

The following Management Discussion and Analysis (MD&A) provides a financial overview of the results of Greater Victoria Harbour Authority operations and financial position for the year ended addresses the activities and financial performance of the Greater Victoria Harbour Authority (GVHA) for the fiscal year ending March 31, 2024. The MD&A reports to stakeholders how financial resources are being utilized to deliver on the vision, mission and business plan for GVHA. The document serves as an opportunity to communicate with stakeholders about GVHA's 2023-24 financial performance, and highlights revenue streams, assets and liabilities, and includes future considerations to address financial risk and financial sustainability and resiliency. The information contained in this MD&A has been prepared by management and should be read in conjunction with the March 31, 2024 audited financial statements.

Additional information about GVHA is available at gvha.ca

Contents

WHO WE ARE & WHAT WE DO	2
About GVHA	2
Strategic Goals	3
Economic, Social and Environmental Sustainability	3
FY 2023/24 FINANCIAL RESULTS	5
Statement of Financial Position	5
Statement of Operations	6

WHO WE ARE & WHAT WE DO

About GVHA

The Greater Victoria Harbour Authority (GVHA, the Society) 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 and unceded territory of the Lək̓ʷəŋən People, known today as Xwsepsem Nation and Songhees Nation.

Since 2002, GVHA has been a local champion and steward of the harbour land and marine assets divested from the Government of Canada. GVHA owns 110 acres of harbour land and seabed as fee simple meaning that, as a self-funded organization, GVHA contributes to the municipal tax base.

GVHA owns and operates several high-profile community amenities. Within GVHA's commercial and marine industrial holdings are the deep-water terminal at The Breakwater District at Ogden Point, Fisherman's Wharf, Ship Point, and four Inner Harbour marinas.

The Victoria Cruise Terminal, one of the assets owned by GVHA, contributes more than \$130 million annually to the regional economy and is responsible for 800 direct and indirect jobs in Greater Victoria.

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 and includes: four berths, a warehouse, staging areas, helicopter terminal and commercial buildings for support services. The breakwater itself provides essential protection for the terminal and is also a public amenity for locals and tourists to enjoy. The Breakwater District, built in 1918, has been operating as a working marine industrial site for over 100 years. Historically, the deep-water terminal has hosted the loading and off-loading of fish, lumber, grain and many other cargoes, as well as upland industrial uses such as manufacturing. The most constant element over 100 years is Ogden Point as a critical employment centre for the region.

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. Fisherman's Wharf is a mixed-use facility with upland use (parking, office lease – Transport Canada), commercial activity, residents, moorage, food and beverage, commercial fishing and fueling. Many of the businesses operate seasonally, however with increased awareness of the facility, some operators are choosing to remain open for more of the year.

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. Ship Point Pier and Lower Causeway provide Victorians and visitors recreational area and moorage facility, public pathway around the harbour, access to host 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. There are

approximately 12 businesses that operate from the Inner Harbour, as well as annual and winter moorage options. The winter and summer programs for boaters consistently have a waitlist given the location of the marina. GVHA has designated 60' of moorage for Lekwungen canoes, and First Nations artisans are welcomed to the north side of the property to sell handmade and cultural products.

Strategic Goals

GVHA has established four strategic goals. The work of GVHA teams as well as our investments and expenditures align with the strategic goals and provide a foundation for financial decisions.



Economic, Social and Environmental Sustainability

Sustainability in our operations is driven by our guiding principles:

Financial self sustainability

Working Harbour

Accountability

Triple Bottom Line

First Nations Relationships

GVHA has an ongoing and continued commitment to our community and has a stewardship role in advocating for the best water and marine-related use and development of the harbour and its assets.

Through a triple bottom line lens, GVHA commits 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

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. GVHA worked 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/>. The revitalized Indigenous Business Directory officially launched in June 2023.

Indigenous Procurement

GVHA has two Indigenous procurement targets: 6 per cent capital and 3 per cent operational spending. In 2023/24, GVHA had a 35 per cent Indigenous procurement capital spend, mainly from our relationship with Salish Sea Industrial Services (SSIS) and a 1.5 per cent operational spend.

