

PORTS TORONTO 2020 Annual Report

Ninth busiest airport in Canada

Prior to the COVID-19 pandemic, Billy Bishop Airport was Canada's ninth-busiest airport and sixth-busiest with passenger service to the United States.

Environmental Achievement Award

The Billy Bishop Toronto City Airport Master Plan won the 2020 Airports Council International (ACI-NA) Environmental Achievement Award.

BILLY BISHOP
TORONTO CITY AIRPORT

4,749

4,749 Orange emergency medevac flights operated from Billy Bishop Airport in 2020.

4,740 jobs

Billy Bishop Airport supports 4,740 jobs, including 2,080 directly associated with airport operations.

PORT OF TORONTO

2.2 million

2.2 million metric tonnes of cargo transited through the Port of Toronto in 2020.

84,854

Pieces of anthropogenic debris were diverted from Lake Ontario through the PortsToronto Seabin Program.

OUTER HARBOUR Marina

10 years

OHM has achieved the Green Anchors Gold rating in the Clean Marine program for the past 10 years.

728,600

metric tonnes

The Port of Toronto recorded its highest cement cargo imports in 16 years with more than 728,600 metric tonnes delivered in 2020.

30,000 cubic metres

Each year, PortsToronto dredges 30,000 cubic metres of natural sediment and soil, which contributes to important wetland creation at the Leslie Street Spit.

11 per cent

The Port saw an 11 per cent increase in sugar imports in 2020 with 638,283 metric tonnes imported from Central and South America.

375 containers

The Port of Toronto saw the return of short sea shipping in 2020 with the delivery of 375 containers.

\$12 million

PortsToronto has dedicated more than \$12 million in community investment since 2009.

AÉROPORT DE TORONTO
BILLY BISHOP
TORONTO CITY AIRPORT

PORT OF TORONTO

OUTER HARBOUR Marina
DE L'AVANT-PORT



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Message from the Chair

In April of this year I was proud to take on the role of Chair of PortsToronto's Board of Directors. Having been appointed to the Board by the City of Toronto six years ago, I consider this to be an exciting next step in my involvement. PortsToronto is a successful and vibrant organization, led by a management team which is committed to fulfilling its federal mandate and servicing and supporting the City as a whole. Our primary focus over the last few years has been to provide essential transportation infrastructure and develop city-building initiatives that contribute to Toronto's position as a world-class city. I plan to leverage the experience and understanding that I have gained in my role as a Board Member and as former Chair of the Governance & Human Resources Committee, to continue with this direction.

The past year has been a challenging one for PortsToronto given the impacts of COVID-19, and the year ahead will be equally challenging as we emerge from the pandemic and begin to recover and rebuild. Fortunately, over the past number of years, the organization has been pursuing a strategy of business diversification which has served us well in 2020. As one area of our business experienced a decline due to the pandemic, other areas of our business maintained strong operations. This includes the Port of Toronto that brought in such essential cargo as sugar and construction materials to keep Toronto industry moving; the Outer Harbour Marina that adapted successfully to support new safety measures and benefitted from the surge in recreational boating; and our Infrastructure team which continued to develop projects and secure contracts that are essential to the recovery and continued growth and development of Toronto.

As we progress through 2021 with economic recovery being top-of-mind for everyone, PortsToronto will be a meaningful partner for the City of Toronto. In addition to our other business units, Billy Bishop Airport is poised to play a key role as an urban airport located in the heart of the city. The airport is an essential and unique asset that can help energize economic recovery.

Billy Bishop Airport drives commerce and trade by connecting Toronto to critical markets such as New York, Chicago, Ottawa, Montreal, Washington and Boston. It encourages tourism by bringing people to Toronto from destinations throughout eastern North America. It also supports the health of Ontarians by providing a base for Ornge Medevac services to facilitate urgent patient care. In fact, Ornge's operations at Billy Bishop Airport have never been as important as during the pandemic, as it has been on the frontlines of the vaccination effort in remote and northern communities, and crucial to transferring an increased number of patients. From a financial perspective, the airport also generates revenue and provides thousands of jobs for the region, and invests in the community to build infrastructure and support charitable organizations. In short, Billy Bishop Airport plays an integral role in Toronto and contributing to what makes this city truly world class.

I am fortunate to work with a talented Board of Directors and highly effective staff in our efforts to plan and execute the continued growth of each part of our organization. During the last year we have all faced an unprecedented global situation, making difficult decisions to stabilize the organization and ensure we could weather the storm ahead.



Billy Bishop Airport is poised to play a key role as an urban airport located in the heart of the city. The airport is an essential and unique asset that can help energize economic recovery.



The PortsToronto team was dedicated, took these measures in stride, and were unwavering in their commitment to this organization. For that I thank all of them and look forward to continuing to work with this fine group of people in the months and years ahead.

I would also like to thank our stakeholders and community partners, as well as our government partners, especially Transport Canada, the City of Toronto and the federal government for their support and collaboration over the last year.

Finally, I would like to take this opportunity to thank Robert Poirier, our former Board Chair who retired in April after serving his maximum nine-year term and with whom I was fortunate to have been able to work. Robert was dedicated to PortsToronto and provided strong leadership during his almost six years as Chair. Throughout this time, but never more so than during the pandemic, Robert was thoughtful, open, communicative and patient – spending the time needed with all of us as we worked to do our best for PortsToronto.

As we move from the uncertainty and difficulties of 2020, we can all look forward with optimism to the latter half of 2021 and the opportunity to emerge from lockdowns and restrictions as we recover and rebuild. PortsToronto will indeed recover and rebuild and return to the position of strength and profitability that it has held for many years and I look forward to being part of that effort.

Amanda Walton
Chair
PortsToronto





Message from the Chief Executive Officer

2020 can be best described as a year of contrasts. PortsToronto entered 2020 in a strong position, bolstered by a successful year in 2019 and the promise of another year of exciting projects, solid growth and ongoing profitability. But in late March 2020 the year took a decisive turn and PortsToronto, like almost every other organization in the world, was faced with unprecedented challenges and disruptions caused by the COVID-19 pandemic.

However, the year was also one of demonstrating strength and resilience amid the pandemic's impacts. Looking back, I am immensely proud of our team and our collective ability to maintain our businesses with professionalism and commitment, and to continue to progress in areas of importance for our organization, including sustainable operations, supporting and engaging with our community, and investing in city building projects within a sustainable development framework.

It is this professionalism and commitment that is highlighted in this Annual Report. In the pages that follow, you will find details of PortsToronto's operational performance in the past year, topline financial information and a snapshot of the areas of progress and challenge we experienced in operating Billy Bishop Toronto City Airport, the Marine Terminal property within the Port of Toronto, the Outer Harbour Marina, and Property and Other – our fourth business unit consisting of real estate holdings and investments.

Overall, PortsToronto reported operating revenues of \$36.6 million in 2020, a significant drop of \$24.4 million from 2019 revenue of \$61 million. In addition, PortsToronto had a net loss in 2020 of \$12.6 million versus net income of \$3.5 million in 2019, a change of \$16.1 million year-over-year.

However, despite the financial challenges and revenue declines associated with COVID-19, PortsToronto made all of its government payments in 2020. PortsToronto paid \$3.2 million in Payments in Lieu of Taxes (PILTs) to the City of Toronto in 2020, as well as paying \$2.5 million toward realty taxes. The amounts accrued and paid to the federal government and to the City of Toronto together total \$6.7 million for 2020, representing 18.3% of PortsToronto's Operating Revenue in 2020.

For the last several years, PortsToronto has been working towards business diversification and we have invested in the other areas of our organization to develop greater balance between our business units. It is this diversification that has made the organization unique among its counterparts in the aviation and port industries, and has proved beneficial in 2020.

Proof in point, the marine Port of Toronto operated mostly unaffected in 2020 and its activities reported operating income from all sources of \$4.4 million in 2020, up from the year prior that recorded \$3.4 million, which can be attributed to cargo handling, storage and port leases that resulted in an increase in net income.

In 2020, the Port of Toronto welcomed 174 cargo ships and experienced a 33 per cent increase in steel imports, received the highest cement cargo levels in 16 years, and saw the return of Short Sea Shipping – demonstrating the port's position as a vital part of Toronto's economic infrastructure and movement of goods.

While cargo shipments continued unabated during 2020, passenger cruise ships were impacted by pandemic-related travel restrictions, resulting in a temporary suspension of cruise ship activity in Canada for 2020 and 2021.



OUTER HARBOUR
Marina
DE L'AVANT-PORT

The Outer Harbour Marina occupancy rate for summer berthing increased to just above 88 per cent in 2020 and remained at 100 per cent for winter outdoor and indoor storage.



For context, in 2019 the port welcomed 36 ships, carrying approximately 12,000 passengers, who supported local tourism by visiting the city's restaurants and attractions. We look forward to seeing these ships and passengers return to Toronto in 2022.

The Outer Harbour Marina likewise experienced a strong year in 2020 given the nature of the business and people's desire to get outside and enjoy recreational activities close to home. The marina team made extraordinary efforts over the past year to implement public health measures and ensure the continued safety of boaters and staff.

The financial performance of the Outer Harbour Marina remained consistent with prior years during 2020, given the demand for winter storage in the 2020-2021 season, and summer berthing renewals remained strong. The occupancy rate for summer berthing increased to just above 88 per cent in 2020 and remained at 100 per cent for winter outdoor and indoor storage. The Outer Harbour Marina's operating income increased to \$2.4 million on revenues of \$4.8 million.

Our fourth business unit, Property and Other, includes the rental of various properties along the waterfront as well as Marine Terminal 51 and the Cruise Ship Terminal in the port. Property and Other, including investments, reported operating income of \$4.4 million, which was down marginally from \$4.6 million the year prior. Investment income includes income earned on PortsToronto's cash reserves, which dropped in 2020 versus 2019, due to lower interest rates and a decrease in the principal invested.

While our other business units continued mostly unaffected in 2020, the year proved particularly challenging for Billy Bishop Toronto City Airport given the nature of its operations and the unprecedented impacts of the COVID-19 global pandemic on the travel and aviation sector. Given the temporary suspension of commercial service, Billy Bishop Airport welcomed just 389,000 business and leisure travelers in 2020, which was down significantly from 2.8 million in 2019, and generated

revenue of \$18.2 million, down from \$41.7 million the year prior. Operating income for Billy Bishop Airport was \$3 million in 2020, down significantly from \$22 million recorded in 2019.

We are eager to see the safe return of commercial airline service at Billy Bishop Airport. The launch of our Safe Travels Program in August 2020 was an important step in ensuring that our airport is responding to our new realities and will provide a safe experience – through measures including sanitization, physical distancing, personal protective equipment, and public health protocols – when the time is right to travel again. We have spent the past year making difficult decisions and are now looking forward to welcoming back our passengers and returning the organization to a position of strong financial performance, so that we can continue to provide essential transportation and infrastructure and support overall economic recovery.

Looking to the year ahead, PortsToronto will continue to work with our community, partners and stakeholders to actively participate in the recovery of our economy within a sustainable development framework. In this vein, plans are currently in motion to implement the third phase of the PortsToronto Seabin Program in 2021, which will collaborate with waterfront stakeholders to expand the program along Toronto's waterfront this year. For us, it makes sense to protect our most valuable collective asset, water. In order to do this we need to work together.

In addition to PortsToronto's four existing Seabins at the Outer Harbour Marina, we have/will be installing two Seabins on the Toronto Islands at the Wards and Hanlan's point ferry terminals on behalf of the Toronto and Region Conservation Authority and the City of Toronto. Further, thanks to a generous partnership with the Waterfront Business Improvement Area, we anticipate the expansion of the program along Toronto's waterfront with six new Seabins installed in areas of concern for floating litter identified during a Visual Audit undertaken by Trash Team researchers in 2020.

With the GTA construction industry showing no signs of slowing down, the Port of Toronto recorded imports of steel products in 2020, such as steel coils, rebar, plates and rail from Sweden, Spain and Turkey, totalling more than 59,381 metric tonnes.



In the year ahead, we will also focus our efforts on working toward the target we set for ourselves in 2017 of reducing PortsToronto's greenhouse gas emissions by 30 per cent of 2015 levels by 2030 across our operations. We are already on the road to achieving this goal through such projects as the conversion of the Marilyn Bell I airport ferry to 100 per cent electric power, set to be completed in 2021. This retrofit is a signature component of our plan to make Billy Bishop Airport cleaner, greener and quieter. Converting the ferry to 100 per cent electric power – which we obtain through Bullfrog Power's renewable energy sources including wind and solar – will contribute greatly to our goal to reduce our greenhouse gas emissions while at the same time supporting Billy Bishop Airport's award-winning Noise Management Program.

As we set our sights on 2021, I would like to acknowledge the support and commitment of our board of directors, and the co-operation and feedback of our stakeholders and community partners, all of whom contributed to our achievements. The waterfront is an active and interesting mixed-use community and we look forward to continuing to work with all of our partners including Transport Canada, City of Toronto, the Mississaugas of the Credit First Nations, Waterfront Toronto, and the Toronto and Region Conservation Authority in the months and years ahead.

