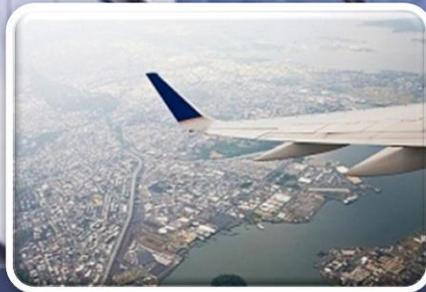




Sierra Systems



Report to

Comox Valley Airport Commission (CVAC)

Board Compensation Study Final Report

Sierra Systems Group Inc.
737 Courtney Street
Victoria, BC V8W 1C3 Canada
www.SierraSystems.com

Contact: Stuart Culbertson
Phone: 250.995.3309
Fax: 250.385.4761
Email: StuartCulbertson@SierraSystems.com

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TABLE OF CONTENTS

1. Executive Summary.....	2
2. CVAC Board Compensation Study Overview	3
2.1. Purpose and Objective of the Study.....	3
2.2. Project Approach and Scope	3
3. Findings from Interviews with Like Organizations.....	4
3.1. Criteria for Selecting Similar Entities.....	4
3.2. Overview of Organizations Interviewed.....	5
3.3. Regulatory Context.....	6
3.4. Themes: Compensated vs. Voluntary.....	7
3.5. Theme: Common Models of Compensation	8
3.6. Other Themes.....	9
4. Best Practice Literature Review Findings.....	11
4.1. Government and Legal Guidelines for Compensating Not-for-Profit Boards	12
4.2. Canadian Coalition for Good Governance Board Compensation Policy Principles	12
5. Other Research and Analysis	14
6. CVAC Board Compensation Evaluation Framework and Recommendations	16
7. Next Steps	17
8. Conclusion.....	18
Appendix A: Interview Protocol	19
Appendix B: Literature Review References	21

Confidentiality/Validity

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1. EXECUTIVE SUMMARY

The commercial operations at Comox Valley Airport (YQQ) are operated by the Comox Valley Airport Commission (CVAC), a not-for-profit, fully independent entity formed in 1996. Presently, Board members serve without any compensation save for repayment of out of pocket expenses associated with their duties. As part of the Board’s succession planning, Sierra Systems Group Inc. (Sierra Systems) was engaged to review similar not-for-profit transportation entities across the country and analyze the advantages and disadvantages of moving to a compensated Board model. The end goal of the Board Compensation Study is to provide supporting material that will help the CVAC Board assess whether CVAC should compensate its Board for service or remain in its present voluntary mode.

In order to meet this objective, Sierra Systems conducted interviews with the Chairs of the Board and/or Chief Operating Officers (CEOs) of nine (9) transportation organizations across Canada – comparable to CVAC in business, board composition, organizational structure, funding model, organizational focus, size, and business complexity. Interviewees were asked several questions regarding their organizational board compensation policy and the advantages and disadvantages of their board compensation policy as they experience them. In addition to these interviews, a high-level scan of best practice literature and regulatory documents was also conducted.

Themed feedback from interviews suggests the following predominant themes for compensating a board or for remaining with a voluntary board.

Case for Compensating a Board	Case for Remaining with a Voluntary Board
<ol style="list-style-type: none"> 1. Enhances board engagement, participation, and commitment levels; 2. Recognizes board members for time, effort, and contribution; and 3. Attracts a needed calibre of skill, knowledge and talent to the board. 	<ol style="list-style-type: none"> 1. Protects against potential conflict of interest; and 2. No evident need to compensate – as board engagement, skill, and performance is already at a desired level.

Throughout the Board Compensation Study, research and interview input provided consistent data on the merits and arguments for both compensating the CVAC board and for remaining with a voluntary board structure. Further, Sierra Systems reviewed the present and emerging regulatory framework under which CVAC operates and found no regulatory impediment to board compensation for CVAC. Indeed, several of CVAC’s peers have adopted a board compensation policy, albeit at the outset of the Transport Canada divestiture. On balance, it is the “fairness” test that appears to be the most compelling in peer organizations – *Is our Board compensated fairly in comparison with their peers who have chosen the compensation route?*

