NOTICE

The District Municipality of Muskoka is considering a proposal to close the grass runway (09-27) located at the Muskoka Airport. The potential closure of this runway is being explored in order to provide an additional 44 acres of land at the airport for aviation business and industrial development.

A background paper entitled “Airport Income and Development Review, March 2008” provides further detail and information respecting this proposal. A copy of the background paper is attached to this notice and can also be found on the Muskoka Airport website (www.muskokaairport.com) or obtained at the Muskoka Air Terminal Building.

The Planning and Economic Development Committee is inviting submissions respecting this matter which will be considered at its meeting scheduled for 9:00 a.m. on May 22, 2008 in the Council Chamber, District Administration Building, 70 Pine Street, Bracebridge, Ontario. Written submissions or requests to make an oral submission at the meeting must be received by the District Clerk prior to May 14, 2008.

Ms. Christine Lees
District Clerk
The District Municipality of Muskoka
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Any questions or clarifications respecting this proposal or the invitation for submissions should be directed to:

Mr. Mark Stirling
Airport Manager
687-2194

THE DISTRICT MUNICIPALITY OF MUSKOKA

Managing Our Legacy Together

Airport Income and Development Review

March 2008

1. Introduction

Recent inquiries have raised questions about the availability of developable lands and the nature of business activities at the Muskoka Airport. The intent of this report is to explain the current business activities with an emphasis on what type of customers and activities contribute the most income to the Airport, and to provide a basic assessment of the available lands for development.

2. Financial Overview

As determined on March 5, 2008, the Airport's total operating expenses for 2007 were $1,457,952 of which, $833,636 was to purchase aviation fuel for resale. The total revenue and recoveries were $1,213,436 ($1,023,954 from fuel sales). Therefore, $244,516 was required to cover the annual expenses. Due to the long-term capital expenditures required to maintain an airport facility, another $340,277 was required for reserve contribution.

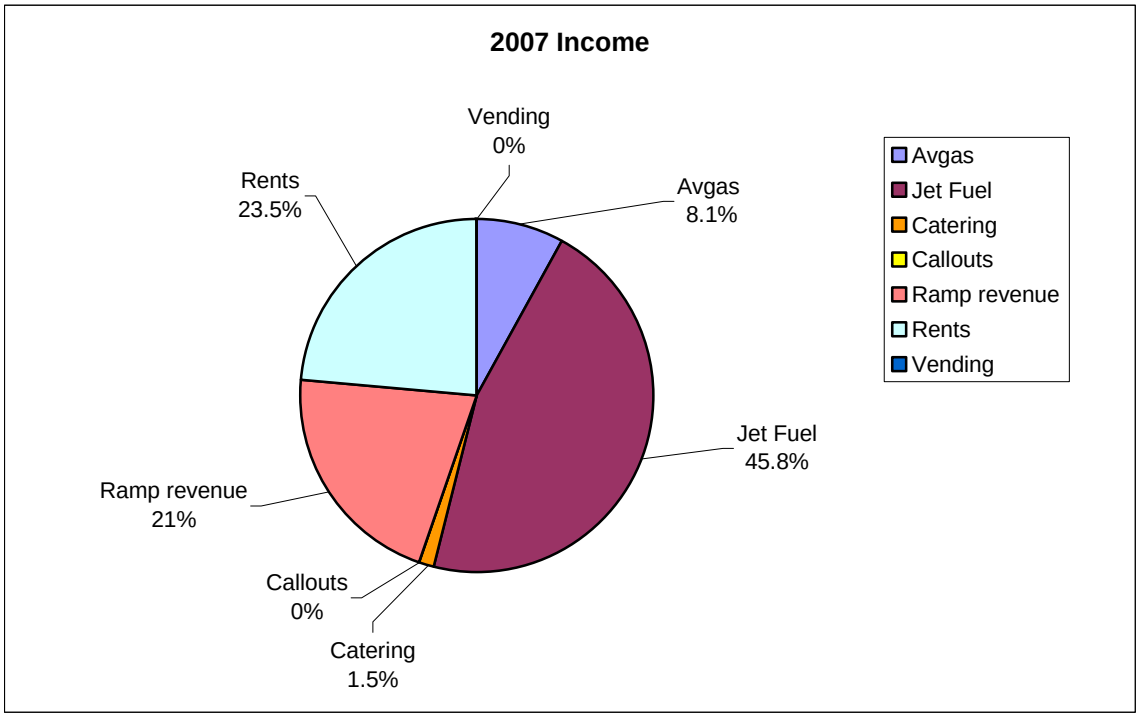
These figures are independent of any land sale revenue. Land sale income is added to the amount contributed to the capital reserve.

