



**Sarnia Chris Hadfield Airport:
Operating, Administration, Funding, and
Governance Analysis, Recommendations,
and Implementation Plan
(Part 1 Report)**

Prepared for:
City of Sarnia



A Division of The Loomex Group Ltd.

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Executive Summary

Background

The City of Sarnia has undertaken a comprehensive review of Sarnia Chris Hadfield Airport (“**YZR**”). The review is intended to evaluate the airport’s current operational, administrative, funding, and governance models in light of evolving community needs, fiscal realities, and future opportunities.

YZR has Transport Canada (“**TC**”) certification, and it is a designated port of entry. The airport has been municipally owned since its divestiture from the federal government in 1997. Scottsdale Aviation (“**the Operator**”) has operated the airport under a long-term headlease agreement since 1987, with the current agreement set to expire in June 2027.

Until 2020, YZR hosted scheduled commercial air service through Air Canada. The loss of this service has significantly impacted airport revenues, operational sustainability, and municipal expectations. Due to these developments, YZR has needed an increased level of financial support from Sarnia since 2021.

Scope of Project

This report responds to a decision that Sarnia City Council (“**Council**”) reached in February 2025. As per that decision, Council has decided to remain invested in YZR as a publicly owned asset, developing a sustainable path forward with greater accountability.

This project has two components:

- Part 1 involves creating a report to build upon the Airport Master Plan (“**AMP**”) that was developed for YZR in 2022. This report includes a detailed analysis of the current governance, operational, administrative, and funding models at YZR. This report also includes a review of various best practices that are used at similar airports. Applicable recommendations related to these topics are included.
- Part 2 will provide detailed implementation plans for the governance, operational, administrative, and funding models that Sarnia chooses for YZR. It will be the responsibility of Sarnia’s staff to enact these plans based on Council’s direction/recommendation regarding Part 1 of the project. The implementation plans will identify timelines, responsible parties, and required resources.

Development and Findings of Part 1

This document summarizes the results of Part 1 (as described above). Part 1 involved a comprehensive stakeholder engagement process. This process included consultations with the Operator, municipal representatives, and airport managers from similar airports across Ontario. The results of this study indicate there are several challenges—and opportunities—within YZR’s current governance model.

The three recommended governance models for YZR’s consideration are as follows:

- public ownership with a contracted private operator (status quo with improvements)
- publicly owned and operated (municipal operations)
- public ownership with independent governance, such as a municipal services corporation (“**MSC**”)

Each of these proposed governance models includes a preliminary implementation plan. Those plans are designed to improve YZR’s administrative framework through the following means:

- strengthened accountability
- clear performance expectations
- clarification of Sarnia’s role in the airport’s operations

Preliminary revenue and expense estimates are also provided to help Sarnia plan for long-term financial sustainability.

Overall, the recommendations are designed to:

- Protect Sarnia’s interests.
- Enhance regional economic impact.
- Ensure compliance with federal aviation standards.
- Create a viable path forward for YZR.

Recommendations

Table 1 presents the recommendations found in this report. These recommendations are designed to help Sarnia strengthen the governance, operational, administrative, and financial sustainability of YZR.

Table 2 provides a summary that compares YZR’s current governance, administrative, operating, and funding models to the recommended changes outlined in this report.

Table 1. Summary of recommendations.

Topic	Recommendation
Governance model	Retain ownership of YZR and establish an MSC to oversee the airport's governance and operations.
Administrative structure	Appoint a board of directors to oversee the MSC. The board should be responsible for hiring an experienced CEO or airport director to lead YZR and serve as the accountable executive ("AE").
Administrative structure	<p>Maintain the existing headlease agreement with the current operator until the agreement expires on June 30, 2027. Doing so will allow sufficient time to establish the legal framework for the MSC, as well as elect a board of directors, adopt necessary bylaws, and recruit qualified leadership personnel to oversee airport operations under the new governance model.</p> <p>(As a best practice, the board of directors should include representatives of Council. For more information about this representation, see section 8.4.1 of this report.)</p>
Operating model	Ensure that YZR's operations are managed by the MSC. The appointed CEO or airport director would assume direct responsibility for operational oversight, regulatory compliance, and performance management. The CEO or director would also fulfill the role of AE (as required by TC).
Sustainable funding and revenue model	Ensure that the MSC adopts a long-term strategy for YZR. The strategy should focus on achieving financial sustainability.
Sustainable funding and revenue model	Support the MSC as it markets YZR as a strategic real estate asset. The goal should be to attract businesses to YZR that complement the airport's operations and align with the region's broader economic strengths.
Sustainable funding and revenue model	Prepare to continue providing financial support for operational shortfalls in the short term, as the transition to an MSC will not yield immediate sustainability. In addition, allocate resources to major capital projects to support YZR's long-term success.

Table 2. Current YZR operating models vs. recommended changes.

Model	Current Status	Recommended Change
Governance model	Public ownership with a contracted private operator.	Public ownership under the governance of an MSC.
Accountable executive	Contracted operator.	CEO of the MSC.
Administrative structure	The Operator reports to Sarnia's solicitor and the Director of Economic Development. After the Operator consults with these two individuals, recommendations and reports are provided to Council via Sarnia's staff.	The CEO reports to the MSC's board of directors. The MSC should report to Council through a structured, transparent, and accountable framework that reflects both the "arms-length" nature of the corporation and Sarnia's role as a shareholder.
Operating model	The daily operations are contracted to a private company.	An MSC that is owned by Sarnia is established to manage specific services (under the governance of a board of directors).
Funding/revenue model	The Operator currently receives financial assistance from Sarnia to offset monthly operating costs. The Operator is motivated to develop new revenue streams that support reinvestment in the airport and allow them to share in the resulting financial gains.	The MSC has the autonomy to pursue diverse revenue streams, including commercial development and non-aeronautical opportunities while reinvesting profits to support airport growth.

1.0 Introduction

1.1 Context of This Report

The City of Sarnia initiated a comprehensive review of the governance, operations, funding, and administrative structures of YZR. This review was prompted by a period of uncertainty stemming from Air Canada's withdrawal of scheduled air service at YZR in 2020, as well as prior consultant recommendations in 2021 that suggested Sarnia consider divesting from the airport. In response to these developments, in February 2025, Council unanimously decided to pursue continued investment and public ownership in YZR.

In order to support an informed decision-making process about YZR and provide a clear roadmap for future success, Sarnia hired Explorer Solutions, a professional firm with experience in airport planning and development, to assess the following aspects of the airport:

- current operating model
- administrative structure
- funding and revenue generation
- governance framework

Three key aspects of YZR are as follows:

- As of this report, YZR has Transport Canada certification, and it is designated as a port of entry.
- The Operator has operated YZR since it was divested to Sarnia by the federal government in 1997. The existing operating agreement expires on June 30, 2027.
- Since 2021, Sarnia has subsidized YZR's operating losses. As such, it is crucial to evaluate the long-term sustainability and strategic direction of the airport.

This report builds upon the Airport Master Plan that was developed for YZR in 2022, which provides a high-level examination of the airport's future. This report aims to expand on the results of this examination by focusing on recommendations related to best practices in aviation governance, financial sustainability, and operational efficiency.

1.2 Purpose of This Report

The goals of this report are as follows:

- Provide YZR with a forward-looking plan designed to strengthen the airport's role in the community.
- Provide recommendations that will help YZR support local and regional economic development.
- Provide recommendations that will ensure the long-term viability of YZR under a structure that is both efficient and accountable.

1.3 Scope, Approach, and Methodology

The operating, administrative, funding, and governance analysis study for YZR involves a two-part process.

Part 1: Review, Analysis, and Recommendations to Council

Part 1 of the study involved the following components:

- Review and analyze YZR's current governance, administrative, funding, and operating models
- Provide a summary of best practices related to different governance, administrative, funding, and operating models found at comparable airports.
- Identify potential options for each area of airport management at YZR.
- Provide clear, evidence-based recommendations related to the best operational model for YZR's current and anticipated needs.

Part 2: Implementation Planning Based on Council's Decision

Part 2 of the study which will commence in June 2025. Part 2 of the study will involve the following components:

- Develop a detailed, step-by-step implementation plan for each selected model.
- Identify the responsible parties, required resources, and timelines for implementation.

The two-part structure of the study ensures that all findings and results are based on a comprehensive examination of options related to YZR's future governance, administration, operation, and funding.

2.0 Development and Ownership History

2.1 Development and Ownership History

YZR has evolved significantly since its establishment in the 1950s. The airport was initially developed by local entrepreneurs Bill Moon and Eric Colbert under Sarnia Airport Ltd. Flight training and charter operations began in 1957 with a single 2,000 ft. grass runway. In 1958, an agreement between Sarnia Airport Ltd., the City of Sarnia, and local industry partners (including Imperial Oil, Holmes Foundry, and Dow Chemical) enabled Sarnia to purchase the airport's lands. The land was purchased using \$150,000 in private funding, after which the city leased the facility back to Sarnia Airport Ltd.

Subsequent years saw progressive infrastructure development with cost-sharing agreements between Sarnia and TC. The original grass runway was extended, paved, and lit, and a second paved runway (initially called Runway 14-32, and now called Runway 15-33) was constructed in 1963 and extended in 1972. The existing terminal building and supporting infrastructure were developed under TC's direction in 1983.

In 1960, ownership of YZR was formally transferred from Sarnia to TC. However, Sarnia continued to manage the airport through lease arrangements and contracted operations. Initially, the city engaged Great Lakes Airlines before contracting the Operator in 1987.

As part of the federal National Airports Policy, YZR was divested to Sarnia in 1997. The divestiture included all associated lands, buildings, and equipment, along with a \$900,000 reserve fund provided by TC to support ongoing operations. That same year, the airport was renamed in honour of Canadian astronaut Chris Hadfield. The Operator remained in place as the operator after the divestiture took place, and the company continues to manage the airport on behalf of Sarnia to this day. The Operator is also the AE for YZR.

2.2 Historical and Current Operating Model

Following the divestiture that occurred in 1997, Sarnia entered into an operating agreement with the Operator to oversee the day-to-day management and maintenance of YZR. However, various strategic functions (such as business development, long-term planning, and asset management) were not included in the scope of this agreement, and these gaps still exist. In 2017, responsibility for the headlease agreement was assigned to Sarnia's solicitor. Since that time, both Sarnia's solicitor and Director of Economic Development have shared responsibility for the headlease agreement.

When the headlease agreement was established, Sarnia was not financially obligated to support YZR's operations. In exchange, the Operator received (and continues to receive) all revenues generated by the airport, paying a nominal rent of \$1.00 annually to Sarnia. The headlease agreement stipulated that the Operator would be responsible for all operating costs associated with YZR, including maintenance and repairs under \$5,000, while Sarnia would cover capital expenses above that threshold. Through the subsidy Sarnia has provided since 2021, the city has also been indirectly supporting financial costs under \$5,000. The current headlease agreement expires on June 30, 2027.

The interest earned from the original \$900,000 divestiture fund was used to supplement operating costs. The Operator received an annual payment equivalent to 6.5 per cent interest on the fund. This arrangement continued until the funds were depleted in 2017. Specific capital improvements to scheduled air service infrastructure were funded through the Airports Capital Assistance Program ("**ACAP**"), which TC provides. Other capital needs were financed using the reserve fund.

2.3 Service Disruptions and Interim City Support

Prior to 2020, YZR had offered a commercial air service for many years. This service provided significant connectivity to regional hubs. However, in March 2020, Air Canada announced the cancellation of its last remaining commercial passenger service at Sarnia, effective July 2020. The exit of scheduled service had a profound impact. For instance, the operator lost 80 per cent of its revenue, and YZR's fixed-based-operator, Huron Aviation¹ ("**the FBO**"), experienced a complete revenue loss.

In response to Air Canada's decision, the Operator requested financial assistance from Council to help offset operating costs until air passenger service was reinstated. As of January 1, 2021, Council agreed to provide the Operator with financial assistance to a maximum of \$30,000 per month to help offset tenant expenses and lost revenue relating to the preceding month's operations. This change was made as an amendment to the headlease agreement. On January 1, 2023, another amendment was made to increase the maximum annual financial assistance to \$400,000, with no monthly cap.

Sarnia also approved a \$420,000 capital budget for four airport-related projects in 2022. Although these investments did not generate any direct financial returns, they contributed to improving YZR's overall marketability.

¹ Scottsdale Aviation and Huron Aviation are owned by the same individual, and the two organizations share employees and revenues/expenses. However, Sarnia only has a direct operating agreement with Scottsdale Aviation. Any agreement with Huron Aviation would be considered a sublease between the operator and the sub-tenant.

2.4 Airport Management and Oversight

Under YZR's current operator agreement, the Operator must bear all operating expenses and submit annual financial statements to Sarnia. However, the agreement does not specify any defined performance metrics or obligations for revenue generation, business development, or community/economic engagement.

Airport subleases are managed directly between the Operator and individual tenants, with the Operator retaining associated revenues. In cases where lease terms exceed the duration of the Operator's headlease agreement (which expires in 2027), new subleases would require Sarnia's involvement, as well as Council approval (based on staff recommendations).

3.0 Operating Model Review

3.1 Overview of Current Operating Model

An airport operating model outlines the processes and activities involved in running day-to-day operations at an airport. The operating model also outlines an airport's structure, processes, and technology to manage operations and deliver its services. The Operator is the primary operating decision-maker for YZR. In previous years, the Operator relied heavily on passenger scheduled services to remain profitable.

When Air Canada withdrew its scheduled air passenger services from the airport, the need for ongoing financial support from Sarnia increased significantly. Examining the issues related to Air Canada's withdrawal also uncovered additional concerns about how YZR should be managed and operated. These concerns led to questions about airport responsibilities and the future governance of YZR.

The following subsections provide an overview of YZR's existing operations, staffing levels, and management structures, focusing on the roles of the Operator and Sarnia. However, records of the operating activities at YZR are limited due to insufficient reporting requirements and the level of transparency mandated by the current headlease agreement.

3.1.1 Operating Overview

Scottsdale Aviation's Operating Responsibilities

The Operator has had the primary responsibility for the day-to-day operations of YZR. This duty includes maintaining the airport in accordance with the plans and procedures that TC has approved.

During consultations, stakeholders noted that the Operator has generally performed routine maintenance and operations at an appropriate level of service. The company's duties have consisted of airfield inspections, snow and ice control, wildlife management, and vegetation management. The Operator also offers fuel services (Jet A).

3.1.2 Staffing Overview

Scottsdale Aviation's Staffing

The Operator provides the on-site personnel for airport management, maintenance, and terminal operations at YZR. The company also assumes the role of AE and airport manager, both of which are required positions (as per TC).

In recent years, the staffing levels of the Operator (as well as the FBO) have declined due to the loss of Air Canada's air passenger service offering. The city maintains administrative oversight of the YZR headlease agreement.

3.1.3 Management Structure Overview

Scottsdale Aviation's Managerial Role

The YZR headlease agreement was established in 1997. In the years since, the Operator has held significant decision-making authority regarding the airport's management. This authority has allowed the Operator to permit new developments as the sublandlord, determine service levels, determine capital projects (subject to certain clauses), and set the rate and fee structures.

From 2021 to 2022, the Operator also provided advisory and administrative support to the Sarnia Airport Action Working Group ("**AAWG**").

City of Sarnia's Managerial Role

Council is the governing body that has ultimate authority over YZR. However, the headlease agreement delegates most managerial responsibilities to the Operator. Since 2020, Sarnia's involvement in airport matters has increased due to the changing financial landscape, with Council making more frequent decisions about YZR. For example, the Director of Economic Development has taken a more prominent role in participating in business activities related to the airport.

The short-term model presented in the 2022 AMP aimed to establish a fee-for-service airport operating agreement with the Operator, which would allow Sarnia to have clearer expectations and oversight. The proposed Sarnia Airport Advisory Committee would include a City Council representative to facilitate business development and intermunicipal cooperation. Longer-term proposals include potentially forming a Sarnia Airport MSC for joint governance with Lambton County or continuing with City Council governance.

3.1.4 Summary

Under the headlease agreement for YZR, the Operator has primary responsibility for the airport's operations, staffing, and management, while Sarnia has maintained ownership and a higher-level governance role.

Due to recent financial challenges and a desire for greater strategic direction, Sarnia has considered taking a more active role in the management and oversight of the YZR.

3.2 Assessment of Current Operating Model

The Operator is the sole operator of YZR. This operating structure is facilitated through a headlease agreement, which involves the Operator taking responsibility for all daily activities needed to maintain the airport's TC certification.

An assessment of YZR's current operating model is summarized below.

3.2.1 Strengths of Current Operating Model

- For almost 25 years, the terms of the headlease agreement have allocated YZR's operating costs to the Operator, rather than Sarnia.²
- The headlease agreement transferred Sarnia's post-divestiture managerial and operational responsibilities from TC to the Operator. This transfer reduced the need for the city's staff to become significantly involved in day-to-day airport operations.
- Consultations with stakeholders indicated that, historically, the Operator has performed an appropriate level of routine maintenance and operations at YZR.
- The Operator has operated YZR since 1987, which means the company has accumulated a significant amount of site-specific operational knowledge. The airport has also benefited from service continuity.
- Private operators often have specialized knowledge and experience in airport management, operations, and maintenance, which can lead to better performance.
- Private operators typically offer more efficient management practices, cutting-edge technologies, and innovative business models.
- A private operator can be seen as an incentive that attracts passengers and airlines, in turn providing high-quality services, leading to a better overall airport experience. As the Operator was able to benefit from airport profits, it was to the company's advantage to maintain that quality of service and maintain a scheduled air passenger service offering.