2. CVAC BOARD COMPENSATION STUDY OVERVIEW

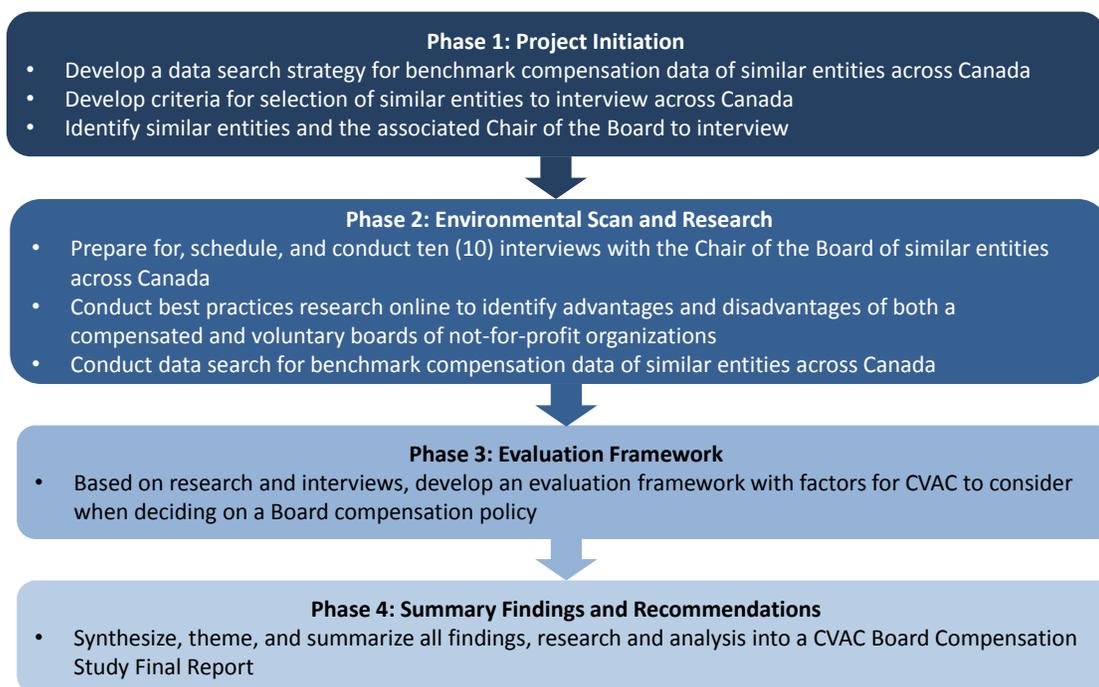
2.1. Purpose and Objective of the Study

The Comox Valley Airport (YQQ), located on the central east coast of Vancouver Island, serves a population base of nearly 320,000 residents. It's the second largest airport on Vancouver Island and processed 327,827 passengers in 2012. The commercial operations at YQQ are operated by the Comox Valley Airport Commission (CVAC), a not-for-profit, fully independent entity formed in 1996. Presently, Board members serve without any compensation save for repayment of out of pocket expenses associated with their duties.

As part of the Board's business planning, Sierra Systems was engaged to review similar not-for-profit entities across the country and analyze the advantages and disadvantages of moving to a compensated Board model. This report is a summary of Sierra's findings and analysis on these matters. The goal of this report is to provide supporting material that will help the CVAC Board assess whether CVAC should compensate its Board for service or remain in its present voluntary mode.

2.2. Project Approach and Scope

In order to meet the objectives of the CVAC Board Compensation Study, Sierra Systems applied the following approach:



All items in the above methodology were in scope for the Sierra Systems' engagement except for conducting a search and analysis of benchmark compensation data of similar entities across Canada. This search was conducted by CVAC staff. A summary and analysis of findings from the benchmark compensation data search has been included in Section 5 of this report as it is relevant context.

3. FINDINGS FROM INTERVIEWS WITH LIKE ORGANIZATIONS

3.1. Criteria for Selecting Similar Entities

The following selection criteria were used to determine the ten comparative or “like” organizations to approach for project interviews. The purpose of setting these criteria at the outset of the project was to refine our focus on “peer” organizations relevant to CVAC context.

Criteria Category	Selection Criteria
Board Composition	<ul style="list-style-type: none"> • Non-elected Board; • Multi-stakeholder Board membership; and • Local governments or entities may nominate Board members and a number of Board seats may be “reserved” for these entities – but the Board decides on members.
Organizational Structure	<ul style="list-style-type: none"> • Not-for-profit Corporation (operating under Federal legislation).
Funding Model	<ul style="list-style-type: none"> • Not publicly funded; and • Operating budget comes from revenues earned.
Organizational Focus	<ul style="list-style-type: none"> • Regional service delivery – vs. national scope and authority; and • Airports and like-transportation services sector organizations.
Size and Complexity of Organization:	<ul style="list-style-type: none"> • Similar size of organization by range of capital assets, revenue, and passenger traffic.

In addition to the above selection criteria, when searching for similar organizations to interview, the following three categories of organizations were considered so as to ensure a broad scan of board compensation policy considerations.

1. Organizations that have had voluntary boards from the outset;
2. Organizations that have had compensated boards from the outset; and
3. Organizations that initially had voluntary boards and transitioned to a compensated board model.

3.2. Overview of Organizations Interviewed

Of the organizations approached for interviews, 9 agreed to participate in interview sessions - each between 30 minutes and 1 hour in length. We were unable to schedule an interview in the time permitted with the 10th organization selected as a similar entity to be interviewed, London International Airport.

Seven (7) participants were Canadian regional airports. The other two (2) were Harbour authorities operating in the transportation sector on Vancouver Island – operating, similarly, under a Transport Canada regional devolution framework. The reason for including these two (2) non-airport entities was to determine whether there was anything we could learn from like organizations outside the airport industry but operating in a regional Vancouver Island context, similar to Comox.

The following chart provides an overview of the organizations interviewed and associated organizational complexity data for purposes of comparability with CVAC. The interviews were conducted with the Chairs and/or Chief Operating Officers (CEOs) of the organizations.