I would also like to extend my personal thanks to Robert Poirier, our former Board Chair, who has served his maximum term and retired from our Board in April 2021. Over the last nine years Robert has demonstrated an unyielding commitment to our organization and outstanding expertise, dedication and support. He has stewarded this organization through the last year with poise, diplomacy and unprecedented skill, and we are truly appreciative of his commitment. We are fortunate to have Amanda Walton stepping into the role and look forward to her leadership in the years ahead.

Finally I would like to thank and recognize our extraordinary staff and management team at PortsToronto, an incredibly dedicated team of people whose commitment, expertise, integrity, and professionalism have kept the organization on strong footing. Thank you for standing shoulder to shoulder as we look to calmer seas and brighter skies ahead, and the recovery and rebuilding of our business.

The year 2021 marks PortsToronto's 110th anniversary and more than a century of stewardship of Toronto's remarkable waterfront. During this time, we have witnessed and withstood a great many changes, and though the pandemic and its ensuing challenges have been unpredictable, we are confident that we are now on the road to recovery.

We are, as ever, committed to doing what we can to support the economic recovery of Toronto and work with our government partners wherever needed to support plans and initiatives to get Canada on its feet again.



Geoffrey A. Wilson
*Chief Executive Officer
PortsToronto*





About PortsToronto



The Toronto Port Authority, doing business as PortsToronto, is a federal government business enterprise that owns and operates Billy Bishop Toronto City Airport, the Marine property including Warehouse 52 within the Port of Toronto, the Outer Harbour Marina and various properties along Toronto's waterfront.

Responsible for the safety and efficiency of marine navigation in the Toronto Harbour, PortsToronto also exercises regulatory control and public works services for the area, works with partner organizations to keep the Toronto Harbour clean, issues permits to recreational boaters and co-manages the Leslie Street Spit site with partner agency the Toronto and Region Conservation Authority on behalf of the provincial Ministry of Natural Resources and Forestry.

PortsToronto is committed to fostering strong, healthy and sustainable communities and has invested more than \$12 million since 2009 in charitable initiatives and environmental programs that benefit communities and organizations along Toronto's waterfront and beyond.

PortsToronto is financially self-sufficient, as required under the Canada Marine Act, and its activities and operations are not funded by taxpayers.

Vision

As a guardian and steward of Toronto's waterfront resources, PortsToronto works closely with the broader waterfront community to ensure these assets will provide prosperity and enjoyment for future generations.

Mission

PortsToronto's mission is to effectively manage Billy Bishop Airport, the Port of Toronto, the Outer Harbour Marina and its real estate properties on a self-sustaining basis, allowing PortsToronto to reinvest funds into marine safety, environmental protection, community programming and transportation infrastructure. Through the successful pursuit of this mission, PortsToronto plays an important city-building role in the economic growth and sustainable future of Toronto.

Corporate Governance

PortsToronto is the successor agency of the Toronto Harbour Commissioners (THC), which managed the Toronto Harbour from 1911 to 1999. As part of a broad strategy developed by the federal government to modernize the administration of ports, the Toronto Port Authority, now PortsToronto, was established in 1999 to operate the port, marina, airport and its land holdings.

Established under the Canada Marine Act, PortsToronto is a government business enterprise that is mandated to be financially self-sufficient. PortsToronto operates in accordance with the Canada Marine Act and Letters Patent issued by the federal Minister of Transport in addition to a series of specific policies and procedures. The Letters Patent include requirements related to PortsToronto's board of directors and outlines the activities that can be undertaken by the organization.

PortsToronto is accountable to the federal government through Transport Canada and is guided by a nine-member board of directors composed of individuals appointed by all levels of government — federal, provincial and municipal. Six members of the board are appointed by the Minister of Transport in consultation with committees representing four identified user groups — commercial, recreation, airport and port operations. The City of Toronto and the Province of Ontario have a direct governance relationship with PortsToronto via their appointees to the PortsToronto board of directors. The PortsToronto board met 26 times in 2020.

The following four standing committees oversee various organizational matters, various facets of our operations and assess recommendations from management:

- Audit and Finance
- Governance and Human Resources
- Communications and Outreach
- Pension

The Board relies on these committees to facilitate business and guide its decisions. During 2020, the committees met 36 times.

For more information about PortsToronto governance, please visit our website.

The board of directors is appointed as follows:



One appointee nominated by the federal Minister of Transport



One individual appointed by the City of Toronto



One individual appointed by the Province of Ontario



Six individuals appointed by the federal Minister of Transport in consultation with the below industry groups.

- Commercial
- Airport
- Port-related activities/operations
- Recreational business

All individuals nominated by the Minister of Transport are appointed by the Governor in Council.

Board of Directors



ROBERT D. POIRIER
Chair of the Board
(Retired April 2021)



AMANDA WALTON
Chair of the Board
(Elected April 2021)



DARIN E. DESCHAMPS



HELLEN SIWANOWICZ

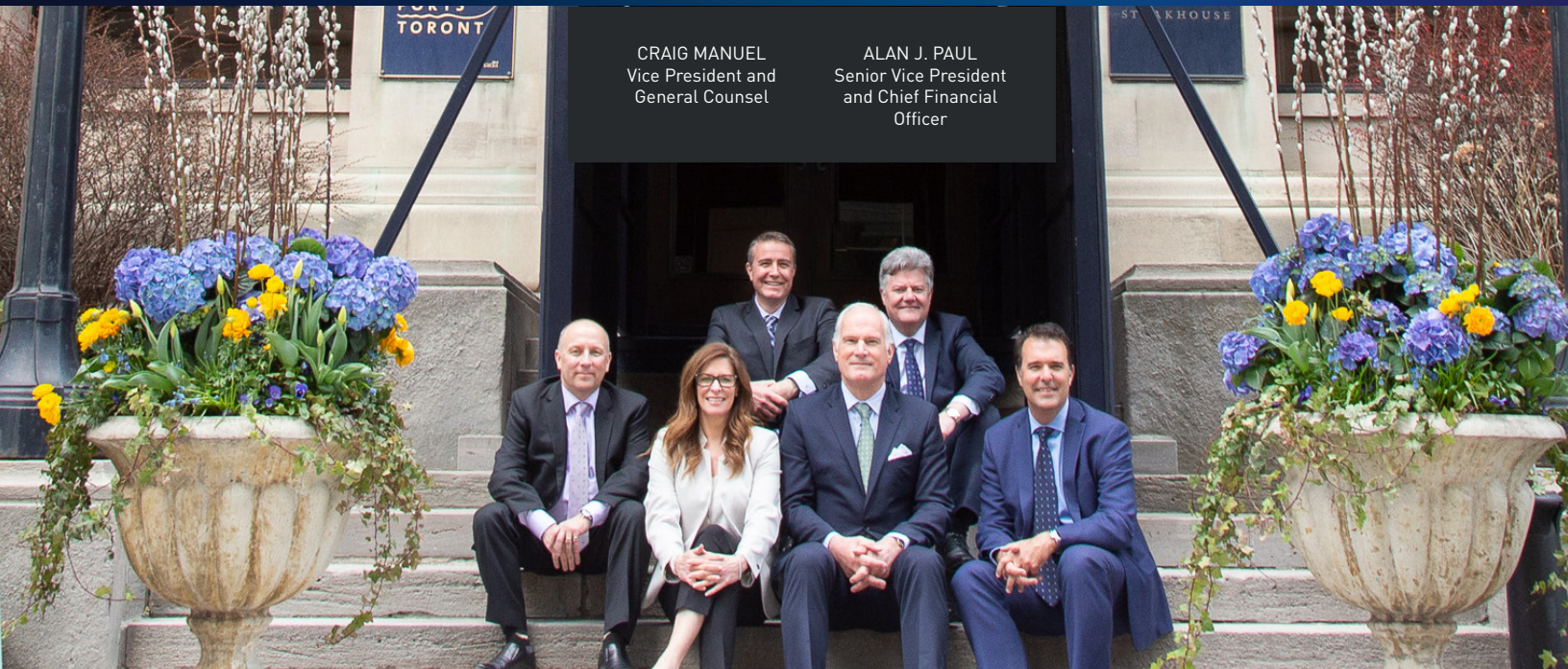


DON MCINTYRE



CHRISTOPHER REYNOLDS

Senior Management



CRAIG MANUEL
Vice President and
General Counsel

ALAN J. PAUL
Senior Vice President
and Chief Financial
Officer

CHRIS SAWICKI
Vice President of
Infrastructure,
Planning and Environment

DEBORAH WILSON
Vice President of
Communications
and Public Affairs

GEOFFREY A. WILSON
Chief Executive Officer

GENE CABRAL
Executive Vice President,
PortsToronto and Billy
Bishop Airport

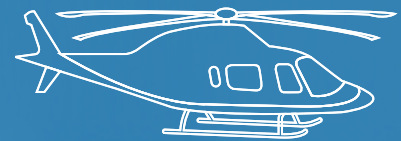
PortsToronto Business Units

Prior to the pandemic, Billy Bishop Airport generated more than \$470 million in Gross Domestic Product (GDP) and supported 4,740 jobs, including 2,080 directly associated with airport operations.

**BILLY
BISHOP** 
TORONTO CITY AIRPORT



The Billy Bishop Toronto City Airport Master Plan won the 2020 Airports Council International (ACI-NA) Environmental Achievement Award



4,749
4,479 Ornge emergency medevac flights operated from Billy Bishop Airport in 2020.





BILLY BISHOP TORONTO CITY AIRPORT

Marilyn Bell I
passenger/vehicle
ferry conversion to
electric-power.



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in Canada**

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4,479 emergency medevac flights operated by Ornge's base at Billy Bishop Airport.



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Billy Bishop Toronto City Airport

It is against the backdrop of a successful 2019, during which Billy Bishop Airport welcomed nearly 2.8 million business and leisure travellers, and the promise that 2020 held in the first two months of the year, that Billy Bishop Airport met the emergence of a global pandemic in March 2020. COVID-19 grounded much of the world in 2020 and the airport was hard hit by the pandemic and the resulting travel restrictions and border closures. Commercial carriers Porter Airlines and Air Canada temporarily suspended operations as of March 2020 as a result of low passenger volume and restrictions. However, despite the temporary suspension of commercial airline service, Billy Bishop Airport has remained open and operational in order to ensure continued access for critical Air Ornge medevac services, Island Air Flight School, Cameron Air, FlyGTA Airlines and HeliTours.

Prior to the COVID-19 pandemic, Billy Bishop Airport was Canada's ninth-busiest airport and sixth-busiest with passenger service to the United States. An important international gateway, the airport offered service to more than 20 cities in Canada and the U.S., with connection opportunities to more than 80 international destinations via its airlines' networks. A key driver of Toronto's economy pre-pandemic, Billy Bishop Airport generated more than \$470 million in Gross Domestic Product (GDP) and supported 4,740 jobs, including 2,080 directly associated with airport operations, each year.

Billy Bishop Airport received approval from Transport Canada to use PFAS/AFFF-free foam and in 2019 became the first airport in Canada to use this safer foam product for its firefighting efforts.



BILLY BISHOP

TORONTO CITY AIRPORT

One of the most walkable, bikeable airports in North America, Billy Bishop Airport is known throughout the travelling community for its excellent customer service, superb amenities and unbeatable convenience. The airport's proximity to downtown in conjunction with the state-of-the-art pedestrian tunnel, enhanced shuttle service, bike stations, shorter lines and stunning passenger lounges have made Billy Bishop Airport the travel hub of choice for business and leisure travellers alike.

The airport has been recognized with a series of passenger-driven awards, including being named one of the top airports in North America in both the Airports Council International's (ACI) Airport Service Quality Awards and Skytrax World Airport Awards, the premier international airport awards voted on by 13.8 million passengers worldwide. Billy Bishop Airport was also named one of the top ten best international airports by *Condé Nast Traveler*.

Billy Bishop Airport has also been recognized by Airports Council International (ACI) for its efforts to protect and preserve the environment through our programs, initiatives and projects. In 2017, Billy Bishop Airport won the top award for its Noise Management Program; in 2019, the airport won Best Innovative Project for the successful completion of its three-year Airfield Rehabilitation Program; and in 2020 the airport won for its Master Plan, which was inclusive of many initiatives to protect the environment.

Billy Bishop Airport also serves as a base for Ornge air ambulance services, two Fixed Base Operators, FlyGTA and Heli Tours, and is home to a personal/general aviation community that includes approximately 50 private planes and one flight school.



We are proud to have Ornge air ambulance services based at Billy Bishop Airport. The YTZ base operated 4,749 medevac flights in 2020. During this unprecedented pandemic year, Team Ornge has demonstrated their unwavering dedication to the health and safety of Ontarians through initiatives including Operation Remote Immunity, which saw teams of paramedics travel to 31 remote First Nations communities in Northern Ontario to administer the COVID-19 vaccine to approximately 16,000 community members.



