



# Management Discussion & Analysis

## FY2016/17

The following Management Discussion and Analysis (MD&A) addresses Greater Victoria Harbour Authority's (GVHA) activities and financial performance for the fiscal year ended March 31, 2017. The information contained in this MD&A has been prepared by management and should be read in conjunction with the audited financial statements.

### HIGHLIGHTS OF FY2016/17

#### Financial Highlights

- Revenues were up 10% to \$12.9 million as a result of a stronger cruise passenger counts (PAX), additional Steamship Terminal building occupancy revenues and continued growth for most commercial clients with concession based agreements
- Operating expenses increased 1% to \$12.1 million as a result of increased marketing initiatives and additional maintenance at all facilities
- Operating income after amortization was \$0.8 million, compared to an operating loss of \$0.2 million in the prior year
- Cash flow from operations increased to \$4.1 million from \$2.6 million in the prior year
- Total restricted and unrestricted capital increased to \$9.7 million from \$7.8 million in the prior year

#### Operational Highlights

Improved environmental initiatives included successful incentives which improved the average bus age at Ogden Point to 2003 in 2016 from 1986 in 2015 in addition to the launch of the green electrical bus at Ogden Point. Other significant events included:

- Strengthening ties to member agencies and government decision-makers at all levels
  - Enhanced staffing at the senior level to support large-scale initiatives in property and cruise
  - Continued progress on the Ogden Point Master Plan (OPMP) including submission to the City of Victoria with supporting documentation around traffic, economic feasibility, community engagement and phased implementation.
  - Great support among regulators and, and cruise lines in the advancement of the concept of Victoria as a home port
  - Emergency Response Planning for the Fisherman's Wharf Facility (Ogden Point completed FY 2015/16)
  - Introduction of liquor licensing and expanded seating area at Fisherman's Wharf
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**Fiscal Year Quick Facts:**

- 224 cruise calls brought over 550,000 passengers and 210,000 crew to Ogden Point for a visit to Victoria and the region
- \$1.1 million social investment relating to community use and enjoyment of GVHA facilities
- \$1.8 million capital upgrade and sustainability investment into facilities
- 211 days non-cruise ships docked at Ogden Point, allowing for commercial vessel moorage
- Entered into property leases or license agreements with several new and existing harbour businesses

## WHO WE ARE & WHAT WE DO

### About GVHA

The Greater Victoria Harbour Authority (GVHA) was created as a not for profit society to assume responsibility for Harbour properties divested from the Federal Government to local control in 2002. The Harbour lies in the Traditional Territory of the Lekwungen People of the Esquimalt Nation and the Songhees Nation. GVHA lands and waters are adjacent to several Victoria neighbourhoods.

The GVHA is accountable to its 8 Member Agencies: The Esquimalt Nation, the Songhees Nation, the City of Victoria, the Township of Esquimalt, the Capital Regional District, the Greater Victoria Chamber of Commerce, Tourism Victoria and the Victoria Esquimalt Harbour Society.

GVHA's customers include cruise lines, shipping companies, commercial vessels, recreational yachts and boats, live-aboards, float homes and commercial tenants. GVHA has fee simple ownership or leasehold interests in three main locations: Ogden Point, Fisherman's Wharf and the Inner Harbour:

**Ogden Point Deep Water Terminal** – Nearly nine hectares of land and seabed, including four berths, breakwater, warehouse, staging area, helicopter terminal, and other commercial buildings;

**Fisherman's Wharf** – Four and a half hectares of land and seabed, providing moorage for pleasure vessels and commercial fishing vessels, fish off-loading facilities, fuel dock, float home community, and other commercial and recreational activities;

**Raymur Point** – a pocket marina east of the Fisherman's Wharf facility containing the new customs dock;

**Wharf Street and Johnson Street Marinas** – Commercial, annual and guest moorage for pleasure vessels, commercial vessels, and float planes at the Hyack Terminal;

**Ship Point, Lower Causeway and Steamship Float** – Tourist recreational area and guest moorage facilities, public pathway around the Harbour, host to various Victoria marine and community events, eco-tourism activities, and other commercial activities; and

**The Steamship Terminal Building** – A four-storey historic Victoria landmark on the Inner Harbour which has been restored to a vibrant commercial and cultural hub with a focus on public access.

## STRATEGY

### Vision

We envision:

- *a working Harbour* where people live, learn, work, and play; a spectacular gateway into Victoria's past and into its future, with a vibrant look and feel, linking communities and all people together.
- *a GVHA organization* that is recognized by the community as an effective marine asset manager, and as a trusted advocate and partner, working for the common good of the Harbour and the Region.

### Mission

In fulfilling our Constitution, we perform three distinct yet complementary roles:

- Owners and managers of the properties entrusted to us through devolution or under lease;
- Advocates for best water and marine-related use and development of the whole Harbour and its assets, regardless of ownership, in accordance with our guiding principles; and
- Partners or collaborators with others in implementing Harbour initiatives that drive economic, social and environmental benefits for the Region.

### Values

Teamwork	Working together to achieve common goals through a shared vision.
Leadership	Leading by example, being proactive in taking challenges, and listening and providing feedback.
Integrity	Upholding GVHA's and our personal principles, and being genuine and consistent in our interactions with others.
Accountability	Taking responsibility for our behaviours, actions and decisions.
Positive Attitude	Optimistic and energetic in the realization of our mandate.

