

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, 2016. 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 FY2015/16

#### Financial Highlights

- Revenues were up 5% to \$11.7 million as a result of a strong cruise season and continued sales growth for most commercial clients with concession based agreements
- Operating expenses decreased 5% to \$11.9 million as a result of implementing a new operating model for the Ogden Point cruise shuttle
- Operating loss after amortization was \$0.2 million, compared to an operating loss of \$1.5 million in the prior year
- Cash flow from operations increased to \$2.6 million from \$1.0 million in the prior year
- Total restricted and unrestricted capital increased to \$7.8 million from \$7.4 million in the prior year

#### Operational Highlights

Ian Robertson assumed GVHA's permanent CEO role in April 2015 bringing a collaborative, customer-centric approach. Other significant events included:

- Finalizing our 10-year Strategic Plan and developing a 3-year Business Plan which included a significant consultation process with member agencies, staff and stakeholders
  - Completing an organizational assessment including implementing the first phase of a corporate restructuring and relocating our corporate offices from the top floor of 1019 Wharf Street to the street level resulting in a leaner more efficient organization with the added benefit of lower operating costs
  - Developing a Ground Transportation Strategy with targets to reduce neighbourhood traffic impacts and enhance safety and efficiency. Implementation of the strategy began April 2016.
  - Continued progress on the Ogden Point Master Plan (OPMP) and the completion of phase 3, the Functional & Facilities Plan
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- Our Enterprise Risk Management Program achieved an “Integrated” level of maturity rating as assessed by KPMG.

#### **Fiscal Year Quick Facts:**

- 227 cruise calls brought over 535,000 passengers and nearly 200,000 crew to Ogden Point for a visit to Victoria and the region
- \$1.0 million social investment relating to community use and enjoyment of GVHA facilities
- \$1.7 million capital upgrade and sustainability investment into facilities
- 211 days non-cruise ships docked at Ogden Point
- 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 housing 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.

### Guiding Principles

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

1. **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.
2. **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.
3. **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.
4. **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”.
5. **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.

## 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.

## Strategic Goals

### 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.

### FY2015/16 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
<b>Economic, Social and Environmental Benefit for the Region</b>	<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>
<b>Financial Self-Sufficiency &amp; Responsible Stewardship of GVHA Properties</b>	<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>
<b>A Trusted Advocate for the Working Harbour</b>	<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>
<b>Effective Governance and Accountability</b>	<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 FY2015/16, capital spending increased to \$1.7 million from \$1.1 million in the previous year. Progress on capital projects at Ogden Point totalled approximately \$1.25 million and included transportation upgrades for the terminal, interior improvements to Pier B, a security swipe card access system for the terminal, installation of the barge at Seaspans/Pilotage area, progress on the Ogden Point Master Plan, replacement of bull rails on Pier B and the installation of new fenders on Pier A. Approximately \$113,000 of the \$1.7 million related to the Steamship Terminal, which included illuminating the building and installing banners. At Fisherman’s Wharf, 2,000 square feet of new common area docks were installed as well as a new Harbour Ferry landing area and improved seating areas. There was a major upgrade to the Fisherman’s Wharf water system including the installation of water meters for commercial businesses and float homes. The East Pier Landing/Loading zone had its decking replaced, and a retaining wall added. Other capital projects included completion of GVHA’s maintenance shop upgrades, Ship Point security upgrades and the purchase of a new garbage truck.

<b>FY2015/16 Capital Investment Summary (\$000)</b>	
Ogden Point Terminal updates, advancement of the Ogden Point Master Plan, and maintenance shop upgrades	\$1,285
Revitalization of the Steamship Terminal – banners & illumination	\$113
Fisherman’s Wharf upgrades	\$175
Miscellaneous smaller capital projects including Ship Point security upgrades and new garbage truck	\$99
<b>TOTAL</b>	<b>\$1,672</b>

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 FY2015/16, sustainability fees paid by the cruise lines calling Victoria totalled \$1.1 million. During the five years since 2010, GVHA has invested \$6.6 million in cruise

infrastructure. After collecting sustainability fees totaling \$4.9 million plus \$1.9 million in grants, the sustainability fund has a surplus of just under \$200k.

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.