#	Stakeholder Organization	Date of Interview	Board Compensation Structure	Gross Revenue in 2011/2012	Passenger Traffic in 2011/2012	Financial Assets in 2011/2012	Capital Assets in 2011/2012
1	Charlottetown Airport (YYG)	12/10/2012	Compensated	\$ 4,600,000	285,158	\$ 13,000,000	\$11,200,000
2	Deer Lake Regional Airport (YDF)	1/9/2013	Compensated	\$ 3,092,251	292,019	\$ 3,310,692	\$27,467,731
3	Goose Bay Airport Corporation (YYR)	12/5/2012	Compensated	\$ 1,900,000	109,406	\$ 5,000,000	\$ 1,100,000
4	Greater Moncton International Airport (YQM)	12/11/2012	Compensated	\$ 13,900,000	579,329	\$ 16,900,000	\$35,700,000
5	Greater Sudbury Airport (YSB)	12/13/2012	Voluntary	\$ 5,400,000	211,181	\$ 2,200,000	\$16,500,000
6	Prince George Airport (XYS)	12/7/2012	Compensated	\$ 5,300,000	402,438	\$ 3,700,000	\$53,000,000
7	Saint John Airport Authority (YSJ)	12/10/2012	Compensated	\$ 3,500,000	208,250	\$ 5,500,000	\$ 8,000,000
8	Greater Victoria Harbour Authority	12/4/2012	Compensated	\$ 6,600,000	N/A	\$ 11,900,000	\$56,300,000
9	Nanaimo Port Authority	1/9/2013	Compensated	\$ 8,100,000	N/A	\$ 6,200,000	\$28,700,000
CVAC (YQQ)			Voluntary	\$ 3,900,000	308,937	\$ 18,300,000	\$15,000,000

3.3. Regulatory Context

Prior to the mid 1990's, airports across Canada, along with other transportation operations such as harbours were owned and operated by Transport Canada. The Government of Canada recognized that many aspects of the Canadian transportation system, including airport operations, were in danger of becoming a liability rather than an advantage to Canadian businesses and consumers. The February 1994 Budget called on Transport Canada to review the potential for commercialization of a number of its major activities, including the operation of airports across the country. One of the results of this review was the launch of the National Airport Policy which was an airport commercialization initiative aimed at ensuring efficient, efficient, reliable, safe, and competitively-priced and environmentally sound airport systems in Canada.

As a result, several Canadian airports devolved from Transport Canada between the mid-to-late 1990s. At this point in time, Transport Canada set guidelines for airport governance including board compensation policies.

It is interesting to note that several of CVAC's peers, and the majority of organizations interviewed, chose to compensate their boards at the outset of the Transport Canada divestiture.

When selecting the seven (7) Canadian regional airports based on the criteria described in section 3.1, only one (1) similar airport was able to be identified that has had a voluntary board from the outset of the Transport Canada divestiture and only two (2) similar airports were identified that initially had a voluntary board at the outset of the Transport Canada divestiture and transitioned to a compensated board model. The remaining four (4) similar airports have had compensated board models from the outset of the Transport Canada Divestiture. The following chart summarizes compensation structures for all of the organizations interviewed.

#	Stakeholder Organization	Compensated from the outset	Voluntary from the Outset	Switched to Compensated from Voluntary
1	Charlottetown Airport			✓
2	Deer Lake Regional Airport	✓		
3	Goose Bay Airport Corporation	✓		
4	Greater Moncton International Airport			✓
5	Greater Sudbury Airport		✓	
6	Greater Victoria Harbour Authority	✓		
7	Nanaimo Port Authority	✓		
8	Prince George Airport	✓		
9	Saint John Airport Authority	✓		

3.4. Themes: Compensated vs. Voluntary

To facilitate the interviews, Sierra Systems used the generic Stakeholder Protocol with guiding questions outlined in Appendix A. It should be noted that several of CVAC's peers had chosen to compensate their boards at the outset of the Transport Canada divestiture. As such, some were challenged during the interviews to offer a perspective on the merits of voluntary vs. compensated given their experience. However, several interviewees who had experience in governance in other voluntary board organizations were able to offer some useful perspectives on this question.

The following are themes heard from stakeholders with respect to the advantages and/or disadvantages of compensating a board.

Why Compensate a Board?

1. Enhanced Board Engagement, Participation, and Commitment Levels:

- Interviewees suggested that in compensating board members, the level of ownership and accountability for board activities is enhanced. If board members are paid, their commitment is solidified and they are accountable for their activities to the community they serve. Compensated board members may, for example, be more inclined to “go the extra mile” and attend community events representing the airport, and sales and business development meetings outside of their formal board meetings;
- Specifically for an airport board, where the business complexity and impact on the community is high, a more committed board can directly impact not only the success of the airport but also the economic growth and safety of the community; and
- CEO's interviewed commented that a more engaged Board directly impacts the skill and competency and engagement of the executive as board members are more likely to effectively collaborate and work closely with management. There was a sense that the “game is raised” with positive benefits resulting.