3. Income

Jet fuel sales account for almost 46% of the annual airport income. Avgas accounts for only 8%. Combined, fuel sales account for 54% of the airport income.

Ramp income (aircraft landing and parking fees) accounts for 21% of the airport's income, and rents (land leases and airport maintenance charges) account for 23.5%.

In summary, fuel sales, rent, and ramp fees, account for over 98% of all the annual income for the Airport.



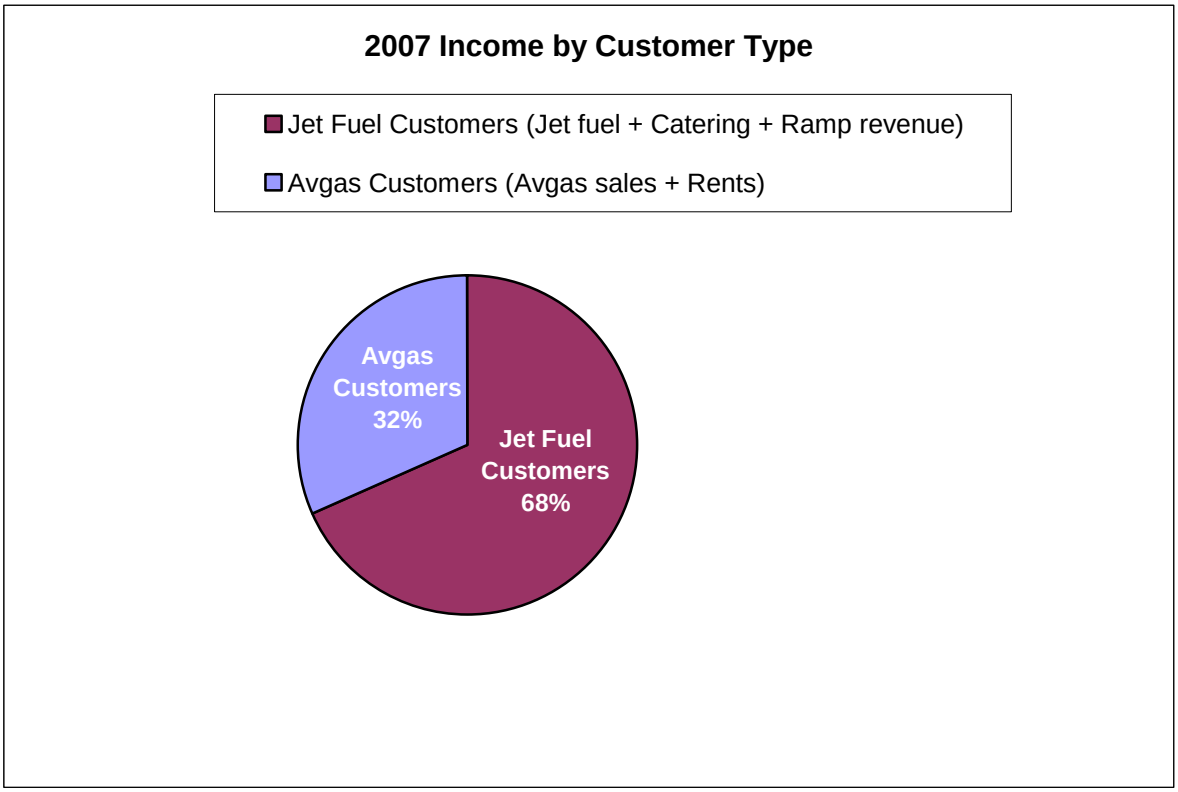
Note: Purchase expenses have been subtracted from revenue to determine income for fuel, catering, call outs, and vending operations.