PortsToronto Business Units

In 2020,
2.2 million metric
tonnes of cargo
were delivered to
the Port of Toronto.

PORT OF
TORONTO



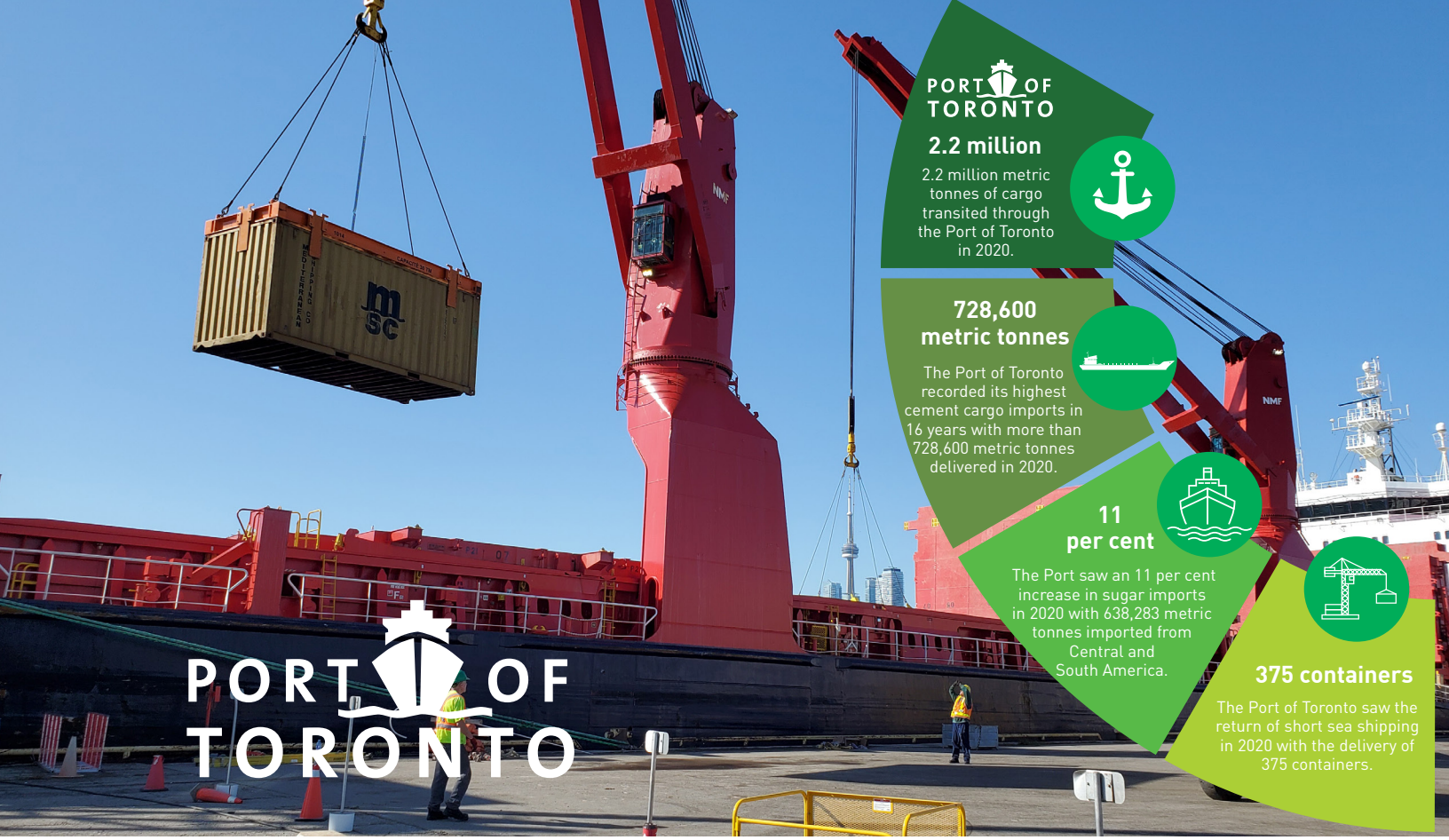
Depth of
27 feet
or 8.2 metres
(excess of
Seaway depth).

20 acres
of paved marshalling area

more than
100,000
square feet
of warehouse space

1,800 metres
berthing

Shipping Channel



PORT OF TORONTO

PORT OF TORONTO

2.2 million

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The Port of Toronto

Despite the challenges of COVID-19, marine imports remained strong at the Port of Toronto in 2020. Primarily a bulk cargo destination, the Port of Toronto is uniquely located minutes from downtown Toronto. The port receives global cargo from destinations as far away as Germany, South Korea, Australia and South America, as well as other ports in North America. The port also serves an important environmental purpose as the cargo delivered by ship in 2020 took the equivalent of approximately 52,000, 40-tonne trucks off Toronto's roads and highways.

In 2020, for the fourth consecutive year, the Port of Toronto moved more than two million metric tonnes of bulk and general cargo products, which represents another strong year in marine imports for the city. Overall, the Port moved 2,208,358 metric tonnes of cargo, bringing road salt, sugar, cement, aggregate and steel directly into the city's core.

The year 2020 highlights include:

- The Port of Toronto recorded its highest cement cargo imports in 16 years with more than 728,600 metric tonnes delivered in 2020;
- An 11 per cent increase in sugar imports, with 638,283 metric tonnes imported from Central and South America;
- A 33 per cent increase in steel products such as steel coils, rebar, plates and rail from Sweden, Spain and Turkey, totaling more than 59,381 metric tonnes; and,
- The return of Short Sea Shipping with the movement of 375 containers from the Port of Montreal to the Port of Toronto in October 2020.





Arrangements with Transport Canada are being made to ensure that the Port of Toronto can continue to support the region's supply chain through Short Sea Shipping moving forward.

In addition to traditional marine cargo, prior to the COVID-19 pandemic, the Port of Toronto was a growing cruise ship destination.

Though federal regulations effectively cancelled the 2020-cruise ship season, the year 2019 marked the Port of Toronto's busiest yet as the number of cruise ships visiting Toronto more than doubled year over year, with 36 ships bringing approximately 12,500 visitors to Toronto. These passengers would spend several days in Toronto hotels, exploring attractions and enjoying the city's many attractions.



Did you know?

Through its mixed-use facilities, the Port also plays a role in supporting Toronto's \$2 billion film industry by providing a production hub for industry players such as Cinespace and Netflix. This complementary use is facilitated in parallel with traditional port operations and has proven to be successful in ensuring the full utilization of PortsToronto property.



PORT OF TORONTO



SALT

Cleveland
Windsor
Goderich



AGGREGATE / STONE

Port Colbourne
Bruce Mines
Prescott



SUGAR

Paranagua
Santos
Recife
Maceio
Puerto Quetzal
Henecan
Puerto Cortes
Corinto
Punta Morales
Veracruz
Coatzacoalcos
Acajutla



CEMENT

Picton
Bath



CARGO

Electric Transformers
[Yokohama, Japan]
Steel Plate
[Dangjin, Korea]
Steel Pipe [Gemlik, Turkey]

PortsToronto Business Units

10 minutes from the
downtown core

OUTER HARBOUR *Marina*

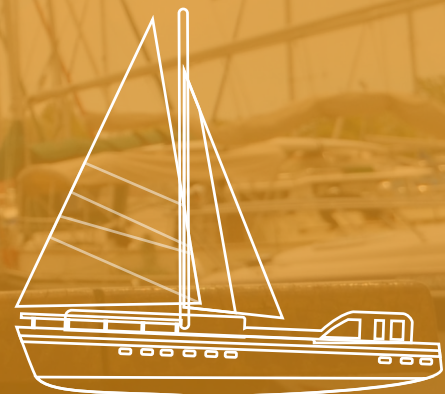


Outer Harbour
Marina equipped
with
**heated
indoor boat
storage**



**5 Green Anchor
Gold Rating**

**625 extra-wide
slips**
that can accommodate
boats up to 100-foot long





OUTER HARBOUR Marina DE L'AVANT-PORT

Outer Harbour Marina

Just outside the Toronto Harbour and a short walk from Tommy Thompson Park and nature preserve, the Outer Harbour Marina (OHM) is located 10 minutes from the downtown core. With breathtaking scenery and a world-class marina, the OHM offers a unique escape from city life without having to leave Toronto.

As one of the largest freshwater marinas in Ontario, the OHM has more than 625 extra-wide slips that can accommodate boats up to 100-feet long. As well as being the only docking facility of its kind in Toronto, the OHM also boasts heated indoor boat storage.

The OHM has a reputation for excellence, especially when it comes to environmental stewardship. In 2020, it earned the Green Anchors Gold rating in the Clean Marine Eco-Rating Program from the Ontario Marine Operators Association for the tenth year in a row – one of the highest rankings attainable for marinas that follow environmental best practices.

Further demonstrating its leadership in sustainability, the marina was the launch site for the award-winning PortsToronto Seabin Pilot Project in summer 2019. This program launched at the marina with the aim of cleaning up floating garbage including microplastics, and was the first commercial installation of Seabins in Canada.

Through programs such as the Seabin Program, the OHM is working toward achieving Diamond or Platinum designation in the Clean Marine Program. Further, the OHM is working toward becoming Blue Flag certified and is currently exploring upgrades and initiatives to receive certification in the program. Administered in Canada by Environmental Defence and Swim, Drink, Fish – and managed internationally by the Foundation for Environmental Education – Blue Flag designation is a highly prestigious international eco-certification program, which sets the gold-standard for water quality, environmental management and education, safety, and amenities.

Green Anchors Gold rating

OHM has achieved the Green Anchors Gold rating in the Clean Marine program for the past 10 consecutive years.



625 extra-wide slips

That can accommodate boats up to 100 feet long.



Clean Marine Program

The Outer Harbour Marina is working toward achieving Diamond or Platinum designation in the Clean Marine Program.



New amenities
Including free Wifi, showers and laundry facilities.



Mike Dwyer, Manager of the Outer Harbour Marina, accepts the Robert Eaton Environmental Award for the PortsToronto Seabin Pilot Program at the Boating Ontario Awards of Excellence in November 2019. This award celebrates businesses dedicated to environmental responsibility and stewardship while contributing time and resources toward advancing efforts in the Boating Ontario Clean Marine program.

PortsToronto Business Units

REAL ESTATE AND PROPERTY HOLDINGS

Real Estate and Property Holdings

Real estate and property holdings include 5 Queens Quay West, Pier 6 and various water and land lots along the waterfront. These properties are leased to other businesses, and some have the potential for redevelopment. One such property located in the Port Lands is leased to Cinespace, which runs a successful film and production studio out of Marine Terminal 51 and parts of the Cruise Ship Terminal.

Importantly, this year the Netflix Hub, which was announced in 2019 and which Marine Terminal 51 comprises the largest portion of, will achieve its intended goal of hosting a large-scale Netflix Original project: Specifically, Oscar-winner Guillermo Del Toro's upcoming horror anthology *10 after Midnight*.

\$12 million

PortsToronto has dedicated more than \$12 million in community investment since 2009.



**24/7 Harbour
Hotline**



84,854

Pieces of anthropogenic debris were diverted from Lake Ontario through the PortsToronto Seabin Program.



**30,000
cubic metres**

Each year, PortsToronto dredges 30,000 cubic metres of natural sediment and soil, which contributes to important wetland creation at the Leslie Street Spit.



DID YOU KNOW?

Through its mixed-use facilities, the Port also plays a role in supporting Toronto's \$2 billion film industry by providing a production hub for industry players such as Cinespace and Netflix. This complementary use is facilitated in parallel with traditional port operations and has proven to be successful in ensuring the full utilization of PortsToronto property.





Part Two: Sustainability Initiatives

Gold Award Excellence

PortsToronto was awarded a Gold Award of Excellence for its Sustainability Report at the 2019 Canadian Public Relations Society National Conference in Edmonton.



Bullfrog Powered

PortsToronto uses 100 per cent green energy from Bullfrog Power for all operations.



Marilyn Bell I passenger/vehicle ferry conversion to electric-power



Reducing Fleet Emissions

Billy Bishop Airport implemented all-electric litter vacuum and maintenance tools in 2020.



Climate Resiliency

The Billy Bishop Airport Cityside Modernization Project incorporated climate resiliency measures like permeable paving to reduce storm water runoff and urban heat island effect.



100% Recyclable

The PortsToronto Seabin construction is 100 per cent recyclable.



44,688 Small Hard Fragments

44,688 Small Hard Fragments were found in the Outer Harbour Marina Seabins between July and October 2020.



Works and Environmental Services facility

The newly constructed Works and Environmental Services facility features the re-utilization of a decommissioned septic bed site.



52,000 40-tonne trucks

Cargo delivered by ship in 2020 took the equivalent of approximately 52,000, 40-tonne trucks off Toronto's roads and highways.



PortsToronto Sustainability Report

PortsToronto's sustainability achievements and future goals are featured in the 2020 Sustainability Report.



Diverting Waste

PortsToronto is exploring new composting and recycling programs with the aim of improving the organization's waste diversion.