3.2.2 Initiatives Led by Scottsdale Aviation

- In 2023, the Operator led the installation of new solar lights and signage on the rehabilitated Taxiway Alpha. This in-house expertise led to cost savings, as well as monthly cost savings on the airport's utilities expenses.³

² Recommendations on the future of Sarnia Chris Hadfield Airport (October 2021).

³ Ibid.

- The Operator continues to use the new crack-filling machine and the material that was acquired through the Regional Air Transportation Initiative (“**RATI**”). Doing so allows the company to complete smaller projects in-house more frequently, and it reduces expenses because external contractors are not needed.⁴
- The Operator led an annual emergency exercise in November 2023, and it was supported by all three local emergency services.⁵
- In 2023, Sarnia funded and completed a resurfacing project on a portion of the general aviation apron that was significantly deteriorated and full of potholes. The Operator provided expertise and logistical support to complete the resurfacing.⁶
- In 2023, the Operator fully supported and provided regulatory assistance to ensure a safe COPA fly-in event. This annual fly-in event was hosted by members of COPA Flight 7 Sarnia, and it was meant to both raise awareness about YZR and support general aviation activities.⁷
- Throughout 2023, the Operator responded to 17 after-hours calls for service. The company provides many daily airfield maintenance services while maintaining cost savings as a priority.⁸

3.2.3 Weaknesses of Current Operating Model

- There is no system in place that allows cash flow generated by the airport to support asset replacement or maintain/replenish the \$900,000 airport federal reserve fund initially provided by TC. In addition, there is no profit-sharing system addressed in the headlease agreement.
- While the divesture fund provided by TC to Sarnia was active, there was no obligation (unless requested by Sarnia) for the Operator to provide financial reports detailing how the divesture funds were used.
- The current operating model is heavily reliant on revenues generated by scheduled passenger air services. Losing those services in March 2020 created a significant financial challenge for the Operator, leading to requests for municipal funding.
- The historical funding model does not adequately address capital rehabilitation needs, resulting in an accumulation of an infrastructure deficit over time.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

- Sarnia’s minimized involvement in airport matters from 1997 to 2020 may have resulted in a lack of operational knowledge among the city’s administrative team.
- The original 1997 headlease agreement does not appear to have included any termination clauses in favour of Sarnia. In 2021, an amendment to the agreement provided a termination clause, but that clause was set to expire on October 25, 2021. Subsequent updates to the agreement extended the expiry date to December 31, 2025.
 - The latest version of the headlease agreement also stipulates that Sarnia must provide the Operator with six months’ notice prior to termination. The agreement also stipulates that Sarnia’s \$400,000 annual subsidy concludes on December 31, 2025. As a result of these stipulations, Sarnia must provide its six-month notification of termination by June 30, 2025, in order to comply with its funding obligations.
- The Operator directly benefited from most of the revenue generated by YZR. As such, the incentives for proactive business development and outreach may not have always been fully aligned with Sarnia’s broader economic goals for YZR.
- The headlease stipulates that the Operator is responsible for capital expenditures under \$5,000 through its internal capital reserves. This threshold may create ambiguity and delays related to maintenance and repair needs, particularly for items that require urgent attention or have a cost near \$5,000. As a result, this issue could impact YZR’s operational continuity and safety compliance standing.
 - Since 2021, the Operator has used funds from the annual subsidy provided by Sarnia to offset expenses under \$5,000.
- The 2022 AMP proposed a guide to support the future development of YZR, but land use and strategic planning efforts are absent.

3.2.4 Summary

Historically, the current operating model at YZR has shielded Sarnia from significant financial and operating responsibilities. However, several weaknesses exist within the operating model. Notable weaknesses include the model’s dependence on air carrier revenue and the lack of clear oversight and long-term capital planning. The effects of these weaknesses have become very apparent in the wake of Air Canada’s decision to terminate its scheduled passenger services at YZR.

3.3 Comparative Assessment of Airport Operating Models

This section presents a comparative assessment of airport operating models to help inform Sarnia’s decision making for the future of YZR. It begins with an overview of the most common governance and operating structures used across Canadian regional airports, followed by a review of selected comparator airports with similar characteristics.

Drawing from these comparisons, the section identifies best practices, lessons learned, and proven strategies that have contributed to the success and sustainability of other publicly owned airports—providing Sarnia with practical insights and options to consider.

3.3.1 Comparison of Airport Operating Models

The following tables have been prepared to compare different operating models in relation to YZR:

- Table 3 provides an overview of different airport operating models.
- Table 4 provides an overview of regional airports that are comparable to YZR. The table summarizes each comparator’s network of facilities and operations, as well as various activities.⁹

⁹ For reference purposes, note that none of the airports presented in Table 3 currently offer scheduled air passenger services. In addition, all of the comparators have TC certification (with the exception of Lake Simcoe Regional Airport, which is in the process of applying for its certification).

Table 3. Overview of airport operating structures.

Operating Structure	Structure	Characteristics	Best For	Examples
Municipally operated (fully public)	The airport is managed directly by a city, town, or regional government department (such as a public works department, planning department, or CAO).	City staff members oversee all aspects of the airport's operations, budgets, and staffing levels. The local council has the final decision-making authority.	This operating model is best for small general aviation airports or in scenarios when political oversight and public control are priorities.	<ul style="list-style-type: none"> • Kingston Airport • Region of Waterloo International Airport • St. Thomas Municipal Airport
Contracted private operator	The ownership of the airport remains public, but daily operations are contracted to a private company.	The public retains regulatory responsibility (such as the TC certificate holder), while a private operator manages services and maintenance needs.	This operating model is best for airports seeking efficiency and flexibility while maintaining public ownership.	<ul style="list-style-type: none"> • Peterborough Airport • Oshawa Executive Airport

Operating Structure	Structure	Characteristics	Best For	Examples
Municipal services corporation	A corporation owned by a municipality or region is established to manage specific services (under the governance of a board of directors).	This operating model allows an independent board to hire its own staff, and it offers flexible procurement and budgeting options outside municipal constraints.	This operating model is best suited for airports with commercial aspirations, complex operations, or redevelopment plans. This model may also be useful when a governing municipality has limited expertise in airport management and operations.	<ul style="list-style-type: none"> • Lake Simcoe Regional Airport • Muskoka Airport¹⁰
Public-private partnership	A contractual arrangement is established that allows a private party to assume significant responsibility for an airport's operations, financing, and (occasionally) infrastructure.	This operating model may involve leasing or transferring certain airport functions to the private sector while retaining public oversight.	This operating model is best for airports that need major investments or redevelopment but lack public capital.	<ul style="list-style-type: none"> • John C. Munro Hamilton International Airport

¹⁰ Effective May 23, 2025, District of Muskoka Council voted in favour to establish a new MSC, allowing the Muskoka Airport to operate as an independent corporation separate from the municipality (according to the District Municipality of Muskoka's official website).

Operating Structure	Structure	Characteristics	Best For	Examples
Privately owned and operated	The airport is owned and operated entirely by private entities.	This operating model is rare in Canada. Under this model, the airport operates with full independence but under federal regulatory requirements.	This operating model is best for special-use airports (such as industrial, cargo, or recreational airports) or in scenarios where privatization aligns with strategic policies.	<ul style="list-style-type: none"> • Collingwood Regional Airport • Wiarton Keppel International Airport
Not-for-profit or non-share capital corporations	The airport is operated by an organization that does not distribute its profits to members, directors, or officers, but instead uses surpluses for its stated purposes.	Under this operating model, profits are reinvested to further the organization's purposes.	This operating model is best for financially self-sustaining airports that offer a variety of activities that may include aviation and non-aviation business.	<ul style="list-style-type: none"> • Greater Sudbury Airport • Sault Ste. Marie Airport
Airport authority	The airport is operated by a not-for-profit organization.	Under this operating model, an airport authority is responsible for managing and operating all aspects of an airport, including capital expansions. The airport authority is governed by a board of directors.	This operating model is best for national airport systems and other self-sustaining airports with extensive passenger traffic.	<ul style="list-style-type: none"> • Toronto Pearson International Airport • Ottawa International Airport • Vancouver International Airport • Calgary International Airport

Table 4. Comparative assessment of airport operating models.

Airport	Runway Length	Runway Width	AGN	Ownership	Operations	Fixed-Base Operator	Staffed Hours of Operation	Airport of Entry	Notes
Sarnia Chris Hadfield Airport	5,106 ft.	100 ft.	AGN IIIA	Municipal	Scottsdale Aviation	Huron Aviation	Monday to Friday: 8:00 a.m. to 5:00 p.m. Weekends and holidays: 8:00 a.m. to 3:00 p.m.	AOE 30	<ul style="list-style-type: none"> Instrument approaches: LPV and LNAV/VNAV Small mix of tenants Supports general aviation traffic with significant support to medivac operations, police services, and coast guard operations.
Kapuskasing Airport	5,506 ft.	100 ft.	AGN IIIB	Municipal	Municipal staff	Kap Aviation Fuels	Monday to Friday: 8:30 a.m. to 4:30 p.m. Weekends and holidays: closed	N/A	<ul style="list-style-type: none"> Small mix of tenants Supports general aviation traffic with significant support to medivac operations and police services.
Kingston Airport	6,001 ft.	100 ft.	AGN IIIA	Municipal	Municipal staff	Central Airways	Monday to Friday: 8:30 a.m. to 4:30 p.m. Weekends and holidays: closed	AOE 30	<ul style="list-style-type: none"> Air traffic control tower. Supports flight training, emergency services, and other GA traffic. A variety of aviation tenants.
Lake Simcoe Regional Airport	6,000 ft.	100 ft.	N/A	County and municipality	Lake Simcoe Regional Airport Inc.	Chartright Air Group	April to October: 7:00 a.m. to 9:00 p.m. November to March: 7:00 a.m. to 7:00 p.m.	AOE 24	<ul style="list-style-type: none"> Instrument approaches: LPV and LNAV. Supports general aviation, local emergency services, and corporate business travel. Small mix of tenants.
Muskoka Airport	6,000 ft.	150 ft.	AGN IIIB	Municipal	Transitioning from municipal staff to MSC	Muskoka Airport	Year-round: 24-hrs./day	AOE 15	<ul style="list-style-type: none"> GPS approach. Supports general aviation, local emergency services, and corporate business travel. Small mix of tenants.
Oshawa Executive Airport	4,250 ft.	100 ft.	AGN IIIA	Municipal	Total Aviation and Airport Solutions	Enterprise Airlines	Year-round: 24-hrs./day	AOE 50	<ul style="list-style-type: none"> Air traffic control tower Extensive tenant base Supports corporate business travel and general aviation, including many emergency services.
Peterborough Regional Airport	7,005 ft.	200 ft.	AGN IIIB	Municipal	The Loomex Group	Stewart Aviation	April to September: 7:00 a.m. to 8:00 p.m. October to March: 7:00 a.m. to 6:00 p.m.	AOE 15	<ul style="list-style-type: none"> Supports a variety of general aviation, especially flight training, and emergency services. Large variety of aviation business tenants.
St. Thomas Municipal Airport	5,013 ft.	100 ft.	AGN IIIA	Municipal	Municipal staff	St. Thomas Municipal Airport	Monday to Friday: 9:00 a.m. to 3:00 p.m. Weekends and holidays: closed	AOE 15	<ul style="list-style-type: none"> Supports local emergency services and general aviation traffic, including corporate traffic and private pilots. Supports air shows.

3.3.2 Best Practices from Comparative Assessment

After reviewing the airport comparators (as presented in Table 4) and consulting with applicable representatives of the comparators, several best practices were identified.

The following items are consistent across the operating models used by the airport comparators:

- Historical data and economic indicators (such as traffic data) are used to help forecast future demands, resource allocation, cost reductions, and overall operational efficiencies.
 - For example, aircraft movement data provides information on itinerant and local traffic that can help with identifying economic impacts, understanding airport revenues, and conducting noise impact assessments.
- One of TC's main requirements for airport operations is the safety management system ("**SMS**"). In order to maintain an effective SMS, an airport can use software to facilitate a structured approach to identifying, assessing, and mitigating safety risks.¹¹
 - This approach can help an airport collect data that it can analyze and use to streamline safety processes, implement data-driven decision making, and ensure compliance with regulations.
- Maintaining smooth airport operations with streamlined processes relies on meeting regulatory compliance with TC's standards.
 - For example, maintaining runways, providing safe airfield lighting, and minimizing risks ensures that an airport is operating in the best interest of the public while also protecting all stakeholders.
- Airports with TC certifications maintain operational and safety standards that are in the best interest of the public.
- Developing collaboration among stakeholders is crucial for regional airport operations.
 - Enhancing trust and communication can improve efficiencies by identifying solutions to enhance airport operations.
 - Optimizing resource allocations and improving guest experiences builds sustainable practices that can benefit the community.

¹¹ Sarnia already has an SMS in place. The airport operator is responsible for implementing and maintaining the SMS as part of daily airport operations in accordance with TC requirements.

- It is beneficial to explore diversified revenue streams and new services at airports, such as on-site restaurants, retail, and marketing.
 - Fuel sales or other unique experiences (such as entertainment events) can also be offered to create an appeal and attract other guests and businesses to the airport.
- Local commercial and regional airports target niche markets to better meet the needs and wants of a target audience.
 - Focusing on a specific segment can yield several benefits, such as business opportunities, increased profits, and reduced competition.
- Day-to-day operations are best suited for on-site staff with aviation expertise. Experienced operations staff do not require extra suggestions for general decisions about items like ground handling, airside, groundside, equipment maintenance, safety, and security.

3.4 Summary of Key Lessons and Successful Strategies

After reviewing airport operating models, the following key lessons and successful strategies were identified:

- Airport operations specialists are critical for the daily maintenance of runways, taxiways, terminals, airport grounds, and other areas.
- Implementing operating efficiencies, facilitating safety and security initiatives, maintaining regulatory compliance, and exercising sustainable work practices are important for ensuring efficient and effective operations.
- Maintaining airport infrastructure is vital to the success of operational safety, economic growth, and passenger experiences. This practice enables airports to handle increases in air traffic, improve safety, optimize processes, and attract investment.
- Gaining stakeholder support is crucial for supporting operational requirements and driving growth. A lack of stakeholder support may cause significant challenges and negative outcomes, including delayed projects, increased costs, decreased efficiencies, and safety concerns.
- Niche markets can support municipally funded airports by drawing additional revenues through new business opportunities.

4.0 Administrative Structure Review

4.1 Overview of Current Administrative Structure

Sarnia has faced several challenges due to its level of involvement with the decision-making process at YZR. These challenges affect both resource allocation and operational management. As noted above, Sarnia historically had limited influence over how the airport was managed but now takes a more active role in airport administration.

Key points regarding the current situation are as follows:

- Sarnia's solicitor and the Director of Economic Development share responsibilities that relate to certain financial and lease agreement reviews for YZR.
- The Operator currently holds full authority over YZR's administrative functions and financial decisions related to capital expenditures under \$5,000.
- Due to a limited level of municipal involvement with YZR's administration, there has been a gradual decline in the airport's infrastructure. This degradation can lead to several negative outcomes, such as:
 - reduced functionality of airport operations
 - increased operational costs
 - potential safety hazards for users
 - economic repercussions for the community

Choosing the right administrative structure for YZR is crucial, as the decision will significantly influence how the airport is managed. In order to assist Sarnia with this decision, Table 6 of this report provides an airport administrative structure priority matrix. This matrix will serve as a comparative tool that Sarnia can use to evaluate different administrative structures that are best suited for publicly owned and operated airports, publicly owned and privately operated, municipal services corporation and privately owned and operated.

By assessing these models against important criteria, Sarnia can better understand its options for YZR. In addition, the matrix is designed to help the city determine which criteria are most relevant to its operational priorities, strategic goals, and available resources. The goal of the matrix is to help Sarnia align its decisions with the specific context of YZR and the broader needs of the community.

4.1.1 Historical Summary of Airport Administrative Model in Sarnia

- Since the establishment of the Sarnia Economic Development Department in January 2021, the city's staff have been working with the Operator to explore business development opportunities, strategic planning, capital investment plans, and related items.¹²
- From March 2021 to 2022, Sarnia's economic development staff served as liaisons to the AAWG. In this role, the staff members helped coordinate meetings, take minutes, provide guidance, and prepare reports.¹³
- Currently, the Operator has control over most of YZR's operations and administrative functions. Historically, YZR's airport manager was also the AE, but, as of May 2025, the roles of airport manager and AE are held by two separate individuals.

4.2 Assessment of Current Administrative Structure

The following subsections summarize the key strengths and weaknesses that exist within the current administrative structure at YZR.

4.2.1 Strengths of Current Administrative Structure

- There are benefits associated with Sarnia's limited involvement with YZR, including staff training requirements, direct and indirect employee compensations, benefits, and related expenses.
- There are limited overhead costs and general administrative expenses sustained by Sarnia for employee offices and other equipment.
- Until recently, Sarnia was able to retain the economic benefit of having an airport in the community without significant administrative contributions.
- YZR's administrative authority is centralized under the Operator. Day-to-day decisions can be made without needing to navigate municipal approval processes.
- Sarnia's limited involvement in the direct administration of YZR minimizes the city's exposure to risks stemming from regulatory or procedural issues.
- Sarnia does not have dedicated municipal staff members managing YZR's operations. As such, various resources (such as human resources, IT resources, and financial resources) are not impacted by administrative needs specific to the airport.

¹² Recommendations on the future of Sarnia Chris Hadfield Airport (October 2021).

¹³ Ibid.