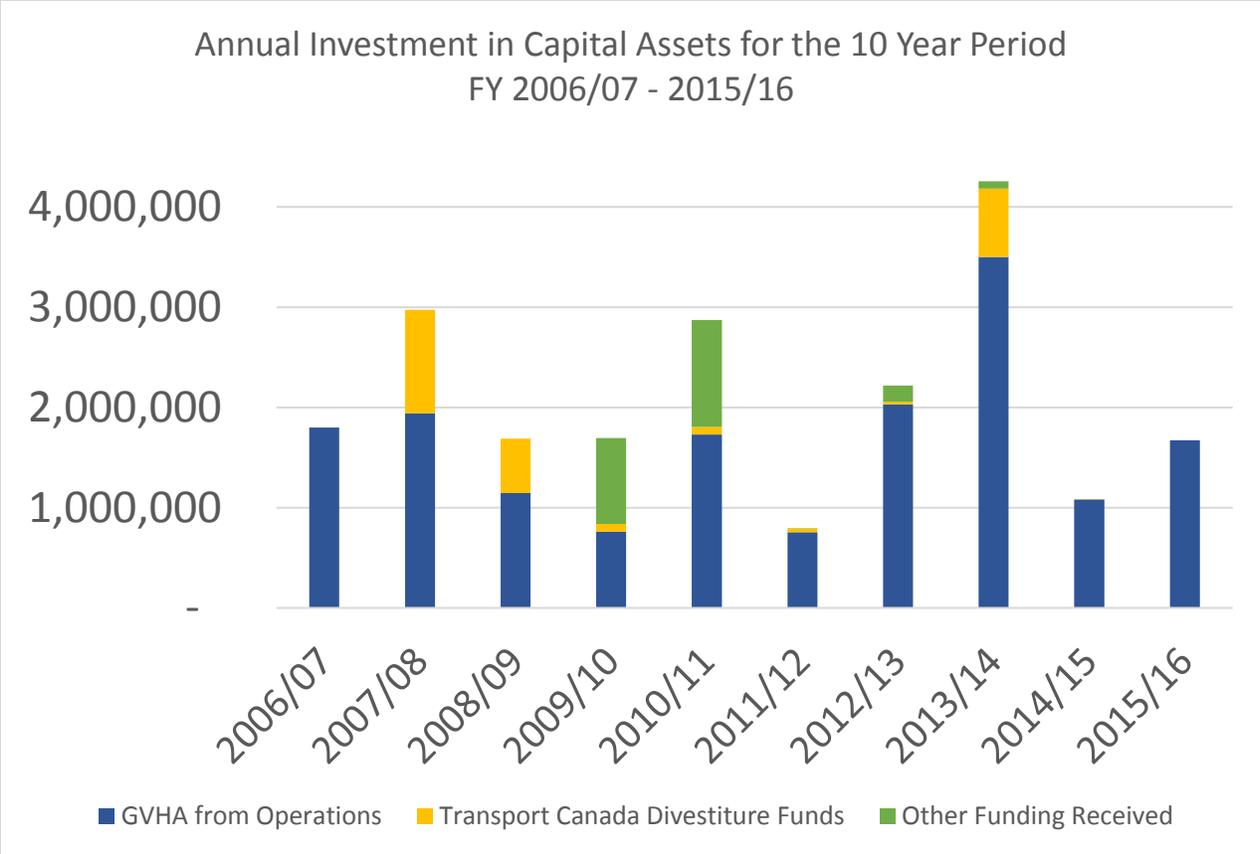
### **Funding Infrastructure Investments & Requirements**

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 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 \$2.5 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 \$6.8 million in grant funding and restricted funds from Transport Canada for capital improvements and additions, and has directly reinvested \$19.6 million of cash surpluses from operations.

GVHA's FY2015/16 capital budget and 2016–2019 capital plan anticipate spending in the following areas:

- Cruise terminal upgrades (\$1.9 million)
- 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.