4. Income By Customer Type

Income can be categorized by specific customer type. For instance, most of the ramp revenue (landing and parking fees) is generated from aircraft that are powered by jet fuel, as the smaller piston aircraft that are powered by avgas are generally exempt from landing fees due to their weight class. In addition, their parking fee income is very minimal compared to the larger jet fuel driven aircraft. Similarly, virtually all of the catering orders are provided for executive charter operations, which are exclusively turbo-prop and jet aircraft. If the income from these three streams is combined, jet fuel related income accounts for 68% of the Airport's annual income.

Conversely, most of the tenants at the airport that pay land rent and/or Airport Maintenance Charges (AMC) operate or service avgas powered piston aircraft. If these two categories are combined, avgas orientated income accounts for 32% of the Airport's annual income.

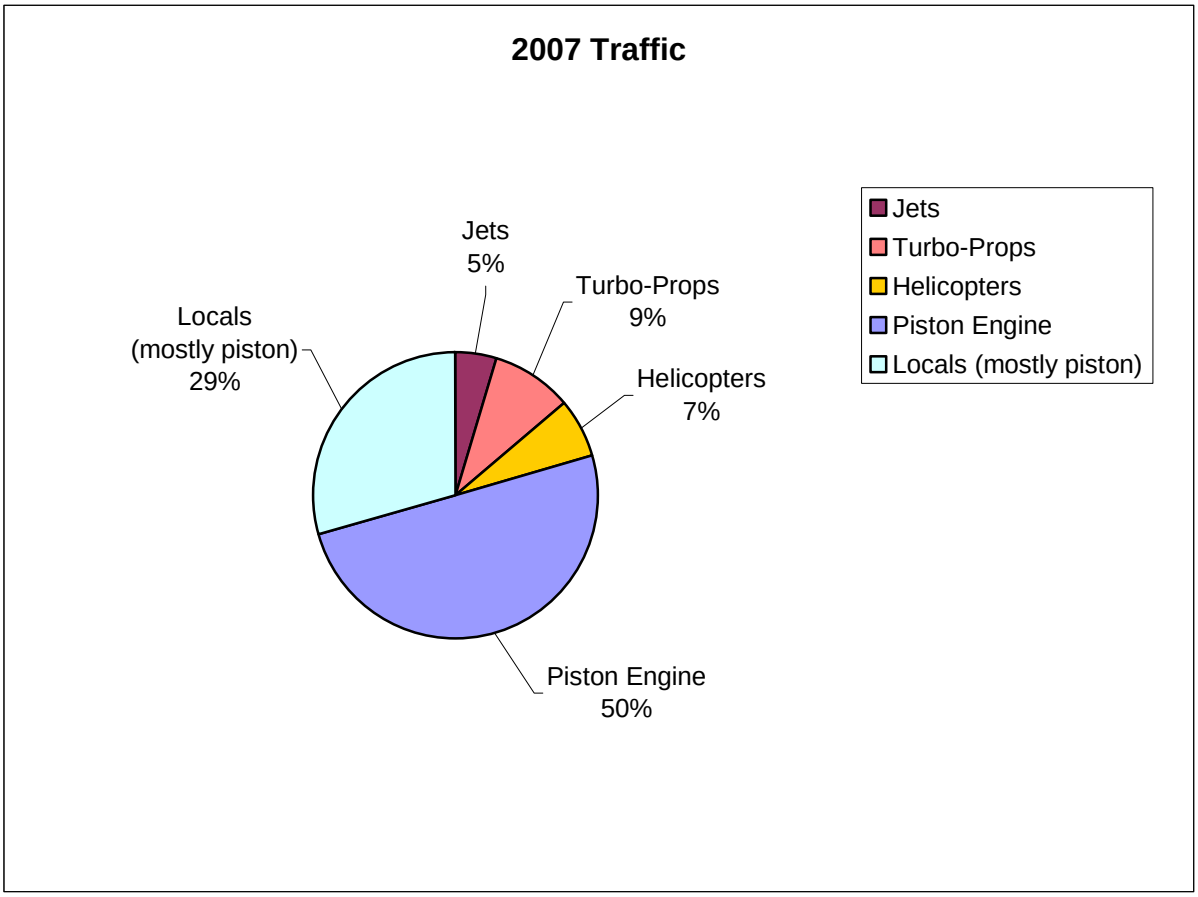
Jet fuel customers represent commercial aviation operations, while most avgas customers represent private recreational flyers or businesses that cater to recreational flyers. Both these sectors provide income and benefit to the Airport and the community.



