plan*** determines HIAA's infrastructure and funding requirements over the plan timeline.

The ***Strategic Plan*** covers a five-year period and includes our Mission, Vision, Values and Goals. It also includes an assessment of the general economic conditions expected to prevail, as well as an evaluation of the current and future state of the aviation industry.

The annual ***Business Plan*** draws its direction from the Strategic Plan and creates specific, measurable, actionable, results-oriented, and time-linked goals to support our long-term strategies.

STRENGTH THROUGH STRATEGY: Geared For Growth

2018 BUSINESS PLAN

Halifax International Airport Authority's (HIAA) 2018 Business Plan is focused on building the foundation for the realization of many of HIAA's key strategic priorities identified in the 2017-2021 Strategic Plan. The theme for the 2018 Business Plan (the Plan) is "Strength through Strategy – Geared For Growth" The plan provides a roadmap to facilitate the further development of Halifax Stanfield as a gateway to Canada and a connecting hub to international markets. It focuses on innovation as a primary driver for future cost management and service improvement with a continued emphasis on diversification and renewal of non-aeronautical revenue sources.

The Plan considers the impacts of the economic environment HIAA operates within and takes a measured approach in achieving its' strategic goals. It reflects continued global economic concerns and uncertainties regarding the stability of the global economy, as well as industry and local factors that will impact the demand for air service expansion. Of specific relevance to HIAA is increased major project investment associated with the Irving Shipbuilding contract, the Maritime Link and continued offshore exploration. These projects are creating air transportation opportunities in both domestic and international markets while the Comprehensive Economic Trade Agreement (CETA) will further facilitate international cargo growth opportunities in 2018.

Capital investment in 2018 will focus on passenger experience improvements, utility infrastructure replacement, airside surface restoration work and terminal infrastructure upgrades. The Air Terminal Building (ATB) work will feature an expansion to create a larger Pre-Board Screening area capable to accommodate new screening equipment to improve the flow of passenger processing. The airfield restoration program will enter its second year, focused on maintaining the runways, taxiways and de-icing areas. HIAA will also continue to invest in technology to enhance efficiencies with upgrades to Common Use Terminal Equipment systems, parking applications and software and network security.

HIAA's financial plan for 2018 focuses on moderate revenue growth, improved operational efficiencies and strategic investments. Operating revenues are expected to grow by 2.9% compared to the 2017 forecast with growth in both aeronautical and non-aeronautical revenue flows, driven by anticipated passenger growth of 1.8% and additional service offerings within the terminal. Operating expenses are also expected to increase over 2017 but at a moderate rate, resulting in an operating margin of 8.6%. The overall excess of revenue over expenses is projected at $3.2 million that will be fully reinvested into the operations for HIAA and capital investments.

2017 is anticipated to be a record year for the number of passengers at Halifax Stanfield and the budget for 2018 anticipates this growth trend to continue, albeit at a slower rate with a projected overall passenger increase of 1.8%. Advancement of HIAA's hub strategy will continue to support growth as potential service market expansion in both existing and new markets are aided by the anticipated deployment of the new Boeing 737 MAX aircraft, operated by both Air Canada and Westjet.

HIAA's expectations for aeronautical and non-aeronautical revenue growth opportunities are focused on increased service to the community and the enhanced competitiveness of HIAA. This balanced approach will continue to provide benefit to passengers, airlines and the approximately 5,700 employees working within the airport campus while continuing to significantly contribute to the economy of the region.

B STRATEGIC OVERVIEW

MISSION, VISION AND VALUES

HIAA's mission and vision statements, as well as core values guide decision making, actions and behaviors. These statements were affirmed as part of the 5-Year Strategic Plan and the vision, mission and value statements for HIAA are as follows:

Mission

A world-class airport creating prosperity for our region by connecting Atlantic Canada to the world through flight

Vision

Great people creating the best airport community in the world

Values

Integrity
Inclusion
Collaboration
Innovation
Social Responsibility

STRATEGIC PRIORITIES

There are four strategic priorities outlined in HIAA's 5-Year Strategic Plan and used to build the 2018 Annual Business Plan. These key business strategies will help guide the organization in the execution of this Plan and are aligned with other key planning documents such as the 20-Year Master Plan and the 10-year Capital and Financial Plan. Progress towards achievement of these strategic priorities along with specific long-term metrics will be used to guide and measure performance in 2018.

In addition to the four strategic priorities, four critical foundation elements were identified that will support all strategic activities and help guide the airport towards achievement of its vision. The following diagram represents the relationship between these elements and their support of HIAA's vision.