4.2.2 Weaknesses of Current Administrative Structure

- The 1997 headlease agreement did not clearly delineate the administrative duties of Sarnia and the Operator. This ambiguity, alongside the city's limited oversight, led to stakeholder concerns regarding development approvals, rates and fees, business development, and a reduction in administrative control.
- The current accountabilities of the AE do not align with the AE requirements issued by the CARs, which prioritize control over finances and human resources.
- YZR's current administrative structures do not include well-defined criteria for selecting airport tenants. The current processes may allow the airport operator to select tenants based on preferential treatment over others.
- There is a lack of transparency that reduces the level of administrative accountability, including financial accountability related to the cost of operations and revenues (such as the current agriculture lease).
- The headlease agreement does not allocate risks or establish performance standards or a dispute resolution process.
- There is the potential for disagreements based on the interpretations of contracts.
- It is possible that the Operator may have conflicting administrative interests with Sarnia (or other stakeholders).
- Clear and equitable risk management practices are not defined.
- Unforeseen circumstances (such as changes in regulations that are not addressed in the lease agreement) can cause ambiguity regarding administrative responsibilities.
- Designing fair and transparent payments that reflect performance of the operator to protect interests of both parties are a challenge.
- Because responsibilities are not clearly defined, it is possible that Sarnia may be liable for some issues (such as safety issues or environmental damages) even though YZR is contracted to the Operator.
- Sarnia needs to make long-term investments to ensure that YZR remains competitive and has the means to attract businesses and services. However, the administrative duties of Sarnia and the Operator related to investment and business attraction are not clearly delineated.
- Strategic and land-use planning may be required beyond that which is currently being conducted. In addition, other administrative duties may need to be completed.

4.3 Comparative Assessment of Airport Administrative Structures

The administrative structure of an airport affects various departments, roles, and resources. For instance, financial management, planning initiatives, operational oversight, and asset/facility management are all related to an airport's administrative structure. Having a suitable administrative structure is crucial, as the right choice will help ensure smooth and efficient operations.

4.3.1 Accountable Executive

While the AE is typically considered the most senior role responsible for regulatory compliance within an airport's administrative structure, it is not necessarily the most senior operational or corporate role overall.

An AE is a key regulatory role defined by TC under the Canadian Aviation Regulations (“**CARs**”). This individual is ultimately responsible for ensuring that an airport complies with all applicable safety and regulatory requirements.

The AE's responsibilities include the following duties:

- The AE must ensure that the airport operates in full compliance with TC regulations, including those related to SMS, maintenance, security, and operational procedures.
- The AE oversees the development, implementation, and effectiveness of the airport's SMS, which includes risk assessments, reporting procedures, and incident response.
- The AE has the authority to allocate the necessary resources (people, equipment, and funding) to maintain regulatory compliance and uphold safety standards.
- The AE is personally accountable to TC for the airport's adherence to regulations. If issues arise, the AE is expected to address them and implement corrective actions.
- Typically, the AE is a senior leader within the organization (e.g., Airport CEO, General Manager, or senior municipal official) with sufficient authority to make operational and financial decisions that impact safety and compliance.

The following parties rely on the AE:

- TC relies on the AE to provide a single, clear point of accountability for regulatory oversight.
- The airport owner relies on the AE to help enhance continuity, transparency, and oversight, particularly during periods of transition or when long-term strategic alignment with municipal priorities is a key consideration.

- The public and airport tenants rely on the AE to reinforce confidence that the airport is operating to national safety and service standards.

The following factors should be considered when determining who should serve as the AE:

- Identify whether the individual has the authority to make major financial decisions.
- Identify whether the individual has the authority to control human resources.
- Identify whether the individual has direct responsibility for managing the airport's affairs.
- Identify whether the individual has the final authority over all airport operations.
- Identify whether the individual has the final responsibility for all safety issues.

The AE position at YZR is currently held by the owner of Scottsdale Aviation. However, as noted above, the duties of the AE role do not fully align with TC's requirements.

4.3.2 Comparison of Airport Administrative Structures

Airports vary significantly in size, operations, physical layout, aircraft usage, and operational policies. Due to these differences, comparing specific administrative structures across different airports is a complex process.

The following tables have been prepared to compare different administrative structures in relation to YZR:

- Table 5 outlines various administrative structures found at airports that are similar to YZR. The table compares various aspects of these models, such as governance control, operational flexibility, and access to funding. The purpose of this comparison is to help YZR identify which structure is most in line with Sarnia's administrative goals, regulatory responsibilities, and long-term strategic vision.
- Table 6 compares different types of airport administrative structures. This comparison is based on various factors, such as control, flexibility, and funding sources. The purpose of the table is to help determine which administrative model is best suited for YZR.

Table 5. Comparison of the administrative structures at similar airports.

Airport	Administrative Structure	Comparisons
Sarnia Chris Hadfield Airport	Private corporation through headlease agreement (airport manager)	<ul style="list-style-type: none"> • The Operator reports to Sarnia’s solicitor and the Director of Economic Development. After the Operator consults with these two individuals, recommendations and reports are provided to Council. • The Operator employs five staff members to manage YZR and its operations. • The Operator is the AE for the airport.
Peterborough Regional Airport	Municipal support staff (manager of airport administration) with contracted operator (airport manager)	<ul style="list-style-type: none"> • Peterborough owns the airport. The on-site manager of airport administration (with an executive assistant) reports to the commissioner of municipal operations, who reports to the city’s CAO. • The airport is operated by The Loomex Group, with an airport manager and a total of 7.5 support staff members in operations, maintenance, and administrative roles. • Previously, Sarnia’s CAO served as the AE for YZR. In May 2025, Sarnia reassigned the role of AE to the Commissioner of Municipal Operations.
Oshawa Executive Airport	Municipal airport administrator with a contracted airport manager	<ul style="list-style-type: none"> • Oshawa owns the airport. • The airport is operated and managed by Total Aviation & Airport Solutions, which employs one airport manager and approximately 12 support staff. • The airport manager reports to the commissioner of safety and facilities, who is also the AE.
Kingston Airport	Municipal staff (airport manager)	<ul style="list-style-type: none"> • Kingston owns and operates the airport. • The AE is the city’s director of strategy, innovation, and partnerships, and this role reports to the city’s CAO.

Airport	Administrative Structure	Comparisons
Lake Simcoe Regional Airport	Municipal staff (airport manager)	<ul style="list-style-type: none"> • The airport is jointly owned by the County of Simcoe (90 per cent) and the City of Barrie (10 per cent). The airport is operated by an MSC called Lake Simcoe Regional Airport Inc. The airport's resource allocation is proportional to its ownership equity. • The MSC has an airport manager, and it reports to a board of directors. • The airport is a registered aerodrome, and it is not required to have an AE.
Muskoka Airport	Municipal staff (airport CEO)	<ul style="list-style-type: none"> • The airport is owned by the Municipal District of Muskoka. As of July 1, 2025, the airport will be operated by an MSC. At the time of this report, the administrative structure is not fully defined. • The CEO is employed by the MSC, and the airport's staff are employed by the municipality as per a service agreement. • All revenues and expenses are the responsibility of the municipality. • The airport's CEO is also the AE. • The airport is not eligible for ACAP funding.
St. Thomas Municipal Airport	Municipal staff (airport CEO/manager)	<ul style="list-style-type: none"> • The airport is owned and operated by the City of St. Thomas, with a municipal staff reporting to the local council. • All revenues and expenses are the responsibility of the City of St. Thomas. • The city's Clerk is the AE for the airport.

Table 6. Airport administrative structure priority matrix.

Factor	Publicly Owned and Operated	Publicly Owned and Privately Operated	Municipal Services Corporation	Privately Owned and Operated
Municipal control	High (direct local/regional government control)	High (negotiated between public and private entities)	High (government retains control over operations)	Low (operated by a private entity)
Administrative flexibility	Low (subject to government policies)	Medium to high (flexibility balanced with public interest)	Medium to high (operational flexibility, but with oversight)	High (greater autonomy in decision making)
Funding sources	Public funding (taxes) and minimal airport fees	Public funding (taxes) and minimal airport fees	Public funding (taxes, debenture) and minimal airport fees	Private investment and revenue-based
Revenue generation	Moderate (revenues offset costs to taxpayers)	Moderate (revenues offset costs to taxpayers)	Moderate (revenues offset costs to taxpayers)	High (full control over revenue streams)
Municipal risk	High (government bears financial risk)	Shared (risk distributed but managed by both parties)	Shared (risk distributed but managed by both sectors)	Low (private entity assumes the risk)
Municipal accountability and transparency	High (subject to public oversight)	Medium (shared oversight)	Moderate (some level of government oversight)	Low (private control reduces the need for transparency)
Regulatory compliance	High (must comply with local and federal government regulations)	High (joint compliance with public and private standards)	High (compliance to both government and industry regulations)	Moderate (compliance with industry standards)
Operational efficiency	Medium (potential bureaucratic delays)	High (balanced efficiency through joint management)	High (more flexibility in operational decision making)	High (greater flexibility)

4.3.3 Best Practices from Comparative Assessment

The ideal administrative structure for YZR is a structure that will allow the airport to accomplish the following objectives:

- Implement a clearly defined reporting structure that ensures accountability, transparency, and alignment with municipal objectives across all levels of airport oversight.
- Assign dedicated administrative staff to focus on regulatory compliance, stakeholder engagement, and business development, allowing for more efficient and strategic airport management.
- Allow regular evaluations and updates of the processes, technologies, and procedures used for ongoing enhancements of efficiencies and safety.
- Involve various stakeholders to ensure a better decision-making process.
- Maintain regulatory compliance (which is crucial for upholding safety, operational integrity, and public trust). Non-compliance can lead to serious consequences, including financial penalties, lawsuits, potential charges, and a damaged reputation.
- Mitigate risk to Sarnia through contingency planning, asset management, and safety management.
- Contribute to sustainable resource allocation through responsible management of budgets, personnel, and other resources.
- Support infrastructure management through responsible long-term planning, implementation, and infrastructure maintenance.
- Support operational coordination by leveraging administrative resources among staff, stakeholders, service providers, and others.
- Support development opportunities through land leases that can lead to increased airport revenue.
- Support land-use planning¹⁴ that aims to ensure development projects around the airport are compatible with airport operations. This planning should also ensure that all developments prioritize safety, minimize noise impacts, and offer protection from potential obstructions to the runway obstacle limitation surfaces.

¹⁴ Land-use planning involves defining zones around the airport with land-use restrictions. This process involves a municipality reviewing all development proposals within the vicinity of its airport to ensure compliance with local land-use regulations and noise policies.

- Further define administrative functions between Sarnia and the Operator, where policy and regulations should be independent of operational responsibilities. This separation will allow for more efficient oversight and accountability at YZR, especially when considering the evolving commercial and regulatory landscape of airports.

4.4 Summary of Key Lessons and Successful Strategies

Due to the complexity of airport operations, airports need a structured management hierarchy. The administration of an airport requires a multifaceted structure based on strong leadership and organizational skills. Leadership personnel must have a comprehensive understanding of the aviation industry in order to maintain safety, efficiency, and a positive experience for all stakeholders. Before an airport can achieve these goals, it should separate its administrative functions from its operational divisions. This separation can help to clarify objectives, reduce the risk of conflicts of interest, and enhance decision-making processes.

Typically, an airport director or CEO oversees administrative responsibilities at an airport. (This individual may hold a different job title depending on the organization's structure.) From an organizational perspective, the airport director reports to the airport's governing body and is accountable for financial management, strategic planning, and direction. In many cases, an external operator or the airport owner's administrative staff may handle airport operations.

Administrative support in airports encompasses a variety of tasks, including:

- managing records
- overseeing finances
- assisting human resources
- facilitating the smooth flow of information

This support allows airport staff to concentrate on essential responsibilities, such as ensuring passenger safety, managing aircraft operations, and maintaining infrastructure.

Based on the findings of the comparative assessment, YZR's future administrative structure should focus on the following activities:

- Conduct thorough airfield analyses.
- Monitor and adapt to changing conditions.
- Develop plans that are practical and realistic to implement.
- Ensure a dedicated team with specialized/aviation expertise (such as an MSC) could implement YZR's strategies effectively.

5.0 Funding and Revenue Model Review

5.1 Overview of Current Funding and Revenue Model

The Operator has been operating YZR since 1987. Under the 1997 headlease agreement, the Operator was entitled to all benefits through existing revenues. This agreement also stated that the Operator was obligated to use the revenues collected to perform management, operations, and maintenance duties at the airport. The Operator was also entitled to receive 6.5 per cent interest accrued on the airport's \$900,000 federal reserve fund to help offset operating costs.

Prior to the withdrawal of Air Canada in 2020, the Operator was able to use both airport revenue and the interest accrued from the federal reserve fund to offset operating expenses. Following the withdrawal, the Operator requested financial assistance from Council to help offset operating costs until air passenger service was reinstated. As noted in section 2.3, the Operator currently receives financial assistance from Sarnia to offset monthly operating costs. As of this report, the maximum annual financial assistance is \$400,000.

5.2 Direct Contributions and Annual Taxpayer Levy

Table 7 provides a summary of Sarnia's direct financial contributions to YZR's operations from 2014 to 2024.

The table provides the following information for each year:

- The balance of the federal reserve fund at the end of the year.¹⁵
- The funds that Sarnia allocated to airport operations in the form of a taxpayer levy.
- The actual operating expense drawn from Sarnia's approved subsidy.
- The balance of Sarnia's airport operator reserve at the end of the year.

It is important to note that Table 7 only reflects the city's contributions to YZR. The table does not account for revenues generated by the airport operator, external government grants, or other funding sources used for airport improvements (unless stated otherwise).

¹⁵ The initial balance of the federal reserve fund was \$900,000. Prior to 2014, \$823,752 of the initial reserve fund was spent.

Table 7. Sarnia's direct financial contributions to YZR, 2014 to 2024.

Year	Federal Reserve Fund (Closing Balance)	Taxpayer Levy Impact	Actual Operating Expense from City-Approved Subsidy	Airport Operator Reserve (Closing Balance)
2014	\$76,248	\$0	\$0	N/A
2015	\$55,107	\$0	\$0	N/A
2016	\$24,767	\$0	\$0	N/A
2017	\$38,222	\$25,000	\$0	N/A
2018	\$31,789	\$25,000	\$0	N/A
2019	\$45,053	\$25,000	\$0	N/A
2020	\$31,033	\$25,000	\$0	N/A
2021	\$404,764 ¹⁶	\$360,000	\$217,000	\$145,648
2022	\$45,836	\$400,000	\$224,326	\$332,496
2023	\$46,985	\$400,000	\$390,724	\$370,007
2024	\$49,530	\$400,000	\$389,530	\$413,235

Table 7 shows that the average annual taxpayer levy Sarnia provides to YZR has increased significantly in recent years. Between 2014 and 2020, the average annual taxpayer levy impact to support YZR was approximately \$14,286. However, from 2021 to 2024, the average annual taxpayer levy impact increased to \$390,000. This increase is a result of a decision Council made in 2021 to provide a subsidy of up to \$360,000 to offset the loss of revenue due to Air Canada discontinuing air service at YZR. Beginning in 2022, the subsidy was increased to \$400,000. (As noted in section 3.2.3 of this report, this annual subsidy is currently scheduled to conclude on December 31, 2025.)

Currently, any unspent portions of the annual operating subsidy are retained in Sarnia's airport operating account. This arrangement results in year-over-year growth seen in the closing balance of Sarnia's reserve fund. In 2021 and 2022, Sarnia was permitted to use a portion of RATI funding to finance the operating costs of YZR. As a result, Sarnia incurred lower actual operating costs during those years. This example shows how federal support can yield cost savings.

¹⁶ Due to the timing of the ACAP grant for a sweeper purchase, \$370,000 was received in 2021. However, these funds were spent in 2022.

5.3 Assessment of Current Revenue Model

The following subsections summarize the key strengths and weaknesses of YZR's current revenue model.

5.3.1 Strengths of Current Funding and Revenue Model

- Under the current headlease agreement, the Operator must include financial documents detailing YZR's revenues and expenses for the preceding month when it submits its monthly subsidy invoice to Sarnia.
- MDB Insight's 2020 High Level Economic Development Strategy for Sarnia indicated that businesses and hangars, private plane use, the Huron Flight School, and corporate jets using YZR bring in revenue of about \$80,000 per year.¹⁷
- Sarnia and the Operator have been able to leverage government funding programs in the past to upgrade YZR infrastructure without having to rely solely on municipal funding, including in the following instances:
 - In March 2019, the Government of Canada invested \$583,665 into the rehabilitation of Taxiway B and the apron at YZR (through TC's ACAP). The investment was used to place new asphalt on Taxiway B and a portion of the main apron, and to upgrade airfield guidance signs associated with Runway 15-33 and Taxiway B.¹⁸
 - In August 2021, the Federal Economic Development Agency for Southern Ontario announced that it would be providing approximately \$2.9 million to YZR. The non-repayable investment in Sarnia supported the construction of a new hangar and critical upgrades (including plexiglass barriers, sanitization stations, signage, and equipment) to assist in re-establishing regional scheduled service.¹⁹
 - In September 2022, the Government of Canada provided YZR with \$370,000 for the purchase of a sweeper (through TC's ACAP). The sweeper is used to keep runways and taxiways clear of ice and snow.²⁰
 - Since 1997, YZR has received \$3,731,172 in ACAP funding for ten safety projects, including the rehabilitation of the taxiway and apron, new snow-clearing equipment, and airside electrical upgrades.