Displaced more than 28,091 tonnes of CO₂

PortsToronto has displaced more than 28,091 tonnes of CO₂ — the same amount of CO₂ emissions produced by the consumption of 12,228,635 litres of gasoline.



Part Two: Sustainability Initiatives

I. Strategic Approach to Sustainability

Beginning in 2019, PortsToronto began to align its environmental initiatives with the United Nations Sustainable Development Goals (UN-SDGs). The UN-SDGs are 17 specific goals intended as a universal call to action to achieve a better and more sustainable future for all. The framework has been adopted by government bodies around the world including the Canadian Federal Government in its Federal Sustainable Development Strategy for Canada. The report once again includes a comprehensive report card that provides an overview of progress on key performance metrics that align with PortsToronto's priority areas and sustainability goals.

Our sustainability priorities focus on the areas in which our organization can have the greatest impact and influence in building a sustainable and prosperous future and support the Sustainable Development Goals. In 2021 and beyond, we will continue to refine our process for setting and meeting sustainability goals, and engaging all external stakeholders and business tenants.



I. CLIMATE ACTION
Take urgent action to combat climate change and its impacts.



II. SUSTAINABLE CITIES AND COMMUNITIES
Make cities and human settlements inclusive, safe, resilient and sustainable.



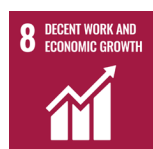
III. LIFE ON LAND
Protect, restore and promote sustainable use of ecosystems and biodiversity.



IV. PARTNERSHIPS FOR THE GOALS
Strengthen the means of implementation and revitalize the global partnership for sustainable development.



V. INDUSTRY, INNOVATION AND INFRASTRUCTURE
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.



VI. DECENT WORK AND ECONOMIC GROWTH
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

SUSTAINABILITY COMMITTEE MISSION

PortsToronto is fortunate to have a Sustainability Committee comprised of representatives from every business unit. As the organization's environmental ambassadors, the PortsToronto employee-led Sustainability Committee's mission is to generate and deliver meaningful environmental programs and initiatives aimed at further integrating social, economic and environmental responsibility into the fabric of PortsToronto's daily operations, reinforcing PortsToronto's position as a leader and innovator in environmental protection and sustainability.



Part Two: Sustainability Initiatives

II. Key Sustainability Achievements in 2020

A CLEANER, GREENER, AND QUIETER AIRPORT FERRY – BILLY BISHOP AIRPORT CONVERTING *MARILYN BELL I* AIRPORT FERRY TO ELECTRIC-POWER

In November 2019, PortsToronto announced that the airport's Marilyn Bell I passenger/vehicle ferry will be converted to electric-power. This innovative retrofit represents a unique technological advancement in the airport's fleet as the vessel will be the first 100 per cent electric lithium-ion powered ferry in service in Canada.

Due to the onset of the COVID-19 pandemic in early 2020, the original target date to complete the conversion of the Marilyn Bell I ferry to 100 per cent electric power has been delayed to 2021. This was due in part to COVID-19 work restrictions as well as the economic impact that the pandemic has had on Billy Bishop Airport, in particular the significant reduction in Airport Improvement Fees as a result of the temporary suspension of all commercial airline services.

Despite these delays, major project milestones were achieved in 2020. Eight crates containing lithium-ion batteries and components that will be needed to power the ferry have been delivered to the Port of Toronto. A detailed functional project design was developed and is currently under review to ensure standards and regulations compliance. Further, the build of the vessel's electrical backbone, a critical piece of infrastructure consisting of two electrical switchboards that contain power distribution, commands and controls for the vessel's zero emission power and propulsion system, were completed and tested in December 2020.



DID YOU KNOW?

The electric-powered ferry is expected to reduce greenhouse gas emissions associated with ferry operations by approximately 530 tonnes per year, dramatically reducing the airport's carbon footprint and setting the organization on a clear path toward achieving PortsToronto's overall emissions target.



"Great to see @PortsToronto and @BBishopAirport taking action to fight climate change in Toronto by converting the Marilyn Bell I passenger ferry to electric-power. This innovative retrofit will be the first 100 per cent electric lithium-ion powered ferry operating in Canada."

– Mayor of Toronto, John Tory

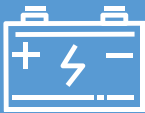
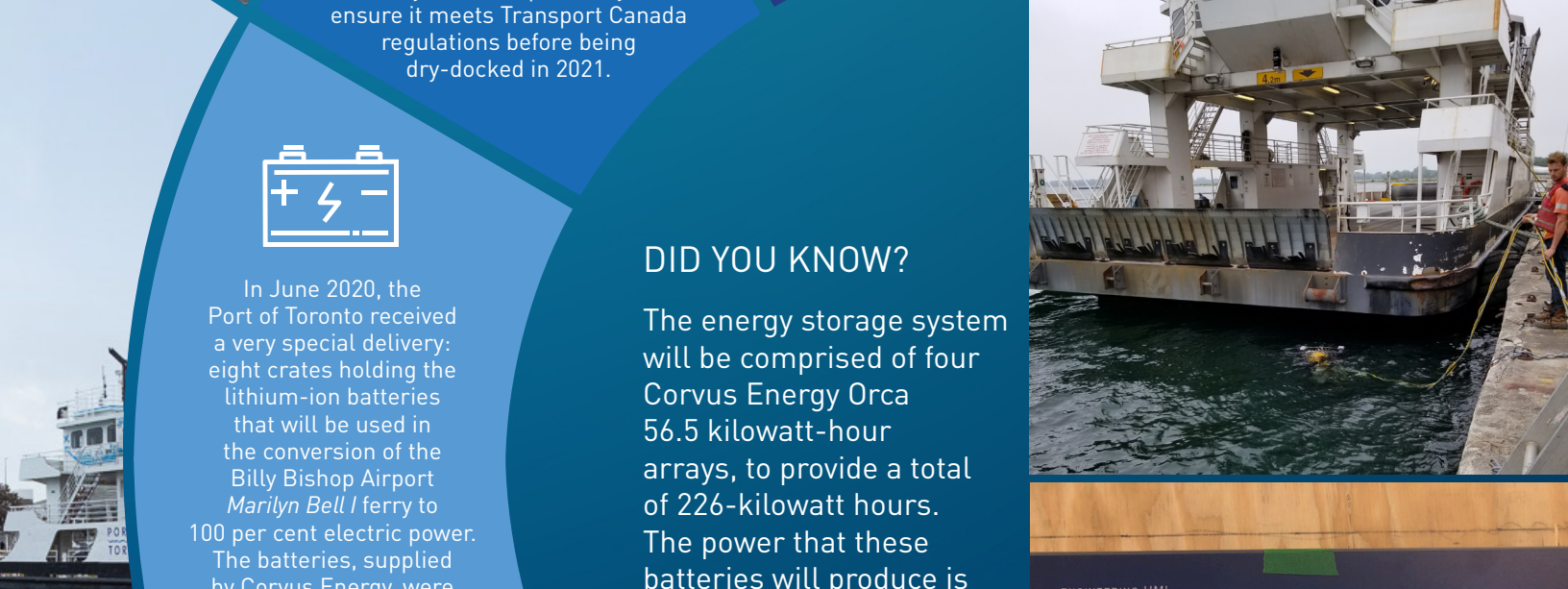




September 2020: A dive team takes on a hull inspection of the *Marilyn Bell I* airport ferry to ensure it meets Transport Canada regulations before being dry-docked in 2021.



The battery cells were supplied by LG Chem of Korea – the world’s largest Lithium Ion battery manufacturer. LG Chem’s lithium supply comes from non-conflict mineral sources.



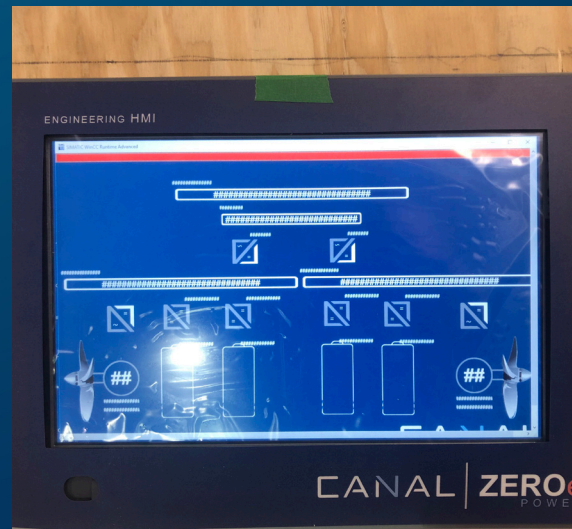
In June 2020, the Port of Toronto received a very special delivery: eight crates holding the lithium-ion batteries that will be used in the conversion of the Billy Bishop Airport *Marilyn Bell I* ferry to 100 per cent electric power. The batteries, supplied by Corvus Energy, were assembled in Richmond, British Columbia, Canada.

DID YOU KNOW?

The energy storage system will be comprised of four Corvus Energy Orca 56.5 kilowatt-hour arrays, to provide a total of 226-kilowatt hours. The power that these batteries will produce is comparable to the power of four Tesla 3 cars with standard-range battery.



In November 2020, members of the PortsToronto team visited project partners Canal Marine, of St. Catharines, Ontario, to view progress being made on the assembly of various elements of the zero emission power and propulsion system for the ferry.



CANAL | ZERO POWER



Part Two: Sustainability Initiatives

Choosing Renewable Energy: Bullfrog Power

Since 2010, PortsToronto has reduced its environmental footprint by choosing 100 per cent green energy from Bullfrog Power to power all of its operations with clean, renewable electricity. Through our agreement, Bullfrog Power's generators inject renewable electricity back into the grid on our behalf to match the amount of electricity used by PortsToronto's operations.

In 2020, PortsToronto reduced our Scope 1 and Scope 2 emissions by approximately 8 per cent by using Bullfrog Power's clean energy, which comes exclusively from a blend of EcoLogoM-certified wind and low-impact hydro power. PortsToronto also purchases Bullfrog Power on behalf of some of our tenants.

PortsToronto is one of the top 10 purchasers of Bullfrog Power green electricity in the country. PortsToronto and Billy Bishop Airport are the only port authority and airport in Canada to be powered entirely by renewable electricity across all operations and facilities, including the airport's 853-foot pedestrian tunnel and connecting buildings.



BULLFROG POWER

Since joining the bullfrogpowered community, PortsToronto has displaced more than 28,091 tonnes of CO₂ — the same amount of CO₂ emissions produced by the consumption of 12,228,635 litres of gasoline.

This is the equivalent of taking 6,208 cars off the road for one year or diverting more than 9,804 tonnes of waste from the landfill. It is the amount of carbon that would be sequestered by about 14,778 hectares of forest in one year.

Part Two: Sustainability Initiatives



PortsToronto Seabin Program

In June 2019, the Outer Harbour Marina installed two Seabins as part of the first phase of a pilot program, becoming the first commercial installation of Seabins in Canada. The Seabins — that act like a vacuum cleaner on the surface of the water — are strategically positioned to enable the wind and currents to push debris in the Seabins' direction.

In October 2019, following the success of the Seabins Pilot Program at the Outer Harbour Marina, PortsToronto launched phase two of the project, which included the deployment of two additional Seabins in Toronto's inner harbour. Secured to a floating dock positioned in the northeast corner of the York Street Slip, these were the first Seabins to be installed in a North American harbour.

While the third phase of the project — a future roll-out of Seabins throughout Toronto's harbour — has been delayed due to the COVID-19 pandemic, PortsToronto is thrilled with the program's results thus far and plans to collaborate with waterfront stakeholders to expand the Seabin Program in Toronto's harbour in the coming year.



In October 2020, the federal government announced a ban on harmful single-use plastic items such as checkout bags, straws, stir sticks, six-pack rings, cutlery and food ware made from hard-to-recycle plastics.



100% Recyclable

Seabin construction is 100% recyclable.



1 SEABIN

Can collect more than four kilograms of waste per day including microplastics, floating natural debris and larger plastic waste.



2000 pieces of plastic (24 hours)

In 24 hours, 2000 pieces of plastic were captured by two Seabins during Phase One of the Seabin Pilot Project at the Outer Harbour Marina.













2 mm microplastics

The Seabins can capture microplastics as small as 2 millimeters—smaller than a grain of rice.



The top ten litter items found in the Outer Harbour Marina Seabins between July and October 2020 were:

1. **44,688** Small hard fragments 
2. **23,541** Small film 
3. **11,438** Pellets 
4. **5,586** Large film 
5. **1,995** Large fragments 
6. **798** Cigarette butts 
7. **399** Food wrappers 
8. **399** Paper 
9. **399** Doggie Bags 
10. **125** Straws 



Part Three: Community

WNC Community Connect Garden

In 2020, the WNC Community Connect Garden harvested 887-pounds of organic vegetables and herbs.

WNC Community Connect Garden

In response to COVID, the WNC Community Kitchen staff team prepared and delivered meals and fresh produce from the Community Connect Garden to 30-50 vulnerable community members every week.