5. Traffic

Analysis of the annual aircraft traffic movements reveals that the jets, turbo-props, and helicopters that make up the jet fuel burning customer base (commercial clients) account for only 21% of the traffic movements (and yet they account for 68% of the income).

The piston engine aircraft that make up the avgas burning customer base (recreational flyers) account for 79% of the traffic movements (and account for 32% of the income).



Each jet fuel powered aircraft movement leads to an average of $49.68 in fuel sales income. Similarly, each avgas powered aircraft movement leads to $2.28 in fuel sales income. In terms of fuel sales, it takes about 22 piston aircraft movements to equal the fuel sales profits of one (1) jet fuel powered aircraft movement.

6. Service Requirements

In 2007, airport staff fueled 1,956 aircraft. 54% of these customers bought jet fuel, while 46% bought avgas. Despite the difference in profit margin, the workload for each customer type is similar.

The number of aircraft fuelled for each fuel type compared to the traffic numbers reveals that about 65% of the jet fuel powered aircraft customers purchased fuel, while only about 23% of the piston aircraft customers purchased fuel.

Analysis of total fuel sales volume (771,629 litres) indicates that 86% (665,554 litres) was jet fuel, and 14% (106,075 litres) was avgas.

Most avgas clients pay by cash or credit card and only 30% of jet fuel customers do so. The other 70% purchase their jet fuel through assigned sales accounts held by Imperial Oil Limited. These assigned sales provide fuel at cost, plus an 'into-plane-fee' which is typically about one-half of the normal markup applied to cash and credit card sales. However, presumably many customers purchase the fuel because the assigned sale account is in place and Muskoka is a branded dealer.

7. Seasonal Factors

An examination of seasonal fuel sales and aircraft traffic numbers reveals that the Muskoka Airport does almost one-half of its annual fuel sales during the two-month summer window of July and August. Specifically, 49% of the annual fuel sales and 35% of the annual traffic movements occur during July and August.

If the summer window is expanded to include June through September, 79% of the annual fuel sales and 58% of the annual traffic movements occur during this four-month period.

8. Grass Runway

There is not a significant cost to maintain the grass runway, as it only requires some extra grass cuttings during the summer season, and minimal staff time to move the identification markers (cones) out for the summer and back into storage for the winter. Similarly, there is no direct revenue generated from the grass runway, as the aircraft that use it are generally in a weight class that is exempt from landing fees.

The grass runway is used almost exclusively during the snow free months. Although it does remain open for use by planes with landing skis in the winter, it is rarely used for this purpose.

In 2007, only 165 of 11,047 total itinerant aircraft movements (flights to or from another airport) took place on the grass runway. This is less than 1.5%. However, there were another 4,609 local airport movements (flights that originate and return to Muskoka without leaving the airport zone) that cannot be associated with a particular runway. General observation from airport staff would suggest that relatively few of these local flights actually used the grass runway.

The grass runway is considered to be of value to many of the local tenants and the local flight school, as it provides an opportunity to train on grass landings, and provides an alternate landing orientation (cross-wind runway) when winds favour an east-west runway for the smaller aircraft.