¹⁷ <https://www.theobserver.ca/news/local-news/sarnia-to-consider-selling-changing-operations-at-city-airport>

¹⁸ <https://skiesmag.com/press-releases/government-of-canada-invests-in-safety-at-sarnia-chris-hadfield-airport/>

¹⁹ <https://sarnialambton.on.ca/1-9-million-for-sarnias-chris-hadfield-airport>

²⁰ <https://www.canada.ca/en/transport-canada/news/2022/09/government-of-canada-makes-important-investments-at-sarnia-chris-hadfield-airport.html>

- During the shutdown caused by the COVID-19 pandemic, the Operator's staff were paid at a reduced rate in order to keep the airport open.²¹ This demonstrated the Operator's commitment to sustaining operations despite economic uncertainty.
- The Operator increased the available farmland at YZR for agricultural use. This is an expansion of the lease already in place with the farmer using YZR's agricultural land. The lease expansion is on a year-to-year renewal. This contract is expected to generate an additional \$5,000 in revenue annually.²²

5.3.2 Weaknesses of Current Funding and Revenue Model

- YZR was largely dependent on revenues from its air passenger service offering with Air Canada. That revenue stream ended in July 2020 with the discontinuation of air passenger service.
- The airport's \$900,000 federal reserve fund provided by TC in 1997 was depleted in 2018.²³
- For over 20 years, the lease agreement with the Operator allowed YZR to operate without direct operational costs to the city. However, this arrangement did not include any provisions for sharing airport-generated revenue, limiting Sarnia's ability to allocate funds toward asset replacement or to maintain and replenish YZR's original federal reserve fund. The absence of a profit-sharing mechanism in the headlease agreement has restricted long-term financial planning and reinvestment in airport infrastructure.²⁴
- Without scheduled airline services, YZR is not eligible for ACAP funding. This means that capital investments must be financed through a property tax levy administered by Sarnia.
- YZR is not financially self-sustainable as a city-owned airport, and it requires the city to cover its operating deficit.²⁵
- In a February 2025 news story, YZR Terminal Operations Manager Mike Roberts indicated that "without the strong, long-term commitment from the city, it is very difficult to plan or seek other revenue generating opportunities. [Committing] to the future of the airport will help change the current dynamic."²⁶

²¹ <https://www.theobserver.ca/news/local-news/air-canada-flights-ending-in-sarnia>

²² Sarnia Airport Operator Financial Subsidy and Carrier Reporting (March 11, 2024)

²³ <https://www.theobserver.ca/news/local-news/sarnia-to-consider-selling-changing-operations-at-city-airport>

²⁴ Recommendations on the future of Sarnia Chris Hadfield Airport (October 2021).

²⁵ <https://skiesmag.com/news/sarnia-chris-hadfield-airport-facing-pivotal-decision-about-its-future/>

²⁶ <https://sarnianewstoday.ca/sarnia/news/2025/01/11/city-council-communitymembers-agree-its-timetoinvest-in-sarniasairport>

- In a January 2025 news story, a Sarnia staff report noted that “additional funding is also required for the airport to support maintenance needs and capital rehabilitation projects.” The report also noted that “funding for maintenance and improvements, alongside a long-term commitment to the airport, are required to maintain the asset, serve existing users, and assist in attracting new activity for the facility.”²⁷
- A grant-funded master plan presented to Council in 2022 for YZR recommended \$19.2 million in upgrades.²⁸ The significant capital investment requirements reflect the limited focus on major infrastructure upgrades at YZR in recent years.
- Since 2018, Sarnia has paused the advancement of any leases at YZR that extend beyond the headlease agreement. Although parties have expressed interest in new hangar developments and transitions of ownership, these opportunities have not been pursued due to uncertainty regarding the city’s long-term role in YZR.
 - This scenario has the potential to limit investment attraction at YZR. A clause is established under which Sarnia and the Operator must work together on any leases that extend beyond June 30, 2027.
- In a March 2020 news story, Sarnia Mayor Mike Bradley indicated that “there are concerns [that] funding for maintenance and upgrades will be harder to come by without a commercial airline operating [at YZR].”²⁹
- Since January 2021, Sarnia has provided a subsidy to the Operator to cover the operating costs at YZR. There are no longer sufficient funds available in the airport federal reserve fund for replacement of capital assets due for upgrading. As the airport federal reserve fund has been depleted, Sarnia would be required to provide the funds from its own budget.³⁰
- Facilities in other areas of the airport used for general aviation (including corporate aircraft, private pilots and emergency services) have suffered from the lack of a capital asset repair and replacement program.
 - These facilities are now well beyond their useful lifespans. As the reserve fund is depleted, capital infrastructure requests will require funding from Sarnia’s municipal budget. Council will discuss these requests as part of the annual budget deliberation process.³¹

²⁷ <https://skiesmag.com/news/sarnia-chris-hadfield-airport-facing-pivotal-decision-about-its-future/>

²⁸ <https://www.theobserver.ca/news/local-news/airport-plan-needs-review-sarnias-mayor-says>

²⁹ <https://www.theobserver.ca/news/local-news/air-canada-flights-ending-in-sarnia>

³⁰ Recommendations on the future of Sarnia Chris Hadfield Airport (October 2021).

³¹ Ibid.

- Airport infrastructure that has been used directly by the scheduled service carrier is currently in good working order, as repairs and replacements have been funded by TC through the ACAP program. However, the ACAP program is no longer available due to the lack of scheduled air service at YZR.³²

5.4 Comparative Assessment of 2025 Airport Funding Models

Airports use a variety of funding and revenue models in order to ensure they are financially sustainable and able to invest in their infrastructure, operations, and development. These models are often shaped by the airport's ownership structure, size, location, and the level of government or private sector involvement.

Table 8 summarizes the reserve funds and budgets of several comparable municipal airports, as well as the estimated amount of municipal property tax (as of 2025) needed to offset each airport's operating costs.

³² Ibid.

Table 8. Comparative assessment of 2025 airport funding models.

Airport	2024 Municipal Reserve Fund	2025 Municipal Reserve Fund Contribution	2025 Revenue Budget	2025 Airport Operating Budget	2025 Tax Levy Impact	Average Tax Bill Levy to Support Operations	2025 Airport Capital Budget
Sarnia Chris Hadfield Airport	\$49,530	\$0	\$0	\$400,000	\$400,000	\$14 ³³	\$0
Kapuskasing Airport	\$0	\$0	\$2,169,243	\$2,520,221	\$350,978	\$85	\$30,000
Kingston Airport	\$0	\$200,000	\$1,603,888	\$1,899,156	\$295,268	\$5	\$200,000
Lake Simcoe Regional Airport	\$470,000	\$0	\$1,188,000	\$3,138,000	\$1,950,000	\$9	\$3,447,000
Muskoka Airport	\$533,642	\$595,315	\$3,558,178	\$4,913,090	\$1,354,912	\$28	\$1,894,300
Oshawa Executive Airport	\$0	\$0	\$5,041,400	\$5,156,600	\$115,200	\$2	\$4,595,000
Peterborough Regional Airport	\$0	\$0	\$1,289,800	\$3,611,775	\$2,321,975	\$61	\$6,834,600
St. Thomas Municipal Airport	\$300,000	\$75,000	\$1,133,396	\$1,048,774	N/A	N/A	\$720,000

³³ Sarnia's average tax bill levy to support operations is based on 28,480 property tax bills issued in Sarnia in 2024. For comparable airports, the average levy was calculated using the number of private dwellings reported by Statistics Canada in the 2021 Census.

Table 8 shows the following information:

- An average household in Oshawa, Kingston, or Simcoe County pays less than \$10 per year to support the operations of their local airport.
- An average household in Sarnia pays \$14 per year to support the operations of YZR.
- An average household in the District of Muskoka, Peterborough, or Kapuskasing pays between \$28 and \$85 per year to support the operations of their local airport.
- St. Thomas Municipal Airport expects to generate a surplus in 2025 and will not require funding through municipal taxes.

With the exception of YZR, all airports listed in Table 8 separate their annual capital budgets from their operating budgets.

5.5 Overview of Airport Funding and Revenue Models

5.5.1 Public Funding Models

Government Funding

Government funding is often the primary source of revenue for smaller municipal or regional airports.

Under this funding model, local or regional government funds are allocated to the airport through the applicable government's budgeting process. The airport may also receive funding from government programs that provide funding for infrastructure improvements, security, or environmental upgrades. However, some government grants (such as ACAP) are only available to airports with scheduled air passenger services.

In Sarnia, Council allocates funds to the Operator and marks those funds as "discretionary reserve funds set aside for specific purpose by council" in their annual financial statements. YZR is no longer eligible for ACAP due to its lack of scheduled service.

Airport Improvement Fees

An airport improvement fee is a type of user fee that is charged to passengers of scheduled air passenger services and scheduled charter services. Typically, the charge is part of a passenger's ticket price. The revenue generated from this type of fee is often used for airport infrastructure upgrades (such as upgrades to terminals and runways) or other significant capital projects. Other major revenue sources are airport service fees (such as landing and parking fees) and lease revenues.

5.5.2 Private Funding Models

Private Investment (Private Operators)

Some airports are funded by private entities (either entirely or partially). In these cases, a private company or consortium may own, operate, and manage the airport, often with the goal of generating profit from the airport's operations.

This funding model might include the following components:

- Private investors provide capital in exchange for a share in airport ownership and control.
- Funding may be based on the expected future revenue of the airport, such as leasing, concessions, or landing fees.
- Private entities may provide loans to fund airport development projects or upgrades.

Privatization

Privately operated airports are leased or sold to private entities or consortiums that assume responsibility for operations and development. A major source of revenue for these private operators is from commercial activities like retail, parking, and cargo services.

5.5.3 Public-Private Partnership

Concessions and Long-Term Leases

In a public-private partnership (“**PPP**”) model, the government and the private sector share the risks and rewards of airport operations.

A PPP model might include the following components:

- Private companies operate specific airport services (such as retail, parking, or ground handling) under a concession agreement. The private operator shares a percentage of the revenue with the airport or government.
- A private operator leases the entire airport for an extended period (such as 30 to 50 years), with a portion of the revenue going to the public entity.

Revenue-Sharing Models

Under a revenue-sharing model, government agencies and private partners share the revenue generated from passenger traffic, retail, parking, and other services. Typically, the revenue is shared as per an agreed-upon percentage split.

5.5.4 Airport Authority Models

Self-Funding (Revenue from User Fees)

Many airports are operated by an independent airport authority that funds operations primarily through user fees and other airport-generated revenues. Airport operations can be funded through the following means:

- charges applied to airlines based on the weight of their aircraft and the number of landings
- fees paid by passengers, often included in ticket prices, for services like security and maintenance
- charges for airlines, retailers, and other service providers renting space in the airport terminal
- revenue from parking lots, rental car services, and other ground transport providers

Non-Aeronautical Revenues

Non-aeronautical revenues include income from commercial activities within the airport, such as:

- revenue from shops, food courts, and duty-free outlets
- revenue from advertisements placed at the airport, including digital screens and billboards
- income from the leasing of airport property, such as office buildings, warehouses, and hotels

5.5.5 Hybrid Models

Some airports operate under hybrid models that use both public and private funding. This funding may include a mix of government subsidies, user fees, and private investments through concessions or leases.

Airport operations may be funded through the following means:

- Governments may provide funding for large capital projects, while private operators manage day-to-day operations and earn revenue through airport operations, concessions, and other services.
- A joint venture between the public sector (such as the government or a municipal authority) and a private operator will be used to develop and manage specific projects (such as new terminals or cargo facilities).

5.5.6 Ancillary Revenue Models

Many airports increase their revenue through services that go beyond the basic air travel offerings, such as:

- income from premium services, such as airport lounges, priority boarding, and VIP services
- fees charged to airlines and freight forwarders for the handling of cargo shipments at the airport
- income from hotel operations at or adjacent to the airport

5.5.7 Sustainability and Green Financing

Some airports explore sustainable funding models that include green bonds or environmental impact financing. These options may allow an airport to fund projects like carbon-reducing infrastructure, energy-efficient terminals, or sustainable aviation fuel production.

5.5.8 Key Takeaways

Key takeaways from the overview of airport funding and revenue models are as follows:

- Airports can be funded through a combination of government subsidies, user fees, private investments, and commercial revenues.
- The PPP model can help share risk and provide additional funding sources.
- Self-sustaining airport authorities that rely on user fees and non-aeronautical revenues can operate more efficiently while maintaining independence.
- Different airports use combinations of these models based on their size, location, market dynamics, and infrastructure needs.

Understanding these models can help Sarnia and the Operator develop funding options that align with their operational needs and financial sustainability.

5.6 Comparative Assessment of Airport Funding and Revenue Models

Table 9 provides an overview of the funding and revenue models of airports that are similar to YZR. Although the economic impact of each airport does not directly influence how much funding it receives from its municipality, this information is included for comparison purposes. The economic impact of each airport is also included in order to illustrate the financial impact that airports have on the local economies they serve. (Note: the operating deficits and capital expenditures of all comparator airports are absorbed by the corresponding municipality. However, from 1997 to 2020, the Operator was responsible for its own operational deficits while operating YZR.)

Table 9. Airport funding and revenue model comparison.

Airport	Overview
Sarnia Chris Hadfield Airport	<ul style="list-style-type: none"> • The Operator is responsible for all operating costs associated with YZR, including maintenance and repairs under \$5,000, while Sarnia covers capital expenses above that threshold. • Because YZR currently runs an operating deficit (due to the loss of its air passenger service), Sarnia’s annual subsidy indirectly supports maintenance and repairs under \$5,000. • Sarnia contributes up to \$400,000 per year to offset operating costs at YZR. • Prior to 2020, the Operator was in control of all revenue and expenses. • YZR is no longer eligible for ACAP funding. • In 2019, it was estimated that YZR contributed approximately \$7 million in economic impact toward the local economy.
Peterborough Regional Airport	<ul style="list-style-type: none"> • All revenues and expenses are the responsibility of the City of Peterborough. • The airport operates at a deficit, which is funded through a tax levy. • The city’s 2025 budget for the airport is approximately \$3.6 million.³⁴ This figure includes capital and operating budgets. • Many airport infrastructure upgrades that were completed in 2007 have continued to attract new development. • The airport is not eligible for ACAP funding. • In 2022, it was estimated that the airport’s economic impact contributed approximately \$90 million to the local economy.

³⁴ https://peterborough.openbook.questica.com/#!/visualization/a7f202b6-3c49-4b7e-8b1e-740c3c4d2bfe?ID110_ID1329_ID271_IDN4666_DivisionDescription=Municipal%20Operations&displayMode=1&h=Main%20Breakdown&hl=2

Airport	Overview
Oshawa Executive Airport	<ul style="list-style-type: none"> • The capital expenses are funded using the operating budget. • All revenues and expenses are the responsibility of the City of Oshawa. • The airport operates at a deficit, which is funded through a tax levy. • The city's 2025 budget allocation for the airport is approximately \$4.65 million.³⁵ This figure includes a \$115,200 operating budget and a \$4.515 million capital budget.³⁶ • The airport is not eligible for ACAP funding. • The airport benefits from significant lease and fuel revenues to offset operating costs. The airport also sells parcels of its land for hangar development with the proceeds helping to offset capital costs.
Kingston Airport	<ul style="list-style-type: none"> • The airport operates at a deficit, which is funded through the tax levy. • All revenues and expenses are the responsibility of the City of Kingston. • The city's 2024 budget allocation for the airport was \$329,629.³⁷ This figure includes capital and operating budgets. • In 2023, it was estimated that the airport's economic impact contributed approximately \$28.9 million to the local economy and \$14.8 million to the GDP.

³⁵ <https://www.oshawa.ca/en/city-hall/resources/Documents/Airport-Print-Version-Oct-31.pdf>

³⁶ https://www.oshawa.ca/en/city-hall/resources/Documents/Budget-2025_Public-Package_FINAL-V3.pdf

³⁷ https://www.cityofkingston.ca/media/qzofm1fr/finance_budget_operatingcapital2024.pdf

Airport	Overview
Lake Simcoe Regional Airport	<ul style="list-style-type: none"> • All revenues and expenses are the responsibility of Simcoe County. • The airport operates at a deficit, which is funded through the tax levy. • Simcoe County's 2025 budget allocation for the airport was approximately \$5,397,000.³⁸ This figure included an operating budget of \$1,950,000 and \$3,337,000 toward capital projects. • The airport is not eligible for ACAP funding.
Muskoka Airport	<ul style="list-style-type: none"> • All revenues and expenses are the responsibility of the District Municipality of Muskoka. • The airport operates at a deficit, which is funded through the tax levy. • Muskoka's 2025 budget allocation for the airport was \$1.355 million. This figure includes \$595,315 for capital projects and operating budgets.³⁹ • The airport is not eligible for ACAP funding. • As of 2019, the airport had an estimated economic impact of \$46.9 million per year.⁴⁰
St. Thomas Municipal Airport	<ul style="list-style-type: none"> • All revenues and expenses are the responsibility of the Municipality of St. Thomas. • The airport is projecting a surplus for 2025. • The City of St. Thomas' 2025 budget allocation budgets for an operating loss of \$56,965 and a \$720,000 capital project.⁴¹ • The airport is not eligible for ACAP funding.

³⁸ <https://simcoe.ca/wp-content/uploads/2024/11/2025-Budget.pdf>

³⁹ <https://www.muskoka.on.ca/en/finance-and-administration/resources/Documents/2025-2026-TS-Budget--Electronic-Document-COW-Amndmnts-A.pdf>

⁴⁰ <https://www.muskoka.on.ca/en/airport/resources/Airport-Files/Muskoka-Airport-Master-Plan-IFU-Rev.3--FINAL.pdf>

⁴¹ https://cdns5-hosted.civiclive.com/UserFiles/Servers/Server_12189721/File/2025%20Draft%20Budget%20Package.pdf

5.7 Airport Funding and Revenue Model Priority Matrix

Table 10 provides a priority matrix designed to help Sarnia determine an appropriate funding and revenue model for YZR. The matrix compares various models based on key criteria, such as:

- municipal control
- municipal funding commitment
- flexibility
- level of municipal risk
- sustainability
- long-term viability

Table 10. Airport funding and revenue model priority matrix.