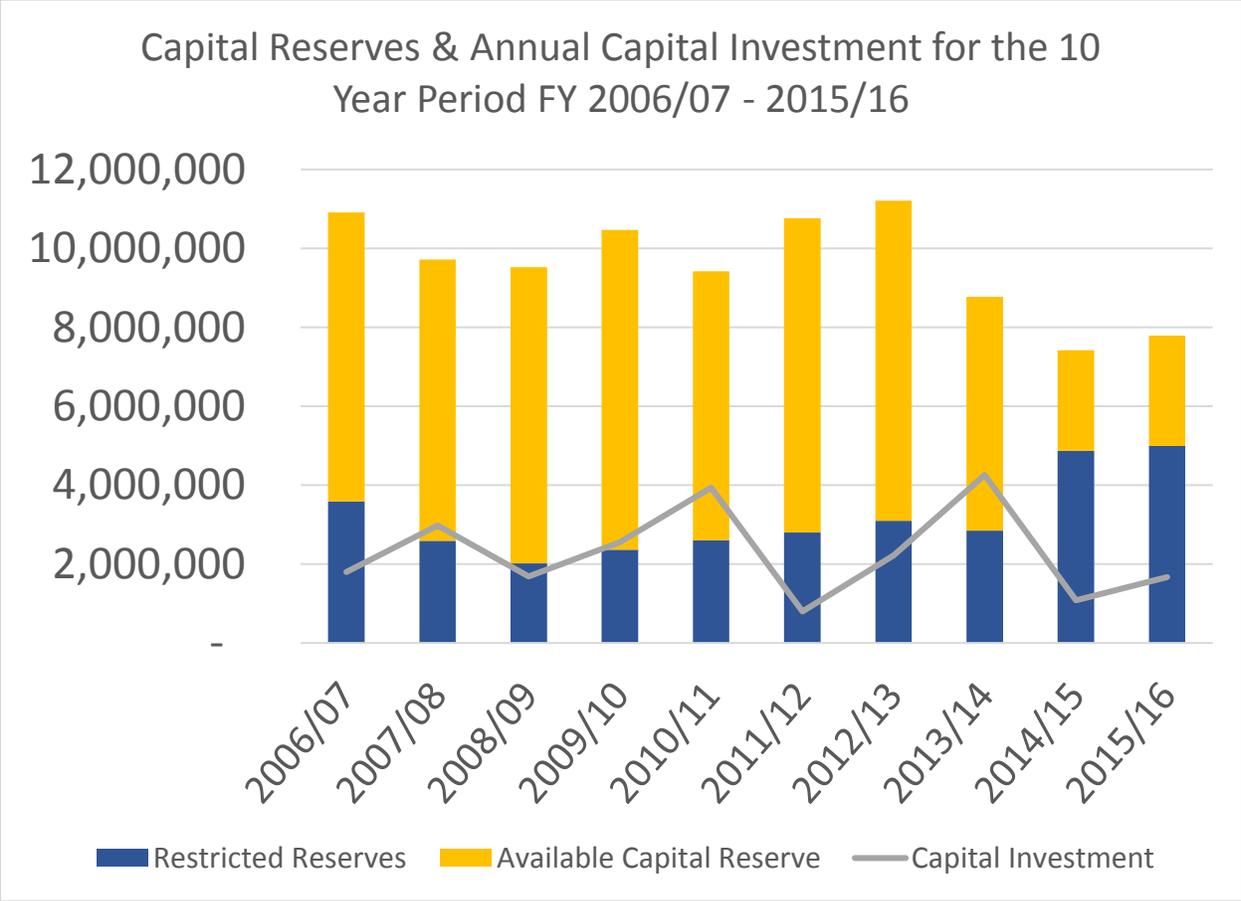


**CAPITAL RESERVES**

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, 2016, the reserve fund balance is \$4.8 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 2016. 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.



**FY2015/16 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 FY2015/16 compared to the year prior (FY2014/15) has been calculated.

All amounts shown below are in \$000.