## Guiding Principles

GVHA's actions and decisions will be guided by the following principles:

- **First Nations Relationship** - We commit to working in partnership with the Esquimalt Nation and the Songhees Nation as they pursue their cultural and economic aspirations in the Harbour.
- **Triple Bottom Line** - We commit to generating broad economic and social benefit from the use of our properties, while continuously reducing adverse social and environmental impacts in local neighbourhoods and to our land, air and water.
- **Financial Self-Sustainability** – We commit to structuring and managing the GVHA in a financially prudent manner, and to ensuring the long term sustainability of the organization and its assets without recourse to local subsidies.
- **Working Harbour** - We commit to promoting the Harbour as a working Harbour, seeking out opportunities to help advance industrial, commercial and tourism related enterprises – “where commerce requiring the connection between the land and water takes place”
- **Accountability** - We commit to act in the public interest of the Harbour on behalf of GVHA's Member Agencies, their stakeholders and the people of the region, and to be held publicly accountable for our activities and results.

## Strategic Goals

We aspire to achieve the following measurable outcomes:

### 1. Economic, Social and Environmental Benefit for the Region

GVHA follows a triple bottom line approach to measuring economic, social and environmental impacts to the region, including our local First Nations.

At GVHA, we:

- are a community-based organization that strives to support a thriving and vibrant community;
- strive to protect and enhance the health of the natural environment that is within our control for the benefit of present and future generations;
- are committed to being financially self-sufficient; reinvesting cash surpluses into our assets and the community as we work toward realizing our vision; and
- commit to working with all harbour stakeholders to achieve the optimum outcome in the public interest, by generating net benefit for the Esquimalt Nation, the Songhees Nation and for all residents living in and businesses operating in the Capital Region.

## **2. Financial Self-Sufficiency & Responsible Stewardship of GVHA Properties**

At GVHA we continuously reinvest in our assets to improve the experience that our customers and the public have at each of our facilities. Our asset lifecycle plan is critical to ensuring long-term sustainability of our operations, and informs our long-term investment strategy to ensure our financial capacity aligns with long-term asset maintenance and replacement needs.

## **3. A Trusted Advocate for the Working Harbour**

GVHA supports and facilitates stakeholder collaboration to develop and implement a shared vision for the future of the working harbour. We recognize and respect that the harbour lies in the traditional territory of the Lekwungen Peoples of the Esquimalt and Songhees Nations. We also recognize and respect that GVHA lands and waters are adjacent to several Victoria neighbourhoods; as such, GVHA activities must align with the vision and regulatory policies and procedures of the City of Victoria.

The City of Victoria and the Province of BC both recognize the importance of developing a comprehensive harbour plan. As such, GVHA's priority to develop a master plan for the inner harbour facilities will require extensive collaboration with all stakeholders to ensure continued protection/enhancement of the working harbour. We realize that demonstrating the value and relevance of GVHA's role within the harbour is required to increase stakeholder engagement and support. A robust and meaningful consultation and engagement strategy is essential to GVHA's success.

## **4. Effective Governance and Accountability**

We convene regular meetings with GVHA member agencies to present plans and reports, and to engage our member agencies in strategic discussions about issues and opportunities. Our board comprises directors with a collective range of skills, expertise and experience. Directors are selected and nominated to competently provide direction and oversight of GVHA's activities. GVHA keeps the public consistently informed around GVHA operations and initiatives, and we manage a transparent and consultative planning process.

## FY2016/17 BUSINESS PLAN INITIATIVES

The table below outlines GVHA’s key business plan initiatives that support the realization of strategic goals. To realize our long-term goals, particularly a triple bottom line benefit to the Region and financial sustainability, our focus has been on laying the groundwork for future growth, mitigating losses currently experienced at our Inner Harbour properties and implementing cost control measures within the organization.

Strategic Goal	Business Plan Initiatives
Economic, Social and Environmental Benefit for the Region	<ul style="list-style-type: none"> <li>• Monitor trends in environmental issues and initiatives to inform GVHA’s environmental management plan, including air quality, noise and emissions</li> <li>• Reduce environmental impacts on GVHA facilities, including actively improving Clean Marine BC and Green Marine ratings</li> <li>• Provide in-kind sponsorships for community events</li> <li>• Position Ogden Point as a future home port (by 2020)</li> <li>• Implement Ground Transportation Strategy</li> <li>• Complete and implement Ogden Point master plan</li> <li>• Implement Fisherman’s Wharf rezoning and commercial mix plan</li> </ul>
Financial Self-Sufficiency & Responsible Stewardship of GVHA Properties	<ul style="list-style-type: none"> <li>• Increase revenues and control expenses, resulting in increased surpluses to fund operating and capital maintenance of existing assets</li> <li>• Improve revenue growth and diversification to reduce dependency on cruise ships; focus on property and commercial development, plus non-cruise marine revenue</li> <li>• Proactively manage maintenance program on all marine and upland assets</li> <li>• Update 25-year asset lifecycle plan</li> <li>• Emphasize a cultural shift to customer focus and customer value within the organization</li> <li>• Pursue government grant and private investment opportunities</li> <li>• Review financial risks and monitor reserves strategy</li> <li>• Utilize financial strategy and modeling for long-term planning</li> </ul>
A Trusted Advocate for the Working Harbour	<ul style="list-style-type: none"> <li>• Collaborate with stakeholders in developing a comprehensive Inner Harbour plan</li> <li>• Encourage the development and realization of the David Foster Pathway</li> <li>• Enter into new discussions with the Esquimalt Nation and Songhees Nation, to clarify and confirm an effective and affordable role for GVHA in local First Nations economic opportunities and development</li> <li>• Host and attend public open houses</li> </ul>
	<ul style="list-style-type: none"> <li>• Conduct stakeholder engagement survey every three years</li> <li>• Meet regularly with harbour stakeholder groups</li> </ul>
Effective Governance and Accountability	<ul style="list-style-type: none"> <li>• Develop and implement enhanced new director and member agency representative orientation process</li> <li>• Engage and include stakeholders throughout GVHA’s strategic planning process</li> <li>• Inform the public on GVHA operations and initiatives</li> <li>• Regular meetings with GVHA member agencies</li> <li>• Advise member agencies of governance issues requiring their deliberation</li> <li>• Maintain “Integrated” Enterprise Risk Management Program</li> </ul>