Criteria	Public Funding	Private Funding	Municipal Services Corporation	Public-Private Partnership	Airport Authority
Municipal control	High (government retains full control)	Low (private entity assumes control)	High (an MSC typically operates under direct municipal authority or oversight, giving the municipality substantial control over airport governance and decision-making)	Shared (negotiated between parties)	High (airport authority controls operations)
Municipal funding commitment	High (municipal tax levy and government grants)	Medium (private investment, but more competitive)	Medium (while an MSC aims to achieve financial self-sufficiency, municipal support may still be required for occasional capital projects or to offset early operational deficits)	High (mixed funding sources: public and private)	Medium (depends on user fees and self-generated revenue)
Flexibility	Low (bureaucratic processes, subject to political changes)	High (private entity has greater autonomy)	High (able to make timely decisions, adjust operations quickly, and customize policies outside traditional municipal constraints, allowing the MSC to respond effectively to market and industry changes)	Medium (balanced flexibility with public interest constraints)	Medium to High (depends on the specific governance structure)
Level of municipal risk	High (government absorbs financial risk)	Low (private entity assumes financial risk)	Low (an MSC operates at arm's length from the municipality, allowing for independent financial and operational management, which helps limit the city's direct liability and exposure to operational risks)	Shared (risk is shared between public and private parties)	Medium (risk tied to performance, but government or public authority can mitigate)
Revenue generation	Limited (depends on taxes or grants)	High (private operators can freely generate revenue from all activities)	High (has the autonomy to pursue diverse revenue streams, including commercial development and non-aeronautical opportunities, while reinvesting profits to support airport growth)	Medium to High (shared revenue model, but mixed sources)	High (revenue from user fees, concessions, and retail)

Criteria	Public Funding	Private Funding	Municipal Services Corporation	Public-Private Partnership	Airport Authority
Accountability and transparency	High (subject to public oversight and government transparency requirements)	Low (private control, less public accountability)	High (subject to municipal oversight, operates under a board of directors, and typically adheres to public reporting requirements and governance best practices, ensuring strong alignment with public interests)	Medium (joint governance, but may have private interests)	High (airport authority subject to public interest)
Long-term viability	Medium to High (relies on sustained public support)	High (private sector has financial incentive for long-term viability)	High (structure enables focused strategic planning, diversified revenue generation, and dedicated governance, supporting sustainable airport development over time)	High (sustained through mixed funding and strategic partnership)	High (self-sustaining model if properly managed)
Infrastructure development	High (government funding available for large projects)	Medium (private funding may be limited based on return expectations)	High (able to prioritize and manage capital planning independently, reinvest revenues, and pursue external funding opportunities, enabling proactive and sustained infrastructure investment)	High (public funds can be supplemented with private investment)	Medium (relies on airport-generated revenues for reinvestment)
Sustainability (environmental and financial)	Medium (relies on public budgets, may be less agile in response to environmental goals)	Medium to High (private entities often focus on cost-efficiency and sustainability)	High (able to implement long-term strategies focused on financial independence and environmental responsibility, with flexibility to adopt green technologies and diversify revenue streams)	High (combines public accountability with private efficiency)	High (sustainability efforts tied to airport's ability to generate revenue)

5.8 Summary of Key Lessons and Successful Strategies

The cost of operating an airport in the community is minimal compared to the impact of losing such a vital asset. Some taxpayers may criticize an airport for its costs because they do not understand the value of the services the airport could offer to them and other residents. For instance, as a community's population ages, urgent care is likely to be required more frequently. The negligible cost of a municipal airport tax levy becomes justifiable when emergency care for a family member is needed.

According to the results of AAWG's outreach to other airports, most regional airports are supported by both the upper and lower tier municipalities (where both exist).⁴²

Considering that YZR provides regional benefits, the AAWG recommended that the cost of upgrades and operations be shared between Sarnia and Lambton County. According to available financial records, the upper-tier government has made no investments in YZR.

There are three sources of revenue that airports can use to offset operating costs:

- Aeronautical revenues include landing, parking, and ramp fees as well as other airport services that may involve a fee.
- Non-aeronautical revenues are generated by businesses and land leases at the airport.
- Airport improvement fees are collected from air carriers (on airline tickets). The revenue from these fees is used exclusively for major capital infrastructure improvements.

⁴² Recommendations on the future of Sarnia Chris Hadfield Airport (October 2021).

6.0 Governance Structure Review

6.1 Overview of Current Governance Model

Since 1997, YZR has operated under a municipally owned, contractor-operated model. According to the YZR headlease agreement, Sarnia owns the airport but governance of the airport is the responsibility of the Operator.

As noted above, all decisions regarding the operations of YZR were made and implemented by Scottdale Aviation until the withdrawal of Air Canada in 2020. Since January 2021, Council has been more involved in decisions related to airport operations and financial matters.

6.2 Assessment of Current Governance Model

The following subsections summarize the key strengths and weaknesses of YZR's current governance model.

6.2.1 Current Governance Structure Strengths

- Sarnia does not directly manage YZR's day-to-day operations. Operating YZR requires a low municipal administrative burden, reducing the need for Sarnia to hire specialized aviation staff or ensure internal municipal oversight.
- The Operator has operated the airport since 1987, providing long-term stability, operational continuity, and institutional knowledge of the facility and its users.
- The Operator, acting as the AE, is responsible for maintaining compliance with TC regulations and ensuring regulatory requirements are met without direct municipal involvement.
- As a private operator, the Operator can respond quickly to operational issues, weather events, and facility maintenance needs without the delays often associated with procurement or approval processes in the public sector.
- Tenants and airport users deal directly with the Operator, reducing administrative layers and enabling the efficient resolution of operational matters.
- The Operator assumes responsibility for operational expenses and capital maintenance below \$5,000. This system is designed to allow Sarnia the ability to plan and budget for larger capital items with more clarity.
- The Operator can employ flexible staffing, procurement, and service models that are not constrained by municipal policies or union agreements, potentially reducing operating costs.
- Sarnia's liability exposure in daily airport operations is reduced, as the Operator is responsible for YZR's safety management, inspections, and facility maintenance.

6.2.2 Current Governance Structure Weaknesses

- Council has limited decision-making authority as the headlease agreement delegated significant decision-making responsibilities (typically held by a municipal council) to the Operator. This partial detachment may have created expectations of a continued “hands-off” approach by Council.
- Rules, policies, and practices necessary to guide behaviour were not established. This has the potential to lead to inefficient operations, hindering productivity and potentially violating legal obligations.
- Decision-making processes were not clearly defined in the headlease agreement, resulting in a lack of direction and control for managing activities effectively for the short- and long-term success of the airport.
- Mechanisms were not established to ensure that those in power are accountable.
- With YZR’s loss of scheduled passenger service, Sarnia has been indirectly supporting operational expenses and capital maintenance below the \$5,000 threshold through its annual subsidy.
- Airport capital assets have deteriorated significantly due to a lack of governance and funding by Sarnia.
- Financial reporting and transparency between the Operator and Sarnia is limited.
- Safety concerns may develop due to Sarnia not acting as the AE. The condition of the city’s assets may also deteriorate.

6.3 Overview of Airport Governance Models

An airport governance model defines the structure and framework for controlling and managing an airport. The governance model also defines who the airport is owned and operated by and the roles and responsibilities of various stakeholders. The model encompasses the structure, policies, and processes that guide the airport’s financial operations, decision making, and interactions with the public.

Since the divestiture of most airports from the federal government in the late 1990s, various airports have adopted different governance models. The most common governance models are outlined below.

Publicly Owned and Operated

Some municipalities accepted ownership of their local airport from TC. These publicly owned airports are operated by municipal staff. All reporting, financial, and human resources are the responsibility of the municipality.

Publicly Owned, Contractor-Operated Model

Under this model, the municipality continues to own the airport's assets and retains ultimate oversight. However, a private company is contracted by the municipality to manage and operate the airport.

Municipal Services Corporation

An MSC is a corporation that is owned by a municipality (or a combination of public sector entities). An MSC often operates independently from the municipality, with separate accounts and a board of directors, allowing for more flexible decision making. The legal structure and ownership of an MSC determines whether airport employees are municipal or private contractors.

Some airports that have recently been adopting the MSC model include Lake Simcoe Regional Airport and Muskoka Airport. (As of the time of this report, Brantford Municipal Airport is in the process of considering the MSC model.)

Under the MSC model, an airport is managed by a governing body that is responsible for its financial sustainability, with growth as a priority, and has the authority to make decisions. The MSC acts as a business that supports the municipality and receives municipal funding.

Private Ownership

Private ownership occurs when a municipality sells its airport to a private owner. The owner has full responsibility for the airport lands and decision making on land uses. There is no longer any government control, and the airport can be decommissioned and converted for alternate uses.

Airport Authority

An airport authority is a private non-profit organization responsible for managing, operating, and developing specific airports. Airport authorities originally operated within the National Airports System ("**NAS**"). The NAS is Canada's major air transportation hub and is still federally owned with long-term leases to the airport authorities. These airports have significantly high traffic volumes and are airports that typically serve provincial or territorial capitals in Canada. The key goal of an airport authority is to develop the airport it operates, reduce costs, and tailor services to local needs.

Airport governance models are determined through a combination of factors, including legal frameworks, ownership structures, and the specific needs of the community and airport. These models can be influenced by national policies, market dynamics, and the size or role of the airport.

Table 11 provides an overview of the most common types of airport governance models. As of the time of this report, YZR falls under a publicly owned, contractor-operated model.

Table 11. Overview of different governance models.

Model	Ownership	Operation	Funding	Examples	Assessment
Publicly owned and operated (traditional government model)	Public sector (municipal, regional, or national government)	Managed directly by the public sector (such as a city department)	<ul style="list-style-type: none"> Government budgets, user fees, and grants 	<ul style="list-style-type: none"> Many small regional airports in Canada 	<p>Pros: Public interest-driven with a high level of transparency</p> <p>Cons: Less operational flexibility and bureaucratic processes</p>
Publicly owned, contractor-operated model	Public sector (municipal or regional government)	Contracted private operator (short- or long-term agreement)	<ul style="list-style-type: none"> Operator may retain revenues or share with the owner (depending on the contract) 	<ul style="list-style-type: none"> YZR (under current agreement with the Operator) Some regional airports in Canada 	<p>Pros: Access to private-sector expertise and operational flexibility</p> <p>Cons: Potential misalignment of interests and limited strategic involvement from the owner if not properly structured</p>
Municipal services corporation	Public sector	Independent corporate entity governed by a board	<ul style="list-style-type: none"> Usually financed by the government Possible self-financing from operations reinvested into the airport 	<ul style="list-style-type: none"> Lake Simcoe Regional Airport Muskoka Airport (effective July 2025) 	<p>Pros: Strategic autonomy, stakeholder governance, and strong business model</p> <p>Cons: Requires strong oversight and business acumen and can be complex to establish</p>
Public-private partnership	Public sector (often retains land ownership)	Private partner builds, finances, operates, and sometimes owns the infrastructure	<ul style="list-style-type: none"> Long-term concessions (20 to 99 years) 	<ul style="list-style-type: none"> Billy Bishop Toronto City Airport (Ports Toronto with private partners) 	<p>Pros: Access to capital and operational efficiency</p> <p>Cons: Risk of long-term lock-in and challenging renegotiation</p>
Private ownership	Private sector	Private sector	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Brampton-Caledon Airport Burlington Executive Airport Collingwood Airport Warton Keppel International Airport Major-General Richard Rohmer Meaford International Airport 	<p>Pros: Market-driven operations and high investment potential</p> <p>Cons: Reduced public control and profit motives may override community needs</p>
Airport authority	Federal government	<p>Airport authority (private not-for-profit, non-share capital corporations)</p> <p>Board of directors is nominated</p>	<ul style="list-style-type: none"> Financially independent Long-term leases 	<ul style="list-style-type: none"> Toronto Pearson International Airport Vancouver International Airport Calgary International Airport Other major Canadian airports 	<p>Pros: increased efficiencies, flexibility in financial management and decision making</p> <p>Cons: Potential conflicts with external stakeholders and less accountability to the public</p>

When choosing the most appropriate governance model for an airport, several key factors must be considered. One factor is the scale of airport operations (such as whether the facility primarily serves general aviation or commercial air service), as this will significantly influence operational needs and the most appropriate governance structure.

Economic development goals also play a crucial role, especially if the airport is expected to promote regional growth and investment. The availability of funding sources—both public and private—will influence the feasibility of certain governance models, particularly those requiring capital investment or long-term sustainability planning.

Another factor is the political inclination for public-private collaboration. Some governance models rely heavily on partnerships or private sector involvement. Finally, the need for regional collaboration or multi-jurisdictional involvement may call for governance models that allow for shared responsibility, funding, and strategic alignment across municipal or county lines.

6.4 Comparative Assessment of Airport Governance Models

It is important for YZR to review different models of airport governance. This is because the governance model Sarnia chooses will impact the airport's ability to attract business investment and development. For example, investors will avoid airport development opportunities if the governance is too complex. Lengthy processes and extensive approval measures will lead investors to pursue opportunities elsewhere.

Canadian airports are governed under a variety of structures depending on their size, location, and strategic role. Table 12 compares the main types of airport governance models applicable in Canada. The table highlights how each model works, their advantages, and examples from across the country.

Table 12. Airport governance models in Canada.

Governance Model	Description	Characteristics	Canadian Examples
Publicly owned and operated	<ul style="list-style-type: none"> The airport is both owned and operated by a municipal, regional, or provincial government department. The airport is typically managed as a public service within a broader municipal portfolio (such as public works or economic development). 	<ul style="list-style-type: none"> High public accountability Decisions are subject to municipal priorities and processes Funding often comes from tax revenue, user fees, and/or provincial/federal grants Common for small community and regional airports 	<ul style="list-style-type: none"> St. Thomas Municipal Airport Kingston Airport Region of Waterloo International Airport (owned by the Region of Waterloo, governed by regional council) Charlo Airport (operated by the Charlo Regional Airport Authority in New Brunswick, but with strong municipal ties) Quesnel Airport (operated by the City of Quesnel, BC)
Publicly owned, corporately leased and operated (airport authority model)	<ul style="list-style-type: none"> Airports are usually federally owned but operated by not-for-profit, self-sustaining airport authorities under long-term ground lease agreements through Canada's NAS. 	<ul style="list-style-type: none"> Airport authorities have significant operational and financial autonomy Governed by a local board of directors Revenues are reinvested into airport improvements Focus on self-sustainability and user-pay principles Common for major and regional hub airports 	<ul style="list-style-type: none"> Vancouver International Airport (operated by Vancouver Airport Authority) Toronto Pearson International Airport (operated by Greater Toronto Airports Authority) Halifax Stanfield International Airport (operated by Halifax International Airport Authority)

Governance Model	Description	Characteristics	Canadian Examples
Publicly owned, privately operated (management contract or lease agreement)	<ul style="list-style-type: none"> The airport is owned by a public entity but operated by a private company under a management contract or lease. 	<ul style="list-style-type: none"> Allows access to private sector expertise Ownership and oversight remain with the public sector Performance-based contracts may include service level agreements Suitable for mid-sized or specialized airports looking to improve efficiency or operations 	<ul style="list-style-type: none"> Oshawa Executive Airport (management and operations contracted out to Total Aviation & Airport Solutions) Peterborough Regional Airport (management and operations contracted out to The Loomex Group) Dryden Regional Airport (management and operations contracted out to The Loomex Group) Southport Airport (managed by Southport Aerospace Centre Inc., under a lease from the Province of Manitoba)
Public-private partnership	<ul style="list-style-type: none"> A PPP is a collaborative model in which the public and private sectors share responsibility for financing, developing, and operating airport infrastructure. 	<ul style="list-style-type: none"> Long-term agreements (often 20 or more years) May involve private investment in terminals or hangars, while airside infrastructure remains public Used to deliver complex projects where public funding is limited Becoming more common for major capital projects 	<ul style="list-style-type: none"> Montréal-Trudeau International Airport (major terminal expansion projects have involved PPP-style procurement) Regina International Airport (engaged private developers for on-site commercial facilities) Iqaluit International Airport (terminal redevelopment completed as a full PPP project with private design, build, finance, operate, and maintain components)

Governance Model	Description	Characteristics	Canadian Examples
Airport authority-owned and operated (local/regional ownership)	<ul style="list-style-type: none"> The airport is governed by a consortium of municipalities or regional governments, often through a shared-services board or commission. 	<ul style="list-style-type: none"> Encourages collaboration and cost-sharing across jurisdictions Ideal for airports that serve a broader catchment area beyond one city Governance is structured to ensure each partner is represented 	<ul style="list-style-type: none"> Brandon Municipal Airport (supported and operated by the City of Brandon but serving the broader Westman region)
Federally controlled or military-civil joint use	<ul style="list-style-type: none"> Some airports, especially in northern or remote regions, are operated under federal oversight (overseen by TC, the Department of National Defence, or other agencies). Some airports are used for both civilian and military purposes. 	<ul style="list-style-type: none"> May serve strategic defence or emergency access roles Civilian use often depends on federal agreements or shared facility arrangements More common in remote northern regions or former military bases 	<ul style="list-style-type: none"> Goose Bay Airport (civil-military joint use with continued Canadian Armed Forces presence) CFB Trenton/Quinte West Resolute Bay Airport (TC operated, with strategic northern importance)

6.5 Airport Governance Model Priority Matrix

Selecting the right governance model is a critical decision that will shape how YZR should be managed, funded, and developed over time. The airport governance model priority matrix in Table 13 provides a structured comparison of common governance models. Each of the models assessed are compared against key evaluation criteria.