	2015/16	2014/15	Variance \$ vs. 2014/15
<b>ASSETS</b>			
Current assets, investments	\$10,022	\$10,439	(\$417)
Long-term assets	\$-	\$222	222
Capital assets	57,442	58,014	(572)
	<b>\$67,464</b>	<b>\$68,674</b>	<b>(\$1,210)</b>
<b>LIABILITIES</b>			
Current liabilities	1,938	2,969	(1,031)
Deferred contributions	22,554	23,538	(984)
	<b>\$24,492</b>	<b>\$26,507</b>	<b>(\$2,015)</b>
<b>NET ASSETS</b>			
Invested in capital assets	35,180	34,746	434
Restricted assets	4,990	4,869	121
Unrestricted assets	2,802	2,552	250
	<b>\$42,972</b>	<b>\$42,167</b>	<b>\$805</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, 2016 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

In 2015 GVHA repaid the \$1.4 million fixed-rate operating loan outstanding at March 31, 2015. This loan was used to fund the Steamship Terminal building revitalization project. The revitalization of this building totalled \$3.0 million, of which \$1.5 million was financed.

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 2015/16 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.

	Budget 2015/16	Actual 2015/16	Variance \$ vs. budget	Actual 2014/15	Variance \$ vs. 2014/15
<b>REVENUES</b>					
Shipping	\$5,533	\$5,957	\$424	\$5,760	\$196
Marinas & attractions	2,081	2,083	2	2,001	82
Commercial real property	1,871	2,060	188	1,858	202
	<b>\$9,485</b>	<b>\$10,099</b>	<b>\$614</b>	<b>\$9,619</b>	<b>\$480</b>
Cruise sustainability fee	1,055	1,083	27	926	157
Other recovered costs & in-kind sponsorship	734	520	(214)	552	(32)

<b>Total Revenues</b>	<b>\$11,274</b>	<b>\$11,702</b>	<b>\$428</b>	<b>\$11,097</b>	<b>\$605</b>
<b>EXPENSES</b>					
General operating expenses	3,067	2,994	72	3,767	772
Repairs & maintenance	1,609	1,341	268	1,629	288
Insurance	356	354	(2)	338	(15)
Property taxes	972	915	57	914	(1)
Administrative	3,910	4,064	(155)	3,808	(256)
Amortization of capital assets	2,160	2,243	(83)	2,117	(127)
<b>Total Expenses</b>	<b>\$12,074</b>	<b>\$11,912</b>	<b>\$162</b>	<b>\$12,573</b>	<b>\$661</b>
<b>Excess (deficiency) of operating revenues over expenses before the following:</b>	<b>(\$800)</b>	<b>(\$210)</b>	<b>\$589</b>	<b>(\$1,476)</b>	<b>\$1,266</b>
Deferred contributions	994	1,011	(17)	1,006	(5)
Gain on sale of asset	-	4	4	143	(139)
Investment income	300	1	(299)	416	(415)
<b>Excess of revenues over expenses</b>	<b>\$494</b>	<b>\$805</b>	<b>\$311</b>	<b>\$89</b>	<b>\$716</b>