WNC Healthy Harvesters program

In 2020, WNC offered weekly gardening sessions for their Children's Summer Camp and coordinated the Junior Healthy Harvesters program in the fall.

PROUD SUPPORTER
Canada Ireland Foundation

PROUD SUPPORTER
Room 13 & Community Garden



PROUD SUPPORTER
The Bentway



PROUD SUPPORTER
WATERFRONT BIA



ALS SLA CANADA

\$101,000

In 2020, participants and organizations raised over \$101,000 to support ALS research and advocacy.

PROUD SUPPORTER
EVERGREEN BRICK WORKS



\$12 million

PortsToronto has dedicated more than \$12 million in community investment since 2009.

4 meetings

Community Liaison Committee (CLC) met four times in 2020.

PROUD SUPPORTER
Hope Air (Medical travel assistance)



HOPE AIR

Part Three: Community

I. Community Engagement

Reporting back to the Community – Billy Bishop Airport Annual Noise Management Report

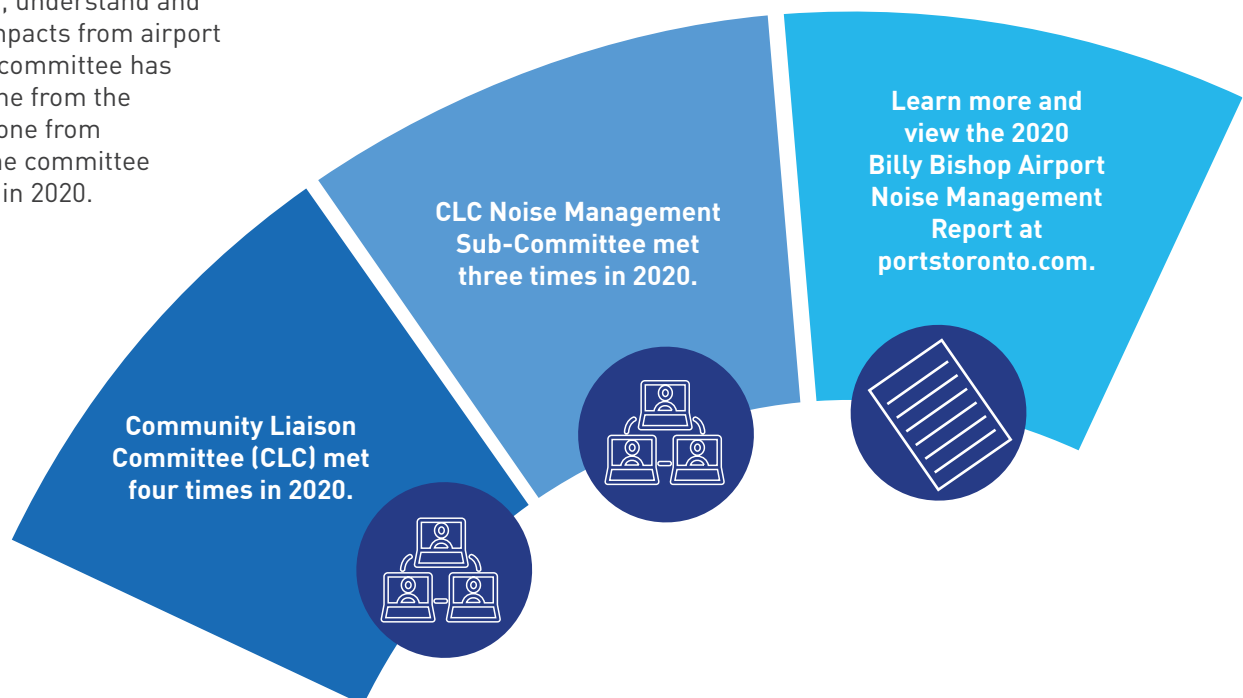
Billy Bishop Airport's Noise Management Office, which boasts a state-of-the-art Aircraft Flight Tracking and Noise Monitoring System, is responsible for collecting, analyzing and responding to noise complaints and monitoring daily operations. In addition to producing a detailed, annual Noise Report, the Noise Management Office also produces a monthly noise report that is posted to the Billy Bishop Airport website.

Public Outreach and Meetings

PortsToronto established a Community Liaison Committee (CLC) in 2010 to further expand engagement with the residents and businesses surrounding Billy Bishop Airport. The CLC gives our neighbours a forum to discuss issues and concerns related to airport development, activities and operations. The committee also enables airport management to communicate operational activities and information with stakeholders and the broader community. In 2020, four meetings of the CLC were held, with the last three meetings being held online via Zoom to comply with public health guidelines specific to public gatherings and physical distancing.

CLC Noise Management Sub-Committee

A Noise Management Sub-Committee of the CLC was formed in late 2017 to further research, understand and address noise impacts from airport operations. The committee has two co-chairs, one from the community and one from PortsToronto. The committee met three times in 2020.



Part Three: Community

Ground Noise Study

PortsToronto is currently completing a noise study to identify sources of ground noise at the airport and, through analytical noise modelling techniques, assess opportunities to reduce the impact of ground-sourced noise on the community. As part of the study, PortsToronto is working in close collaboration with the Noise Management Subcommittee of the Community Liaison Committee.

In November 2020, PortsToronto staff visited the Billy Bishop Airport airfield to take baseline sound measurements for various equipment in order to model the sum of airport ground noise and design mitigations to reduce noise impact on the community.

Air Quality Study

PortsToronto is working with community leaders, the City of Toronto, Toronto Public Health and the University of Toronto to develop a proposal to study the air quality exposure in the Bathurst Quay neighbourhood. The lead scientist with the University of Toronto, Dr. Marianne Hatzopoulou, is the Canada Research Chair in Transportation and Air Quality and leads the Transportation and Air Quality (TRAQ) research group. Her expertise is in modelling road transport emissions and urban air quality as well as evaluating population exposure to air pollution.



At the May 2017 Community Liaison Committee (CLC) meeting, Toronto Public Health presented findings related to air quality in the vicinity of Billy Bishop Airport based on the November 2013 Golder Report. With regard to the airport's environmental impact on the local airshed, Toronto Public Health found that there are no health concerns as a result of the airport's operations and that air pollution levels in the surrounding area are below provincial standards. Further, the report noted that the largest contributor of pollutants in the vicinity of Billy Bishop Airport is not the airport but rather vehicle emissions from the surrounding road network, including the Gardiner Expressway.

Part Three: Community

II. Community Investment

PortsToronto Community Investment Mission
To create a legacy of giving based on our commitment to fostering strong, healthy and sustainable communities along Toronto's waterfront. Our giving is focused on the waterfront, education and youth in ways that support strong communities and a healthier environment."

— PortsToronto's Community



The Bentway

383,000
ATTENDEES

169,000
SQ FT



Part Three: Community

Waterfront Neighbourhood Centre

In 2020, PortsToronto continued its sponsorship of the Waterfront Neighbourhood Centre (WNC). A cornerstone of the waterfront community, the centre provides education, resources and volunteer opportunities for community members.

ROOM 13 ART, MUSIC AND MULTIMEDIA PROGRAMS

Since 2012, PortsToronto has sponsored Room 13: a free visual arts studio program and a music production and recording studio media arts program for at-risk children and youth living in the waterfront community. The Room 13 program is offered four days per week and empowers at-risk youth through personal development, team building, career development and employment readiness, as well as developing creative skills by exploring various art and music media.

“Having a dedicated space to just learn about everything... music, photography, videography, etc. means everything. You don't find spaces and programs like this in Toronto.”

— 21 year old
Room 13 Multimedia Studio
Participant



Waterfront Neighbourhood Centre Youth Workers are trained to understand and support youth who are experiencing mental health issues. In 2020, the Room 13 program served as a safe space and escape from the constraints of the COVID-19 pandemic for youth to cope and freely express their emotions through their music and art.



Room 13 Art program participants create watercolours under the tutelage of Lula, a visual artist (OCADU graduate) and WNC youth worker.



Part Three: Community

Waterfront Neighbourhood Centre

COMMUNITY CONNECT GARDEN

PortsToronto also sponsors the WNC Community Connect Garden, a valuable local asset that provides free organic food gardening instruction, environmental education workshops and supports local food security with access to fresh organic produce for marginalized families, youth, seniors and isolated adults living in the waterfront community.

This year, the Community Connect garden harvested 887-pounds of organic vegetables and herbs, including:

- More than 1000 plants, including 85 vegetable and herb species.
- 68 varieties of pollinator-friendly plants.
- 25 courtyard ornamentals.

Produce was used for healthy snack and meal preparations in WNC free programs for families, children, youth and seniors, and was provided to marginalized and isolated community members and seniors living in our community.



887-pounds of organic vegetables and herbs.



68 varieties of pollinator-friendly plants.



85 vegetable and herb species.



25 courtyard ornamentals.



In response to COVID, the WNC Community Kitchen staff team prepared and delivered meals and fresh produce from the Community Connect Garden to 30-50 vulnerable community members every week.



In 2020, WNC offered weekly gardening sessions for their Children's Summer Camp and coordinated the Junior Healthy Harvesters program in the fall. In both programs, children learned about planting, different species of plants and the importance of growing healthy food.

Part Three: Community

ALS Canada: Virtual Plane Pull

The Plane Pull to End ALS is ALS Canada's signature annual fundraising initiative and brings people together to raise funds for ALS research and advocacy. In past years, the Plane Pull has taken place at Billy Bishop Airport's Ground Run-up Enclosure on the south end of the airfield, an area not typically accessible to the public that offers unmatched views of Toronto's skyline as a backdrop for the pulls.

With COVID-19 restrictions in place, an in-person event was not possible in 2020. ALS Canada organizers met this challenge head-on and pivoted the event to a virtual format in order to safely challenge participants and continue to raise funds for this worthwhile cause. Billy Bishop Airport was proud to continue to support the event by participating in the virtual three-week skills challenge and contributing to the online "Duty Free" silent auction. This year, participants and organizations raised over \$101,000 to support ALS research and advocacy.

Free Skate Thursdays

This winter, Billy Bishop Airport continued to sponsor Free Skate Thursdays at the Bentway Skate Trail, a unique figure-eight skate trail located under the Gardiner Expressway.



This year, participants and organizations raised over \$101,000 to support ALS research and advocacy.



PULL TOGETHER TO END ALS VIRTUALLY



Part Four: Key Projects

10,460 sq.ft. facility with four workshops and office space.

The new facility is a steel structure with insulated metal panels.

The new facility is approximately 30-metres long by 23-metres wide.

The new facility re-utilization of a decommissioned septic bed site.

The new facility features a first-air room and eyewash stations in every workshop.

Billy Bishop Airport Safe Travels Program.

New student pick up/drop off area at the TDSB Waterfront School.

Improve pedestrian safety and experience, and better streamline passenger and traffic flow.

Improved East and West sidewalks.

Reduce congestion in the Billy Bishop Airport finger lot.

Improvement of passenger and vehicle traffic operations.

A reconfiguration of the airport taxi corral to improve passenger loading and reduce its footprint.



Works and Environmental Services Facility

Works and Environmental Services Facility

Works and Environmental Services Facility

Works and Environmental Services Facility

Works and Environmental Services Facility

Billy Bishop Airport City Side Modernization Project

Billy Bishop Airport City Side Modernization Project

Billy Bishop Airport City Side Modernization Project

Billy Bishop Airport City Side Modernization Project

Billy Bishop Airport City Side Modernization Project

Billy Bishop Airport City Side Modernization Project

Part Four: Key Projects

I. Billy Bishop Airport City Side Modernization Project

PortsToronto's City Side Modernization Project, which focused on the improvement of passenger and vehicle traffic operations at Billy Bishop Airport, is part of the multi-partner, multi-phase Bathurst Quay Neighbourhood Plan (BQNP) being led by the City of Toronto. Among other improvements, the BQNP will improve pedestrian experience and comfort in the vicinity of the airport and improve the public realm for the enjoyment of both the community and travellers.

In 2019, as part of the first phase of the City Side Modernization project and in alignment with changing traffic patterns at the airport, PortsToronto consolidated passenger pick-up locations within a streamlined and optimized arrivals curb. Improvements included additional signage and colour-coded pavement markings to indicate pedestrian routes to public transportation, taxi corral and passenger pickup, as well as signage throughout the traffic circle and Eireann Quay to connect transportation partners, including ride-share operators, with arriving passengers.

In early 2020, when the COVID-19 pandemic caused much of the world to stand still and a temporary suspension of commercial airline service at Billy Bishop Airport came into effect, PortsToronto leveraged the significant reduction in vehicle and passenger traffic at the airport to bring forward and maximize efficiency in completing the second phase of the project ahead of schedule.

The second phase of the project consisted of various improvements in the vicinity of the airport and Eireann Quay designed to further reduce congestion and idling, improve pedestrian safety and experience, and better streamline passenger and traffic flow, including:

- A full reconstruction of the Eireann Quay roadway and its east and west sidewalks;
- A reconstruction of the Billy Bishop Airport finger lot;
- A reconfiguration of the airport taxi corral to improve passenger loading and reduce its footprint; and,
- The relocation and improvement of an existing surface parking lot on the Canada Malting site, which features a new student pick up/drop off area at the Toronto District School Board (TDSB) Waterfront School.



