

The following Management Discussion and Analysis (MD&A) addresses the activities and financial performance of the Greater Victoria Harbour Authority (GVHA) for the fiscal year ending March 31, 2023. The information contained in this MD&A has been prepared by management and should be read in conjunction with the audited financial statements.

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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 the upland and marine assets divested from the federal government in 2002. The harbour lies within the traditional territory of the Lekwungen People, known today as Esquimalt Nation and Songhees Nation.

We own 110 acres of harbour land and seabed (The Breakwater District at Ogden Point, Fisherman's Wharf and the Inner Harbour Lower Causeway) as fee simple meaning that, as a self-funded organization, we contribute to the municipal tax base.

The Breakwater District

The Breakwater District is home to the strategically located deepwater terminal able to accommodate cruise and large commercial vessels. It consists of almost nine hectares of land and seabed, four berths, warehouse, staging areas, helicopter terminal and commercial buildings for support services. The breakwater provides essential protection for the terminal and is also a public amenity for locals and tourists to enjoy.

Fisherman's Wharf

A premier attraction in Victoria, Fisherman's Wharf is four and a half hectares of land and seabed, providing moorage for pleasure vessels and commercial fishing vessels, fuel dock, float homes and other commercial and recreational activities, including Raymur Point, marina and Canada Customs dock.

Inner Harbour

The Ship Point Pier and Lower Causeway provide Victorians and visitors an unprecedented recreational area and moorage facility, public pathway around the harbour, host to various marine and community events, eco-tourism activities and commercial activities. The Wharf Street and Johnson Street Marinas accommodate commercial operators and vessels, annual and guest moorage for pleasure vessels and float planes at the Hyack terminal

GVHA owns and operates five high-profile community amenities including:

- **Ogden Point Breakwater** - a barrier free walkway that is home to the Na'Tsa'Maht- The Unity Wall mural, which depicts art of local First Nations.
- **Inner Harbour Lower Causeway** - a walkway close to the provincial legislature that is home to Artists on the Causeway, Ship Point Market and the iconic "Welcome to Victoria," flower garden.
- **Customs Dock at Raymur Point** – occupied by the Canada Border Services Agency
- **Public Boat Launch at The Breakwater District** - located at the north end of the property.
- **Ship Point Pier** - located in Victoria's city centre and used for public events and celebrations throughout the year.

Strategic Goals

In 2014/15, GVHA completed a 10-year strategic planning process that aspired to achieve the following measurable outcomes:

- Economic, social, and environmental benefit for the Region
- Financial self-sufficiency and responsible stewardship of GVHA properties
- A trusted advocate for the working harbour
- Effective governance and accountability
- Business performance and customer focus
- Organizational effectiveness

Three Year Business Plan

2022-23 was the first year of our three-year business plan, "A Route to Calm Waters," which concentrated on returning to a "new normal" and building back better.

We reached a significant milestone in this plan in April 2022 with the return of cruise to Victoria. This business plan also signals the end of the current 10-year strategic plan (2015-2025).

Our year one focus was "back to basics" as we resumed cruise and rebuilt the organization after two difficult financial years. To help us toward this goal, we have developed nine objectives to lead us forward.

- Ensure that our staff are supported, engaged and developed
- Sustain cruise in Victoria
- Increase optimization of properties and manage business development opportunities
- Work with government and industry to implement shore power at the deepwater terminal
- Continue to pursue environmental stewardship and sustainability initiatives
- Reduce deferred capital repairs backlog
- Focus on Long-term Financial Sustainability for the organization
- Be a leader in Indigenous relations in Greater Victoria
- Increase the profile of the organization as a leader of triple-bottom line economic development in Greater Victoria

To assist us in determining our financial priorities, we are developing a funding strategy for our community assets and the shore power project. We rely on our detailed 20-year long range plan to determine all our capital asset obligations and provide guidance on where we need to focus our efforts to secure the financial self-sustainability of the organization.

Economic, Social and Environmental Sustainability

Sustainability in our operations is driven by our guiding principles and continued commitment to our community. We continually advocate for the best water and marine-related use and development of the harbour and its assets.

Through a triple bottom line lens, we commit to generating broad economic and social benefits from the use of our properties while continuously mitigating adverse social and environmental impacts in local neighbourhoods to our land, air, and water.