C 2018 PLAN

ECONOMIC OUTLOOK

The global economy is continuing to strengthen with the IMF expecting global GDP to grow 3.6% in 2017 and 3.7% in 2018[1], the strongest growth since 2011. Advanced economies continue to rebound to more moderate growth levels lead by Canada, Japan and Russia, with the UK slowing following Brexit and US growth more uncertain due to policy uncertainty. While mature economies in North America and Europe face lower expected growth rates, many emerging economies in Asia, South America, and Africa are projecting GDP growth rates above the global average. As emerging economies continue to grow and develop, air travel, and particularly international air travel, will become more viable to a wider range of the global population. The Chinese aviation industry saw the highest growth rate of any region at 10.6% in 2016. [2]

Lagging inflation below established targets in most advanced economies, weak productivity growth, aging populations, and stricter fiscal policies all present downside risks to the economy. Geopolitical tensions, continued policy uncertainty in the US, and the unresolved renegotiation of North American Free Trade Agreement (NAFTA) have the potential to impact global markets and other trade agreements. However, commodity prices are expected to stabilize in 2018 after slight gains in 2017.

Nationally, despite the strengthening Canadian Dollar, global demand should sustain Canadian exports in 2018. Growth in Canadian GDP is expected to slow next year to 2.1% growth, impacted by a slower housing market, rising interest rates, and low wage growth, which could lower consumer spending. Other risk considerations include uncertainty with US policies and the outcome of NAFTA re-negotiations which could impact Canadian exports to the US. Over the medium-term, national GDP is forecast to average 2.2% per annum from 2017 to 2025.

The overall economic outlook for Atlantic Canada in 2018 is one of modest growth with Newfoundland and Labrador declining, while Prince Edward Island experiences rapid growth. Nova Scotia and New Brunswick are expected to experience slower growth than the national average as consumer spending slows and provincial fiscal policies provide limited stimulus.

A positive outlook remains for Atlantic Canada exports facilitated by strong economic growth in the US and potential impact of trade agreements with the EU, however, there is some offsetting risk stemming from the uncertainty surrounding the North American Free Trade Agreement (NAFTA) renegotiation. Seafood exports should continue to be a main driver of non-energy exports[3] and present a positive opportunity for export cargo growth from the region due to the Canada-European Union Comprehensive Economic & Trade Agreement (CETA). Once fully enacted, CETA is expected to have a strong impact in Atlantic Canada as almost 96% of Nova Scotia seafood products into Europe will be duty-free. The first benefit of CETA was the removal of the 8% tariff from live lobster in September 2017.

Population growth, albeit moderate, continues in Nova Scotia (0.6%)[4], contributing to consumer spending and housing starts. Tourism growth in Nova Scotia continues to contribute to demand for air services, with tourism visits by air up 11%, driven by Ontario (45%) and Western Canada (31%).[5] Major project spending in relation to the shipbuilding project is expected to continue to contribute significantly to the economy. The national shipbuilding contract alone is expected to generate 11,500 total jobs and $500 to $600 million in wages for Nova Scotia, along with over $619 million in contracts awarded within the province to date.[6]

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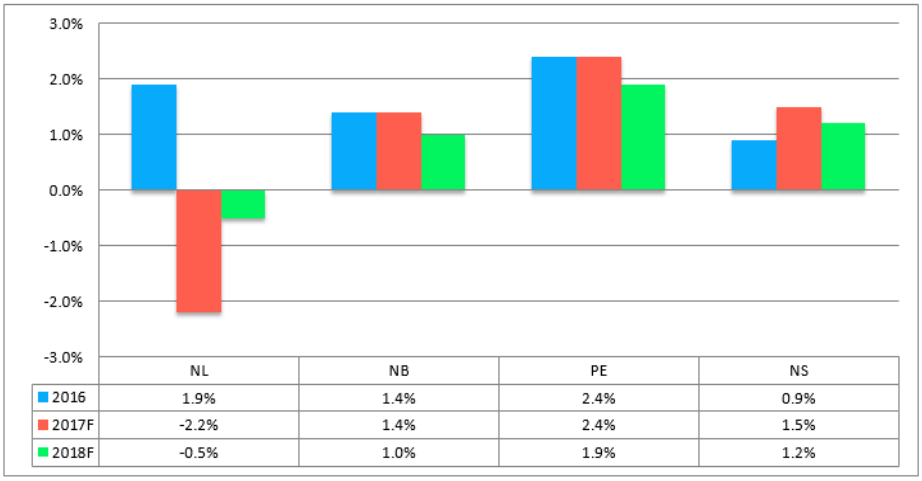
[1] International Monetary Fund World Economic Outlook, October 2017
[2] IATA, 2017
[3] APEC, Atlantic Canada Economic Outlook 2018 – Fall 2017
[4] APEC, Atlantic Canada Economic Outlook 2018 - Fall 2017
[5] APEC, Atlantic Canada Economic Outlook 2018 – Fall 2017
[6] Shipsstarthere.ca