### Operating Revenues Composition

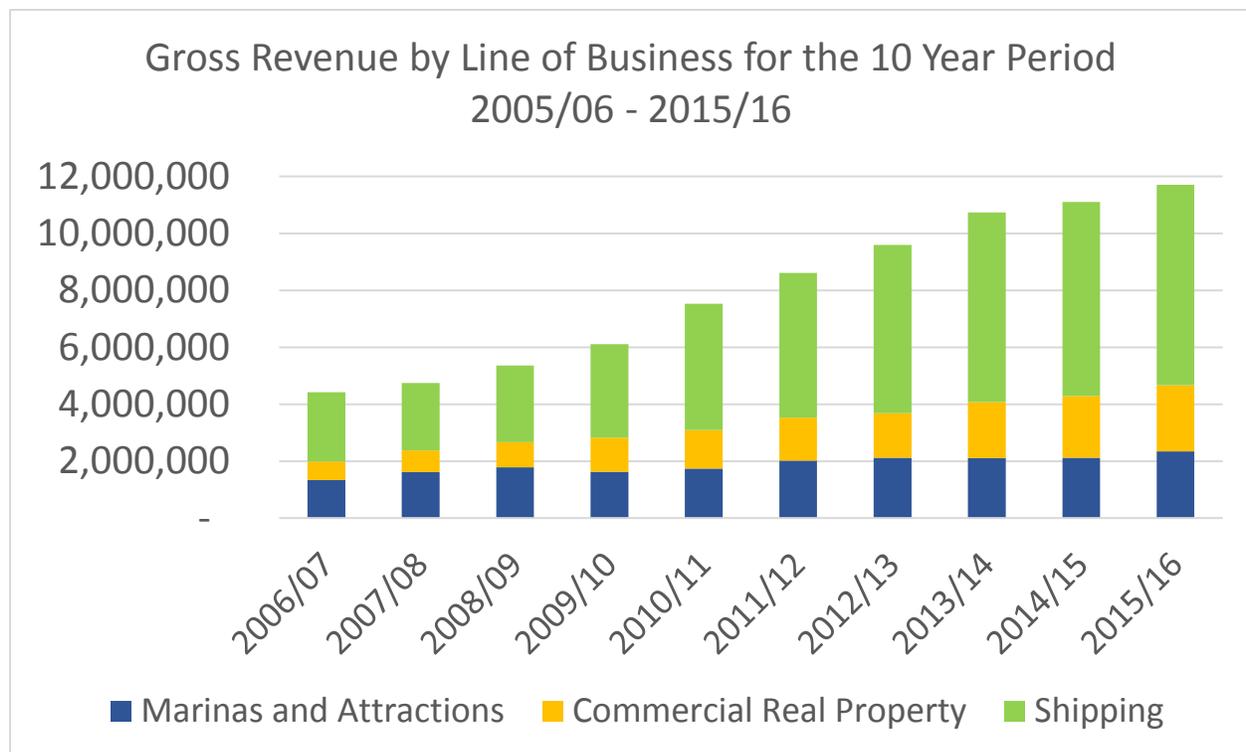
**Shipping:** Between April and November 2015, GVHA received 227 cruise ship calls that brought more than 535,000 passengers and nearly 200,000 crew to Victoria and the Region. This is up 10% from the 206 cruise ships calls received in 2014. Cruise passenger count was favourable to budget with cruise ships travelling with approximately 105% occupancy. 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 59% of total operating revenue for FY2015/16 (compared with 60% in FY2014/15).

**Marinas and attractions:** Revenues were on budget and increased 4.1% over the previous year due to the adjustment of moorage rates resulting from completion of a marina rate market assessment in 2014.

**Commercial real property:** Revenues were 10% above budget for the year and increased 11% over the previous year. The favourable 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 3% above budget for the year and increased 17% over the previous year as the cruise passenger count was favourable to budget and increased over prior year. 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 decreased 6% from prior year and were 29% unfavourable to budget largely due to a water shortage that prevented cruise ships from taking water on and a delay in implementing a facility maintenance charge for Fisherman’s Wharf clients. The facility maintenance charge has been implemented beginning fiscal year 2016/17.



**Expenses for the Year**

**General operating expenses:** GVHA’s general operating expenses decreased 21% from FY2014/15 and were 2% or \$72,326 favourable to budget. This variance was largely due to

lower water charges due to a water shortage that prevented cruise ships from taking water on which was partially offset by increased security at GVHA facilities.