In 2023, GVHA worked with many indigenous vendors and spent funds on such areas as security, website development and catering. GVHA will continue to work with Indigenous businesses working in Greater Victoria to increase our Indigenous operational spending year over year.

Community Assets

Spending on community assets also contributes to the GVHA triple bottom line. Community assets are assets that GVHA owns and operates and do not produce any revenue for the Society. GVHA spent \$850,000 this fiscal year on expenses for managing and maintaining community assets.

GVHA owns and operates five high-profile community assets 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 Breakwater District property.
- **Ship Point Pier** - located in Victoria's city centre and used for public events and celebrations throughout the year.

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. GVHA monitors air quality through PM2.5 air monitoring stations, demonstrating our commitment to exceeding compliance and achieving progressive environmental performance. GVHA also continues our work in Shore power, exploring the electrification of the cruise terminal at the Break Water District.

GVHA installed four sea bins through fundraising as well as a generous donation from the Surfrider Foundation Vancouver Island. These sea bins act as garbage collectors in the Inner Harbour and at Fisherman's Wharf. GVHA also participates in certification programs like the Green Marine program and the Clean Marine program. This year, GVHA joined a coalition of Pacific Northwest and Alaskan Ports in the Pacific Northwest to Alaska Green Corridor.

GVHA is also contributing to the reduction of emissions related to the operations of the cruise terminal at the Break Water District. In addition to continued exploration into shore power, GVHA collects the Ground Transportation Sustainability Fee from the cruise lines and pass this on to the cruise line bus operator. This assists the bus operator in purchasing equipment that is more environmentally friendly.

FY 2023/24 FINANCIAL RESULTS

The following details should be read in conjunction with GVHA's annual Audited Financial Statements as of March 31, 2024. The following discussion details specific items that may be of interest to the reader.

Statement of Financial Position

Assets

Surplus cash generated from GVHA operations is reinvested in 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 2024 fiscal year include restricted cash of \$7.7 million. These funds relate to the amount of the \$9 million in funding provided by the Province of British Columbia for the Breakwater District shore power project that is unspent at year end. At fiscal year-end in 2023, these funds were held as an Accounts receivable instead of restricted cash, as the financial promise was made on March 31, 2023, with the funds being received in April 2023.

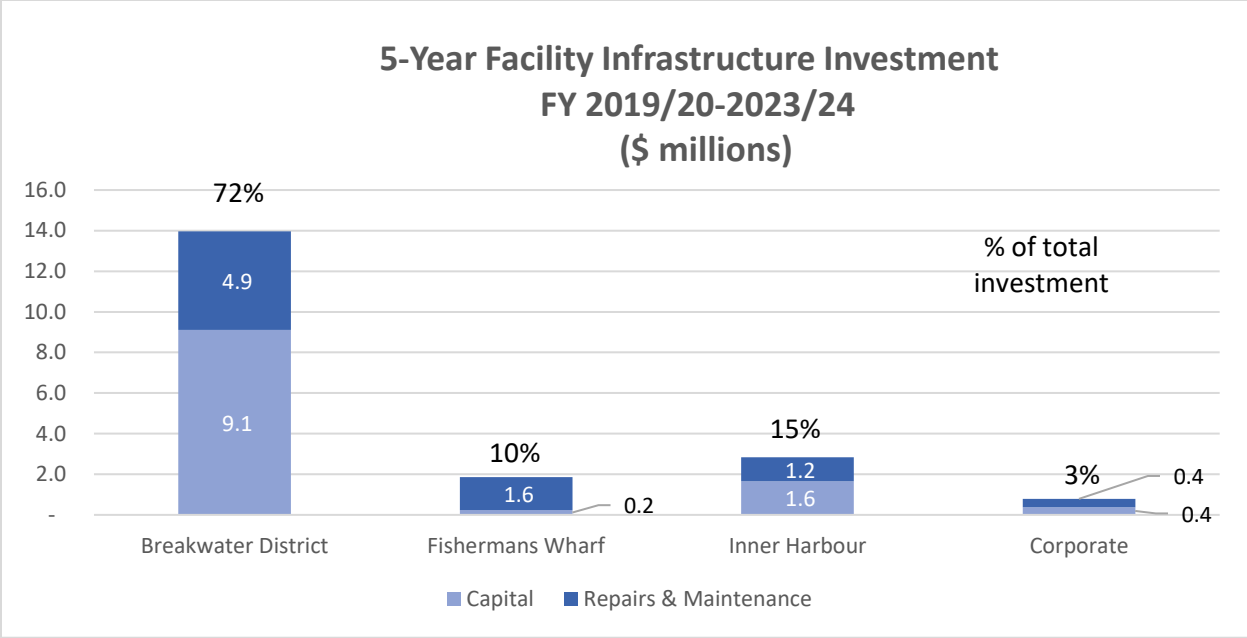
The Investment balance on the Statement of Financial Position of \$8.9 million is for the Restricted Reserve. In 2014, GVHA established a Restricted Reserve Policy to provide guidance and methodology for restricting sufficient cash reserves in the event of a catastrophic event, material revenue loss and/or debt service coverage. A third-party firm manages the reserve fund. Fund income is reinvested.