South Island Indigenous Business Directory

2022 was an exciting year for GVHA's Indigenous Business Directory. Started in 2019, the Directory gained interest in the community, and in 2022 we partnered with the South Island Prosperity Partnership, the City of Victoria, the Greater Victoria Chamber of Commerce and the Capital Regional District to take the Indigenous Business Directory to the next level. We were fortunate to work with Animikii, a local Indigenous-owned company that builds custom software, web applications and websites, who created a standalone website for the Directory, <https://indigenousbusinessdirectoryvi.com/>. Many meetings took place in 2022 with Animikii and our partners to consider how best to showcase the listed Indigenous businesses and promote greater economic reconciliation.

Salish Sea Industrial Services

In April 2022, GVHA entered into an MOU with Salish Sea Industrial Services (SSIS), a marine industrial services company owned by Esquimalt Nation, Songhees Nation, and Ralmax Group of Companies. The MOU establishes a relationship with SSIS for ongoing repair and maintenance work on GVHA properties.

Indigenous Procurement

GVHA has two Indigenous procurement targets. We currently aim for 6% capital and 3% operational spending. In 2021/22, GVHA had a 41.7% Indigenous procurement capital spend, mainly from our relationship with SSIS and a 1.1% operational spend.

In 2022, GVHA worked with SSIS, Geo Services, Songhees Tours, Songhees Events and Catering, the Lekwungen Dancers, and the Esquimalt Singers and Dancers. As we learn about more Indigenous businesses working in Greater Victoria, we are more confident that we can make strides to increase our Indigenous operational spending year over year.

Community Assets

Spending on community assets also contributes to our triple bottom line, as these assets do not produce any revenue for the society. We spent \$.2M this fiscal year on direct expenses for managing and maintaining community assets.

Environmental Stewardship

GVHA is proud to lead the way in prioritizing sustainability and minimizing our impact on the delicate coastal-marine environments in which we operate. Our team is dedicated to exploring innovative solutions to materialize the Shore Power Project at The Breakwater District in Ogden Point to reduce Greenhouse Gas Emissions from cruise ships. We continue closely monitoring air quality through our PM2.5 air monitoring stations, demonstrating our commitment to exceeding compliance and achieving progressive environmental performance. As leaders in the maritime industry, we are setting an example for others to follow through our participation in certification programs like the Green Marine program and the Clean Marine program. Together, we can create a brighter and more sustainable future for all.

FY 2022/23 FINANCIAL RESULTS

The following details should be read in conjunction with GVHA’s annual Audited Financial Statements as of March 31, 2023. The following discussion details specific items that may be of interest to the reader.