The comparison provided in Table 13 is designed to help Sarnia assess the strengths and limitations of each model in relation to its specific context, strategic goals, and capacity. By assessing operational needs against each governance structure, the matrix supports more informed decision making.

Table 13. Airport governance model priority matrix.

Criteria	Fully Public	Public and Private Operator	Municipal Services Corporation	Public-Private Partnership	Full Privatization
Municipal control over strategic direction	High	Moderate	Moderate	Moderate	Low
Operational flexibility	Low	High	High	Moderate	High
Capital investment potential	Moderate	Moderate	Moderate	Strong	Very High
Access to aviation expertise	Limited	High	High	High	High
Alignment with public interest	Strong	Variable	Strong	Variable	Weak
Ease of implementation	Easiest	Easy	Moderate (requires legal setup)	Complex	Very Complex
Revenue sharing with municipality	Full	Varies by agreement	Full control	Shared or negotiated	Private controlled
Operating deficit responsibility	Municipality	Municipality	Varies by agreement	Varies by agreement	Private owner

Criteria	Fully Public	Public and Private Operator	Municipal Services Corporation	Public-Private Partnership	Full Privatization
Transparency and accountability	High	Medium	High	Medium	Low
Resilience through operator transition	High	Moderate (contract-dependent)	High	High	High
Stakeholder involvement	High	Moderate	Board-based governance	Limited	Low

Based on the information provided in Table 13, smaller general aviation airports tend to be best served by a fully public model or a public model with a private operator, offering simplicity and cost control.

Regional airports with commercial aspirations are better aligned with an MSC, which allows for greater flexibility, strategic planning, and stakeholder involvement.

For airports requiring major investment or large-scale redevelopment, a PPP or an MSC with private financing options can provide the necessary capital and expertise.

6.5.1 Choosing the Right Governance Model

When determining the most appropriate governance structure, Council should consider the following factors:

- The airport's size, type of traffic, and volume of traffic. Larger, busier airports require more sophisticated management structures and regulatory oversight.
- The airport's strategic regional importance (in order to justify public investment). This will depend on the level of local government interest, control, and flexibility.
- Ability to manage risk to ensure safety, regulatory compliance, and operational efficiency at the airport. This includes an ongoing effort at achieving long-term sustainability.
- Public policy objectives (such as economic development goals). Airports attract business to local communities. Airports also provide a transportation network.
- Economic considerations such as whether the airport is self-sustainable or requires funding (land leases at the airport can generate revenue that supports maintaining airport services), the economic outputs the airport creates for the

community, capital investment requirements, and the economic impact on the surrounding area.

- Stakeholder involvement including the community, staff, airport users, the municipality, and any other group or organization with a vested interest in the airport.

A breakdown of key criteria to be considered when choosing a governance structure is presented below in Table 14.

Table 14. Airport governance model evaluation criteria.

Criteria	Why It Matters	Considerations	Applicability to YZR
Airport size and traffic volume	<ul style="list-style-type: none"> Large airports typically have more complex operations, diverse revenue streams, and higher capital requirements. Smaller airports may lack the revenue base to support autonomous or privatized models and may require ongoing public subsidy. 	<ul style="list-style-type: none"> Small airports: A municipally operated or regional shared model may be most viable. Medium to large airports: An airport authority model or PPP may provide more flexibility and access to capital. High traffic: Enables self-sufficiency and supports models that prioritize commercial independence. 	<ul style="list-style-type: none"> YZR is a regional airport without scheduled passenger service. The airport is currently operating more like a local community airport. Supports critical services and other general aviation. Requires funding from local government.
Strategic regional or national importance	<ul style="list-style-type: none"> Airports that are critical to economic development, regional access, or national connectivity may need governance models that ensure long-term sustainability and broad stakeholder contributions. Airports serving remote communities or providing essential services may require more public-sector involvement or federal support. 	<ul style="list-style-type: none"> Essential service airports (such as airports in the North): Public ownership with federal/provincial support is common. Regional hubs: May benefit from a regional governance model or non-profit airport authority that reflects shared regional interests. 	<ul style="list-style-type: none"> Supports coast guard operations, and other important general aviation. YZR is part of an important transportation network supporting local industry (such as the petrochemical and emerging biochemical industry). Attracts business to Sarnia and has a significant economic impact to the surrounding community.

Criteria	Why It Matters	Considerations	Applicability to YZR
Local government capacity and interest	<ul style="list-style-type: none"> Operating an airport requires expertise in aviation regulations, business management, capital planning, and risk oversight. Some municipalities may not have the staffing levels, budget flexibility, or political will to operate or subsidize an airport independently. 	<ul style="list-style-type: none"> Low capacity or interest: Consider outsourcing operations or shifting to an airport authority or management contract. High interest and capacity: The municipality may retain direct control or explore regional partnerships to strengthen long-term viability. 	<ul style="list-style-type: none"> The local community has voiced support for the airport. Managing YZR will inflict a strain on city staff. More efficiencies would be realized through a contracted operator to reduce the need. for training.
Need for capital investment	<ul style="list-style-type: none"> Major upgrades to runways, terminals, or safety systems can be costly and often exceed what a municipality can fund alone. Governance models that can access capital markets, leverage private investment, or reinvest surpluses are critical for growth. 	<ul style="list-style-type: none"> Limited public funds: Consider PPP, airport authority, or management agreement with private sector participation. Regular capital needs: An autonomous model (such as an airport authority) can support reinvestment through user fees and leases. 	<ul style="list-style-type: none"> Major infrastructure repairs are required because of the ongoing neglect over the years.
Ability to manage risk and generate revenue	<ul style="list-style-type: none"> Some governance models (such as airport authorities or private operators) are better suited to take on commercial risk and optimize revenues from non-aeronautical sources (such as retail and land leases). Municipalities may prefer to limit exposure to operating deficits, liability, or investment risk. 	<ul style="list-style-type: none"> High commercial potential: Consider models that encourage innovation and revenue diversification. Low risk tolerance: Implement public models or structured agreements that maintain municipal control. 	<ul style="list-style-type: none"> The correct model will alleviate risk previously accepted by Sarnia with respect to asset management, regulatory compliance, and safety.

Criteria	Why It Matters	Considerations	Applicability to YZR
<p>Level of desired local control and flexibility</p>	<ul style="list-style-type: none"> Some communities prioritize local response, community responsiveness, and alignment with regional development plans. Others may prioritize efficiency, autonomy, and professional management, even if it means less local influence. 	<ul style="list-style-type: none"> Desire for local insights: Regional airport authority or multi-jurisdictional governance may strike a balance. Desire for operational flexibility and efficiency: Consider corporatized models with independent boards. 	<ul style="list-style-type: none"> The highest form of local control of YZR is under a publicly owned and operated model. A publicly owned and contracted operator model can still maintain a high level of municipal control so long as roles and responsibilities are clearly defined in a contractor agreement and that the role of the AE is held within the municipality.

Governance Model Considerations for Sarnia Chris Hadfield Airport

Any one of the three potential governance models (publicly owned and operated, publicly owned and contractor-operated, or MSC) could provide YZR with ways to leverage its strategic location and available land. Each of the governance models may also present the airport with ways to capitalize on its existing partnerships while attracting investment and driving economic growth.

For YZR to select the best governance model for its operations, Council will need to determine the ideal balance between operational independence, financial sustainability, and alignment with local and regional priorities.

Sarnia owns the airport, making the city ultimately responsible for its management and stewardship. Sarnia (or any long-term funding partner) should oversee the asset management of YZR. In order for YZR to remain viable over the long term, Sarnia should proactively plan and make decisions regarding the use of the airport. This proactive approach will also allow Sarnia to maximize the value of YZR.

The AAWG recommended that Sarnia take a lead role in the business and marketing of YZR, while the operator should maintain it according to the standards required by TC.

Sarnia's asset manager should continue to work with the Director of Economic Development to present an annual capital budget plan to Council. The annual budget will help Sarnia plan for necessary updates of YZR's infrastructure and the implementation of these recommendations to maintain airport operations and support future growth.

6.6 Best Practices from Similar Airports

Best practices in airport governance include the following elements:

- Governance structures that provide “arm's-length” oversight are most effective when decision-makers have a mandate to act in the best interest of the airport's long-term viability and align initiatives with municipal values and policies.
- Strategic plans and budgets should be developed and approved independently. All plans and budgets should be aligned with municipal priorities in order to support timely investment decisions and operational flexibility.
- Airports are managed by personnel with skill and experience. Airport operators are supported by other areas such as engineering, legal, marketing, and finance.
- Airport authorities are transparent in their consultation processes, rate setting, and investments. They are also accountable for their decisions and actions.
- Defining clear objectives and responsibilities help provide a framework for operations. Objectives should reflect the needs of various stakeholders.

- Stakeholder engagement includes consulting on decisions, providing insights on operational performance, and addressing concerns in a timely manner.
- A board of directors is often in place to provide independent and professional supervisory oversight and direction to airport management, ensuring operations are aligned with corporate objectives. The board will typically oversee the airport's financial performance, operational efficiencies, and compliance with regulations.

6.7 Summary of Key Lessons and Successful Strategies

Accountability is a crucial aspect of airport governance. Practicing good governance builds an organization's reputation. Planners, overseers, and boards of directors should lead by example by aiming for effectiveness and efficiencies in airport operations. Being transparent about processes ensures that records are available to stakeholders, including compliance, risk management, safety, and airport operations information.

7.0 Stakeholder Consultations

7.1 Overview of Stakeholder Consultations

Explorer Solutions conducted a series of one-on-one interviews during the development of this operating analysis and plan for YZR. The consultations allowed applicable stakeholders to provide insights into various airport governance, administrative, operating, and funding models.

The consultation process involved contacting the following stakeholders:

- individuals who are the AE for the airport which they operate
- individuals who are the airport manager for the airport which they operate
- individuals who represent airports that have scheduled air passenger services
- individuals who represent airports that don't have scheduled air passenger services
- individuals who manage airports as municipal employees
- individuals who manage airports as contracted operators
- individuals who represent an association for airport managers
- individuals who represent Sarnia
- individuals who represent Council

During the consultation process, participants provided insights, opinions, and overviews of best practices intended to help guide the development of recommendations that Sarnia can implement for YZR.

7.2 Results of the Stakeholder Consultations

The following subsections summarize the key takeaways from the one-on-one stakeholder interviews conducted for this project.

The opinions provided by the stakeholders have been categorized thematically.

7.2.1 Governance Model

- Sarnia needs to keep control of YZR.
- The two most successful airports in Ontario are the Region of Waterloo International Airport and the Lake Simcoe Regional Airport. Both of these airports are municipally owned and operated.

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- Governance by a municipal council allows a municipality to maintain full control over strategic planning, budgeting, and service delivery. This control ensures alignment with local economic development goals and community needs. However, this level of control may have less operational flexibility compared to more autonomous models, such as an MSC or airport authority.
 - From a financial standpoint, before any municipality moves away from a municipally run model, the local airport should be breaking even.
 - Sarnia may want to consider establishing an airport advisory to incorporate community suggestions into decision-making processes. Doing so can give more authority to strategic directions, as the decisions will incorporate the insights of many local businesspeople, not just Sarnia (or the operator).
 - Sarnia needs to look beyond YZR's current revenue generation.
 - As a case study for Sarnia to consider, there is an example of a municipally owned and operated airport that took more than 18 years to close a grass runway (to support future development), even though the runway only experienced 44 movements a year.
 - There can be too much political interference with a municipally owned and operated airport.
 - Municipally owned and operated airports can often be challenged to capitalize on business opportunities, especially when an investment opportunity has been qualified and is time sensitive.

7.2.2 Operating Model

- Sarnia needs a good operator with good parameters.
- The growth of YZR should be tied to economic development.
- The existing contract between Sarnia and its operator is very vague.
- Sarnia should have an agreement for its operator to operate YZR exclusively and meet the requirements of TC.
- Sarnia should leverage its municipal departments for the expertise they have in a lead role. For example, the planning department should be the primary entity looking after all city lease renewals (as this department supports planning initiatives), and the economic development department should take the lead in promoting all things city and investment attraction.
- Having an independent operator can bring efficiencies that can't be completed within Sarnia.
- Sarnia should keep the operations of YZR to just the operations of the airport.

- Sarnia should pay the operator well to run YZR and provide the city with good advice.
- Sarnia may not need another contractor, just a different contract. The current contract needs to be reframed, reworked, and refreshed.
- Sarnia needs to be presented with an annual operating budget.
- Now that Sarnia is investing money in its airport, the city needs to be more fiscally responsible.
- The airport operator is a business and not always prepared to take the shortfall. An airport is a shortfall business. Therefore, the operator needs to earn enough to operate YZR. Other shortfalls are city shortfalls.
- All operating, budgeting, and development decisions should be subject to Sarnia's policies and Council approval.

7.2.3 Administrative Structure

- YZR should be part of the broader municipal structure, reporting through a city department (such as an infrastructure, public works, or the economic development department).
- The Director of Economic Development for Sarnia spends too much time involved with airport-related activities because the current model is “broken.”
- Sarnia should be responsible for infrastructure and get out of the way of development.
- If Sarnia is responsible for the financial profitability of YZR, there needs to be transparency.
- A city liaison is key, but the position needs the right reporting structure. The position should report to the CAO or a commissioner. The role cannot involve a manager reporting to a director who then reports to a commissioner.
- Sarnia could enhance its administrative model the same way Peterborough did, by giving its airport more horsepower. Sarnia needs someone who is knowledgeable about airports to support the contractor and get things done through the city hall.

7.2.4 Funding and Revenue Model

- Sarnia inherited YZR for a dollar, and the city wasn't thinking about capital planning at the time.
- At the time of inheriting YZR, there were no requirements for Sarnia to think about its 25-year capital plan at the airport.

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- Sarnia should review its capital plan for YZR every five years to ensure it remains aligned with the city's 25-year plan and remains looking forward in five-year increments.
 - The operator should be operating YZR to achieve the airport's maximum revenue potential while managing expenses to the greatest extent possible.
 - Council needs to recognize that the infrastructure at YZR is similar to the infrastructure at the local arena, museum, roads, harbour, and other sites.
 - One hundred per cent of YZR's revenues and expenses should be tied directly to Sarnia.
 - Business development must have a purpose behind it rather than just goals and objectives. YZR should stand for something as a business. For example:
 - Is the airport there to serve general aviation, medevac, and police needs?
 - Is the airport a gateway for tourism development?
 - Does the airport connect the community to the rest of the world through a scheduled or charter service?
 - Overall, YZR needs to establish a sense of purpose. Once a sense of purpose is established, Sarnia needs implement the airport's plan. In the absence of a purpose, it becomes more difficult to get people connected to the airport.
 - Council needs to have a level of pride in YZR.
 - Once a municipality builds an airport beyond its in-house capabilities, that municipality must contract the facility to a qualified third party.
 - Resuming regional connectivity at YZR through scheduled service is a long-term play.
 - Sarnia needs to be there to back YZR financially, as regional airports are not known to be "money makers."
 - YZR's budget should be integrated into Sarnia's annual operating and capital planning processes. Funding may come from a combination of municipal allocations, user fees, and grants.
 - Council needs to realize that there is a need to diversify the revenue model for YZR.

7.2.5 General Comments

- An airport operator is an expense to Sarnia. Therefore, Sarnia should proceed with a short-term operator for YZR until the city figures out what it wants the operator to do for the airport (including the level of service during winter maintenance).
- Sarnia needs to identify and remove barriers to growth that exist at YZR, building on its strengths.

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- Sarnia's residents have been without air passenger service for so long that they have developed new travel habits.
 - Airports are investments in economic spinoffs in their respective regions.
 - Sarnia had a "golden goose," but this scenario is coming to an end. Sarnia is now in the same position as every other city in the province that has its own airport.
 - If Sarnia ever wants passenger service in the future, it must maintain YZR's TC certification.
 - Sarnia needs to qualify the value of YZR and assess what losing the airport means to the city.
 - There are always positives and negatives with a municipally owned and operated airport, but the positives always outweigh the negatives.
 - YZR needs to get beyond its current model of "sustain and survive." Sarnia cannot operate the airport for any less money than its current arrangement.
 - If Sarnia looks at airports throughout the province that are doing well, the city will notice that some of those airports have both municipal and regional support, particularly in terms of funds that support expansion projects. These investments in expansion can help with business attraction and retention, and, as a result, businesses will begin operating at the airports. If Sarnia demonstrates a proactive investment in its airport, others will invest in it as well.
 - When Sarnia was determining whether to divest YZR, the process did not help provide the kind of confidence that airlines, investors, and others needed to consider YZR as a strategic location for investments. In addition, potential investors began second-guessing their interest in the airport, especially due to the possibility that YZR could be closed in a few years.
 - Given Sarnia's strong petrochemical sector, the city should explore opportunities to use YZR to support that industry's supply chain (particularly through land lease development). Supporting local industry would expand YZR's value to Sarnia beyond the city's focus on pursuing scheduled air passenger service.

8.0 Key Models to Support Growth and Stability

8.1 Overview of Key Models

This section of the report outlines the three most suitable governance, administrative, and operating models that Sarnia may consider implementing at YZR.