2. Recognize Board Members for Time, Effort, and Contribution:

- The amount of time, energy, commitment, and accountability that is required of an airport board should be recognized – and compensation, however nominal, is an accepted way of recognizing this workload and role;
- Interviewees suggested that no one joins their boards to “get rich” but rather recognize compensation as a form of recognition for their time, attract a calibre of skill, and to also enhance engagement and participation levels. In fact, in all of our interviews with organizations that compensate their boards, we found that the organizations nominally compensate their board members (see detailed benchmark compensation data in section 5); and
- Several interviews noted that if they intend to run their operations “like a business” they should treat their boards accordingly – and that means compensation.

3. Attract a Caliber of Skill, Knowledge and Talent to the Board:

- An airport and its facilities are complex and have a high degree of impact on the community with respect to safety, security, and economic development. This often requires specialized skills on their Boards – whether they are professional skills (i.e. lawyers, accountants, engineers) or local industry knowledge and experience;
- Often times, to attract these types of skilled individuals to board positions, compensation is required. One reason compensation may be required to attract skilled individuals is that skilled individuals often have a high opportunity cost to their time;
- The one Airport we interviewed that transitioned from a voluntary board to a compensated board two (2) years after the Transport Canada divestiture cited the challenge of attracting needed skills and talents to its Board as the primary reason for its transition.; and
- If there are less competent individuals on the board, this reflects poorly on the organization which in turn can negatively impact the business’s insurability levels.

Why Maintain a Voluntary Board of an Airport?

1. Protection Against Potential Conflict of Interest:

- A voluntary board ensures board members are solely interested in the benefit of the community and that membership is completely free of the perception of personal gain or conflict;
- This becomes especially important in situations where there are political nominees represented on the board which may be seen by some as an indirect monetary reward for political support;
- However, we did hear in other interviews that this conflict can be managed by the level and model of compensation and not simply by removing compensation all together. Some interviewees suggested that compensation does not necessarily preclude interest in the community and public service.

2. No Need to Compensate if Board Engagement, Skill, and Performance is at a Desired Level:

- If there have never been issues attracting the appropriate level of skill and talent to the board given a lack of compensation, and there are no issues with board engagement, participation, and performance levels, interviewees suggested “why compensate if it is not needed?” If this is the case, non-compensation would preserve cash flow for other operational needs.

3.5. Theme: Common Models of Compensation

All organizations interviewed covered out-of-pocket travel and business expenses associated with board membership. Thus, our examination relates to compensation over and above these types of reimbursement. In the case of organizations interviewed that compensate their boards, three common models of compensation are being applied:

1. Board member retainer/honorarium annual fee;
2. Board meeting fees; and
3. A blend of meeting fees and a board member retainer/honorarium.

The most common model of compensation out of the three listed above was the blended model which includes a board member honorarium/retainer fee and an additional per meeting fee for formal “minuted” board or board committee meetings. We heard that the benefit of this model not only compensates/recognizes the board member for the time dedicated to formal board meetings, but also for the additional effort required of board members in the form of meeting preparation, business development activities, attendance at community events etc.

In addition to this, the board Chair, Treasurer, and committee Chairs in many cases received higher compensation in the form of a higher retainer or higher meeting fees. The reason for this is that these roles often require additional effort and time than general board membership.

Finally, all organizations interviewed that compensate their boards freely budget for compensation at what is deemed to be a fair level rather than factored compensation as a share of gross or net revenues or the operating budget.

3.6. Other Themes

In addition to the above described themes heard during interviews regarding the advantages and disadvantages of compensation an airport board as well as common compensation models, the following themes were also heard during interviews.

Considerations for Compensation of Elected Representatives on a Board

The following table summarizes whether, of the organizations interviewed, elected representatives participate in board membership and if those elected representatives are able to accept compensation.

#	Similar Organization Interviewed	Elected Representatives on Board	Compensated Board
1	Charlottetown Airport	No (Prohibited in Bylaws)	Yes
2	Deer Lake Airport	Yes	Yes
3	Goose Bay Airport Corporation	Yes	Yes
4	Greater Moncton International Airport	No (prohibited in bylaws)	Yes
5	Greater Sudbury Airport	No	No
6	Greater Victoria Harbour Authority	Yes	Yes
7	Nanaimo Port Authority	No	Yes
8	Prince George Airport	No	Yes
9	Saint John Airport Authority	No	Yes

As noted in the table above, in some cases, elected representatives receive compensation for board membership without issue. However, generally, those organizations that compensate their board members prohibit elected representatives to sit on the board. In fact, in most cases, elected representatives nominate board members but cannot sit on the board.

Public Issues relating to Airport Board Compensation Policies

In developing our interview questions, we assumed that the topic of compensating regional airport boards may be controversial in some communities, specifically in the cases where elected officials participate as members of the board. As such, we developed some interview questions aimed at investigating whether interviewees had experienced either positive or negative reactions from their communities with respect to their board compensation policies.

When interviewees were asked whether there has been any positive or negative reaction from community members with respect to their board compensation policy, a common theme heard was that community members generally want to see their airport boards be treated fairly. If similar sized airports or like bodies in other regions are compensating their boards, then community members also would find it fair if theirs should do the same.