Among other improvements, the Bathurst Quay Neighbourhood Plan will improve pedestrian experience and comfort in the vicinity of the airport and improve the public realm for the enjoyment of both the community and travellers.



During the second phase of the Billy Bishop Airport City Side Modernization project, PortsToronto implemented permeable paving to reduce storm water runoff and urban heat island effect – as recommended in its Climate Change Vulnerability Assessment.

Part Four: Key Projects

II. Billy Bishop Airport Safe Travels Program

The extraordinary impact of the COVID-19 pandemic has required an equally extraordinary response on the part of the aviation industry to ensure that passengers feel confident travelling again. The Safe Travels Program, launched in August 2020, encapsulates Billy Bishop Airport's commitment to delivering a safe experience for our passengers, when the time is right to travel again, as well as those who work in the airport.

Billy Bishop Airport is unique in many ways: its island location, its proximity to Toronto's downtown core, its unmatched, scenic approach and award-winning passenger experience. It is also unique in that this crisis and the resulting temporary suspension of commercial airline service at Billy Bishop Airport afforded our team the time to step back, observe and get this right.

Billy Bishop Airport responded to the emergence of COVID-19 with a comprehensive health and safety program that is aligned with expert guidance and new industry best practices. Under the guidance of provincial and federal agencies such as Transport Canada and the Public Health Agency of Canada, Billy Bishop Airport has worked closely with its partners to implement a number of enhancements, procedures and new infrastructure to provide a safe and healthy environment for passengers, staff and partners.

Learn more about the Safe Travels Program at www.billybishopairport.com.



Part Four: Key Projects

III. New Works and Environmental Services Facility in the Port of Toronto

PortsToronto's Works and Environmental Services department was located at 62 Villiers Street for decades. Backing onto the Keating Channel, the site was a natural fit with easy access to the mouth of the Don River and the Eastern Channel for dredging and wetland creation – two of PortsToronto's core activities that are carried out by this team.

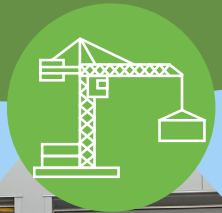
With the Don Mouth Naturalization and Port Lands Flood Protection project continuing to revitalize the port lands, the Villiers Street location needed to be vacated. This provided an opportunity to build a new space at the Port of Toronto tailored to the needs of the Works and Environmental Services department.

In addition to secure workshops separated from visitors, an office area and staff amenity spaces such as a large lunchroom and locker rooms for secure storage, the new facility features:

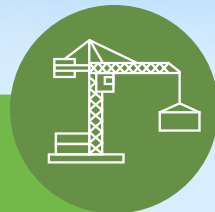
- Waterless urinals for water conservation.
- The re-utilization of a decommissioned septic bed site.
- Four new workshops with new, modern pieces of equipment, including:
 - State of the art fume extractors covering the entire welding shop to provide improved indoor air quality.
 - High thermal efficiency roll up doors and windows.
 - Jib cranes, manufactured locally in Ontario, with long reach and spherical roller bearings incorporated into the building's support columns.
 - A first-air room and eyewash stations in every workshop.

DID YOU KNOW?

Construction of the facility by Trisect Construction was completed on time in nine months. This was quite an achievement considering the emergence of the COVID-19 pandemic, which required enhanced health and safety protocols to ensure the safety of all workers.



On September 25, 2020, PortsToronto CEO Geoffrey Wilson, Vice President of Infrastructure, Planning and Environment (IPE) Chris Sawicki, Manager of IPE Bojan Drakul, and Manager of Works and Environmental Services Allan Seymour were joined by project partners Trisect Construction and Cumulus Architects in a ribbon-cutting ceremony to officially open the new facility.



DID YOU KNOW?

PortsToronto collaborated with Toronto architectural firm, Cumulus Architects, and Mississauga's Trisect Construction to complete the new Works and Environmental Services facility, which officially opened on September 25, 2020. The new facility also features long-reach jib cranes with spherical roller bearings that were manufactured locally in Ontario.





Part Five: Management's Discussion & Analysis – 2020

AÉROPORT DE TORONTO
BILLY BISHOP
TORONTO CITY AIRPORT



OUTER HARBOUR
Marina
DE L'AVANT-PORT



PORT OF
TORONTO



SEABIN PROGRAM
PortsToronto



PORTS
TORONTO






Part Six: Financial Statements – 2020





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Ontario, M5J 1A7 Canada

The Toronto Port Authority, doing business as PortsToronto since January 2015, is a government business enterprise operating pursuant to the Canada Marine Act and Letters Patent issued by the federal Minister of Transport. The Toronto Port Authority is hereafter referred to as PortsToronto.

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**TORONTO PORT AUTHORITY
(Doing Business as PortsToronto)**

**MANAGEMENT'S DISCUSSION & ANALYSIS – 2020
(In thousands of dollars)**

April 13, 2021

Management's discussion and analysis (MD&A) is intended to assist in the understanding and assessment of the trends and significant changes in the results of operations and financial condition of the Toronto Port Authority, doing business as PortsToronto (the "Port Authority") for the years ended December 31, 2020 and 2019 and should be read in conjunction with the 2020 Audited Financial Statements (the "Financial Statements") and accompanying notes. All dollar amounts in this MD&A are in thousands of dollars.

The Port Authority presents its financial statements under International Financial Reporting Standards ("IFRS"). The accounting policies set out in Note 2 of the Financial Statements have been applied in preparing the Financial Statements for the year ended December 31, 2020, and in the comparative information presented in these Financial Statements for the year ended December 31, 2019.

The Port Authority faced serious economic challenges in 2020 due to the COVID-19 pandemic. The impact of the pandemic, as well as other issues that affected financial performance will be discussed in this MD&A.

Introduction

The Port Authority is a federal business enterprise continued pursuant to the *Canada Marine Act* as successor to The Toronto Harbour Commissioners.

The Port Authority is responsible for operating the lands and waterlots it owns and/or administers in the support of local, regional and national social and economic objectives, and for providing infrastructure and services to the marine and air transport sectors to facilitate these objectives.

The Port Authority operates based on the following four pillars of sustainability:

- Environmental Stewardship
- People and Culture
- Community
- Economic Performance

With investments of more than \$12,000 through donations, sponsorships and in-kind contributions to community initiatives, activities and events since 2009, the Port Authority has demonstrated its commitment to the waterfront community to operate in a manner consistent with strong environmental, social and governance (ESG) principles.

(In thousands of dollars)

The Port Authority's main business areas are Port Operations, the Outer Harbour Marina ("the Marina"), the Billy Bishop Toronto City Airport ("Billy Bishop Airport" or the "Airport") and Property & Other.

The Port Authority owns and operates a 52-acre port facility at 8 Unwin Avenue (the "Port Facility"), which includes a 126,000-square-foot warehouse ("WH-52"). This site also houses Marine Terminal 51 ("MT#51"), which has been repurposed and converted to a film and production studio. Additionally, the Port Facility includes the Cruise Ship Terminal, which services the cruise ship industry and has been used as a filming location, film production and event space.

The Port Authority continues to promote mixed use at its Port Facility including bulk handling and storage, general and project cargo, as well as container packing and unpacking services. With its preferred location and a growing population in Toronto and surrounding areas, the Port Authority will continue to pursue additional opportunities around the construction industry for its Port facility to add value in 2021.

In 2020, 2.208 million metric tonnes of cargo moved through the Port of Toronto, tracking consistently to the 2.297 million tonnes the Port handled in 2019, a year which was a record-breaking year for the Port. There were 174 ship visits, bringing sugar, salt, cement, aggregate and steel directly to the heart of the City, bypassing road congestion along the way. In 2020, general cargo into the port totaled 67,882 metric tonnes (MT) which consisted of steel imports (59,381 MT), containers (8,157 MT) and project cargo (344 MT). Eleven ships brought in steel imports from around the world, including rail, rebar, steel plate and coils. For the first time in many years short sea shipping saw the movement of 375 containers transported by ship from the Port of Montreal to the Port of Toronto. Further, the Port of Toronto saw the first of several bridge spans arrive from Nova Scotia via tug and barge for Waterfront Toronto's Villiers Island project.

The financial performance of the Marina remains positive and consistent. Demand for winter storage, which includes two heated indoor storage facilities, remained strong in the 2020-2021 winter season and summer berthing renewals also remain strong. Alternative COVID-19 activities and pursuits, as well as lower interest rates continue to stimulate the market in terms of ongoing purchases and rentals of recreational boats, with a forecast in the foreseeable future for consumers to demand larger boats. New technology in both the power and sail categories is making it much easier for novice and intermediate boaters to operate larger boats. This is important as the Port Authority has an inventory of larger boat slips, which will be in high demand in the near future.

Billy Bishop Airport had a very difficult year in 2020 with the temporary cessation of scheduled carriers. In 2020, the Airport saw 0.389 million business and leisure travelers, which was down significantly from 2.774 million in 2019.

The Port Authority is an important part of the Southern Ontario Gateway as one of five ports of significance in the province, while the Billy Bishop Toronto City Airport is one of the key members of the Southern Ontario Airport Network (SOAN) with the capability to provide international and regional service. In this regard, the Port Authority will remain an important factor in the economic health of Southern Ontario.

(In thousands of dollars)

Board of Directors Governance

The Port Authority is governed by a Board of Directors appointed by three levels of government as pursuant to section 14 (1) of the *Canada Marine Act*, and section 4.6 of the Port Authority's Letters Patent. Six directors are appointed by the Governor-in-Council as nominated by the Minister of Transport in consultation with the user groups, one director is appointed by the Governor-in-Council as nominated by the Minister of Transport, one director is appointed by the Province of Ontario and one director is appointed by the City of Toronto. There are four (4) Committees of the Board of Directors, namely the Audit & Finance Committee, the Governance & Human Resources Committee, the Communications & Outreach Committee and the Pension Committee. Mr. Robert Poirier was Chair of the Board as of the date of this Report.

Impact of COVID-19 Pandemic on PortsToronto

The first confirmed cases of COVID-19 in Canada were discovered in January 2020, and by mid-March 2020, Ontario and every province and territory in Canada had declared a state of emergency. As a result, economic uncertainties arose at the Port Authority, particularly with respect to the Airport due to government imposed travel restrictions. By late March 2020, both scheduled commercial carriers at the Airport – Porter Airlines and Air Canada – temporarily suspended commercial service from the Airport. Such suspensions remain in place as of the date of this MD&A. The Port of Toronto ("Port") continues to operate at near traditional levels, with the exception of cruise ship business, as both the 2020 and 2021 cruise season have been cancelled. The Marina had a delayed start to the summer season due to the pandemic, and opened on May 16, 2020. Despite the delayed start, the Marina performed well in 2020.

The duration and impact of COVID-19 remains unknown and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Port Authority in future periods. However, the roll-out of vaccinations is positive and PortsToronto's management will continue to analyze the extent to which this will be of benefit to the business operations and financial performance of the organization.

Financial Considerations

Financial Results in 2020

The financial success of the Port Authority was severely impacted by the COVID-19 pandemic. In light of this, the Port Authority took steps necessary to preserve cash and protect resources. This was accomplished through general cost cutting, the deferral of capital projects and staff terminations and layoffs. Management continues to closely monitor cash reserves and forecasts in order to protect liquidity.

The material change in passenger levels and the resulting material adverse change in the Port Authority's financial condition, business and operations resulted in the Port Authority entering into an amendment to the existing loan agreement in 2020. (Please see Note 8 in the accompanying Financial Statements).

(In thousands of dollars)

Payments to Government Stakeholders

The Port Authority pays an annual charge on its gross revenue to the federal government based on the calculated gross revenue in each previous fiscal year. For 2019, the amount payable to the federal government was \$3,039. In March 2020, as part of its COVID-19 Economic Response Plan, the Government of Canada announced that, from March through December 2020, it would waive the portion of the Port Authority's gross revenue charge for the operation of Billy Bishop Airport, in alignment with the treatment of National Airport System (NAS) airport authorities. This had the effect of reducing PortsToronto's 2020 gross revenue charge expense that is due in March 2021 to \$1,036. The Port Authority was permitted to subtract the projected saving resulting from the waiver from its 2019 gross revenue charge payment that was due in March 2020. No interest was charged on the payment as the Port Authority met the requirement to make the adjusted payment by August 31, 2020. The difference between the BBTCA revenues forecasted and the actual revenues generated for 2020 have been reconciled as part of the calculation of the 2020 gross revenue charge.

In addition, the Port Authority pays payments-in-lieu of taxes ("PILTs") and realty taxes to the City of Toronto. The PILTs paid by the Port Authority in 2020 was \$3,166 (\$3,133 in 2019) whereas realty taxes collected and paid was \$2,463 (\$2,547 in 2019). The amounts accrued and paid/payable to the federal government and to the City of Toronto together total \$6,665 for 2020, and \$8,719 for 2019, representing 18.2% and 14.3% of the Port Authority's Operating Revenue in fiscal years 2020 and 2019, respectively.