After three years of minimal spending on capital assets due to reduced revenue during pandemic, GVHA restarted its capital repairs and replacement program. Spending on capital assets this fiscal year was \$5 million, and included:

- The Shore power Project continued (\$1.84 million) with business case analysis and contracting BC Hydro to complete an interconnection study. This was funded through the provincial grant funds received at the beginning of the year.
- The Broughton Street Pier project (\$1.44 million) included pile replacement, pier reinforcement and a new storage container. The Tourism Relief Fund, provided by Pacifican, partially funded this project with \$500,000. This project took over a year to complete.
- At the Breakwater District, scour and edge repairs on the piers were completed (\$692,446) while a generator was installed (\$613,454).
- Security camera upgrades (\$185,836) were made to enhance visibility and protection at all our facilities.

Over the past five years, GVHA has invested \$19.4 million into its facilities through capital investment and repairs and maintenance (see table below) while using debt to support the completion of the breasting dolphin project at the Breakwater District in 2019. The remaining \$4.4 million in debt will be paid by 2030.

While GVHA has invested 72 per cent into the Breakwater District in the past five years, equating \$14 million, it is important to note that the Cruise Sustainability Fee received from the cruise lines has contributed \$6.4 million directly towards these costs.



Liabilities

Current liabilities include the loan for the Pier B dolphin project set up as a variable rate loan over 10 years. Repayment of the loan draws on funds generated by the cruise sustainability fee; the balance is \$4.4 million and will be fully repaid by December 2030.

Deferred capital contributions of \$25.9 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 2024 include contributions of \$433,000 for the Broughton Street Pier and the Lekwungen Placemaking project from the Pacifican Tourism Relief Fund.

Net Assets

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

Invested in capital assets, at \$36 million

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

- Restricted Reserve Fund at \$8.9 million
- Cruise Sustainability Fund at \$2.8 million
- Fuel Dock Capital Fund at \$200,000