Furthermore, stakeholder also suggested that the transparency of reporting board compensation policies and levels to the public is imperative as it helps to pro-actively manage public relations. We found that most of the agencies interviewed included board compensation information in their annual reports and financial statements.

Compensation and Board Performance Review

Another common consideration heard throughout interviews was that once an organization decides to compensate their board members, the accountability and performance of board membership should, as a best practice, be evaluated regularly by an independent third party. Regular evaluations of board performance have both negative and positive attributes. Regular evaluations of board performance ensure that the board is meeting expectations, and in areas where expectations are not being met, mitigating solutions can be implemented in a timely fashion. This is a benefit as Board performance has a direct positive correlation with organizational performance. However, regular evaluations of board performance can be costly and time consuming.

4. BEST PRACTICE LITERATURE REVIEW FINDINGS

In addition to the interviews with similar entities conducted, Sierra Systems also conducted a high-level online scan for best practice literature regarding board compensation policies for not-profit-organizations, as well as other relevant board compensation trends and literature. Much of what we found in this scan corroborated what we heard in the interviews. The following section highlights our findings from this high level scan.

The Case for a Compensated Board	The Case for a Voluntary Board
<p>Quality Members: Compensation may be needed to attract quality candidates. Too often, people with high visibility and valuable contacts won't serve without pay.</p>	<p>Community Service: Serving without compensation encourages board members to express their philanthropic values, encourages altruism and places public benefit above self-interest.</p>
<p>Technical Expertise and Talent: A board is often expected to bring a level of expertise to complex topics. Compensation helps attract people with strong technical, professional, or subject matter expertise.</p>	<p>Resource and Cost Burden: Board compensation reduces the amount of financial resources available for other initiatives.</p>
<p>Risk: There are personal and professional risks inherent in board service. Compensation may tip the balance in favour of serving.</p>	<p>Mitigating Potential Conflict of Interest: Because volunteers aren't paid, they are free from potential conflict that might result from trying to protect an income stream. Therefore, they are less susceptible to conflicts between what the right thing to do is and what is in the best interest of those who are signing their paycheck.</p>
<p>Loyalty: a paid person is less apt to take advantage of board services for personal gain. Being paid might strengthen one's obligation to duty.</p>	
<p>Interest and Attendance: Because board members, like anyone else, only have so much time, compensation might help sustain their interest, helping them to be more responsive, and pay greater attention to their board responsibilities such as meeting attendance.</p>	
<p>Diversity: Compensation promotes the recruitment of diverse boards. It opens service up to individuals from different cultures, backgrounds, classes, ages, or personal situations that may not be able to serve otherwise given the financial opportunity cost of not working any lost hours.</p>	

4.1. Government and Legal Guidelines for Compensating Not-for-Profit Board

Although CVAC is not a Crown Agency by definition, Sierra Systems found it useful to review and summarize BC Government Treasury Board directive on *Remuneration Guidelines for Appointees to Crown Agencies*, as a further input to the research conducted. The objective of the *Guidelines* is to outline best practices with respect to compensating boards of Crown Agencies considering the underlying public service nature of the organization. The *Guidelines* state in section 1.2 that:

“Appropriate remuneration for work performed by directors is part of good governance practice. In the public sector, the maximum remuneration level should underscore the important and professional nature of board work and attract and retain qualified individuals to serve. At the same time, there is underlying recognition that service on the board of a Crown Agency entails an element of public service, varying in degree depending on the nature of the organization.”

In addition to the Treasury Board Guidelines, Sierra Systems also reviewed the new federal *Not-for-Profit Corporations Act* (NFP Act) to take effect in 2014. The NFP Act establishes a new set of rules for federally incorporated not-for-profit corporations in Canada. These new rules will replace Part II of the Canada Corporations Act (old Act), the law that has governed federal corporations for nearly a century and forms part of CVAC’s current operating governance framework.

The new NFP does not prohibit the compensation of not-for-profit boards and in fact suggests that directors of a corporation are entitled to fix reasonable levels of remuneration, unless the corporation’s articles or by-laws provide for a different arrangement. The NFP Act also specifically permits a director, officer or member to receive reasonable remuneration and expenses for any services to the corporation that are performed in any other capacity (e.g., in the capacity of a consultant to the corporation). The previous Act did not specifically address board remuneration nor did it prohibit it.

4.2. Canadian Coalition for Good Governance Board Compensation Policy Principles

In 2011, the Canadian Coalition for Good Governance (CCGG) published six (6) principles for boards to consider when structuring their own compensation plans to ensure that their interests are aligned with those of the organization. We have extracted the following CCGG principles that we feel are most relevant to the CVAC context. (For a full description of the six (6) principles, see Appendix C for a link to the online published version of the principles.)

1. Independence

Director compensation should be designed to promote a high degree of objectivity, independent thinking and a direct alignment with the interests of the stakeholders of the company. While director compensation should be sufficient to adequately reward directors for their expertise and experience and the time devoted to the company, it should not be so high as to potentially compromise the independence of directors, their ability to take a controversial stand on an important issue or their preparedness to resign on a matter of principle.