Fiscal Period – January 1 to December 31, 2020 versus 2019

Consolidated Statement of Operations & Comprehensive Income (Financial Statements - Page 3)

Operating revenues totaled \$36,609 in 2020, a significant drop of \$24,404 from 2019 revenue of \$61,013. Operating expenses decreased by \$6,269 in 2020 versus 2019, from \$36,740 to \$30,471.

Revenues reported as Port Operations, Outer Harbour Marina, Airport, Property and Other, not including the Airport Improvement Fees, were \$34,375 in 2020 versus \$45,643 in 2019, a decrease of \$11,268. Airport Improvement Fees totaled \$2,234 in 2020 versus \$15,370 in 2019, a decrease of \$13,136. Overall, the main source of the decrease was Airport revenue, with a year-over-year drop of \$23,479. Revenues at the Port were also down by \$776. Revenues at the Marina were higher by \$59 and Property grew by \$388. Investment Income was lower by \$596.

Wages, salaries and employee benefit expenses were \$10,688 in 2020, lower by \$3,146 versus 2019. Repairs and maintenance for the Port Authority decreased in 2020 by \$762, from \$6,727 in 2019 to \$5,965 in 2020. Professional and consulting fees decreased by \$92 in 2020 to \$1,287. Net property taxes were up to \$53 in 2020, from \$38 in 2019. Other operating and administrative expenses were down \$2,284, from 2019 to 2020, as a result of the cost cutting measures taken by the Port Authority in response to the pandemic.

(In thousands of dollars)

Please refer to Note 16 as a reference for the following discussion.

In 2020, financial results were mixed due in large part to the impact of the pandemic on Billy Bishop Airport. Net Income from Operations dropped by \$18,135, from \$24,273 in 2019, to \$6,138 in 2020. Included in Net Income from Operations are the Airport Improvement Fees (“AIF”) collected from enplaning/departing Airport passengers. The number of enplaned and deplaned passengers combined (not including connecting passengers) also decreased dramatically in 2020.

Port Operations

Port revenues are generated from operations at the Port Facility and include terminal handling charges, container services, berthing and ships services. In addition, there are rent revenues from port users operating on Port Authority controlled properties along the Ship Channel. From waterside, there are harbour user fees paid by tour and charter boats and cargo dues paid by large industrial ships. Finally, the Works & Environmental Services department generates revenue from services provided to port users and other general customers. Total Port tonnage was 2,208,358¹ in 2020 versus 2,297,029¹ in 2019, showing the consistent performance of the Port, year-over-year.

Outer Harbour Marina

The occupancy rate for summer berthing increased to just above 88% in 2020 and stayed at 100% for winter outdoor and indoor storage. The annual customer turnover rate remained very low in 2020 and there were additional customers due to new interest in recreational boating.

In addition to berthing and storage, marina services include shore power, pump-outs, power wash, fresh water and the sale of fuel and other products. There is also a 50-ton travellift for haul out and launch, and masting/demasting services.

Billy Bishop Toronto City Airport

Despite the temporary suspension of commercial carrier service at the Airport, service continued to be offered by two Fixed Base Operators (FBOs), general aviation, a flight school, as well as the essential Ornge Air Ambulance service.

Property and Other

Property and Other includes the rental of various properties along the waterfront as well as at the Port Facility’s MT#51 and Cruise Ship Terminal.

Investments

Investment Income includes income earned on the Port Authority’s cash reserves, which dropped in 2020 versus 2019, due to lower interest rates and a decrease in the principal invested.

Corporate Services

¹ Actual numbers, not rounded to the nearest thousand.

(In thousands of dollars)

Corporate services support Port Authority operations by providing general administrative support and services. These include executive, finance, accounting, human resources, communications, information technology, legal, risk management, promotion and the functioning of the Board of Directors. General expenses related to Port Authority, but not related to any particular operation, are assigned to Corporate services.

Payments-in-Lieu of Taxes to the City of Toronto (Please see Note 9 in the 2020 Audited Financial Statements)

The Port Authority pays Airport PILTs to the City of Toronto on a per-passenger basis. This is in addition to PILTs paid on the Port Facility and the Marina.

Of the seventeen Federal Port Authorities in Canada, the Port Authority pays one of the highest PILT amounts as a percentage of gross revenue, ranking second on the list as per 2019 reports.

Other Items

The remaining items including amortization, interest expense, the charge on gross revenue and the ineffective portion of the interest rate swap are deducted to produce net income for the year.

The gain (loss) on interest rate swap – effective portion and remeasurement gain (loss) on employee future benefits are then added, resulting in comprehensive income for the year.

Consolidated Statement of Changes in Equity (Financial Statements – Page 4)

The Statement of Changes in Equity had an opening balance in Equity on January 1, 2019 of \$224,999, which included an Accumulated Other Comprehensive gain of \$12,336. The ending balance as at December 31, 2019, included the Net Income for the year of \$3,531, plus a Remeasurement loss on employee future benefits of \$1,044, plus Amortization of the Accumulated Loss on Derivative Interest of \$91, less the loss on Interest Rate Swap – Effective Portion of \$184 for a closing Equity balance as at December 31, 2019, of \$227,393. The Amortization of \$91 is included in the Loss on Interest Rate Swap in the Statement of Operations and Comprehensive Income.

The ending balance in Equity as at December 31, 2020 was \$207,937, which included a Net Loss for the year of \$12,634, less a Remeasurement loss on employee future benefits of \$6,577, plus Amortization of the Accumulated Loss on Derivative Interest of \$91, less the Loss on Interest Rate Swap – Effective Portion of \$336. The Amortization of \$91 is included in the Gain on Interest Rate Swap in the Statement of Operations and Comprehensive Income.

Consolidated Statement of Financial Position (Financial Statements – Page 5)

Cash and cash equivalents and Short-term Investments are separated into two groups, one being assets that are not restricted in use as to business unit, and the other identified as AIF restricted that can only be used for Capital Expenditures at Billy Bishop Airport. Cash and Cash Equivalents and Short-term Investments have gone down from \$79,800 at the end of 2019 to \$60,441 as at December 31, 2020, a decrease of \$19,359. Cash and Cash Equivalents that are AIF Restricted have gone down from \$1,869

(In thousands of dollars)

at the end of 2019 to \$0 as at December 31, 2020. An analysis of the Statements of Cash Flows is included below.

Accounts Receivable decreased from \$9,723 at the end of 2019 to \$6,286 at the end of 2020. The aging of Receivables is found on Page 20, Note 3 to the Audited Financial Statements. The decrease of \$3,437 was mainly due to decreased revenues at the Airport, due to the pandemic.

The two notes receivable held by the Port Authority related to the sale in 2017 of the 30 Bay Street/60 Harbour Street Property carrying a value of \$8,282 in 2019, fully matured on May 1, 2020.

Comparing December 31, 2020 to December 31, 2019, Inventories were higher by \$12 and Prepaid Expenses decreased by \$183.

Long-term investments were \$0 at the end of 2020, down from \$997 as at December 31, 2019.

Right-of-use assets were adopted in 2019 under IFRS 16, with details found on Page 24, Note 5.

The details on Capital Assets are found on Page 25 and 26, Note 6. Capital Assets increased by \$12,976 in 2020 and on a Net Book Value basis the increase was \$3,391, when amortization, disposals and outside funding/financing for capital projects are taken into account.

The details of the gross increase are as follows:

Port Operations	\$5,187
Outer Harbour Marina	\$512
Billy Bishop Toronto City Airport	\$7,032
Property & Other	<u>\$1,163</u>
Total	<u>\$13,894</u>

There were slightly lower Capital Expenditures in 2020 as compared to 2019. Capital Expenditures in 2020 included the construction of a New Works Facility at the Port of Toronto; Electrification of Marilyn Bell I ferry; Airport City Side Modernization; and the CATSA hold baggage screening facility at Billy Bishop Airport.

Amortization allocated to operations over the years is deducted from capital assets, as well as any amounts received for capital funding from various sources.

Accounts Payable and Accrued Liabilities have decreased by \$1,498 from 2019 to 2020.

The Fair Value of the Interest Rate Swap represents the closing balance following the increase in the loss in value in 2020 of \$262.

The current portion of the Bank Loans is the principal amount to be repaid in the next fiscal year, in this case 2021.

(In thousands of dollars)

Unearned Revenue increased by \$2,844 in 2020 versus 2019. This liability reflects the amount of Unearned Business Unit revenue the Port Authority will provide to customers by way of services in the upcoming year.

Bank Loans are described on Page 29 to 31, Note 8.

Lease Liability details are found on Page 24, Note 5.

The Pedestrian Tunnel Concession Liability is described on Page 35, Note 15.

Employee Benefit Liabilities represents the liability recognized for Port Authority Benefit Plans and are described on Pages 26 to 29, Note 7.

Equity represents the difference between Assets and Liabilities. Equity decreased in 2020 by \$19,456, as detailed on the Statements of Changes in Equity on Page 4.

The financial liquidity of the Port Authority remains positive, with a Current Ratio (Current Assets divided by Current Liabilities) of 4.79 as at December 31, 2020. This is lower than the Current Ratio as at December 31, 2019 of 6.23, a further result of the pandemic.

The financial performance ratio was negative in 2020 with a Loss/Profit Margin (Net Loss/Income divided by Gross Revenue) of 34.5%, a reflection of the impact of the pandemic. The ratio was a positive 5.8% in 2019.

Consolidated Statement of Cash Flows (Financial Statements - Page 6)

The Statements of Cash Flows begins with the Net (Loss)/Income reported in the Statement of Operations and Comprehensive Income and adds back or deducts any non-cash items. These include Amortization, Employee Future Benefit Expense, Employer Contribution to Future Benefit Plans, Interest Expense, Lease Interest Expense, the Loss or Gain on Interest Rate Swaps, Bank Interest Paid, Interest Paid on the Pedestrian Tunnel Concession and AIF Restricted Cash. An amount is then added or deducted for non-cash working capital. In 2020, this amount resulted in an increase in cash of \$4,954. This was due to the decrease in Accounts Receivable of \$3,437, the decrease in Prepaid Expenses of \$183, the increase in Unearned Revenue of \$2,844 offset by the increase in Inventories of \$12, and the decrease in Accounts Payable and Accrued Liabilities of \$1,498.

Investing Activities and Financing Activities are then listed. Investing Activities include payment received on notes receivable, decreases in Short-term and Long-term Investments and the Acquisition of Capital Assets listed above. Financing Activities include items related to the Pedestrian Tunnel, Lease Amounts Paid, the Pedestrian Tunnel Concession liability and Bank Loans Principal Repayments.

The end result is that the Cash and Cash Equivalents position decreased in 2020 by a total of \$836 from \$18,883 to \$18,047. A larger amount is held in Cash and Cash Equivalents and in Short-term Investments, due to interest rate trends. As part of the Pedestrian Tunnel Project Agreement, as at December 31, 2020, the Port Authority had a Prepaid Threshold Tunnel Deposit of \$24,729. The Port Authority continues to analyze opportunities and invest its cash resources in infrastructure improvements and initiatives that benefit all of its business operations.

(In thousands of dollars)

Financial Outlook for 2021

The COVID-19 pandemic has had a severe impact on the financial performance of the Port Authority. This has been most evident at Billy Bishop Airport where a temporary cessation of scheduled commercial air service has dramatically reduced both aeronautical and non-aeronautical revenues. Port Authority management has responded by implementing various measures to preserve cash resources and protect liquidity. The organization has many valuable assets and continues to pursue plans to maximize these assets going forward. Scheduled carrier service at the Airport is anticipated to restart in mid-2021. It is likely to take some time for the carriers and the Airport to return to 2019 passenger levels, however Port Authority management will continue to monitor the situation and make business decisions accordingly. The Port, Marina and Property business areas are expected to have a strong 2021 and provide healthy returns to the organization. The Port Authority is optimistic that 2021 will see solid financial performance for the organization.