## INFRASTRUCTURE INVESTMENT & RENEWAL

In FY2016/17, capital spending increased to \$1.8 million from \$1.7 million in the previous year. Progress on capital projects at Ogden Point totaled approximately \$1.2 million and included progress on the Ogden Point Master Plan and the Certificates of Compliance process, \$140k for caisson repairs, \$402k in enhancements to the guest arrival experience, a backup generator, and the infrastructure to support the green electric bus.

At Fisherman's Wharf, the installation of portable washrooms will enhance the customer experience at the site, while fuel dock and pier repairs support the commercial client base. The first phase of the revitalization of the lower Causeway was partially funded by a Federal 'Canada 150 Community Infrastructure' grant and will be completed in the coming year. The Steamship Terminal prepared the level 1 space for tenant improvements to support tenant occupancies.

### FY2015/16 Capital Investment Summary (\$000)

Ogden Point Terminal updates including advancement of the Ogden Point Master Plan, Certificate of Compliance, caisson repairs, guest arrival experience and other improvements	\$1,257
Fisherman's Wharf upgrades including portable washrooms and fuel dock and pier repairs	\$136
Revitalization of lower Causeway, Ship Point fencing and Wharf Street dock upgrades	\$285
Steamship Terminal building improvements	<u>\$180</u>
	TOTAL \$1,858

GVHA invests annually in cruise-related projects. In 2010, when the \$4 million Pier B expansion project was completed, GVHA, in consultation with cruise lines, implemented a sustainability fee for all cruise lines calling at Ogden Point to support the essential ongoing investment in cruise infrastructure. In FY2016/17, sustainability fees paid by the cruise lines calling Victoria totalled \$1.1 million. Since inception of the program in 2010, GVHA has invested \$7.8 million in cruise infrastructure. After collecting sustainability fees totaling \$6.0 million plus \$1.9 million in grants, the sustainability fund has a surplus of \$0.2 million.

GVHA's objective is to ensure the long-term success and sustainability of cruise tourism in Victoria and the Pacific Northwest, through strategic and measured investment in the Ogden Point deep sea terminal infrastructure. In doing so, GVHA aims to provide a port environment that meets the needs of cruise partners and the expectations of shared guests to ensure a safe, secure and enjoyable shore experience for all.

Long term capital planning for the Ogden Point terminal indicates an increase to the cruise sustainability fee will be required to support funding of capital projects to sustain and improve the terminal. Future capital plans and any resulting adjustment to the sustainability fee will include due consultation with the industry and regulatory authorities.



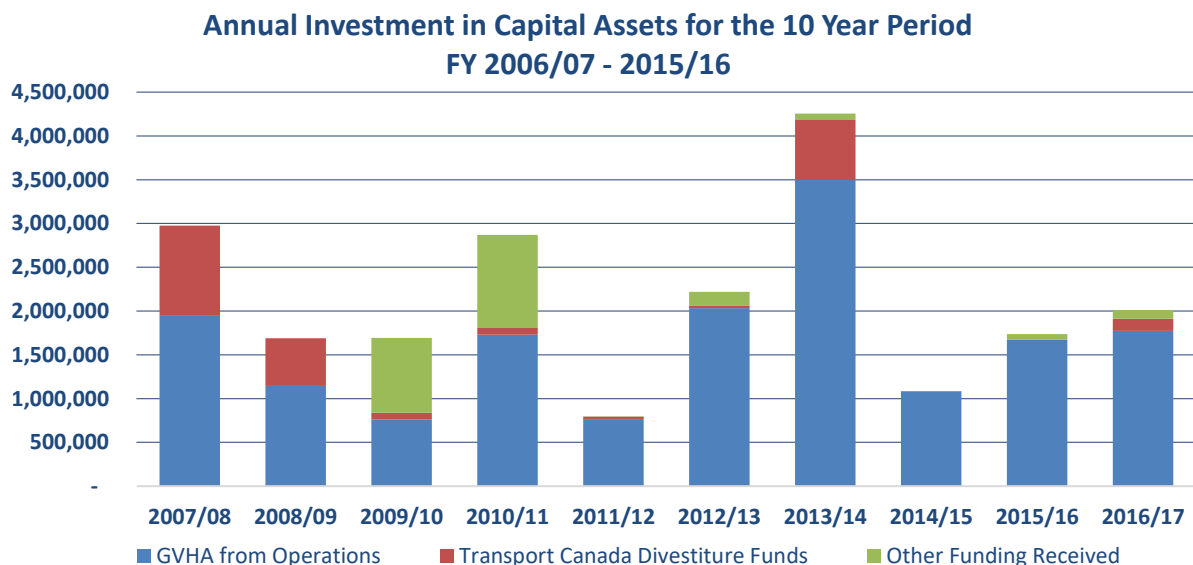
## Funding Infrastructure Investments & Requirements