2. Reflect Expertise and Time Commitment

Aggregate director compensation and the structure of director compensation plans will vary, depending upon company-specific factors such as company size and complexity. Individual director compensation should reflect the time expected of the director as well as the overall expertise and experience required.

3. Varying Compensation for different Director Roles

There should be no distinction in pay for directors performing similar roles. Some differentiation of compensation levels among directors based on relative time commitment and responsibilities may be appropriate. For example, independent chairs, lead directors and committee chairs typically entail a greater time commitment and may warrant additional compensation

4. Minimize Complexity and Ensure Transparency

Boards should minimize the complexity of director compensation structures to ensure that the incentives being created are well understood by directors. The process used by a board in setting its compensation should be transparent and communicated as a part of the annual reporting process.

5. OTHER RESEARCH AND ANALYSIS

CVAC conducted a benchmark board compensation analysis on the following 11 regional airports across Canada similar to CVAC in size, passenger traffic, and revenue, and asset size:

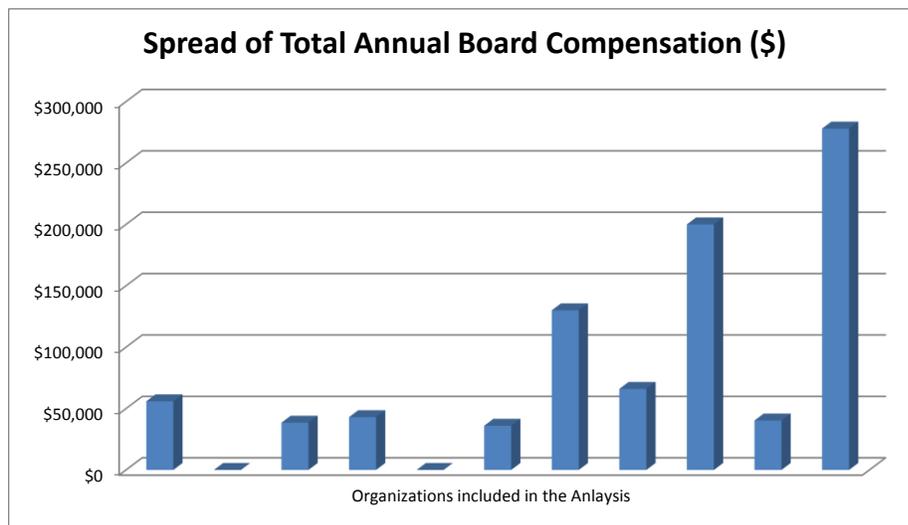
- Charlottetown Airport (YYG);
- Comox Valley Airport (YQQ);
- Deer Lake Airport (YDF);
- Goose Bay Airport (YYR);
- Greater Sudbury Airport (YSB);
- Hamilton International Airport (YHM);
- Greater Moncton International Airport (YQM);
- Prince George Airport Authority (YXS);
- Regina Airport Authority (YQR);
- St. John Airport (YSJ); and
- Victoria International Airport (YYJ).

All data utilized in this analysis was obtained from 2011 annual reports and interviews conducted by Sierra Systems.

Of the organizations included in the study, a total of nine (9) had compensated board policies and two (2) voluntary board policies. The following statistics were obtained in analyzing passenger traffic, gross revenue, total assets, and total board compensation for 2011:

	Passenger Traffic	Gross Revenue (millions)	Total Assets (millions)	Total Board Compensation
Mean	488,232	\$ 9.02	\$ 46.14	\$ 80,697
Median	308,937	\$ 5.30	\$ 35.40	\$ 43,000

The spread of total board compensation across all 11 organizations included in this analysis is illustrated below:



The statistics and the spread of annual board compensation indicate that there are a few organizations that are outliers with extremely large and low total annual board compensation in 2011, which may skew averages. However, the majority of organizations hover around the \$40K to \$50K annual board compensation amount.

The following percentages were calculated for each organization under analysis to help identify whether there is any relation between compensation and gross revenue, total assets, and total passenger traffic:

- Total board compensation as a percentage of gross revenue; and
- Total board compensation as a percentage of total assets.

The following statics and trends were found amongst these percentages:

	% of Gross Revenue	% of Total Assets
Mean	0.95%	0.27%
Median	1.15%	0.16%
Mode	1.01%	0.18%

As indicated, total annual board compensation among CVAC peers tends to hover around 1% of total gross revenues, and 0.20% of total assets.

Additionally, the following correlations between data sets could be identified:

- Correlation of Total Board Compensation and Total Gross Revenue: + 0.88;
- Correlation of Total Board Compensation and Total Assets: +0.84; and
- Correlation of Total Board Compensation and Total Passenger Traffic: +0.96.

These are all strong positive correlations which indicate that as revenue, assets, and passenger traffic increases, board compensation also increases.

The information above provides CVAC with more detailed benchmarks with which to evaluate possible compensation scenarios should that option be chosen. However, it should be noted that of the peer agencies interviewed who operate in a compensated Board model, none of them deployed these types of detailed measures in determining compensation levels and caps.