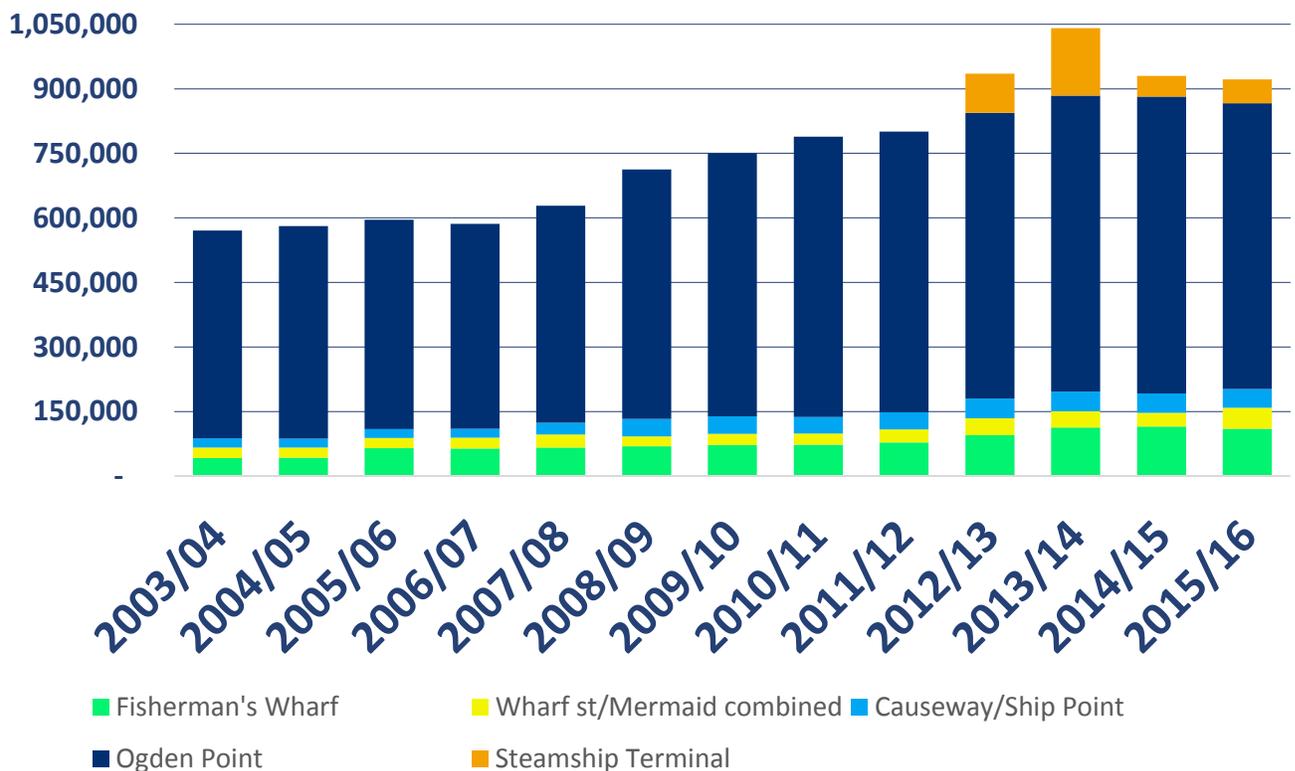
**Repairs and maintenance:** Repairs and maintenance expenses decreased by 18% or \$288,217 from FY2014/15, and were 17% or \$268,174 favourable to budget. The favourable variance to budget is largely a result of lower costs incurred on projects completed internally versus outsourced, plus two projects deferred to FY2015/16.

**Insurance:** GVHA’s insurance expense was on budget and 5% or \$15,313 higher than FY2014/15. With earthquake insurance becoming increasingly expensive for the Pacific Northwest, GVHA will continually evaluate options to ensure earthquake risk is managed in the most financially effective way.

**Property taxes:** In FY2015/16, property taxes for the year totalled \$915,113, which was 6% below budget and 0.1% higher than prior year. BC Assessment reclassified the land and water lot area relating to the breakwater at Ogden Point resulting in a reduced assessed value which more than offset the mill rate increase.

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 10 Year Period  
2006/07-2015/16



**Administrative:** Administrative expenses increased 7% from FY2014/15 and were 4% above budget. The variance is largely attributed to expenses relating to GVHA’s office relocation from the top floor of 1019 Wharf Street to the street level. Average annual rent savings beginning FY2016/17 will be \$138,000.

**Amortization of capital assets:** Amortization increased 6% from FY2014/15 as completed projects were capitalized at the end of FY2014/15. Amortization was 4% favourable to budget due to the timing and early capitalization of capital projects in the year.

**Deferred contributions:** Deferred contributions represent amortized contributions received from Transport Canada and other federal and provincial contributions. Deferred contributions increased 1% from FY2014/15 and were 2% favourable to budget. Of the \$6.8 million received from Transport Canada in 2002 for restricted capital works for the Ogden Point caissons, \$140,016 remains and must be spent by June 24, 2017.

**Gain on sale of asset:** In FY2015/16, GVHA replaced its garbage truck. The old garbage truck was 20 years old and fully amortized. A \$3,500 gain on the sale was recognized.

**Investment income:** Represents investment income derived from GVHA’s internally restricted fund and Guaranteed Investment Certificates. FY2015/16 investment income decreased 100% from FY2014/15 and reflects market conditions.