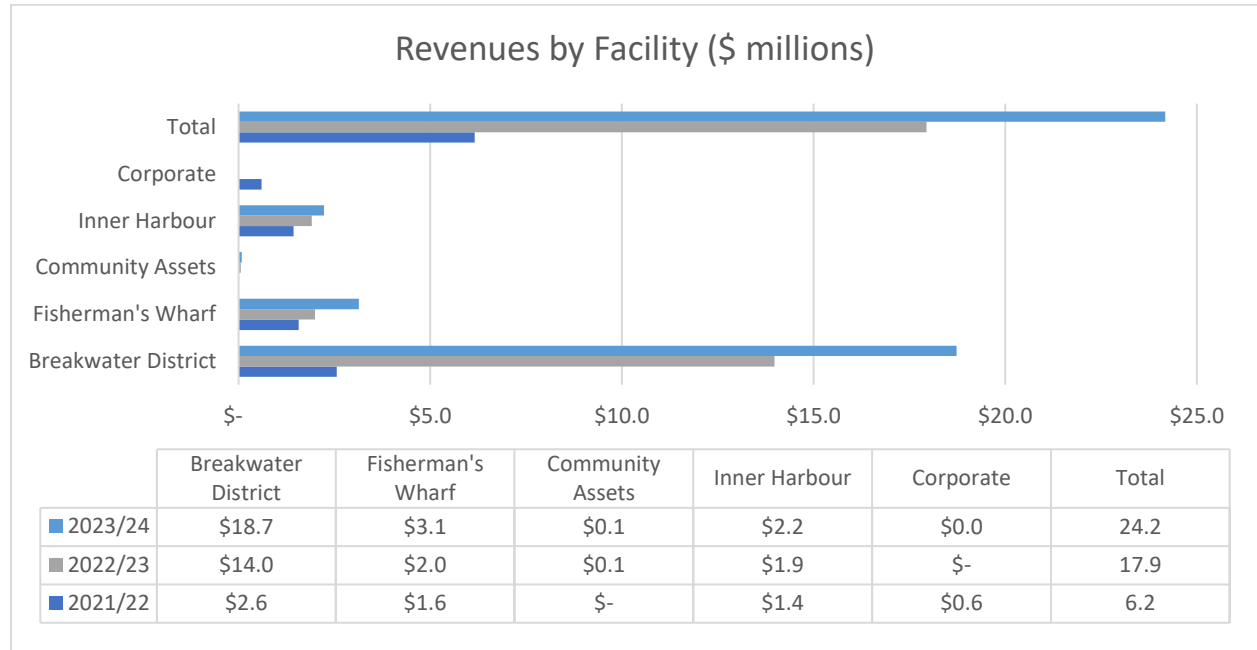
Unrestricted net assets of \$13 million are available to fund the replacement of assets, future growth and to meet ongoing future obligations.

Statement of Operations

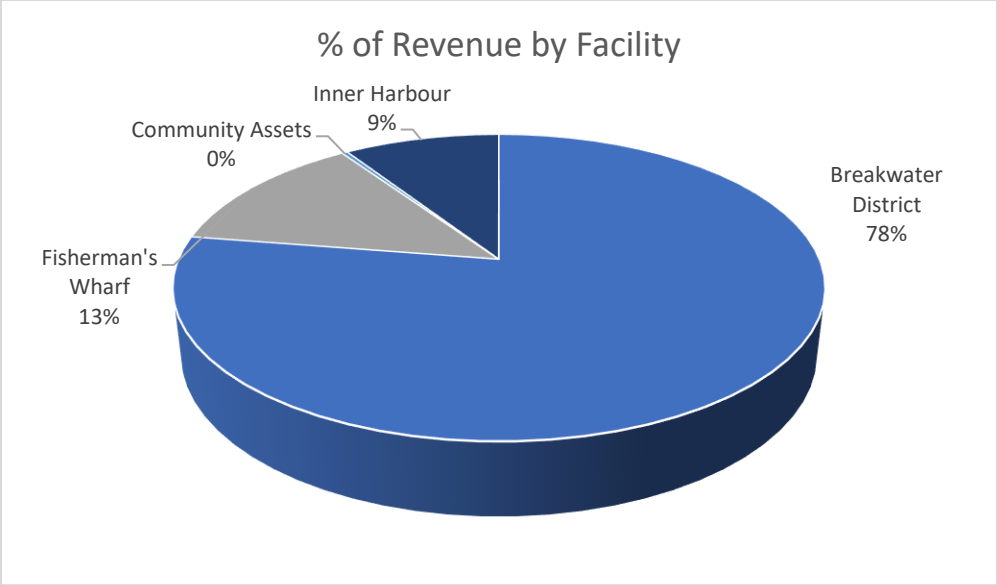
Revenues: GVHA outperformed in all revenue categories this year, seeing a significant increase in shipping. A total of 326 cruise ships visited Greater Victoria, and Ogden Point welcomed many additional non-cruise shipping berthages. The non-cruise shipping revenue included wet dock repairs to a Carnival ship that needed its funnel removed prior to travel for further repairs.