GVHA’s annual capital program averages \$2 million. In the next 10 to 15 years, some projects will require significant investment well above GVHA’s current annual average capital investment. These include replacing the Huron Street Pier at Fisherman’s Wharf (estimated at \$3.5 million), replacing the Ship Point Pier in the Inner Harbour (estimated at \$7.5 million), and reconfiguring the Causeway marina in the Inner Harbour (estimated at \$3.5 to \$5 million). In light of this, GVHA is developing funding strategies to ensure that we can meet these long-term capital requirements. Historically, GVHA has utilized its cash surpluses from operations, in combination with grant funding for eligible projects, to fund capital reinvestment. Since inception, GVHA has received \$6.9 million in grant funding and restricted funds from Transport Canada for capital improvements and additions, and has directly reinvested \$21.5 million of cash surpluses from operations.

GVHA’s FY2017/18 capital budget and 2016–2019 capital plan anticipate spending in the following areas:

- Cruise terminal upgrades (\$9.2 million) to be funded through cruisesustainability fund or other strategic partnerships
- Inner Harbour master plan, including consultation with key stakeholders (\$0.32 million)
- Capital maintenance and replacement of existing Inner Harbour assets (\$1.25 million)
- Capital maintenance and replacement of Fisherman’s Wharf assets (\$2 million)

The ability of GVHA to fund additional capital projects, including enhancements and upgrades at its facilities, will require positive business cases and grant funding from the provincial and federal governments or other sources. Projected net cash surpluses from operations are insufficient to fully fund additional enhancement/upgrade projects.



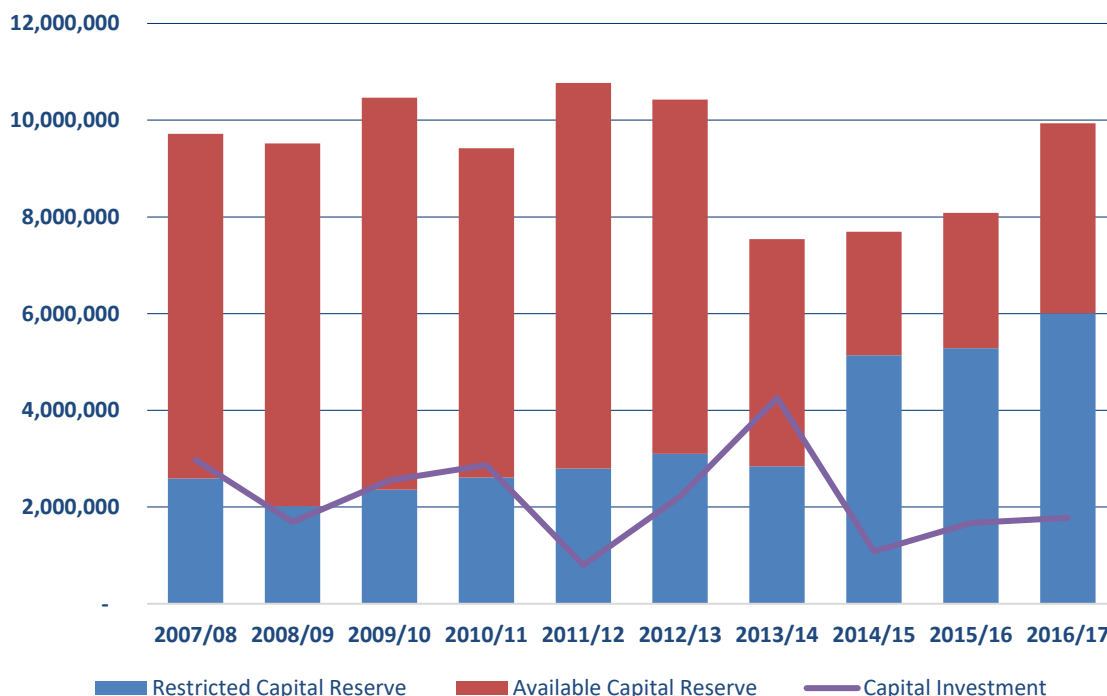
## CAPITAL RESERVES

Any surplus generated from GVHA operations is reinvested back into the facilities and into advancing GVHA’s mandate. Because of the intense capital nature of marine assets and the poor condition of the assets divested to GVHA in 2002, GVHA must generate an operating surplus and build financial reserves in order to maintain, update and replace capital assets into the future.