Statement of Financial Position

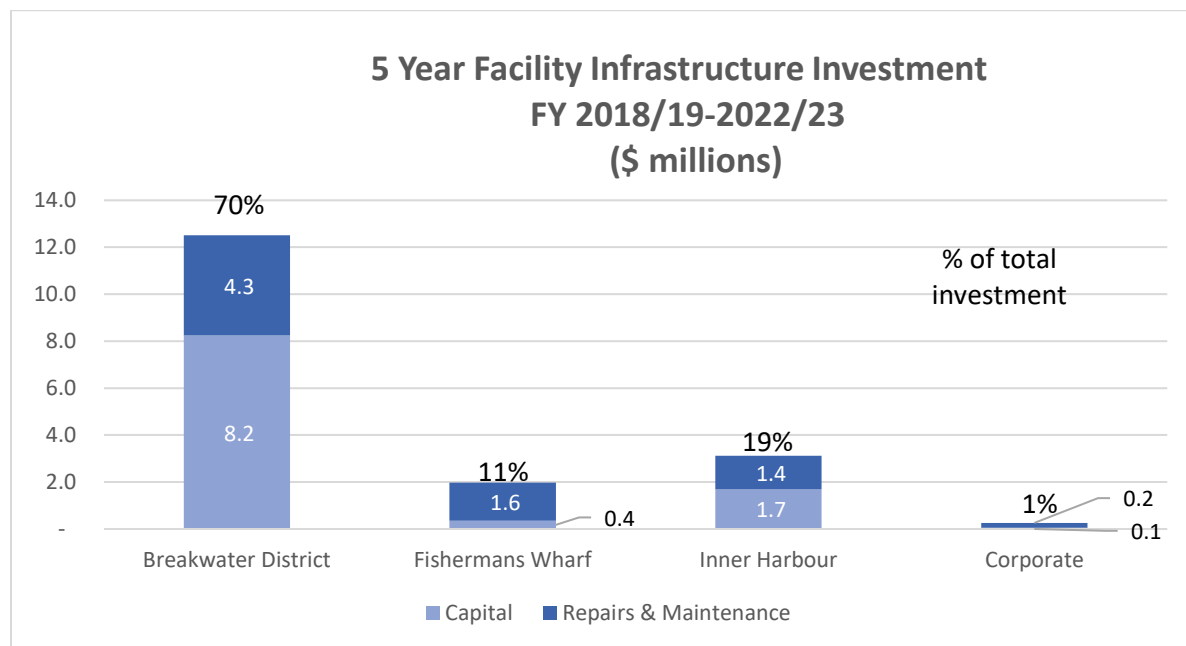
Assets

All surplus cash generated from GVHA operations is reinvested in its facilities and advancing the organization’s mandate. Because of the substantial capital nature of marine assets and the condition of the assets divested to GVHA in 2002, GVHA must generate an operating surplus and build financial reserves to maintain, update, and replace existing capital assets into the future.

Current assets for the 2023 fiscal year include \$9.0 million in funds receivable from the provincial government as a contribution towards The Breakwater District shore power project. The provincial government made this financial promise on March 31, 2023, and GVHA received it in April.

The Investment balance on the Statement of Financial Position of \$8 million is for the Restricted Reserve. In 2014, GVHA established a Restricted Reserve Policy to provide guidance and methodology for restricting sufficient cash reserves in the event of a catastrophic event, material revenue loss and/or debt service coverage. A third-party firm manages the reserve fund, where income is reinvested as earned.

Spending on capital assets this fiscal year included the beginning of the Broughton Street Pier project at \$0.2 million and spending on the shore power project at \$0.1 million. The Tourism Relief Fund partially funds the Broughton Street Pier and will continue into 23-24. GVHA has invested \$17.6 million into its facilities through capital investment and spending on repairs and maintenance during the last five years, as shown in the table below. While The Breakwater District has consumed 70 per cent of the investment in the past five years, (\$12.5 million), the cruise sustainability fee received from the cruise lines has contributed \$2.7 million directly in the past five years, and we have received \$13 million in contributions from the cruise lines since inception.



Liabilities

Current liabilities include the loan for the dolphin project set up as a variable rate loan over ten years. Repayment of the loan draws on funds generated by the cruise sustainability fee; the balance is \$5 million and will be fully repaid by December 2030.

Deferred capital contributions of \$26.1 million represent the assets divested from Transport Canada in 2002 and any ongoing contributions from other sources, all of which are amortized over the life of the respective assets. Deferred capital contributions for 2023 include contributions of \$9 million of funding from the provincial government towards the installation of shore power at The Breakwater District, \$0.1 million of funding from Environment and Climate Change Canada for shore power schematics and an additional \$0.1 million for funding from the Tourism Relief Fund through Pacifican for the Broughton Street Pier project.

Net Assets

GVHA's net assets are apportioned into three categories and represent the surplus funds reinvested since inception:

Invested in capital assets, at \$34 million

Internally restricted reserve fund relates to the funds allocated for specific use. There are three separate funds that GVHA currently has:

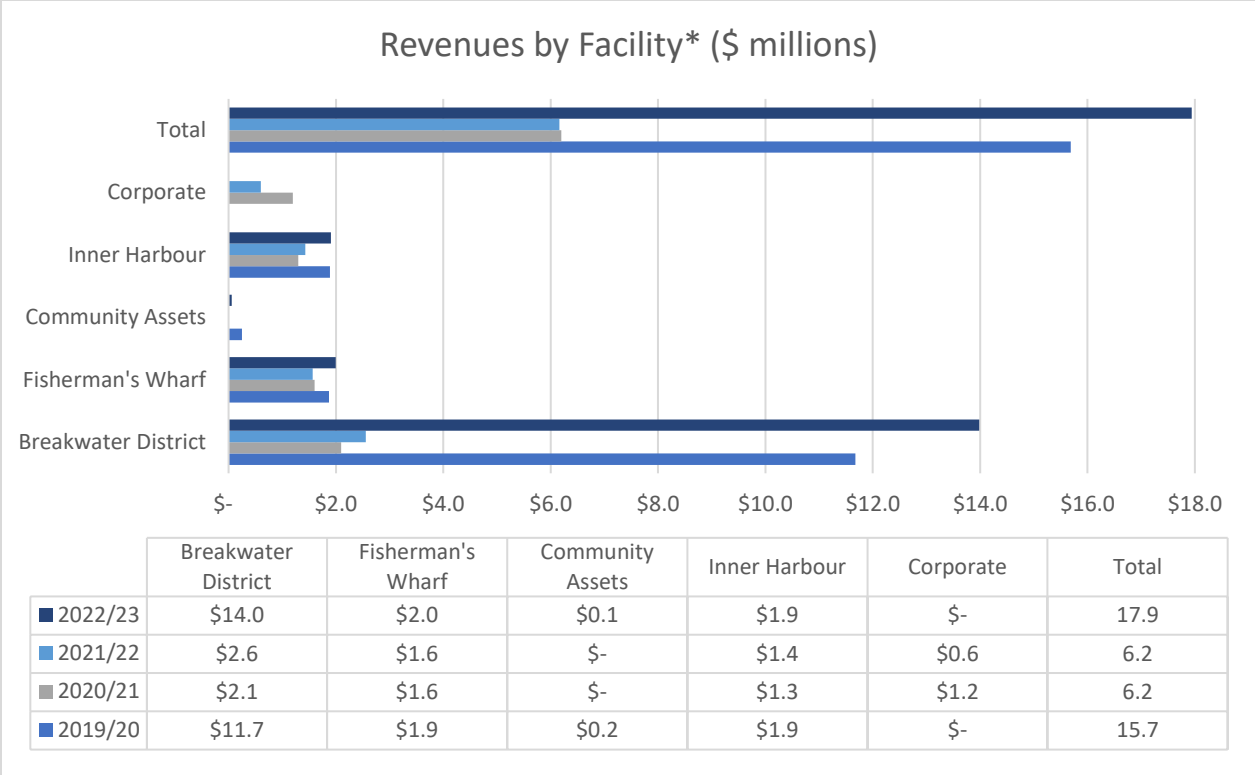
- Restricted Reserve Fund at \$8 million
- Cruise Sustainability Fund at \$1.5 million
- Fuel Dock Capital Fund at \$0.2 million

Unrestricted net assets are available to fund the replacement of assets, future growth and to meet ongoing future obligations at \$9 million.

Statement of Operations

Revenues: Non-cruise shipping at the Breakwater District led the way for record revenue levels at that facility, including vessels such as the MS GSL Eleni. This cargo ship required a place to moor for repairs. We had a strong cruise season with 329 cruise ships and a final passenger count of 715,892 passengers. The return of tourism to our marinas performed at pre-covid levels, and we saw an increase of 26 per cent in our commercial revenue area over budget.

Gross revenue for the fiscal year of \$17.9 million has been broken out by facility below, for the reader's interest, and includes comparisons for the past three fiscal years:



*Due to the Society no longer operating the Steamship Terminal, these revenues have been removed for prior years.