In 2023-24, the Inner Harbour fuel dock operation returned to GVHA. This revenue contributed \$755,000 to the overall revenues of the Fisherman's Wharf facility.

Operating revenue for the fiscal year of \$24.2 million has been broken out by facility below and includes comparisons for the past two fiscal years:



The Breakwater District continues to be our primary source of revenue with 78% of the total Society revenue being generated at that facility. The percentage of revenue is illustrated below:



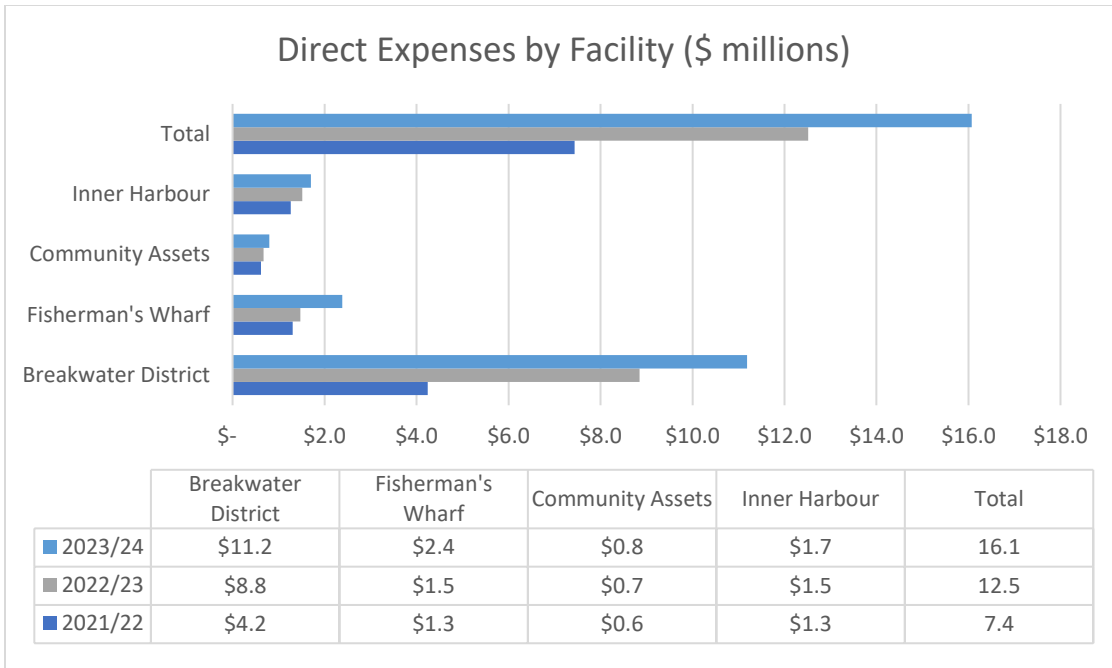
Capital Improvement Fees: In 2010, GVHA, in consultation with cruise lines, implemented a cruise sustainability fee for all ships calling to The Breakwater District to support the essential ongoing investment in cruise infrastructure. In 2024 The cruise sustainability fee generated \$3.8 million in revenue.

Included in Capital improvement fees is a fee that was previously recovered from the fuel dock operator. This was halted in the 2023 fiscal year and will be utilized for Fuel dock repairs and maintenance in the upcoming fiscal years.