In 2014, GVHA established a Restricted Capital Reserve Policy to provide guidance and methodology for restricting sufficient cash reserves in the event of a catastrophic event, material loss of business and/or debt service coverage. At the year ending March 31, 2017, the reserve fund balance is \$5.8 million against a current target of \$7.4 million. This target may be revised from time to time based on business factors. The target balance of \$7.4 million is forecasted to be achieved by March 31, 2022. GVHA holds this restricted reserve fund in addition to reserves required to fund the planned maintenance and replacement of existing capital assets.

The graph below shows the change in GVHA’s available and restricted capital reserves, and the annual investment in capital assets from 2007 to 2017. Restricted reserves are defined as the restricted reserve fund plus deferred Transport Canada contributions. The peaks of capital investment in years 2007/08, 2010/11 and 2014/15 included funding from additional sources such as provincial and federal government grant monies, and bank financing.

**Capital Reserves & Capital Investment for the Ten Year Period  
FY 2007/08 - 2016/17**



## FY2016/17 FINANCIAL RESULTS

### Financial Position

Net assets represent the difference between total assets and total liabilities and are an indicator of GVHA's current fiscal health and financial position over time. A summary of assets, liabilities and net assets is shown below. The variance of FY2016/17 compared to the year prior (FY2015/16) has been calculated.

All amounts shown below are in \$000.

	2016/17	2015/16	Variance \$ vs. 2016/15
<b>ASSETS</b>			
Current assets, investments	\$12,367	\$10,022	\$2,344
Capital assets	57,058	57,442	(384)
	<b>\$69,425</b>	<b>\$67,464</b>	<b>\$1,960</b>
<b>LIABILITIES</b>			
Current liabilities	2,428	1,938	490
Deferred contributions	21,563	22,554	(992)
	<b>\$23,991</b>	<b>\$24,492</b>	<b>(\$502)</b>
<b>NET ASSETS</b>			
Invested in capital assets	35,700	35,180	520
Restricted assets	5,801	4,990	811
Unrestricted assets	3,933	2,802	1,031
	<b>\$45,434</b>	<b>\$42,972</b>	<b>\$2,362</b>

## **Assets**

GVHA uses its capital assets to deliver services to GVHA customers and the public. Investment in these assets has been provided through initial divestiture funds received from Transport Canada, reinvestment of cash surpluses from GVHA's operations, fixed-term borrowings, and capital funding received from the federal and provincial governments.

Capital assets as of March 31, 2017 were recorded at a net book value of \$57 million (net of accumulated amortization).

The investment in capital assets includes:

- harbour land (non-depreciable asset)
- Ogden Point breakwater piers, wharves, docks, buildings and other improvements
- furniture, equipment and leasehold improvements

## **Liabilities**

Deferred contributions represent the assets divested from Transport Canada in 2002. These contributions are amortized over the life of the divested assets.

## **Net Assets**

GVHA maintained its restricted reserve fund policy established in 2014 to set aside funds for unforeseen events such as uninsured catastrophic events, business interruption or material revenue loss exposure. GVHA's plan is to grow the restricted reserve fund to \$7.4 million, which is the 2016/7 fund target. Management updates the fund target annually based on the fund methodology; the updated target is then reviewed and approved by the Board.

GVHA's unrestricted net assets are available to fund the replacement of assets, future growth, and to meet ongoing obligations.

## **Statement of Operations**

This statement summarizes the revenues and expenses compared with budget and the prior year results.

All amounts shown below are in \$000.

	<b>Budget 2016/7</b>	<b>Actual 2016/17</b>	<b>Variance \$ vs. budget</b>	<b>Actual 2015/16</b>	<b>Variance \$ vs. 2015/6</b>
<b>REVENUES</b>					
Shipping	\$5,832	\$6,208	\$376	\$5,957	\$251
Marinas & attractions	2,094	2,230	136	2,083	147
Commercial real property	2,264	2,500	236	2,060	440
	<b>\$10,190</b>	<b>\$10,938</b>	<b>\$748</b>	<b>\$10,099</b>	<b>\$839</b>
Cruise sustainability fee	1,089	1,141	52	1,083	58
Other recovered costs & in-kind sponsorship	712	776	64	520	256
<b>Total Revenues</b>	<b>\$11,990</b>	<b>\$12,855</b>	<b>\$865</b>	<b>\$11,702</b>	<b>\$1,153</b>
<b>EXPENSES</b>					
General operating expenses	3,239	3,091	148	2,994	(97)
Repairs & maintenance	1,703	1,606	97	1,341	(265)
Insurance	376	365	11	354	(11)
Property taxes	966	887	79	915	28
Administrative	3,814	3,881	(67)	4,064	183
Amortization of capital assets	2,295	2,260	35	2,243	(17)
<b>Total Expenses</b>	<b>\$12,393</b>	<b>\$12,088</b>	<b>\$305</b>	<b>\$11,912</b>	<b>(\$176)</b>
<b>Excess (deficiency) of operating revenues over expenses before the following:</b>	<b>(\$403)</b>	<b>\$767</b>	<b>\$1,170</b>	<b>(\$210)</b>	<b>\$977</b>
Deferred contributions	1,100	1,155	55	1,011	144
Gain on sale of asset	-	3	3	4	(1)
Investment income	223	536	313	1	535
<b>Excess of revenues over expenses</b>	<b>\$920</b>	<b>\$2,462</b>	<b>\$1,542</b>	<b>\$805</b>	<b>\$1,657</b>

## Operating Revenues Composition

**Shipping:** Between April and November 2016, GVHA received 224 cruise ship calls that brought more than 550,000 passengers and 210,000 crew to Victoria and the Region. This is up 3% from the passenger volumes seen in 2015. Other shipping activity included yacht transshipment, cargo ship hold cleaning, berthing and stopovers by research vessels, and the Wave Venture cable ship home-porting. Shipping revenues represent 57% of total operating revenue for FY2016/17 (compared with 59% in FY2015/16).