Figure -1: Historical and Forecast Real GDP Growth, 2016-2018



Growth trends in the Atlantic region as shown in Figure 2-1 as per the Atlantic Report.[7] In 2017, Nova Scotia was poised to have moderate GDP growth. Nova Scotia growth will be supported by investment spending of offshore oil activity, mining, and continued building of Arctic Offshore Patrol Ships. Newfoundland & Labrador will see negative growth rates in 2017 and 2018 due to completion of major project spending and the impact of lower oil prices. Overall, New Brunswick growth will be positive due to increases in project spending for renewable energy, transportation, and the Port of Saint John. Prince Edward Island's economy is expected to continue with the highest growth in the region due to increased immigration, infrastructure and transportation projects, and continued growth in the bioscience industry.

In summary, global growth is projected to be sustained over the next couple of years due to a rebound in commodity exporters. Air transportation is closely linked to the oil sector as it is a derived demand linked to economic growth, and its costs are directly linked to fuel prices.

Aviation Industry Trends

The global aviation industry has shown continued resilience. In spite of bankruptcies, economic recessions, health crises such as Ebola Virus Disease (EVD) and SARS, natural disasters and "polar vortexes", global air transport continues to grow.[8] Passenger air traffic has grown in 9 of the last 10 years and IATA expects global traffic to reach 7.8 billion over the next 20 years (3.6% per annum).[9] This is due to the importance of air service for global trade and commerce along with the increasing demand for tourism worldwide. The industry is expecting an overall profit of $31.4 billion in 2017 with an operating margin of 4.2%.[10]

The worldwide airline industry is valued at $776 billion with global load factors at a record high of 80%.[11] Global passenger traffic is expected to increase to 4.0 billion in 2017. As a result, assuming industry conditions remain consistent, the expectation is for an overall increase in industry profits for 2018.[12]

The financial performance of airlines varies considerably by region, country and individual air carrier. The key success factor in the North American aviation market is controlled and sustainable growth. With a 7.2% expected profit margin in 2017, North America has been outperforming all other regions, accounting for almost half of the global profit at $15.4 billion, as airlines focus on profitability through capacity rationalization, consolidation of mature markets and the development of ancillary services. Together with lower fuel costs, breakeven margins now average 56.5% in 2017.[13] This trend is expected to continue into 2018 as the US carriers continue to benefit from post-merger synergies. Air Canada profitability gains have continued through the growth of its lower cost carrier Rouge, significant international route expansion, and fleet modernization. WestJet has followed suit with the successful introduction of Encore across Canada and expansion of international routes. While profitability has been strong, North American passenger traffic growth lags behind the rest of the world with a projected expansion of 4.0% in 2017.[14]

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[7] APEC, Atlantic Canada Economic Outlook 2018 – Fall 2017
[8] InterVistas Consulting Inc. – State of the Airline Industry, September 2014
[9] IATA, Press Release No. 55, 24 October 2017
[10] IATA, Press Release No. 30, 5 June 2017
[11] IATA, Economic Performance of the Airline Industry, June 2017
[12] International Air Transport Association (IATA)
[13] IATA, Economic Performance of the Airline Industry, June 2017
[14] IATA, Press Release No. 30, 5 June 2017

A key trend that has emerged over the past several decades is the growth of international air traffic relative to domestic air traffic. This trend is driven by globalization and the increasing accessibility of international travel as a result of economic growth in emerging markets and the introduction of new aircraft technology. Demand for international air travel is expected to continue to outpace domestic travel growth, impacting market opportunities and air service routes. HIAA's strategy is focused on international passenger and cargo air traffic growth to Europe, the United States, and Asia as well as continued domestic growth with additional hub activity.

Fuel continues to be a significant cost for the airlines and despite recent decreases, is projected to account for approximately 25% to 30% of total airline operating costs.[15] As market prices fluctuate along with other economic drivers, airlines may adjust deployed seat capacity, which in turn impacts the airport business. The recent decline in jet fuel prices has had an immediate and positive impact on the financial performance of airlines, and is expected to continue as prices remain low.[16] An increase in air services and seat capacity supports the financial health of airports by generating additional revenue opportunities (e.g. landing fees) while a decline in seat capacity has the opposite effect. In 2017, passenger volumes and seat capacity continued to grow during the year, with this growth expected to continue into 2018, albeit at a more moderate rate.