The potential options are as follows:

- public ownership of YZR with a contracted private operator
- public ownership and operation of YZR
- public ownership of YZR with independent governance through an MSC

8.2 Public Ownership with Contracted Private Operator

This option is the current ownership model for YZR. The division of duties under the current model is as follows:

- Sarnia oversees YZR's performance, strategic direction, and regulatory accountability.
- The contracted operator assumes responsibility for YZR's day-to-day operations, maintenance, and service delivery.

If this model is maintained, Sarnia will retain ownership of the airport, and a private company will be contracted to manage and operate the facility.

8.2.1 Governance and Accountability Structure

Governance Considerations

Key considerations related to governance are as follows:

- Sarnia owns the airport land and infrastructure.
- Sarnia holds the airport's certification with TC.
- Council retains ultimate governance oversight and policy direction.
- A contract manager or a designated department (such as economic development or infrastructure) oversees the relationship between Sarnia and the Operator.

Operational Considerations

The airport operator's responsibilities include the following duties:

- Manage airport operations, safety, and security.
- Maintain and inspect airport property, equipment, and infrastructure (including runways, terminals, and other facilities).
- Oversee airport maintenance and operations staff.
- Recruit additional staff (as required).
- Maintain the safety and security of airport movement areas (both airside and groundside).
- Ensure compliance with TC's requirements related to the AOM, SMS, wildlife management, emergency response planning, and CARs.
- Provide information when creating annual budgets and fee schedules.
- Participate in the business development process (as required).

The AE's responsibilities include the following duties:

- Manage airport tenant lease agreements.
- Administer the service agreement (which may include a service level agreement) between Sarnia and the airport operator.
- Define the responsibilities of all parties involved in the service agreement.
- Ensure all parties understand the expectations set out in the service agreement (including specific goals, roles, and responsibilities).
- Work with the operator to set budgets and fee schedules.
- Lead strategic planning and land-use planning initiatives, as well as stakeholder engagement and business development initiatives.

Sarnia's responsibilities include the following duties:

- Conduct asset management planning.
- Define operating and capital budget terms and other financial terms.
- Meet insurance requirements.
- Create dispute resolution procedures.
- Create a provision for terminating and renewing the operating agreement.

Table 15 highlights the strengths and weaknesses related to maintaining public ownership of YZR with a contracted private operator.

Table 15. Strengths and weaknesses of public ownership and private operator model.

Category	Strengths	Weaknesses
Governance	<ul style="list-style-type: none"> • There is a clear delineation between owner and operator responsibility. • Sarnia maintains long-term strategic oversight. 	<ul style="list-style-type: none"> • Sarnia has limited control over day-to-day decisions and responsiveness.
Operating model	<ul style="list-style-type: none"> • Leverages private sector expertise and flexibility through the airport operator. • Operator is accountable for compliance and service delivery. 	<ul style="list-style-type: none"> • Risk of misalignment between public interest and private business decisions. • Limited ability to enforce service improvements without inclusive/comprehensive contract terms.
Administrative structure	<ul style="list-style-type: none"> • Reduces direct municipal staffing burden. • Sarnia can maintain a lean oversight structure. 	<ul style="list-style-type: none"> • Limited ability for Sarnia staff to influence operations unless built into the agreement.
Funding and revenue model	<ul style="list-style-type: none"> • The Operator can assume the cost of operations. • Revenues retained by the city unless otherwise negotiated. • Sarnia avoids direct liability for operational deficits (if no subsidy is provided). 	<ul style="list-style-type: none"> • Sarnia may still be asked to subsidize operations during market disruptions.

Overall, the current model at YZR offers the benefits of operational efficiency and lower municipal overhead. However, there are gaps that need to be addressed. These gaps include a lack of performance metrics, unclear revenue sharing, and a lack of clarity about the designated AE for the airport.

8.3 Publicly Owned and Operated Model

Under this model, Sarnia assumes full responsibility for the governance, operation, and administration of YZR. All staff—including the airport manager and supporting roles—are either municipal employees or personnel operating under municipal contracts. In addition, YZR operates as a municipal division or within an appropriate city department (such as an economic development, infrastructure, or transportation).

This model offers high levels of public accountability, transparency, and strategic alignment with municipal objectives. However, this arrangement places operating and financial burdens fully on Sarnia.

8.3.1 Governance and Accountability Structure

Governance Considerations

Key considerations related to governance are as follows:

- Council has final authority and oversight over YZR.
- The municipal department responsible for YZR oversees the airport.
- Council may establish an airport advisory committee to support strategic planning and stakeholder engagement.

Operational Considerations

Key considerations related to operations are as follows:

- The airport manager reports to a senior municipal leader (such as the Director of Economic Development or the CAO).
- Sarnia becomes the AE, as required under TC's regulations. (Often, a municipal clerk or CAO serves as the AE of a publicly owned and operated airport.)

Administrative Considerations

Under this model, YZR would be operated by municipal or contracted staff members. Sarnia would employ or contract personnel in the following roles:

- airport manager
- operations manager
- safety manager
- administrative coordinator
- maintenance and ground crew

Table 16 highlights the strengths and weaknesses associated with transitioning to a publicly owned and operated airport.

Table 16. Strengths and weaknesses of publicly owned and operated model.

Category	Strengths	Weaknesses
Governance	<ul style="list-style-type: none"> • Full municipal control and oversight of YZR's direction and alignment with Sarnia's goals. • Transparent decision-making process that is accountable to elected officials. 	<ul style="list-style-type: none"> • Risk of political influence on airport decision-making and long-term planning. • Council may lack specialized aviation expertise.
Operating model	<ul style="list-style-type: none"> • Operational consistency and continuity through public staffing and management. • Ability to prioritize public service and community impact over profits. 	<ul style="list-style-type: none"> • Potential for slower decision-making processes due to public sector policies. • Limited flexibility in responding to rapid changes in aviation or business conditions.
Administrative structure	<ul style="list-style-type: none"> • Integration into existing municipal systems for HR, finance, procurement, and reporting. • Clear reporting relationships and defined roles within Sarnia's structure. 	<ul style="list-style-type: none"> • Higher internal administrative burden (such as HR, payroll, and legal considerations). • May require new or reallocated municipal staffing resources.
Funding and revenue model	<ul style="list-style-type: none"> • Direct access to federal and provincial infrastructure grants. • Potential to retain and reinvest all airport-generated revenues. 	<ul style="list-style-type: none"> • Operating deficits become direct municipal liabilities. • Limited access to private investment (unless paired with a partnership agreement or development strategies).

Overall, a publicly owned and operated model ensures that public interest is prioritized, and it will help maintain full transparency and accountability. However, this model will increase Sarnia's operating and financial exposure.

A publicly owned and operated model is most successful when aligned with a long-term vision that is supported by a strategic plan and sufficient resources.

8.4 Municipal Services Corporation

Under this model, Sarnia continues to own YZR and its assets, but governance and operations are delegated to an MSC. The MSC will function at arm's-length from the city, but it is wholly owned by Sarnia. The MSC would be governed by an independent board of directors that includes municipal, regional, and private-sector representatives.

The MSC model enables YZR to operate more like a business. This structure gives YZR the ability to hire staff, generate revenue, and make timely operational and strategic decisions outside of typical municipal constraints while still being publicly accountable.

8.4.1 Governance and Accountability Structure

Governance Considerations

Key considerations related to governance are as follows:

- The MSC is established under Section 203 of the Ontario Municipal Act.
- Sarnia retains full ownership of YZR, and the city sets the MSC's strategic mandate through shareholder declarations or bylaws.
- A board of directors governs the MSC, with Council acting as the sole (or primary) shareholder.
 - Under this arrangement, Council retains the authority to appoint members to the board of directors. Typically, the members will be appointed by resolution, often following recommendations from a nominating or governance committee.
- The appointment process is often outlined in the MSC's shareholder declaration, corporate bylaws, or governance framework.
- Directors may include municipal councillors, independent experts (with aviation, finance, legal, infrastructure, or economic development knowledge), and community or regional stakeholders (if relevant).
- Sarnia could include one or two members of Council on the board of directors. Ideally, these board members would each serve in a non-majority role in order to ensure accountability, alignment with municipal priorities, and regular communication between the MSC and Council.
 - This approach balances effective governance with independence by allowing elected officials to provide strategic advice without compromising the board's ability to make objective, business-focused decisions in the best interest of YZR's long-term success.

Operating Model

The MSC would employ its own staff, including the following roles:

- airport CEO/general manager (also the AE)
- operations manager
- safety and compliance officer
- finance/administration lead
- grounds crew and customer service staff

While the structure of employee arrangements would ultimately be determined by the MSC, there are several potential models to consider. Staff could be directly employed by the MSC, remain as municipal employees assigned to airport operations, or be employed by a third-party operator if the MSC chooses to contract out day-to-day operations. Each approach carries its own set of advantages and considerations. However, it is common practice for employees working under an MSC to follow the corporation's own human resources policies, procurement procedures, and administrative protocols.

Administrative Oversight

The responsibilities of the MSC would include the following duties:

- financial reporting
- capital planning
- grant applications
- business development and land lease negotiations

The board will approve annual budgets and business plans, with major decisions subject to Council's approval.

Reporting and Accountability

Key considerations related to reporting and accountability are as follows:

- The MSC reports the annual business plan, financial statements, and performance reports to the shareholders.
- The MSC reports its compliance documents, safety management, and AE designation to TC.
- The MSC has the option to disseminate its annual public report to the public for transparency and accountability.

Financial Framework

Key considerations related to the financial framework are as follows:

- The MSC maintains its own budget and bank accounts.
- Revenue streams may include the following sources:
 - land leases
 - fuel sales
 - parking and landing fees
 - third-party services (such as maintenance and training)
- The MSC is eligible to apply for the following items:
 - federal and provincial grants
 - private partnerships or investment
- Sarnia may provide initial capital or operating subsidies, especially during the transition period.

Delegation of Authority Framework

Table 17 outlines the delegation of authority under an MSC. This framework outlines the responsibilities and decision-making authority of the municipality (shareholder), the MSC's board of directors, and the airport CEO or AE.

Table 17. Municipal services corporation model delegation of authority.

Function	Municipality (Shareholder)	MSC Board of Directors	Airport CEO/AE
Strategic direction	Approve shareholder declarations and corporate objectives.	Translate shareholder directions into strategic plans.	Implement strategic priorities.
Annual business plan and budget	Review and approve plans and budgets.	Develop, approve, and monitor plan implementation.	Prepare draft budget and business plans.
Financial oversight and reporting	Receive annual financial statements and performance reports.	Approve financial policies and review the financial health of the airport.	Manage day-to-day finances and prepare reports.
Appointment of directors	Appoint board members based on skill sets and terms.	Recommend new members or fill vacancies (subject to shareholder approval).	N/A
Hiring of CEO and airport manager	Not directly involved.	Recruit, appoint, and evaluate the CEO.	N/A
Regulatory compliance (such as TC)	N/A	Oversee risk and compliance as part of governance duties.	Serve as the AE and ensure that YZR meets its compliance requirements.
Land use and development approvals	Approve the sale or long-term lease of land and assets.	Recommend development strategies.	Execute short-term lease agreements and maintain relationships.
Capital investment decisions	Approve city-funded capital commitments and major changes in asset ownership.	Approve internal capital spending, ensuring consistency with the business plan.	Develop capital plans and oversee project implementation.
Grant applications	Provide support letters or co-funding (if needed).	Review and support major applications.	Prepare applications and liaise with funding agencies.

Function	Municipality (Shareholder)	MSC Board of Directors	Airport CEO/AE
Procurement and contracts	There is no involvement unless city funding or policies are affected.	Establish procurement policies for the corporation.	Execute contracts in accordance with the MSC's policies.
HR policies and staffing	There is no involvement.	Approve HR policies and the CEO's compensation.	Recruit, hire, and manage staff.
Community and stakeholder engagement	Participate in regional collaboration or act as liaison (if needed).	Oversee strategies and public accountability processes.	Lead day-to-day engagement and public communication initiatives.
Performance metrics and KPIs	Receive updates in annual reports.	Approve KPIs and monitor performance.	Report results and implement performance improvements.
Audit and risk management	Appoint an independent auditor or receive audit results (if needed).	Oversee the audit process and risk management strategy.	Support the audit process and ensure risk mitigation.

Table 18 highlights a series of possible strengths and weaknesses associated with transitioning to an MSC.

Table 18. Strengths and weaknesses of municipal services corporation model.

Category	Strengths	Weaknesses
Governance	<ul style="list-style-type: none"> An independent board of experts allows for strategic and business-focused decision-making. Clear separation between politics and operations. 	<ul style="list-style-type: none"> Requires strong governance and oversight frameworks. Risk of mission drift without clear shareholder direction.
Operating model	<ul style="list-style-type: none"> Faster decision-making and operational autonomy. Tailored staffing and service delivery to meet airport needs. 	<ul style="list-style-type: none"> Requires upfront investments in staffing and systems. May require a significant transition from the current model.
Administrative structure	<ul style="list-style-type: none"> HR, procurement, and finance needs are outside of municipal control. Professional structure encourages innovation and performance. 	<ul style="list-style-type: none"> Less direct municipal control over hiring, policies, and spending.
Funding and revenue model	<ul style="list-style-type: none"> Flexibility to reinvest revenue. Can pursue partnerships, lease developments, and private capital. 	<ul style="list-style-type: none"> Municipal subsidies or backstopping may be needed in the early years. Must manage own financial risks and obligations.

8.5 Eliminated Options Based on Operational and Strategic Mismatch

The following operating models are not recommended for YZR, as they do not align with Sarnia's operational requirements or strategic objectives for the airport.

Not-For-Profit Model: A not-for-profit model does not fit the needs of YZR. Regional airports in Ontario (such as YZR) are rarely self-sufficient, which means they often require funding from the municipalities they serve. Municipalities benefit from the presence of the airports they fund by having the local economy enhanced by airport operations.

Full Privatization Model: Selling YZR to adopt a full privatization model is not in Sarnia's best interest. An airport is a vital community asset, and the potential compromise of YZR's infrastructure through complete privatization may cause irreversible damage, such as redevelopment or complete elimination of the airport. In addition, this option is not aligned with section 4.8 of Sarnia's official plan, which states that the city should "[...] protect this significant transportation asset from land use conflicts, competing uses, and ensure there are no negative impacts on the long-term function of the Airport."⁴³

8.6 Evaluation of Best Practices Against Municipal Priorities

8.6.1 Review of Best Practices at Comparable Airports

In order to further evaluate potential operating models for YZR, the best practices used by comparable airports were reviewed. Representatives of the comparators were consulted to discuss the business strategies, and best practices they use to increase operational efficiency. The takeaways from these consultations are categorized below.

Stakeholder Engagement

- Stakeholder engagement ensures that capital improvement projects address the needs of all parties involved, increasing the likelihood of successful completion.
- Engaging stakeholders creates an open dialogue about the potential impacts of airport operations (such as noise or land use), and it helps find solutions that balance the needs of the airport with those of the community.
- Consultations provide opportunities for stakeholders to be heard. In addition, the consultations can help build trust and strong relationships, leading to more efficient and effective collaboration.
- Collaboration between the airport, airlines, and destination management organizations can lead to the development of new routes and increased tourism, boosting the local economy and increasing the airport's economic impact.
- Partnering with diverse stakeholders can bring in specialized expertise and innovative ideas, making the airport more adaptable and responsive.
- Involving local communities in the planning and development of regional airports ensures that projects align with the needs and concerns of residents.
- Collaboration between airports and on-site stakeholders (such as ground handlers) can lead to more efficient operations, improved safety, and enhanced customer satisfaction.

⁴³ City of Sarnia Official Plan (2014), page 24.

Long-Term Planning

Airports are complex organizations with multifaceted operations and interconnected systems. There is also a wide array of facilities and services that require coordination at many levels. As such, detailed planning is required to maintain safety, ensure efficient operations, support local economies, and potentially contribute to larger networks (such as travel or logistics). Through effective planning, an airport can also achieve growth, sustainability, and operational efficiency.

Some of the key components of successful airport planning are as follows:

- airport master plans
- airport strategic plans
- land-use plans
- asset management plans
- operational plans (such as wildlife management, emergency, safety, and airport operations)

In 2022, an AMP was developed for YZR. This document included operational plans for the airport that the Operator was to pursue. However, YZR has an insufficient level of planning to guide its operations. As a result, the airport does not have a comprehensive framework to guide its long-term development and operations.

Risk and Safety Management

Due to the inherent hazards that are present at airports, safety management is a crucial component of airport operations. Safety management must be considered in all areas, including governance decisions, the selection of an AE, and operating procedures. Proactively identifying and managing risk to an acceptable level is the foundation for safe, secure, and efficient air travel.

Identifying and managing risks at an airport are achieved through the following means:

- ensuring operating efficiencies
- meeting regulatory requirements
- maintaining public confidence
- continuous improvement in airport operations and risk management
- protecting lives and property

At YZR, there is a need to establish and maintain a clear understanding of the operational and oversight responsibilities between the airport owner and operator, particularly when governed by long-term agreements.

Misinterpretation or ambiguity in these roles can lead to compliance risks, deferred maintenance, and a weakened strategic direction.

Furthermore, there is a need to prioritize routine asset maintenance and timely capital investments to avoid costly rehabilitation, asset degradation, or loss of functionality. Maintaining the condition of YZR's infrastructure is essential for ensuring ongoing compliance with TC regulations and preserving the airport's certification and operational integrity.

Continuous Improvement

An airport should strive to improve its operations on a continuous basis in order to remain competitive, increase profitability, and increase customer satisfaction. As such, YZR should regularly evaluate and update its processes, technologies, and procedures.

By making continuous improvements to its operations, YZR can reduce costs, deliver higher-quality services, improve on-site safety, and achieve greater long-term success. In addition, long-term planning will help YZR implement continuous improvements initiatives.