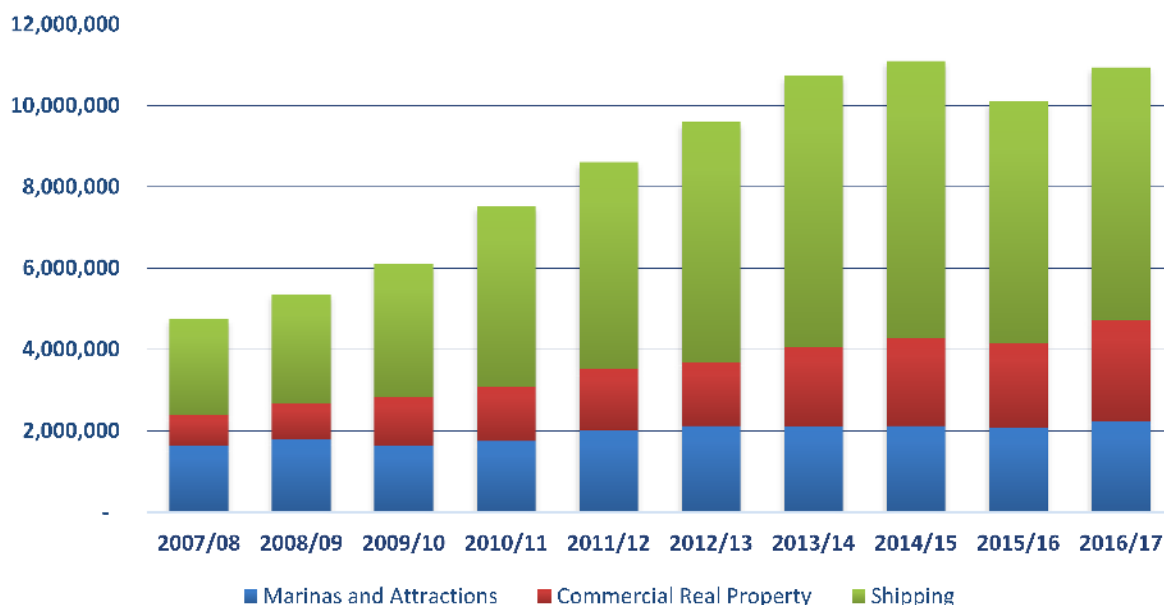
**Marinas and attractions:** Revenues were ahead of budget 6% and increased 7% over the previous year due to larger yachts mooring through the summer and fall.

**Commercial real property:** Revenues were 10% above budget for the year and increased 21% over the previous year. The favorable increase reflects successful operating results for clients with a concession based agreements. These revenues have consistently represented 20% of total operating revenue.

**Cruise sustainability:** Revenues were 5% above budget for the year as well as 5% over the previous year as the cruise passenger count was favorable. Cruise sustainability revenues support the ongoing investment in cruise infrastructure that is essential for sustaining the cruise industry in Victoria.

**Other recovered costs and in-kind sponsorship:** Revenues increased 49% from prior year and were 9% favourable to budget largely due higher cost recoveries on customer projects managed/overseen by GVHA.

**Gross Revenues by Business Line for the Ten Year Period  
FY 2007/08 - 2016/17**



## Expenses for the Year

**General operating expenses:** GVHA's general operating expenses increased 3% from FY2015/16 and were 5% favorable to budget. This variance relates mostly to enhanced marketing initiatives and increased recoverable costs on customer projects managed/overseen by GVHA.