**Excess of revenues over expenses:** Net revenue over expenses totaled \$805,086 in FY2015/16, which was \$311,338 favourable to budget and \$715,758 greater than FY2014/15 results. Overall revenues were up 5% to \$11.70 million as a result of a successful cruise ship season, increased non-cruise shipping revenue at Ogden Point and increased commercial real property revenues from clients with a concession based lease. These revenues were complemented by a decrease in operating expenses. Operating expenses decreased 5% to \$11.91 million as a result of a new operating model for the Ogden Point cruise shuttle as well as decreased maintenance costs and salaries.

### Cash Flow Summary for the Year

	Actual 2015/16	Actual 2014/15	Variance
<b>Total change in cash from operating activities</b>	\$2,620	\$982	\$1,638
<b>Total change in cash from financing activities</b>	(\$1,339)	(\$4)	(\$1,335)
<b>Total change in cash from investing activities</b>	(\$2,358)	(\$171)	(\$2,187)

Increase (decrease) in cash and cash equivalents	(\$1,077)	\$808	(\$1,885)
Cash and cash equivalents, beginning of year	\$1,979	\$1,171	\$808
Cash and cash equivalents, end of year	<b>\$902</b>	<b>\$1,979</b>	<b>(\$1,077)</b>

**Cash flow from operating activities:** Excess of revenue over expenses totalled \$805,086, less items not involving cash and net change in non-cash working capital resulted in positive cash flow from operating activities totaling \$2.62 million. Cash flow from operating activities was up \$1.81 million from FY2014/15.

**Cash flow from financing activities:** There was a net cash outflow of \$1.34 million in FY2015/16 as a result repaying the fixed-operating loan. Cash flow from financing activities was down \$1.33 million from FY2014/15.

**Cash flow from investing activities:** There was a net cash outflow of \$2,358,093 in FY2015/16 as a result of the construction and purchase of capital assets and the net impact of GIC investments redeemed and matured. Cash flow from investing activities was down \$2.19 million from FY2014/15.

## 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.

In 2014, GVHA's ERM program was deemed, by KPMG, to be at a "Mature" state. KPMG's ERM Maturity Model defines a "Mature" state to mean:

- The board and executives are confident that risk is being effectively managed based on emerging risk identification efforts, external benchmarking and the use of risk appetite, tolerances and limits
- Risk management activities are aligned with business strategy
- "Corporate" risk management functions demonstrate a level of consistency

In 2014, GVHA's goal was to improve its ERM program rating from a "Mature" state to an "Integrated" state. In 2016, KPMG independently assessed GVHA's ERM program and confirmed GVHA had reached an "Integrated" level of maturity for its ERM program based on improvements implemented by management throughout the year.

Improvements were recognized in the following ERM program areas:

- Risk Governance
- Assessment and measurement
- Reporting and insights
- Culture
- Management and monitoring
- Data and technology

KPMG's ERM Maturity Model defines an "Integrated" state to mean:

- Risk management capabilities and activities are integrated and coordinated across corporate operations
- Risk management objectives and value proposition 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)

### **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.

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, 2016, management identified 60 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 2016 cruise season is scheduled to bring 228 ship calls to Ogden Point, carrying approximately 524,000 passengers.

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

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 2016/17, GVHA will focus on a marina marketing strategy to increase summer occupancy. 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.

In May 2016 GVHA executed an agreement with Riverside Marine BC to sub-lease the Steamship Terminal water lot for Riverside Marine's Victoria to Vancouver (V2V) ferry operation. The lease commences October 2016 in anticipation of V2V commencing operations May 2017.

### **Commercial Real Property**

GVHA continued work towards fully tenanting the Steamship Terminal building. In early 2016 leases were executed with Riverside Marine BC to locate their corporate office in level 4, have a ticket office on level 2, and check-in area on level 1. Negotiations are active to tenant the vacant space that remains on level 1.

In 2014, the City of Victoria approved the rezoning of Fisherman's Wharf. The Fisherman's Wharf plan preserves 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. Capital expenditures relating to implementation of the Fisherman's Wharf plan may range from \$3 million to \$7 million, depending on the final plan, and will be contingent on external funding.

In FY2016/17, GVHA will look 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.