Importance of Capital Planning for Airport Infrastructure Rehabilitation

Airports must conduct effective capital planning in order to maintain safe, compliant, and economically viable infrastructure. Conducting maintenance on airfield assets (such as runways, taxiways, lighting systems, and terminal facilities) is costly and requires specialized work to be performed. Airports that proactively plan to complete capital projects ensure that airfield infrastructure receives the necessary rehabilitation, upgrades, and replacements before infrastructure failure occurs.

Airports that implement sustainable funding mechanisms and asset management strategies are better positioned to attract new business, reduce long-term financial risk, and align airport operations with municipal priorities. Conversely, airports without a long-term capital plan often face mounting costs, operational disruptions, and reduced service reliability

Best practices in airport capital planning include the following:

- Establish a long-term capital plan (such as 25 years) with regular updates to guide infrastructure investment decisions. Update the plan annually to account for inflation and evolving priorities. Conduct a comprehensive review of the plan every five years to ensure accuracy and relevance.
- Allocate annual financial contributions (received through the municipal budget process) to a designated airport reserve fund to support capital projects and reduce reliance on ad hoc funding.

- Use interfund loans when immediate capital needs exceed the reserve fund's balance. Interfund loans provide financial flexibility, allowing projects to proceed without deferring critical infrastructure work. Interfund loans are repaid over time through reserve contributions or operating surpluses.
- Diversify revenue streams by developing, selling, or leasing airport land. Using airport assets to strategically generate revenue can significantly reduce the burden on the municipal tax levy and increase airport self-sufficiency.
- Pursue transparent, dedicated funding mechanisms for the airport's specific capital needs. Ensure airport funding remains separate from broader service budgets, increasing accountability in municipal planning processes.
- Allocate a portion of operational revenues toward reserve fund contributions and major maintenance projects. Proactively reinvesting airport revenue in airport-related infrastructure projects can minimize the fiscal pressure on municipal budgets.
- Proactively invest in airport infrastructure maintenance. Understand the full lifecycle costs of airport assets and implement funding strategies that reflect the true cost of airport ownership.

8.6.2 Municipal Priorities for Sarnia

This subsection summarizes strategic priorities contained within Sarnia's strategic plan.⁴⁴ The purpose of this summary is to identify where Sarnia's strategic priorities align with YZR's short- and long-term planning initiatives and ongoing investment in the airport.

(Note: The items summarized below are not intended to be official goals or objectives. Rather, the information is intended to explain various strategic priorities.)

Asset Management

- Maintain Sarnia's transportation hubs (such as air, rail, water, and road systems).
- Reinvest in parks, recreation, and active transportation.
- Secure funding for Sarnia's overall asset renewal and waterfront plans.

Government Relations

- Advocate for funding, resources, and policy changes from senior levels of government.

⁴⁴ <https://www.sarnia.ca/app/uploads/2024/08/City-of-Sarnia-Council-Strategic-Plan-FINAL-07172024.pdf>

- Initiate and maintain a dialogue/rapport with neighbouring municipalities, First Nations communities, and various levels of government.

Community Well-Being

- Diversify and grow Sarnia's housing supply through flexible policies and proactive communication.
- Improve community safety and well-being.

Economic Resilience

- Attract and develop skilled talent, new investments, and visitor spending.
- Support a transition to a clean energy economy.
- Support the local petrochemical industry.

Overall, Sarnia's strategic priorities align with the best practices that were identified from reviewing the airport comparators for YZR. In addition, the city's focus on maintaining its transportation hubs is supported by the AMP from 2022. The AMP also supports the same processes and implementation of capital planning for airport rehabilitations and continuing operations.

9.0 Recommendations

9.1 Proposed Governance, Administrative, and Operational Model

The following subsections provide supporting rationale related to the proposed governance, administrative, operational, and funding models for YZR.

9.1.1 Governance Model

Sarnia has had minimal involvement in YZR's operations for many years. In addition, the city does not currently employ aviation specialists or airport operations personnel. As such, having Sarnia directly own and operate YZR may not be the most effective governance model for the city to pursue. However, Council should recognize that YZR is a vital community asset—much like roads, parks, and public facilities—that contributes to regional economic development and connectivity.

Explorer Solutions advises Sarnia to retain ownership of YZR and establish an MSC to oversee the airport's governance, operations, and strategic direction. The MSC should be led by an appointed board of directors. This board should be responsible for hiring an experienced CEO or airport director to serve as the YZR's lead administrator. The CEO or director will also serve as YZR's AE (to fulfill TC regulations).

This approach balances public ownership with a professional, independent management structure that is aligned with industry best practices.

9.1.2 Streamline Administrative Structure

An MSC provides a focused and streamlined administrative structure that clearly defines the roles, responsibilities, and reporting relationships of personnel. Forming an MSC allows an airport to centralize its operational oversight, improve its regulatory alignment, and support proactive business development while maintaining public ownership and accountability. This model allows aviation professionals to manage administrative functions within a dedicated governance framework, and this kind of arrangement would help minimize the ambiguity and fragmentation that exist within YZR's current administrative structure.

As noted in section 9.1.1, Explorer Solutions recommends that Sarnia establish an MSC for YZR. The board of directors that governs the MSC should comprise individuals with relevant expertise in aviation, economic development, finance, and municipal governance. (Sarnia will be responsible for appointing the board members.)

The MSC's administrative structure would provide the autonomy and expertise needed to manage YZR's day-to-day operations effectively. Sarnia can also ensure that regular reporting and performance monitoring take place in order to verify the MSC's administrative mandate aligns with municipal objectives.

In order to facilitate a smooth transition from the current administrative structure to an MSC, Sarnia is advised to maintain the existing headlease agreement with the Operator until it expires on June 30, 2027. Doing so will give Sarnia time to establish the MSC's legal framework, elect the board of directors, adopt appropriate bylaws, and recruit qualified leadership personnel to manage YZR under the new governance model. In addition, this phased approach will minimize any disruptions to YZR's current operations, and it will create an administrative structure that will result in long-term efficiency and accountability.

9.1.3 Optimize Operating Model

An airport's operating model defines how the airport's day-to-day services are delivered, as well as how responsibilities are distributed and how operational decisions are made and executed. It is essential for an airport to have a clear and well-structured operating model in order to maintain regulatory compliance, ensure safety and efficiency, and advance its strategic objectives.

The operating model of a publicly owned facility (such as YZR) must also align with community needs and municipal priorities, as well as the municipality's long-term vision for economic development.

As noted in section 9.1.1, Explorer Solutions advises YZR to establish an operational structure based on the concept of an MSC. The MSC would appoint a CEO or an airport director to assume direct responsibility for all of YZR's operational, regulatory compliance, and performance management obligations.

All of YZR's core operational functions would remain under the direct control of the MSC. This arrangement will help ensure accountability, continuity, and alignment with the airport's strategic direction. The MSC would also have the authority to contract out specific airport services (such as ground handling, maintenance, or fuel sales) to qualified vendors. Adopting this model would make it easier for YZR to respond to market demands and implement industry best practices. This model would also support the long-term sustainability and growth of YZR.

9.1.4 Sustainable Funding and Revenue Model

YZR should establish a funding and revenue model to ensure its long-term viability, growth, and self-sufficiency. In order for an airport to thrive—particularly in a competitive regional landscape—its funding model must be diversified, resilient, and aligned with broader economic development goals.

Developing a sustainable financial framework will enable YZR to accomplish the following tasks:

- Cover operating expenses.
- Invest in necessary infrastructure
- Respond to changing market conditions.
- Reduce reliance on municipal subsidies.

As noted in section 9.1.1, Explorer Solutions advises YZR to establish an MSC. From a funding and revenue perspective, the MSC should adopt a long-term strategy aimed at achieving financial sustainability. In order to accomplish this goal, the MSC should proactively identify and pursue new sources of revenue, including aviation-related revenues (such as hangar leases, fuel sales, or user fees) and non-aviation-related revenues (such as land leases, commercial development, or PPPs). The MSC should also market YZR as a strategic real estate asset in Sarnia while pursuing opportunities to attract businesses that complement both the airport's operations and the region's economic strengths.

It is important for Council to recognize that adopting an MSC model will not immediately generate profit. In the short term, Sarnia should be prepared to continue providing financial support for the airport's operations while also allocating resources to major capital projects. This kind of continued investment in YZR will provide the MSC with the time it needs to expand its revenue base and gradually reduce YZR's reliance on municipal funding.

Explorer Solutions recommends that YZR adopt the sustainable funding and revenue model outlined in this subsection.

Table 19 provides a high-level estimate of the anticipated annual operating revenues for YZR. These operating revenue streams account for a return to scheduled air passenger service.

Table 19. High-level annual airport operating revenue estimates.

Operating Revenue Stream	Budget
Passenger facility fees	\$20,000
Landing fees	\$10,000
Aircraft parking fees	\$4,400
General aviation tie-down fees	\$13,200
Terminal building usage fees	\$3,870

Operating Revenue Stream	Budget
City hangar revenues	\$0
Land leases	\$25,514
Vehicle parking	\$0
Highway advertising	\$0
Agricultural cropping	\$21,140
Total Revenues	\$98,124

Table 20 provides a high-level estimate of YZR's annual operating expenses.

Table 20. High-level annual airport operating expense estimates.

Operating Expense	Budget	Cost Overview
Personnel	\$505,000	<ul style="list-style-type: none"> • One airport CEO • One airport manager • One administrative assistant • Four airport operations/maintenance crew
Materials and supplies	\$300,000	<ul style="list-style-type: none"> • Runway lighting • Windsocks • Runway de-icing chemicals and sand • Office supplies • Building and grounds maintenance supplies
Terminal operations	\$12,000	N/A
Airport maintenance	\$20,000	N/A
Utilities	\$40,000	N/A
Purchased services	\$50,000	<ul style="list-style-type: none"> • Contracted services for possible grounds, buildings, and other equipment repairs
Fleet	\$100,000	<ul style="list-style-type: none"> • Fuel • Oil changes and minor maintenance • Vehicle supplies (such as windshield wipers, fluid, and grease)
Insurance	\$25,000	N/A

Operating Expense	Budget	Cost Overview
Interdepartmental support services and business development	\$120,000	<ul style="list-style-type: none"> Support from Sarnia through finance, legal, economic development and other departments (as required)
Total Expenses	\$1,172,000	

As shown in the tables above, the total estimated revenue for YZR is \$98,124, and the estimated annual operating expenses are \$1,172,000. Based on these amounts, YZR will have an estimated annual operating deficit of \$1,073,874.⁴⁵

The annual operating deficit is in addition to the capital requirement set out in the AMP, which Sarnia has allocated resources toward in its ten-year capital plan (as approved in 2025).⁴⁶

Table 21 summarizes the short-, medium-, and long-term capital planning requirements presented in the AMP that was developed for YZR in 2022. All costs in the table were adjusted for inflation from their 2022 cost estimates.⁴⁷

Table 21. Short-, medium-, and long-term capital planning summary.

Category	Short-term (2025-2029)	Medium-term (2030-2035)	Long-term (2036-2040)
Infrastructure rehabilitation and reconstruction	\$13,643,878	\$2,470,649	\$5,319,883
Terminal building renewal and expansion	\$1,919,921	\$0	\$0
Mobile equipment replacement	\$403,630	\$489,953	\$1,236,562
Airport development	\$1,719,317	\$0	\$0
Total	\$17,686,747	\$2,960,602	\$6,556,445

⁴⁵ Within the current headlease agreement between Sarnia and the Operator, the \$400,000 annual subsidy is set to expire on December 31, 2025. As a result, those funds are not factored into the estimated operating revenue streams going forward.

⁴⁶ <https://www.sarnia.ca/app/uploads/2025/02/2025-Approved-Budgets-linked-updated.pdf>.

⁴⁷ Each cost estimate was increased by 3 per cent in order to calculate the annual inflation rate.

The 15-year planning horizon for the identified short-, medium-, and long-term capital projects amounts to approximately \$27,203,794.

In order to cover the estimated operating losses (until new revenue streams can be established), Council is advised to budget for the anticipated operating shortfall until such time that YZR is operating in a positive financial position.

Cost Associated with Establishing an MSC

The District of Muskoka and the Township of Oro-Medonte provide examples of municipalities that implemented MSC governance models at their airports. The associated costs each municipality faced can be used to illustrate the potential cost to Sarnia of establishing an MSC to operate YZR.

The District of Muskoka estimated that the cost of implementing an MSC to operate the Muskoka Airport to be between \$50,000 and \$250,000, with total project costs potentially reaching \$343,200.⁴⁸

Additionally, the Township of Oro-Medonte's website notes that once operational, the MSC may face ongoing annual expenses of approximately \$100,000, covering board of director fees, financial audits, and insurance.⁴⁹

9.2 List of Recommendations

Table 22 lists the recommendations that Explorer Solutions developed for Sarnia and YZR as part of Part 1 of this project. A summary of the context related to the recommendations, as well as additional information about the scope of each proposed action, is provided in section 9.1 of this document.

⁴⁸ https://southmuskoka.doppleronline.ca/airport-changes-to-cost-an-extra-343200/?utm_source=chatgpt.com

⁴⁹ https://www.oro-medonte.ca/our-government/committees-and-boards/municipal-services-corporation-board/set-up-structure/?utm_source=chatgpt.com

Table 22. List of recommendations.

Topic	Recommendation
Governance model	Retain ownership of YZR and establish an MSC to oversee the airport's governance and operations.
Administrative structure	Appoint a board of directors to oversee the MSC. The board should be responsible for hiring an experienced CEO or airport director to lead YZR and serve as the AE.
Administrative structure	Maintain the existing headlease agreement with the current operator until the agreement expires on June 30, 2027. Doing so will allow sufficient time to establish the legal framework for the MSC, as well as elect a board of directors, adopt necessary bylaws, and recruit qualified leadership personnel to oversee airport operations under the new governance model.
Operating model	Ensure that YZR's operations are managed by the MSC. The appointed CEO or airport director would assume direct responsibility for operational oversight, regulatory compliance, and performance management. The CEO or director would also fulfill the role of AE (as required by TC).
Sustainable funding and revenue model	Ensure that the MSC adopts a long-term strategy for YZR. The strategy should focus on achieving financial sustainability.
Sustainable funding and revenue model	Support the MSC as it markets YZR as a strategic real estate asset. The goal should be to attract businesses to YZR that complement the airport's operations and align with the region's broader economic strengths.
Sustainable funding and revenue model	Prepare to continue providing financial support for operational shortfalls in the short term, as the transition to an MSC will not yield immediate sustainability. In addition, allocate resources to major capital projects to support YZR's long-term success.

10.0 Conclusion

10.1 Summary of Part 1

YZR is at a pivotal moment regarding its operational future.

Historically, YZR has benefited from the low-cost operating model that exists between Sarnia and the Operator. However, several factors have prompted a re-evaluation of the current model. The most significant factors that have prompted this review are as follows:

- evolving community needs and priorities
- the withdrawal of commercial air service
- the need for an increased level of financial support from Sarnia

Collectively, these factors have identified that YZR needs a more strategic, accountable, and sustainable managerial approach than the current model provides.

In order to determine the best path forward for YZR, the airport's governance, administrative, funding, and operational models have undergone an extensive review. Various other models (based on the best practices observed at similar airports across Ontario and Canada) were also assessed to determine whether they are adaptable to the needs of Sarnia and YZR.

10.2 Summary of Next Steps

This report has presented three governance models for YZR to consider. These three models are as follows:

- Maintain public ownership of YZR, having a contracted private operator manage the airport.
- Shift the ownership of YZR to a publicly owned and operated airport.
- Create an MSC to oversee YZR through independent governance.

Each model has various implications related to control, accountability, financial risk, and long-term economic impacts.

Overall, this report is intended to help Council make an informed decision about the future of YZR. The information outlined in this report provides Council with a clear picture of the current state and the options available for YZR. This information should ensure that Council is well-positioned to select a governance and operating model that reflects its goals, supports economic development, and ensures YZR maintains a long-term viability and value to the region.

Appendix A: List of Abbreviations

This document uses the following abbreviations and acronyms.

AAWG:	Airport Action Working Group
ACAP:	Airports Capital Assistance Program
AE:	Accountable executive
AMP:	Airport master plan
CARs:	Canadian Aviation Regulations
Council:	Sarnia City Council
FBO, the:	Huron Aviation
MSC:	Municipal services corporation
NAS:	National Airports System
Operator, the:	Scottsdale Aviation
PPP:	Public-private partnership
RATI:	Regional Air Transportation Initiative
RFP:	Request for proposals
SMS:	Safety management system
TC:	Transport Canada
YZR:	Sarnia Chris Hadfield Airport

Appendix B: List of Contributors

Representatives from the following organizations contributed information that helped inform the content of this document:

- Airport Management Council of Ontario
- City of Brantford
- City of Sarnia
- Greater Sudbury Airport
- Kingston Norman Rogers Airport
- Lake Simcoe Regional Airport
- Muskoka Airport
- Peterborough Regional Airport
- Region of Waterloo International Airport
- Sault Ste. Marie Airport
- Scottsdale Aviation
- St. Thomas Municipal Airport
- Total Aviation & Airport Solutions (Oshawa Executive Airport)
- Z3 Aviation (Chatham-Kent Municipal Airport)

Appendix C: Sources of Airport Capital Funding

The capital planning best practices outlined in Section 8.6.1 of this report were informed by insights shared by five airport managers consulted as part of this study. For access to the summary of each manager's airport capital funding sources, please contact the Office of the Chief Administrative Officer, City of Sarnia, at 519-332-0330 (ext. 3314) or via email at cao@sarnia.ca.