The aviation industry is also focused on the deployment of new aircraft and the related market opportunities they present. The new aircraft can offer lower costs, smaller capacities and longer ranges that could be beneficial to smaller markets with the potential to create more non-stop routes. However, the shift from smaller, less efficient turboprops and regional jets (less than 50 seats) to larger regional aircraft will result in a fundamental change over the next 5 to 10 years for regional airports, including Halifax Stanfield, as airlines consolidate routes and take on more point-to-point flying in order to optimize the use and cost profile of the larger aircraft.

The Canadian market saw the entrance of an Ultra Low-Cost Carrier (ULCC) in 2016 with New Leaf (now Flair), and it is expected that more ULCCs will consider entering the market moving forward. If successful, the potential expansion of ULCCs in the Canadian market would have the effect of lowering average fares and stimulating demand for air travel.

Overall, continued strength and improvement in the financial performance of the global aviation industry will facilitate increased air service development, but regional consideration and specific air carrier circumstances must be taken into account when assessing potential opportunities.

Halifax Stanfield International Airport

Passengers

Halifax Stanfield is served by 15 scheduled and charter passenger air carriers that provide direct service to a network of 43 destinations, including 19 in Canada, 7 in the United States and 17 in international markets, including Europe and the Caribbean. This network enables passengers within Atlantic Canada to access over 500 one-stop destinations around the world.

In 2016, air passenger traffic at Halifax Stanfield reached a record setting 3.9 million enplaned/deplaned (E/D) passengers and it is anticipated that HIAA will exceed the 4 million passenger milestone in 2017. Passenger traffic growth throughout 2017 has been driven by seat capacity gains, and higher load factors, particularly in the domestic sector. Passenger traffic is forecast to grow by 3.5% over the previous year and a further 1.8% growth in 2018. Approximately 85% of passenger traffic is domestic, followed by 7% transborder (US) and 8% international in 2017. With the highest air passenger per capita ranking in the country, Halifax Stanfield punches well above its weight in air service availability; however, a finite catchment area with limited population growth prospects presents longer term challenges for air travel

[15] InterVistas, Halifax Stanfield Air Traffic Forecasts 2015-2035, May 2016
[16] InterVistas, Halifax Stanfield Air Traffic Forecasts 2014-2034, July 2015

expansion. To meet this challenge, the opportunity to strengthen and build upon its position as a hub airport for Canada and a gateway to Europe is an important part of HIAA's long-term strategy. Part of this opportunity is the introduction of next generation narrow body aircraft, such as the Boeing 737 MAX, Airbus A320neo, and Bombardier C-Series, on trans-Atlantic flights. Due to a prime geographic location, these smaller jet aircraft, which have a suitable capacity for the Halifax market, have the range capabilities to reach mainland Europe, the United Kingdom and Iceland.

Figures 2-2 and 2-3 show passenger traffic (actual and forecast) from 2012 to 2018 at Halifax Stanfield.

Year	Domestic	% Change	Transborder	% Change	International	% Change	Total	% Change
2012	2,882,198	0.9%	386,385	-5.7%	337,118	2.8%	3,605,701	0.3%
2013	2,872,553	-0.3%	383,986	-0.6%	329,325	-2.3%	3,585,864	-0.6%
2014	2,963,513	3.2%	376,449	-2.0%	323,077	-1.9%	3,663,039	2.2%
2015	3,042,188	2.7%	333,033	-11.5%	327,484	1.4%	3,702,705	1.1%
2016	3,268,485	7.4%	326,602	-1.9%	313,712	-4.2%	3,908,799	5.6%
2017F	3,445,498	5.4%	289,176	-11.5%	309,667	-1.3%	4,044,341	3.5%
2018F	3,491,228	1.3%	313,036	8.3%	314,075	1.4%	4,118,339	1.8%

Figure 2-2 Passenger Traffic by Sector *("F" denotes forecast passenger traffic as of October, 2017)*