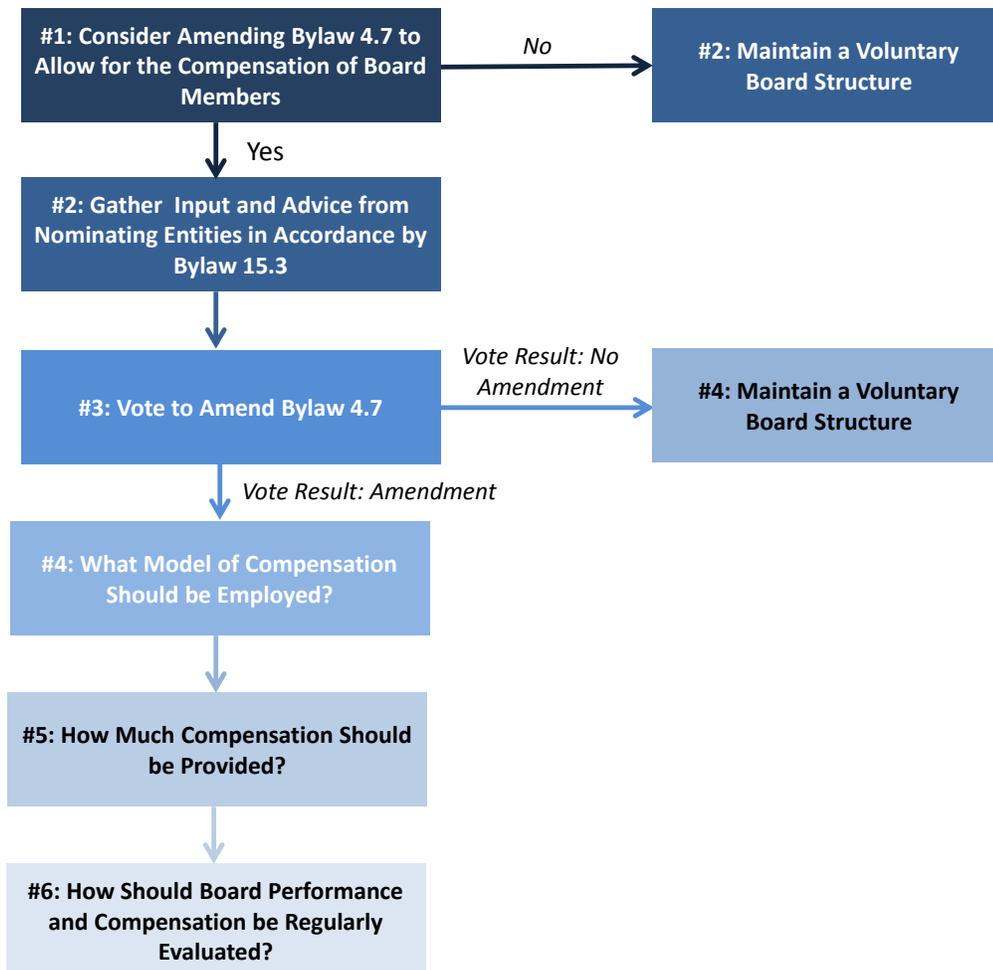
6. CVAC BOARD COMPENSATION EVALUATION FRAMEWORK AND RECOMMENDATIONS

In our analysis of the regulatory framework under which CVAC operates, we did not find any regulation or guidelines that would prevent CVAC from compensating its board members should it chose to do so. Based on the interviews conducted as well as our high-level best practice scan, Sierra Systems recommends that CVAC consider the following seven evaluation factors if it chooses to review its board compensation status. These factors serve as a lens through which to evaluate the option of remaining with a voluntary board policy or transitioning to a board compensation model.

1. Could current CVAC Board engagement, participation, and commitment levels be enhanced through compensation?
2. Do current Board members dedicate a significant amount of time and effort on Board activities that warrants recognition through compensation?
3. Would Board compensation enable CVAC to better attract the skill levels, knowledge, and talent it needs to discharge its Board responsibilities?
4. Does CVAC wish to portray an image to its stakeholders that the airport, although a not-for-profit corporation, is being operated like a business? If CVAC is to “run like a business” and be seen as such in the community, does this warrant compensation of its Board?
5. Does CVAC wish to portray an image to stakeholders that the airport is a not-for-profit organization founded on the value of public services and is operated by the community for the community?
6. Does CVAC have a sustainable funding source available for annual on-going Board compensation?
7. Does CVAC have a sustainable funding source available for regular Board performance and compensation evaluations?

7. NEXT STEPS

The determination of a board compensation policy based on the findings outlined in this report rests with the Board of CVAC. However, based on our research and experience, the following graphic outlines a recommended decision process and next steps once the decision to compensate or not compensate Board members has been made.