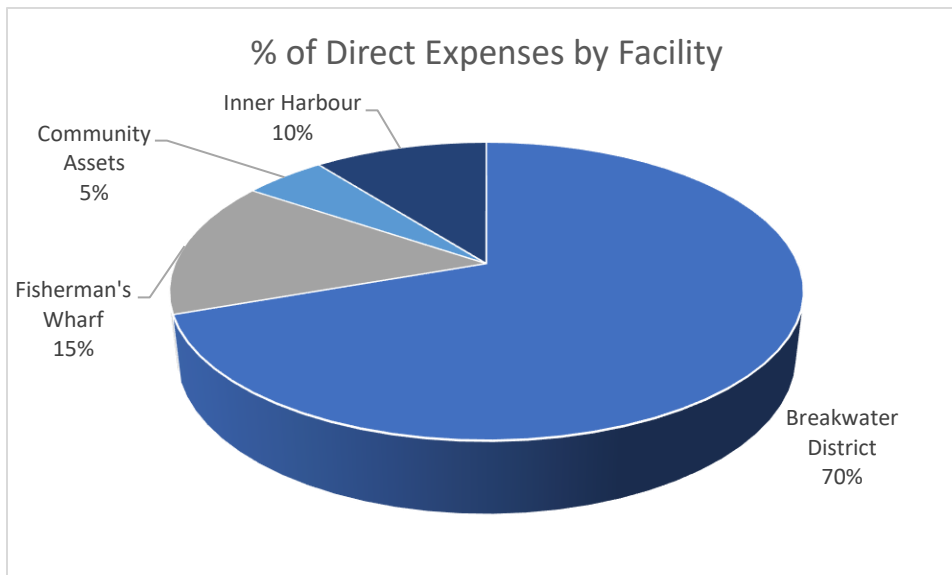
Other recovered costs and in-kind sponsorship: Other recovered costs consist of common-area maintenance fees and property taxes recouped from our clients. In-kind sponsorships are given to community organizations who utilize our facilities to help reduce their costs. In kind sponsorships totaled \$330,000 for the year. Some organizations GVHA sponsored this year included moorage for the Victoria Fire Department and Centre for Whale Research; storage for the Maritime Museum of British Columbia, a tent area for Lighthouse ministries and CFAX Santa's Anonymous. GVHA also provided a space for the Canada Coast Guard to perform a mass evacuation exercise, and a GVHA parking lot was utilized for Victoria Fire Department driver training. Included in in-kind sponsorship is 50 linear feet of moorage at the Inner Harbour reserved for the Lekwungen people.

Expenses: Overall expenses were close to the budgeted amount for the year with a positive variance of \$115,000. The General operating expenses were over \$1.0 million due to the addition of the fuel dock fuel expenses as well as increases in areas related to the increase in cruise revenue. Administrative costs were lower than budget partly due to the capitalization of wages directly related to capital expenditures. This new accounting treatment that was implemented part way through the fiscal year, was unbudgeted and reduced wages by \$366,000. The rationale behind the change was to better reflect the true cost of capital on the organization.

Expenses (before amortization and interest) of \$16.1 million have been broken out by facility below and include comparisons for the past two fiscal years:



Community assets, as detailed on page three, generate little in revenue, and represent 5 per cent of GVHA total expenses. GVHA considers this an investment into the community, as illustrated below:



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. This fiscal year GVHA received funds toward the Broughton Pier project and the Inner Harbour Lekwungen Placing Making as highlighted in the liabilities section above. At year end, \$7.7 million of the deferred capital contributions remain unspent in relation to the funding received from the Provincial Government for the Shore power project.

Extraordinary item: In 2024, GVHA determined that the Certificates of Compliance (COC) capital project for Ogden Point property that had been held in our work-in-progress account no longer had economic value to the Society. A COC is obtained when the BC Ministry of Environment certifies that a contaminated property has been remediated to meet the applicable standards set by the Environmental Management Act and the Contaminated Sites Regulation. Significant work had been undertaken in prior fiscal years towards obtaining this COC. During the year, after meeting with consultants and the Provincial Regulator, it was determined that a site wide COC would not be applicable given the changing nature of the site and would require a renewal every time a new project was implemented. It was determined that completing a COC on a case-by-case basis was more efficient and effective for the site. Based on this determination, the capital project no longer had economic value to the Society and was written off.

Investment income: Represents gains and losses from GVHA's internally restricted reserve fund and Guaranteed Investment Certificates (GICs). Investment income from GICs was a significant positive variance with interest rates varying between 5.6 per cent to 6.4 per cent. The restricted reserve fund also performed above expectations with a five-year annualized rate of return of 7.2 per cent.