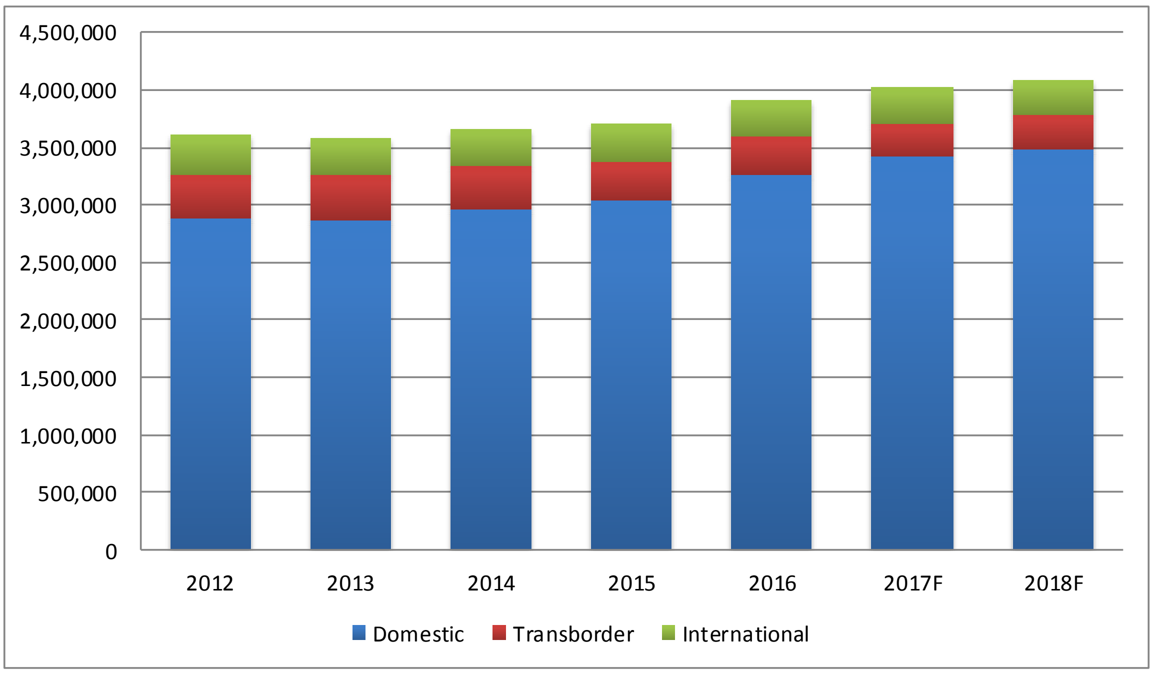


Figure 2-3 - Overview Halifax Stanfield Passenger Traffic *("F" denotes forecast passenger traffic as of October, 2017)*

Economic Development Potential

Halifax Stanfield's dominant position in the regional airport market makes it a key catalyst for achievement of some of the specific goals of the One Nova Scotia Report. The report established goals for increasing the value of exports from $14 billion to $20 billion, doubling gross annual tourism revenues from $2 billion to $4 billion and increasing annual immigration to 7,000 new residents, all by 2024. Maximizing the connectivity, scale, efficiency and flexibility of operations at Halifax Stanfield will be required if these goals are to be realized.

HIAA's airport operations are a critical infrastructure element and economic driver that can be leveraged to help meet these goals. The annual economic impact for Halifax Stanfield was measured at $2.8 billion for 2016, a 4.4% increase over 2015.

Cargo

Air Cargo service out of Halifax Stanfield is shipped through two main modes, directly by designated air cargo providers through the use of designated freighter aircraft, and secondly via the "belly" capacity in the cargo/luggage holds of passenger aircraft.