9. Current Development Lands

To date approximately 17 acres of land have been developed for private and commercial aviation uses. The northwest development area (accessed from Gravenhurst Parkway and Sabre Lane) supports approximately 12 acres of such development, while the southwest development area (accessed by Airport Road) supports just over 5 acres of development. The southwest development area is able to accommodate larger, heavier aircraft (Challengers, Gulfstreams, Dash-8, etc.) due to the size and clearance of its taxiways along with the load bearing capacity of the pavement, while the northwest development area cannot support the movement of such large aircraft.

Map 1, "Development Areas And Limitations", on the following page highlights in light green, those potential development areas that are clear of trees, relatively flat, and not obviously affected by bedrock. The hatched green area represents treed land that is also considered to be developable.

The Runway Strip

In order to demonstrate the limitations imposed by the approach slopes to the runways and their respective transitional slopes, the runway strips have been shaded pink for the paved runway, and gold for the grass runway. These strips are areas where no development can take place in accordance with Transport Canada Regulations.

The Runway Approach Surfaces

At the end of each runway strip, are two angled lines extending out and away from the runway. These lines represent the approach surfaces that are protected under the Zoning Regulations of the Aeronautics Act. These protected surfaces extend out 3,000 metres (1.86 miles) from the end of the paved runway strip and gradually slope up at a rate of 1:50. The lines also diverge out at a 10% angle. No objects can obstruct the area above the sloped plane.

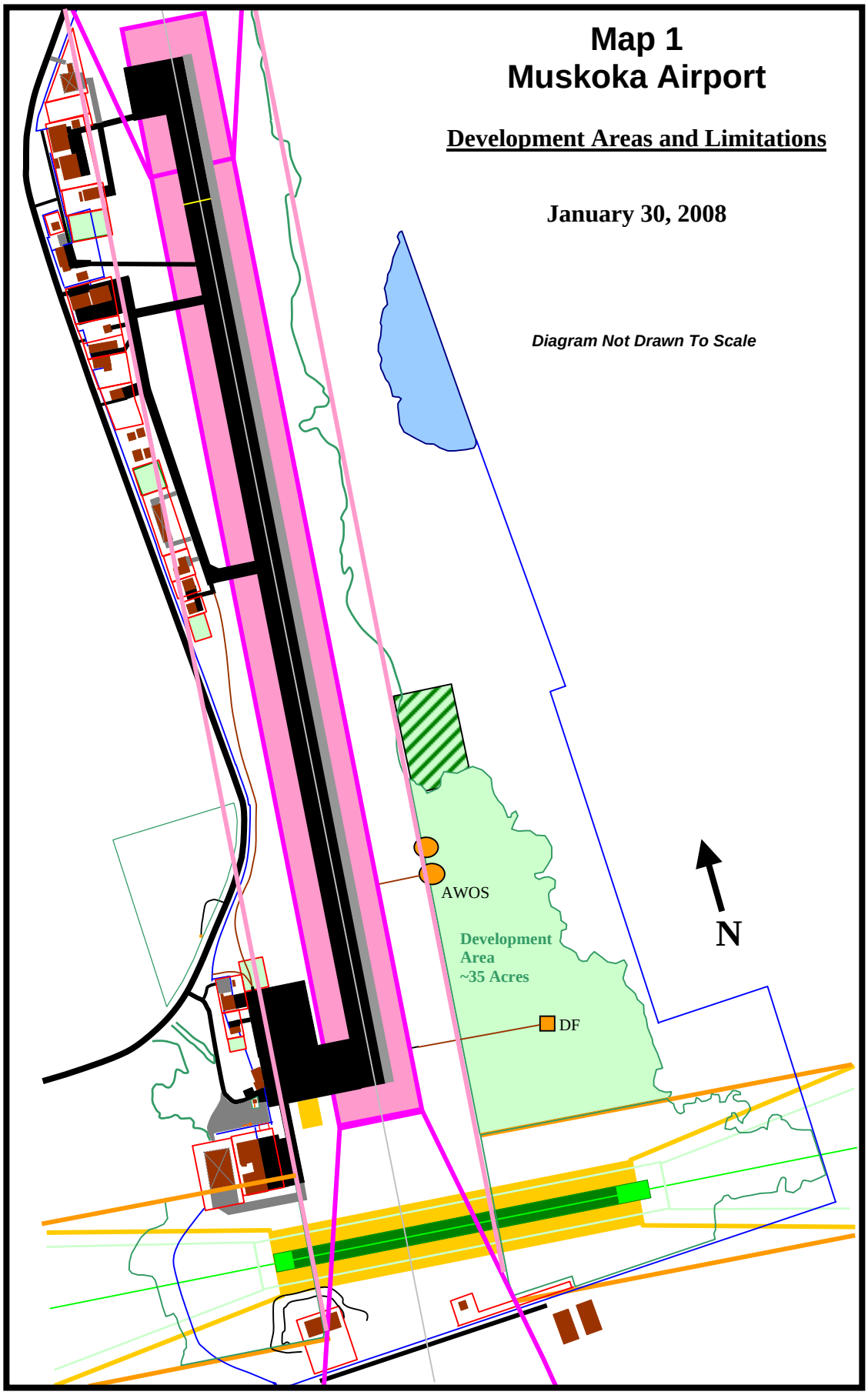
The grass runway approach surfaces extend 2,500 metres (1.55 miles), slope up at a rate of 1:40, and diverge outward at a 10% angle. Due to the relatively short distance from the end of any of the runways to the boundary of the Airport, these approach surfaces leave no room for hangar development (with the possible exception of land depression areas like the gravel pit on the southern approach to runway 18-36).