8. CONCLUSION

In conclusion, throughout the Board Compensation Study, as outlined in this report, research and interview input provided consistent data on the merits and arguments for both compensating the CVAC board and for remaining with a voluntary board structure. Further, Sierra Systems reviewed the present and emerging regulatory framework under which CVAC operates and found no regulatory impediment to board compensation for CVAC. Indeed, several of CVAC's peers have adopted a board compensation policy, albeit at the outset of the Transport Canada divestiture. On balance, it is the "fairness" test that appears to be the most compelling in peer organizations – *Is our Board compensated fairly in comparison with their peers who have chosen the compensation route?*

APPENDIX A: INTERVIEW PROTOCOL

Comox Valley Airport Commission (CVAC) Governance Review		
Interview With [Organization]		
Date and Time	<i>Tailored</i>	
Location/Conference Call Information	(888) 260-2444 Conference ID:3255638	
Project Background	<p>The Comox Valley Airport (YQQ) is centrally located on the central east coast of Vancouver Island and serves a population base of nearly 320,000 residents. It is the second largest airport on Vancouver Island and processed 308,937 passengers in 2011.</p> <p>The commercial operations at YQQ are operated by the Comox Valley Airport Commission. (CVAC), a not-for-profit, fully independent entity formed in 1996. Presently, Board members serve without any compensation save for repayment of out of pocket expenses associated with their duties. CVAC wishes to examine whether it should consider remunerating its Board members. To assist in this decision, CVAC is undertaking research to examine like not-for-profit entities to determine if and how they may have decided to adopt a compensated Board model. Sierra Systems Group Inc. has been engaged to assist CVAC in this work. Over the next few weeks, Sierra Systems intends to interview a number of like entities to discuss their experience as well as obtain advice on the topic of at hand.</p>	
Interview Objectives:	<ul style="list-style-type: none"> To gain an understanding of why similar entities under review may have decided to compensate their Boards or remain voluntary in nature. To gain an understanding of any “trigger points” that caused similar entities to move from a voluntary Board structure to a compensated board structure. 	
Interview Participants	Organization and Individual	Sierra Systems (Consultants)
	<ul style="list-style-type: none"> <i>Tailored</i> 	<ul style="list-style-type: none"> Stuart Culbertson – Project Director Kasia Bruski – Research Coordinator
Roles and Expectations:	<ul style="list-style-type: none"> Provide advice advise based on experience Contribute thoughts, ideas and issues that should be considered 	<ul style="list-style-type: none"> Enable discussions and ensure key points are confirmed while remaining sensitive to the responses and views of interviewees Confirm details so as to accurately report input
Interview Guide:	<p>General Questions for all Interviewees:</p> <ol style="list-style-type: none"> Please tell us about your organization’s business and governance structure (e.g. how long have you been in operation, what are your core activities what type and size customer base do you serve structure of your organization - i.e. not-for-profit, corporation, partnership etc.)? 	

	<ol style="list-style-type: none"> 2. What is the profile of your Board members (i.e. required experience, qualifications, expertise etc.)? 3. What is the commitment expected by each Board member (number of annual meetings, hours worked per week, complexity of work, etc.)? 4. Are you Board members compensated? <p>Organizations with Compensated Boards:</p> <ol style="list-style-type: none"> 1. What is your Board compensation model (cash retainer, honorarium, meeting fees, commitment fees etc.)? What is the budget for Board compensation – amount and percentage of total budget? 2. Has your Board always been compensated from the outset or did you transition from a voluntary Board at some point? 3. What were the factors that made your organization decide to move to a Board compensation model? What triggered this transition – i.e. revenue level, business complexity, requirement for designated skills on the Board etc.? 4. What have been the outcomes of the Board compensation model for you? – i.e. has it made governance of your organization more effective; produced a stronger candidate pool for membership? 5. When you review your compensation model and rates, who do you compare yourself with and why? <p>Organizations with Voluntary Boards:</p> <ol style="list-style-type: none"> 6. Have you ever considered compensating your Board? If so, why? 7. If not, what would have to occur for you to consider compensating your Board? 8. What has made your organization remain with a voluntary Board structure? 9. Has the lack of Board compensation had any effects on your organization – i.e. member recruitment and retention, governance effectiveness? <p>Concluding Observations</p> <ol style="list-style-type: none"> 1. Do you have any other observations or advice that you chose to offer CVAC on the advantages, disadvantages, impacts and communication considerations relating to moving to a compensated board model? 2. Could you refer us to any other entities we should talk with on this topic? <p style="text-align: center;"><i>Thank You for your time and participation!</i></p>
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APPENDIX B: LITERATURE REVIEW REFERENCES

Canadian Coalition for Good Governance, *CCGG Policy for Director Compensation*, February 2011,
http://www.ccg.ca/site/ccgg/assets/pdf/2011_Director_Comp_PolicyMarch25.pdf.

Council of Foundations, *Board Compensation, Voluntary or Compensated Boards - Which is the Better Policy?* 2010,
http://www.cof.org/files/Documents/Governing_Boards/Board%20Briefs/Board_Compensation.pdf

Government of British Columbia, Treasury Board *Directive on Remuneration Guidelines for Appointees to Crown Agencies*, December 16, 2010.

Industry Canada: Corporations Canada, New Legislation: *Canada Not-for-Profit Corporations Act*, 2013,
http://www.ic.gc.ca/eic/site/cd-dgc.nsf/eng/h_cs04953.html.