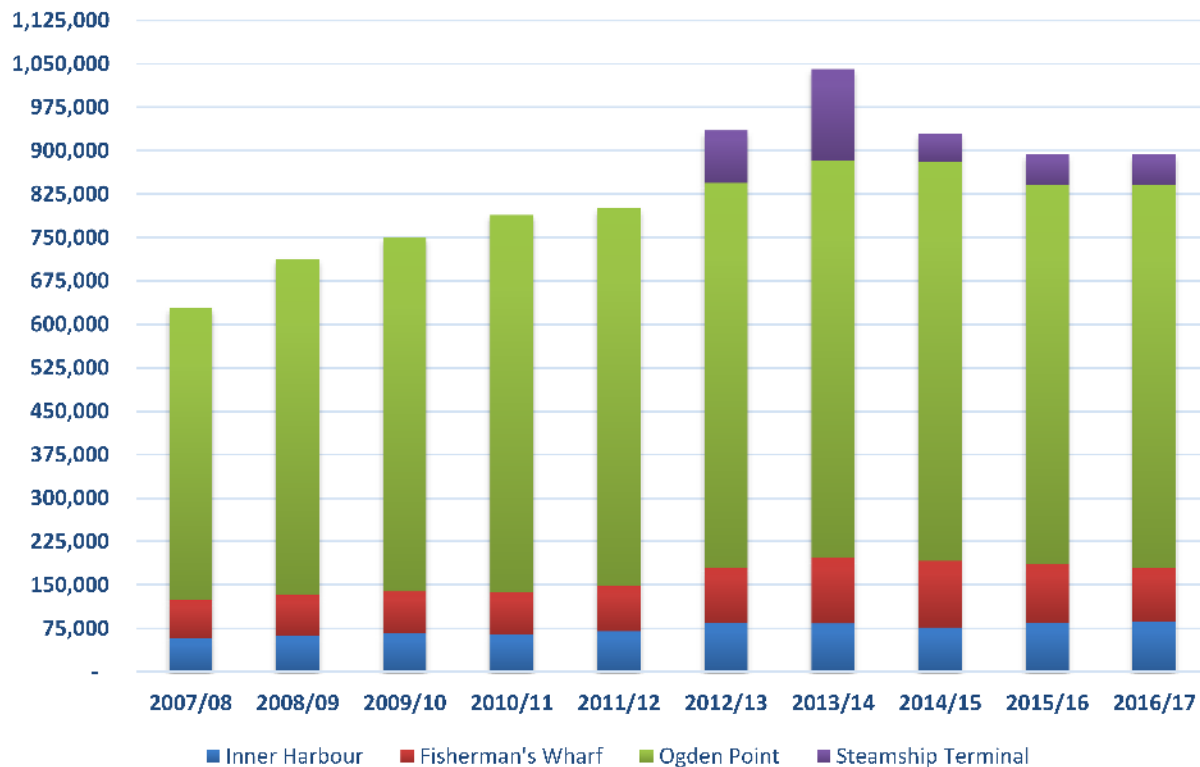
**Repairs and maintenance:** Repairs and maintenance expenses increased by 20% and were 6% favorable to budget. The additional costs supported staffing a Maintenance Supervisor position and completing two projects deferred from prior year.

**Insurance:** GVHA's insurance expense was 3% favourable to budget and 3% higher than prior year due to market influence on premiums.

**Property taxes:** Property taxes were 8% favourable to budget and 3% favourable to prior year, relating mostly to reduced mill rates imposed by the City of Victoria which more than offset the increase in assessed values.

GVHA, along with its tenants, remains among one of the highest individual payers of property taxes in the City of Victoria.

**Property Taxes by Facility for the Ten Year Period  
FY 2007/08 - 2016/17**



**Administrative:** Administrative expenses decreased 5% from FY2015/16 and were 2% favourable to budget. The variance is largely attributed to staffing realignments and the reduction of redundant positions.

**Amortization of capital assets:** Amortization was on budget and comparable to the prior year.

**Deferred contributions:** Deferred contributions represent amortized contributions received from Transport Canada and other federal and provincial contributions. Deferred contributions increased 14% from FY2015/16 and were 5% favorable to budget. Of the \$5.0 million received from Transport Canada in 2002 for restricted capital works for the Ogden Point caissons, \$1,338 remains and must be spent by June 24, 2017.

**Gain on sale of asset:** In FY2016/17, GVHA replaced its garbage truck. The old garbage truck was 20 years old and fully amortized. A \$3,250 gain on the sale was recognized.

**Investment income:** Represents investment income derived from GVHA's internally restricted reserve fund and Guaranteed Investment Certificates. FY2016/17 investment income increased 107% from the prior year and reflects market conditions.

**Excess of revenues over expenses:** Net revenue over expenses totaled \$2.46 million in FY2016/17, which was \$1.54 million favorable to budget and \$1.66 million greater than FY2015/16 results.



## Cash Flow Summary for the Year

	Actual 2016/17	Actual 2015/16	Variance
Total change in cash from operating activities	\$4,119	\$2,620	\$1,499
Total change in cash from financing activities	\$164	(\$1,339)	\$1,503
Total change in cash from investing activities	(\$2,644)	(\$2,358)	(\$286)
Increase (decrease) in cash and cash equivalents	\$1,639	(\$1,077)	\$2,716
Cash and cash equivalents, beginning of year	\$902	\$1,979	(\$1,077)
Cash and cash equivalents, end of year	<b>\$2,541</b>	<b>\$902</b>	<b>\$1,639</b>

**Cash flow from operating activities:** Excess of revenue over expenses totaled \$2.5 million, adding back items not involving cash and net change in non-cash working capital resulted in positive cash flow from operating activities totaling \$4.12 million. Cash flow from operating activities was up \$1.49 million from FY2015/16.

**Cash flow from financing activities:** There was a net cash inflow of \$0.16 million in FY2016/17 as a result of deferred contributions received. The net change from the prior year related to a fixed term loan repayment.

**Cash flow from investing activities:** There was a net cash outflow of \$2.64 million in FY2016/17 as a result of the construction and purchase of capital assets and the net impact of GIC investments redeemed and matured.