Limitations of the Transitional Slope

To the side of each runway strip is another coloured line (pink for the paved runway and orange for the grass runway) that represents the nearest location that a 42 foot high building could be located as per the 1:7 transitional slope restriction imposed by the Zoning Regulations of the Aeronautics Act. This height limitation of 42 feet was arbitrarily selected for display purposes, as many of the larger commercial hangars being proposed require building heights of 40 to 45 feet. This boundary is very significant, because it further limits development on either side of both runways. Buildings could, and have, been built inside this boundary, but only if their height is below the slope limitation. In fact, most of the development in the vicinity of taxiway bravo (mid-field of the paved runway) is inside the 42-foot building height boundary line.

Other Limitations to Development Areas

In 2005, an Environmental Impact Study determined that the northeast quadrant of the Airport lands were not suitable for development, due to the potential impact on the wetlands surrounding Wright's Lake. Therefore, the east side developable area is limited to about 35 acres of cleared, flat land from about mid-field south to the building limitation boundary of the grass runway. Unfortunately, there is an Automated Weather Observation System (AWOS) and a Directional Frequency (DF) locator situated in this development area that would need to remain within the area, and buildings cannot be erected within close proximity of these devices. Another limitation to this development area is its isolation from a convenient access point.

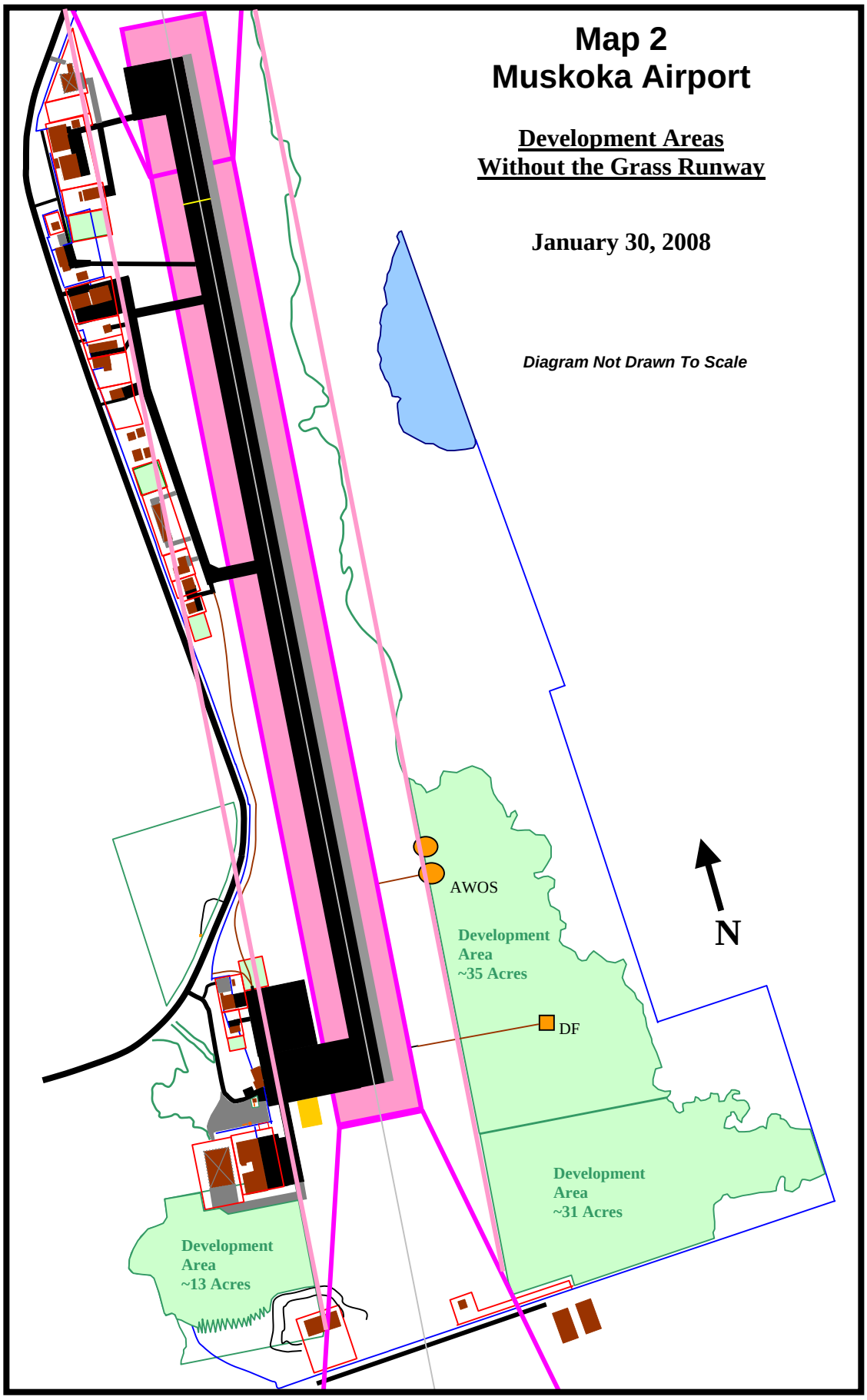

Map 1
Muskoka Airport
Development Areas and Limitations
January 30, 2008
Diagram Not Drawn To Scale
AWOS
Development
Area
~35 Acres
DF
N

10. Future Development Lands

The 35 acres of developable land on the east side of the Airport is limited in size due to the slope restrictions that result from the location of the grass runway. Removing the grass runway, as depicted on Map 2, “Development Areas Without the Grass Runway”, on the following page would provide another 31 acres of developable land immediately south of the original parcel, extending all the way to the southern boundary of the Airport property.

Closing the grass runway would also provide another 13 acres of accessible land on the west side of the airport. This parcel could be accessed by the existing and proposed taxiways at the south end of the Airport. These taxiways will support larger and heavier aircraft. However, the main Hydro and Natural Gas lines that supply the Airport run right through the middle of this area. These utilities may need to be relocated or lowered to allow taxiways, roadways, or buildings to be built in the area.

Providing additional development area on the west side would delay the need to build an access road and provide utilities to the east side of the airport property.


Map 2
Muskoka Airport
Development Areas
Without the Grass Runway
January 30, 2008
Diagram Not Drawn To Scale
AWOS
DF
N
Development
Area
~35 Acres
Development
Area
~31 Acres
Development
Area
~13 Acres