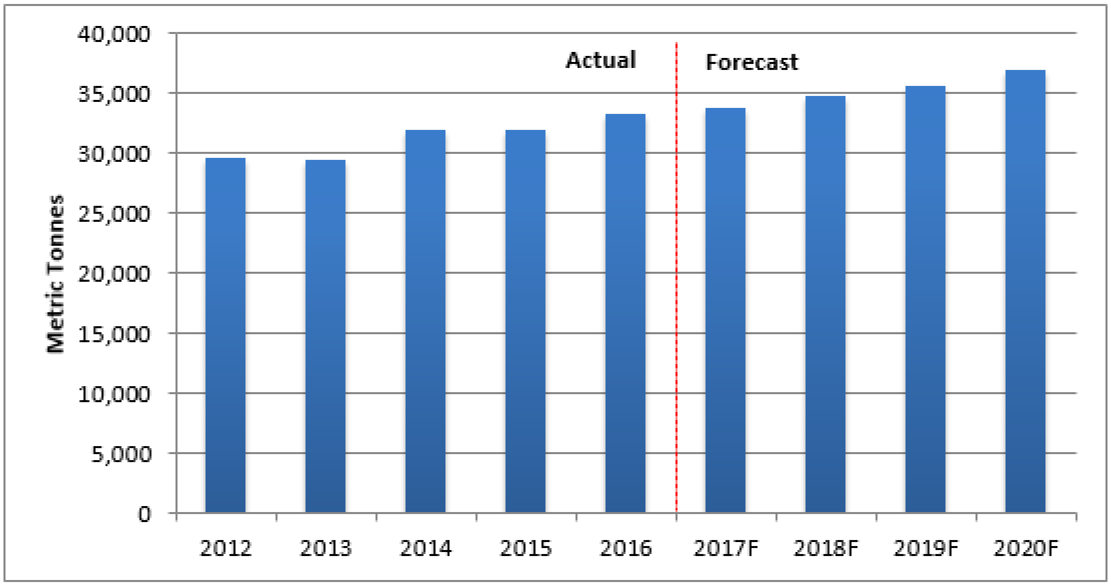


Figure 2-4 – Air Cargo Traffic at Halifax Stanfield as of October, 2017

2016 was a record year with over 33,000 metric tonnes of goods moved through Halifax Stanfield. This resulted in exports alone valued at more than $404 million for 2016. Seafood is a high value export for Halifax Stanfield; seafood exports valued at $176 million were the largest single category of exports, with $153 million of that volume being live lobster. The demand for seafood from Atlantic Canada continues to be strong, especially in Asia and Europe. CETA will expand these export growth opportunities throughout all of Europe. The rapidly growing Asian economy has helped create strong demand for Canadian seafood and Halifax Stanfield's cargo partners have successfully established the market and efficient air connectivity into Asia. HIAA is working to diversify product exports, and has already seen strong exports in aerospace parts and services of more than $74 million in 2016, and specialty related technology products in excess of $42 million during the same year. The potential for new products and markets continues to be a focus for HIAA.

Export values are showing increases of 6.75% as of the end of September 2017. Additional seasonal flights in December will drive both categories (volume and export value) and will allow operators and freight forwarders to test the various markets they serve and build potential business for year round service.

2018 OBJECTIVES AND GOALS

The four strategic priorities for HIAA's strategic plan are illustrated in the diagram below.

These strategic priorities along with long-term targets will be used to guide and measure performance in 2018. The goals and objectives established in this business plan ultimately support the execution of the key business strategies and the achievement of the targeted financial results for 2018.

Strategic Priority	Objectives and Goals
Air Service Development	*Continued service expansion as Atlantic Canada's gateway hub* 1. Develop Halifax Stanfield as a competitive gateway hub 2. Increase seat capacity and passenger volume 3. Increase direct and connecting destinations 4. Increase direct passenger volume to the United States
Cargo Service Development	*Facilitate cargo service expansion to support regional economic development* 1. Improve financial performance and enhance economic growth by expanding HIAA's role in the cargo supply chain 2. Increase cargo value and volume
Non-Aeronautical Revenue Development	*Use an entrepreneurial approach to diversify products and services in support of air service development* 1. Improve monetization of assets to increase service offerings and revenues 2. Optimize concessions while creating a sense of place
Maximizing Airport Efficiency	*Use innovation to drive continuous improvement and cost containment* 1. Improve operational efficiencies resulting in cost containment for HIAA and our airline partners 2. Continuous improvement in passenger processing 3. Streamline corporate business processes and improve data and business intelligence

HIAA has four foundation elements that are critical to undertaking the mission of HIAA and achieving its vision. These are necessary to achieving the strategic priorities.

These elements are the core of our corporate culture and excelling at them is a critical part of fulfilling our brand promise as Atlantic Canada's gateway.

	Foundation Element	Objectives and Goals
Foundation Elements	Safety, Security and Environmental Excellence	*Integrate Safety, Security and Environmental Excellence in all aspects of the airport's business and operations* *Safety* 1. Align HIAA's approach to Safety Management System and occupational health and safety matters 2. Promote a culture of engagement and ownership among HIAA employees relating to health and safety matters *Security* 1. Enhance airport security by implementing security best practices and optimal efficiencies 2. Expand security training, vigilance and awareness for all members of the airport community *Environment* 1. Continuously improve HIAA's environmental performance 2. Incorporate principles of environmental sustainability across the organization
	Professional Excellence	*Optimize employee engagement and performance* 1. Provide training, development and support so all employees can perform to their full potential 2. Increase the efficiency and self-sufficiency of managers and supervisors
	Customer-First Culture	*Strengthen our culture of superior service* 1. Continuous service improvement 2. Enhance connections with our community
	Facility Development	*Develop airport infrastructure and services to efficiently support growth and enhance customer experience* 1. Improve efficiency and productivity, optimize airport experience and support cost containment initiatives 2. Implement facility modifications to support revenue growth