## **ENTERPRISE RISK MANAGEMENT**

GVHA updated its Enterprise Risk Management (ERM) program in 2014 as a result of an independent assurance review conducted by KPMG. GVHA's ERM program, which is based on the internationally recognized principles from ISO 31000, applies to all staff and assists GVHA in achieving its strategic goals by bringing a systematic approach to identifying, analyzing, mitigating and reporting risks.

- Risk management capabilities and activities are integrated and coordinated across corporate operations
- Risk management objectives and value propositions are consistently aligned with business strategy
- Common tools and processes are used with enterprise-wide risk monitoring, measurement and reporting
- Proactive change management exists among the three lines of defense (risk and control environment, risk oversight and internal review/audit)

In 2015, GVHA's ERM program was deemed, by KPMG, to be at an "Integrated" state. KPMG's ERM Maturity Model defines an "Integrated" state to mean:

### **Risk Philosophy**

GVHA's risk philosophy represents the shared beliefs and attitudes of how GVHA identifies and manages risk in its business, including strategic planning, day-to-day decisions, and the operation of GVHA facilities.

### **Risk**

The GVHA board considers risk management to be fundamental to good management practice, and a significant aspect of the board's oversight activities. Effective management of risk provides an essential contribution toward the achievement of the GVHA's strategy, operational objectives and goals.

GVHA's 10-year strategic plan, reflects a lower risk tolerance given GVHA's current financial capacity and forecasted asset reinvestment requirements.

## Risk Register

GVHA's active risks are documented in a corporate risk register. As of March 31, 2017, management identified 61 enterprise risks with mitigation strategies and performance measures for each risk. Each enterprise risk is linked to one or more of GVHA's strategic goals and falls under one or more of the following risk categories:

<b>Risk Category</b>	<b>Definition</b>
<b>Political</b>	Risk arising from government regulation or political priority/event
<b>Economic (external)</b>	Risk arising from changes in the economy
<b>Financial (internal)</b>	Risk threatening financial capacity or long-term sustainability of the organization
<b>Environment</b>	Risk arising from the actual or potential threat of adverse effects on living organisms and the environment by effluents, emissions, wastes, resource depletion, etc.
<b>Technical</b>	Risk arising from activities such as design and engineering, manufacturing, technological process and test procedures
<b>Social</b>	Risk arising from potential negative impacts to the community (including noise, traffic, air quality), labour conditions or human rights issues
<b>Public/reputation</b>	Risk arising from publicity or public perception, whether true or not
<b>Operational</b>	Risk arising from potential issues with information systems, operational problems, breaches in internal controls, fraud, etc.
<b>Legal</b>	Risk arising from the potential that unenforceable contracts, lawsuits or adverse judgments could disrupt or otherwise cause negative impact
<b>Safety</b>	Risk arising from potential injury to an individual, or damage to property

GVHA assesses enterprise risks internally on a regular basis throughout the year. The status of assigned risks are reviewed at quarterly meetings with risk owners. There is also an examination of events or activities arising since the previous meeting which could impact the risk identified, or mitigation strategies employed. Management provides the board with quarterly updates on the risk register reported through GVHA's Strategic & Risk Oversight Committee.

## **FINANCIAL OUTLOOK & PRIORITIES**

### **Shipping**

The 2017 cruise season is scheduled to bring 241 ship calls to Ogden Point, carrying approximately 592,000 passengers.

Wilson's Transportation Ltd. will continue to operate a safe, clean, efficient and effective Ogden Point cruise shuttle service for the third year.

GVHA recognizes that it must continue efforts with cruise and shipping industry partners to develop and diversify its business.

Long-range cruise terminal planning is required to ensure GVHA is ready to berth the larger cruise ships destined for the Alaskan market and position itself as a home port. Over the past year GVHA continued to lay the ground work for the development of a new cruise terminal as a component of the Ogden Point Master Plan. GVHA will continue discussions with its cruise partners about terminal investment required for operations and home porting opportunities subject to a successful business case and cost recoveries through the cruise sustainability fee.

### **Marinas and Attractions**

GVHA's marinas remain close to 100% in the winter and shoulder season; however, occupancy is only about 65% throughout the summer. In 2015/16 GVHA focused on improving marina occupancy reporting to ensure moorage patterns are understood and marketing initiative outcomes are monitored. GVHA will continue to work on a long-term moorage strategy to ensure that all direct costs relating to marinas and attractions are recovered.

### **Commercial Real Property**

GVHA continued work to complete the Ogden Point Master plan, identifying compatible commercial opportunities along with the market demand. Marketing initiatives to attract commercial operators will commence in FY 2017/18.

In 2016, the introduction of liquor licensing and expanded seating area was implemented at Fisherman's Wharf. GVHA will continue to implement the Fisherman's Wharf Plan (approved by the City in 2014) to preserve the current variety of activity at Fisherman's Wharf while improving commercial usages, developing access to the harbour pathway, and planning for the development of the revitalization of the Huron Street Pier. Remaining capital expenditures relating to implementation of the Fisherman's Wharf plan may range from \$5 million to \$7 million, depending on the final plan, and will be contingent on external funding.

Full tenancy at the Steamship Terminal continues to be a focus for GVHA, with one pocket of space available on the main level.

In FY2017/18, GVHA will continue to implement cost recovery controls through common area maintenance fees for all facilities, and will continue to seek synergies among operational activities to manage costs.