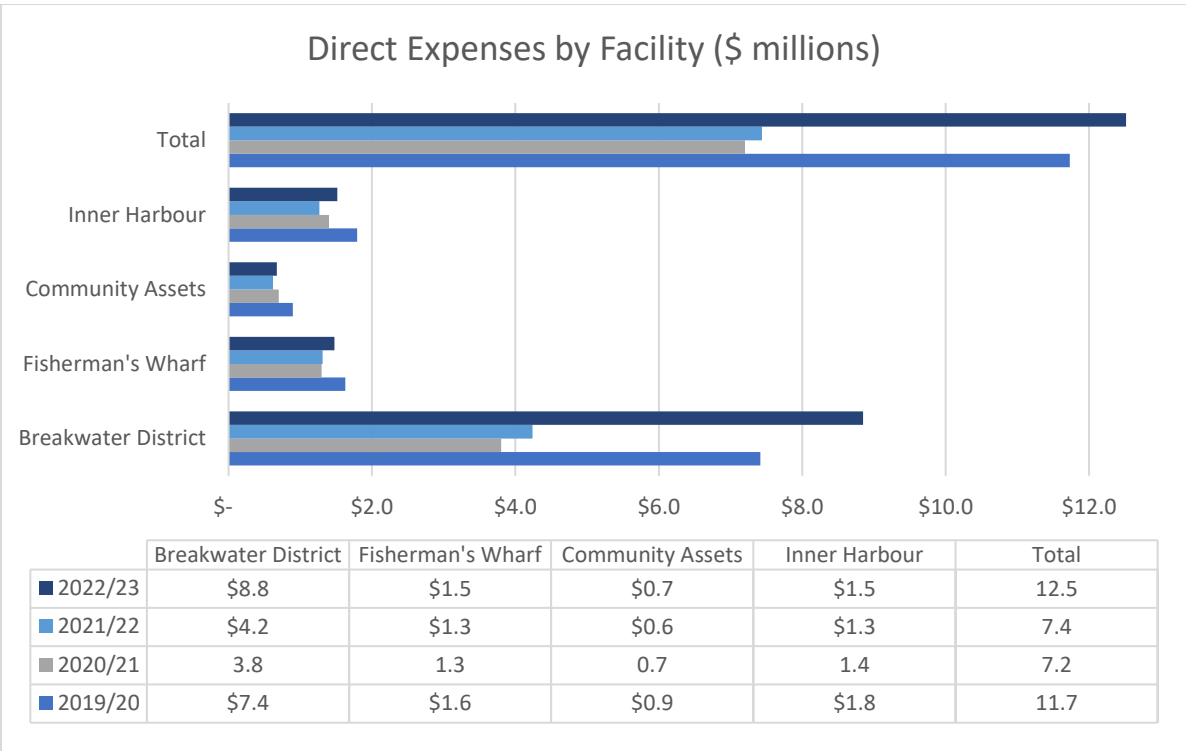
Capital Improvement Fees: In 2010, GVHA, in consultation with cruise lines, implemented a cruise sustainability fee for all ships calling to The Breakwater District to support the essential ongoing investment in cruise infrastructure. In 2023 The cruise sustainability fee generated \$2.7 million in revenue.

We also recovered a capital improvement fee from the Fuel dock operations for ongoing capital and major facility repairs. This fiscal year we received \$.04 million from this fee. This fee was discontinued on October 20 2022.

Other recovered costs and in-kind sponsorship: Other recovered costs consist of common-area maintenance fees and property taxes recouped from our clients. In-kind sponsorships are given to community organizations who utilize our facilities to help reduce their costs. Some organizations we sponsored this year are moorage for the Victoria Fire Department and Centre for Whale Research; parking for the James Bay Anglers Association at The Breakwater District; storage for the Maritime Museum of BC and CFA Santa's Anonymous.

Expenses: With the return of tourism to the region, we saw our spending levels also return. Careful expense management early in the season meant that we were under budget in all areas except property tax and interest expense. Interest levels on the dolphin debt were more than double the budget due to the debt being on a variable rate at prime.

Operating expenses (before amortization and interest) of \$12.5 million have been broken out by facility for the reader's interest and includes comparisons for the past three fiscal years:



*Due to the Society no longer operating the Steamship Terminal these expenses have been removed for prior years.

Deferred contributions: Represent amortized non-cash asset contributions received from Transport Canada at divestiture in 2002 and other federal and provincial cash contributions related to specific capital projects and initiatives as awarded by governmental funding opportunities.

Investment income: Represents gains and losses from GVHA's internally restricted reserve fund and Guaranteed Investment Certificates (GICs). Although our GICs outperformed expectations this fiscal year, our long-term investments did not perform as anticipated and led to lower investment income than budget.

Material Changes

On September 1, 2012 ,GVHA entered a into lease agreement to lease the CPR Steamship Terminal for just under 20 years. As of October 22, 2021, the Society has executed a Memorandum of Understanding with the BC Transportation Financing Authority to release the Society from the lease. The effective date of the lease surrender was March 31, 2023.