FINANCIAL PLAN

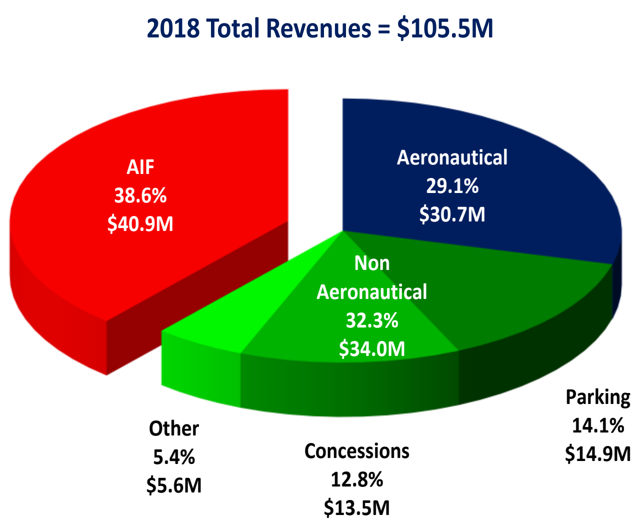
The following section provides supporting data for the 2018 Business Plan's operating and capital budget. It reflects the financial impact of HIAA's plans to achieve its strategic priorities through its goals, objectives and initiatives.

The financial plan for HIAA is summarized as follows:

Revenue

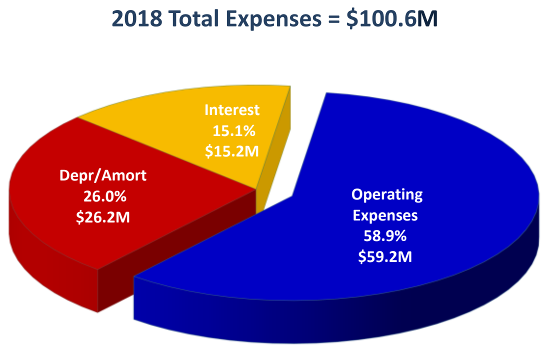
The revenue forecast for 2017 is slightly higher than budget driven by higher passenger and landed seat capacity levels. Aeronautical revenue growth was driven by increased service in the domestic sector which was partially offset by continued reductions in transborder traffic and international traffic related to slight reductions in international markets with later starts to summer seasonal services. Seat capacity levels are expected to continue to grow in 2018 with increases related to the domestic market, anticipated growth in the European market and increased transborder service. These increases are anticipated to be partially offset by reductions in sun flight capacity with international markets.

Considering the forecast for 2017 and the implementation of initiatives included in the annual plan, the 2018 budget projects total revenue of $105.5 million. This result is comprised of operating revenue at $64.7 million, an increase of 2.9% over the 2017 forecast and the Airport Improvement Fee (AIF) revenue budget of $40.9 million. The projected AIF growth is mainly driven by rate changes, effective January 1, 2018, increasing the departing enplaned passenger fee from $25.00 to $28.00 and is partially offset by the introduction of an intra-provincial AIF of $15.00 per departing enplaned passenger.



Utilizing published airline schedules, InterVISTAS aviation forecasts, and other related information available as of November 2017, total Halifax Stanfield passenger traffic for 2018 is budgeted to increase from the 2017 forecast levels by 1.8%, driven by increased load factors and expansion of domestic and international hub activity. Non-aeronautical revenue is budgeted to increase by 4.0% in 2018 over the 2017 forecast driven in part by increased passengers and increased service offerings in the ATB.

Expenses



Total expenses for 2018, excluding defined benefit pension plan losses, are budgeted to be $100.6 million. The operating expenses for 2017 are estimated at $59.2 million representing an increase of 4.2% or $2.4M over 2017 forecasted results. The largest category for expense increases over 2017 is amortization which is driven by the capital investment to maintain and improve the airport facilities.

Total interest to be paid in 2018 on HIAA's Series A and Series C bonds at annual fixed rates of 5.503% and 4.888% respectively is $14.9 million.

Capital Program

Estimated capital investment program expenditures for 2018 total $53.0 million and include a terminal expansion initiative which will create a larger Pre-Board Screening area capable of accommodating new equipment and improving the efficiency of passenger processing. The Passenger Experience Improvements project will continue with upgrades to washrooms and with architectural improvements throughout the terminal. On the airfield, the second year of the multi-year restoration program will continue with work planned on Taxiway and deicing pad areas. The first year of a two-year program to implement Runway End Safety Areas (RESA) will be begin. Capital projects within the ATB include the replacement of the central chiller plant.

Technology infrastructure improvements include continued upgrades to corporate Information Technology systems, Common Use Terminal Equipment systems, and Parking Applications and Software. An increased focus will be placed on developing strategies to leverage airport data and analytics to improve operational efficiency enhancing the network security program.

The ground floor Pre-Board Screening (PBS) is being expanded to provide space for additional passenger processing capacity. This expanded ground floor footprint will provide new space for passenger processing, additional second floor holdroom space, and provide additional concession space for both groundside and the domestic holdroom areas. Construction will continue throughout 2018.

The Passenger Experience Improvement (PEI) program will continue with upgrades to washrooms in the airside and groundside areas of the terminal. New architectural finishes will be completed in the Domestic Arrivals area and in the Food Court area of the Centre Core. A number of improvements to lighting and furnishings will be made throughout the ATB.

The central chiller plant is nearing the end of its serviceable life and is expensive to operate. It will be replaced with a new, energy efficient plant that is designed to accommodate additional cooling loads related to foreseeable ATB expansions in the areas of the terminal served by the existing system.

Capital Projects Airside focus on the runway restoration program among other projects. HIAA has developed an Airfield Pavement Management System which assesses the condition of airfield surfaces and identifies measures necessary to ensure the continued integrity of the airfield infrastructure. Pavement on sections of Taxiway Alpha and the area surrounding the deicing pads will be restored in 2018.

Information technology will also be a focus for the 2018 capital plan. Improvements to the IT systems will be completed with four main areas of focus categorized by: Business Continuity and Disaster Recovery; Physical and Data Security Systems; Airline Common Use & Passenger Processing; and Transformative Technologies. Within these key areas there is an emphasis of continuing to grow and expand self-service technologies and adopting IT best practices for risk management, network security, and infrastructure design.

The IT program will also include a refresh of the parking system. The software system along with the associated physical hardware for the paid parking lots is being replaced and upgraded with a new system that provides significantly enhanced capabilities in a number of areas.

The balance of the capital funding requirements for 2018 consists of minor capital projects categorized as new initiatives, minor works, capital acquisitions and mobile equipment.

FINANCIAL SCHEDULES

PROFORMA BALANCE SHEET

(in thousand of dollars)

Year Ended December 31

	2018 Budget $	2017 Forecast $
ASSETS		
Current		
Cash and cash equivalents	**1,077**	5,267
Accounts receivable	**5,550**	5,430
Other	**2,012**	1,973
Total current assets	**8,639**	12,670
Capital assets, net	**7,427**	7,427
Debt Service Reserve Fund	**425,177**	398,410
Accrued benefit asset	**8,769**	9,223
	450,012	427,730
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**24,797**	23,014
Current portion of long-term debt	**17,000**	-
Deferred revenue	**845**	815
Total Current Liabilities	**42,642**	23,829
Long-term debt	**283,476**	283,448
Security deposits	**1,760**	1,560
Total Liabilities	**327,878**	**308,837**
Equity in capital assets	**122,134**	118,893
	450,012	427,730

PROFORMA STATEMENT OF OPERATIONS AND CHANGES IN EQUITY

(in thousand of dollars)

Year Ended December 31

	2018 Budget $	2017 Forecast $
REVENUE		
Terminal and passenger security fees	**20,650**	20,096
Parking	**14,866**	14,177
Concessions	**13,519**	13,051
Landing fees	**10,059**	10,118
Rental	**4,552**	4,368
Other	**1,033**	1,054
	64,679	62,864
Airport improvement fee	**40,858**	36,204
	105,537	99,068
EXPENSES		
Salaries, wages and benefits	**23,282**	22,245
Amortization	**26,233**	24,098
Materials, services and supplies	**21,288**	20,220
Interest on long-term debt, net	**15,212**	14,770
Ground lease rent	**7,361**	6,733
General and administrative	**5,585**	6,026
Property taxes	**1,593**	1,551
	100,554	95,643
Excess of revenue over expenses before pension plan (loss) gain	**4,983**	3,425
Defined benefit pension plan (loss) gain	**(1,822)**	1,700
Excess of revenue over expenses for the year	**3,161**	5,125
Equity In capital assets, beginning of year	**118,893**	113,688
Equity in capital assets	**122,054**	118,813
Amortization of deferred financing costs	**80**	80
Equity in capital assets, end of year	**122,134**	118,893

PROFORMA STATEMENT OF CASH FLOWS AND CHANGES IN EQUITY

(in thousand of dollars)

Year Ended December 31

	2018 Budget $	2017 Forecast $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**3,161**	5,125
Add (deduct) items not affecting cash		
Amortization	**26,233**	24,098
Accrued benefit asset	**454**	(3,442)
Net change in non-cash working capital balances		
Related to operations	**1,962**	(550)
Cash provided by operating activities	**31,810**	**25,231**
INVESTING ACTIVITIES		
Expenditures on capital assets	**(53,000)**	(40,000)
Cash used in investing activities	**(53,000)**	**(40,000)**
FINANCING ACTIVITIES		
Proceeds from term credit facility	**17,000**	-
Cash used in financing activities	**17,000**	**-**
Net decrease in cash during the year	**(4,190)**	(14,769)
Cash and cash equivalents, beginning of year	**5,267**	20,036
Cash and cash equivalents, end of year	**1,077**	5,267