Part Six: Financial Statements – 2020



Consolidated financial statements of Toronto Port Authority

December 31, 2020

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Independent Auditor's Report

To the Board of Directors of the
Toronto Port Authority

Opinion

We have audited the consolidated financial statements of Toronto Port Authority (the "Port Authority"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of operations and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Port Authority as at December 31, 2020, and the results of its operations, changes in equity, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Port Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Port Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Port Authority or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Port Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Port Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Port Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Port Authority to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
April 13, 2021

Toronto Port Authority

Consolidated statement of operations and comprehensive income

Year ended December 31, 2020

(In thousands of Canadian dollars)

	Notes	2020 \$	2019 \$
Operating revenue			
Port, Outer Harbour Marina, Airport, property and other revenue	10 and 16	34,375	45,643
Airport improvement fees, net	10	2,234	15,370
		36,609	61,013
Operating expenses			
Wages, salaries and employee benefits		10,688	13,834
Repairs and maintenance		5,965	6,727
Professional and consulting fees		1,287	1,379
Property taxes, net		53	38
Other operating and administrative expenses		12,478	14,762
		30,471	36,740
Income from operations and Airport improvement fees, net before the following		6,138	24,273
Payments in lieu of taxes	9	(3,166)	(3,133)
Amortization of right-of-use and capital assets		(9,959)	(9,604)
Interest expense		(4,594)	(5,061)
Charge on gross revenue – Port, Outer Harbour Marina, Airport, property and other revenue	2	(930)	(2,117)
Charge on gross revenue – Airport improvement fees	2	(106)	(922)
(Loss) gain on interest rate swap – ineffective portion	8 (b)	(17)	95
Net (loss) income for the year		(12,634)	3,531
Changes in fair value of interest rate swaps due to hedge accounting – loss on interest rate swaps – Effective portion	8 (b)	(336)	(184)
Remeasurement loss on employee future benefits	7	(6,577)	(1,044)
Other comprehensive loss		(6,913)	(1,228)
Comprehensive (loss) income for the year		(19,547)	2,303

The accompanying notes are an integral part of the consolidated financial statements.

Toronto Port Authority
Consolidated statement of changes in equity

Year ended December 31, 2020

(In thousands of Canadian dollars)

	Notes	Net assets over liabilities \$	Accumulated other comprehensive income \$	Total equity \$
Balance, January 1, 2019		212,663	12,336	224,999
Net income		3,531	—	3,531
Remeasurement loss on employee future benefits	7	—	(1,044)	(1,044)
Amortization of accumulated loss on derivative interest rate swaps	8 (b)	—	91	91
Loss on interest rate swaps – Effective portion	8 (b)	—	(184)	(184)
Balance, December 31, 2019		216,194	11,199	227,393
Net loss		(12,634)		(12,634)
Remeasurement loss on employee future benefits	7	—	(6,577)	(6,577)
Amortization of accumulated loss on derivative interest rate swaps	8 (b)	—	91	91
Loss on interest rate swaps – Effective portion	8 (b)	—	(336)	(336)
Balance, December 31, 2020		203,560	4,377	207,937

The accompanying notes are an integral part of the consolidated financial statements.

Toronto Port Authority
Consolidated statement of financial position

As at December 31, 2020

(In thousands of Canadian dollars)

	Notes	2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents		18,047	18,883
Short-term investments		42,394	60,917
Cash and cash equivalents – AIF restricted	4 and 10	—	1,869
Accounts receivable (net)	3	6,286	9,723
Note receivable – 30 Bay/60 Harbour Property		—	8,282
Inventories		38	26
Prepaid threshold – Tunnel Deposit	15	24,729	8,291
Prepaid expenses		1,096	1,279
		92,590	109,270
Non-current assets			
Long-term investments		—	997
Right-of-use assets	5	2,966	3,340
Capital assets	6	235,788	232,397
		331,344	346,004
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	3	8,892	10,390
Fair value of the interest rate swaps		434	172
Current portion of bank loans	8	2,280	2,280
Current portion of lease liability	5	309	297
Current portion of Pedestrian Tunnel concession liability	4 and 15	2,986	2,809
Unearned revenue		4,438	1,594
		19,339	17,542
Non-current liabilities			
Bank loans	8	29,043	30,753
Lease liability	5	2,774	3,083
Pedestrian Tunnel concession liability	4 and 15	57,171	60,156
Employee future benefits	7	15,080	7,077
		104,068	101,069
		123,407	118,611
Equity		207,937	227,393
		331,344	346,004

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board

_____, Director

 _____, Director

Toronto Port Authority
Consolidated statement of cash flows
Year ended December 31, 2020
(In thousands of Canadian dollars)

	Notes	2020 \$	2019 \$
Operating activities			
Net (loss) income for the year		(12,634)	3,531
Adjustments for non-cash items			
Amortization of discount on notes receivable		(384)	(631)
Amortization of capital assets	6	9,585	9,401
Amortization of right-of-use asset	5	374	203
Employee future benefits expense	7	2,682	2,238
Employer contribution to employee future benefit plans	7	(1,256)	(1,267)
Interest expense		4,485	5,002
Lease interest expense		109	59
Loss (gain) on interest rate swaps – ineffective portion	8	17	(95)
Bank interest paid		(710)	(1,061)
Interest paid on Pedestrian Tunnel concession liability		(3,775)	(3,941)
AIF restricted cash		1,869	399
		362	13,838
Net change in non-cash working capital balances related to operations		4,954	(1,065)
		5,316	12,773
Investing activities			
Repayment received on note receivable		8,666	8,667
Acquisition of short-term investments		(94,453)	(267,161)
Disposal of short-term investments		112,976	267,887
Disposal of long-term investments		997	12,089
Acquisition of capital assets, net of capital funding received		(12,976)	(11,444)
		15,210	10,038
Financing activities			
Prepaid threshold – Pedestrian Tunnel deposit		(16,438)	110
Lease amount paid		(406)	(222)
Pedestrian Tunnel concession liability		(2,808)	(2,644)
Bank loan principal payments		(1,710)	(2,439)
		(21,362)	(5,195)
(Decrease) increase in cash position		(836)	17,616
Cash and cash equivalents, beginning of year		18,883	1,267
Total cash and cash equivalents, end of year		18,047	18,883
Cash and cash equivalents consists of			
Cash		13,040	1,329
Cash equivalents		5,007	17,554
		18,047	18,883

The accompanying notes are an integral part of the consolidated financial statements.

Toronto Port Authority

Notes to the consolidated financial statements

December 31, 2020

(In thousands of dollars)

1. General information and Canada Marine Act status

The Toronto Port Authority ("Port Authority") is an entity operating pursuant to Letters Patent issued by the Federal Minister of Transport. The Port Authority is a corporation without share capital. Its head office is located at 207 Queens Quay West, Toronto, Ontario. Effective June 8, 1999, the Port Authority was incorporated under the Canada Marine Act. Formerly, the Port Authority was constituted as the Toronto Harbour Commissioners ("Commissioners") and operated under The Toronto Harbour Commissioners Act of 1911. On January 19, 2015, the Toronto Port Authority was rebranded as PortsToronto ("PT").

The Port Authority is focused on its mission as a financially self-sufficient business enterprise providing economic, environmental and social benefits to the waterfront community in which it operates. These benefits are delivered under four organizational values or pillars, which are: City Building, Community, Environmental and Financial.

The Port Authority has several businesses, including:

- Port Operations, which include land and facilities providing docking, handling, distribution and storage services for cargo, container shipping related services, cruise ship passenger services, and facilities for film production. This operation supported by the Works Department provides harbour maintenance and aids to navigation, as well as exercising regulatory authority over the harbour by-laws. The Toronto Port Authority has jurisdiction over the navigational waters from Victoria Park Avenue to Humber River.
- The Outer Harbour Marina, a full service marina located near the foot of Leslie Street.
- Billy Bishop Toronto City Airport ("BBTCA") operations, which include a pedestrian tunnel, ferry service, ferry terminals, runways and tenanted properties to support scheduled commercial passenger flight service, charter services and a flight school.
- Real Estate and Property Administration, which includes development and management of lands under its control.

The financial statements were authorized for issue by the Board of Directors on April 13, 2021.

2. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

Basis of consolidation

These consolidated financial statements contain the results of the Port Authority for the year ended December 31, 2020, as well as its wholly owned subsidiary, 2315155 Ontario Inc. 2315155 Ontario Inc. was incorporated on March 8, 2012 to lease a portion of the Canada Malting silos adjacent to the Pedestrian Tunnel Pavilion.

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2020
(In thousands of dollars)

2. Significant accounting policies (continued)

Basis of presentation

The Port Authority's functional currency is Canadian dollars. The consolidated financial statements are also presented in Canadian dollars, rounded to the nearest thousand.

The consolidated financial statements have been prepared on the historical cost basis (except for financial instruments measured at fair value and amortized cost). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with the bank and short-term investments, which are readily convertible to cash and have an original term to maturity of 90 days or less.

Financial instruments

Financial assets and financial liabilities are recognized when the Port Authority becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognized immediately in profit or loss.

The Port Authority's financial assets and financial liabilities are classified and measured as follows:

Asset/liability	Measurement
Cash and cash equivalents	Amortized cost
Short-term investments	Amortized cost
Long-term investments	Amortized cost
Accounts receivable	Amortized cost
Notes receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Fair value of interest rate swaps designated in cash flow hedges	FVTPL for ineffective portion, and FVTOCI for effective portion
Bank loans	Amortized cost
Tunnel concession liability	Amortized cost

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), amortized cost, or financial assets at fair value through other comprehensive income (FVTOCI). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Under IFRS 9, all financial instruments are initially measured at fair value, with subsequent measurement determined in line with their classification.

2. Significant accounting policies (continued)

Financial instruments (continued)

Amortized cost

Financial assets are measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Fair value through other comprehensive income (FVTOCI)

Financial assets are measured at FVTOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTOCI are stated at fair value at the end of each reporting period with changes in the fair value recognized in other comprehensive income.

Fair value through profit and loss (FVTPL)

Financial assets are measured at FVTPL unless they meet the criteria above to be measured at amortized cost or FVTOCI.

Impairment of financial assets

Under IFRS 9, financial assets under all categories are assessed for impairment based on the expected loss model. The expected loss model requires a loss allowance to be recorded at an amount equal to:

- (a) the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- (b) the lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. It is also required for contract assets or trade receivables that are not, according to IFRS 15, considered to contain a significant financing component. As at December 31, 2020, the Port Authority does not hold any financial instruments that exhibit such an increase in risk to warrant a loss allowance for lifetime expected credit losses.

2. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Additionally, entities can elect an accounting policy of recognizing lifetime expected credit losses for all contract assets and/or all trade receivables, including those that contain a significant financing component. The same election is also separately permitted for lease receivables. The Port Authority has not made this election.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses. As at December 31, 2020, the only financial asset for which a loss allowance has been recorded equal to the 12-month expected credit losses is accounts receivable, through the allowance for doubtful accounts.

Measurement of expected credit losses

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The Port Authority also considers reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses.

Derecognition of financial assets

The Port Authority derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Port Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Port Authority recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Port Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Port Authority continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are initially measured at fair value net of transaction costs. Subsequently, they are measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

The Port Authority derecognizes financial liabilities when, and only when, the Port Authority's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2020
(In thousands of dollars)

2. Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments including hedge accounting

The Port Authority had entered into derivative financial instruments (interest rate swaps) to manage its exposure to interest rate fluctuations as a result of its bank loans.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Transaction costs are expensed as incurred.

The Port Authority has designated its interest rate swaps as cash flow hedges and elected to apply the requirements of IAS 39 for hedge accounting, instead of the requirements in Chapter 6 of IFRS 9. At the inception of the hedge relationship, the Port Authority documented the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Port Authority documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the statement of operations and comprehensive income as the recognized hedged item.

Hedge accounting is discontinued when the Port Authority revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss. For discontinued hedge accounting under a previous accounting framework, the loss accumulated in other comprehensive income is recognized in profit or loss on a straight-line basis.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost includes all direct expenditures and other appropriate costs incurred in bringing the inventory to its present location and condition.

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2020
(In thousands of dollars)

2. Significant accounting policies (continued)

Financial instruments (continued)

Capital assets

Land acquired since 1974 is recorded at cost. Land acquired prior to 1974 were recorded based on historical appraised values.

All other capital assets are recorded at cost less amortization and any impairment losses, net of any applicable government funding.

Historical cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition or construction of the items, including borrowing costs relating to the acquisition or construction.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Port Authority and the cost of the item can be measured reasonably. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that it is necessary to complete and prepare the asset for its intended use. The carrying amounts of replaced capital assets are derecognized as incurred. All repairs and maintenance are charged to earnings during the period in which they are incurred.

Amortization of buildings, structures, plant and equipment is provided on the straight-line basis over the estimated useful lives of the assets.

No amortization is provided on land and capital work-in-progress.

Impairment of capital assets

Capital assets, which have long lives and are non-financial in nature are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows, or cash generating units ("CGU's"). Where the asset does not generate cash flows that are independent from other assets, the Port Authority estimates the recoverable amount of the CGU to which the asset belongs. When the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized. Impairment losses are recognized as an expense immediately in profit or loss. An impairment charge is reversed if the assets' (or CGUs) recoverable amount exceeds its carrying amount.

Government capital funding

Capital payments, received from various governments and their agencies, whose primary condition is that the Port Authority should purchase, construct or otherwise acquire non-current assets are recognized as capital funding, netted as part of the capital assets in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2020
(In thousands of dollars)

2. Significant accounting policies (continued)

Leases

A lease is an agreement whereby the lessor conveys to the tenant (the lessee) in return for a payment or series of payments the right to use an asset, generally land and buildings for an agreed period of time.

(a) Port Authority as a lessor

Leases for which the Port Authority is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Operating lease rental revenue is recognized on a straight-line basis over the term of the lease. As at December 31, 2020, the Port Authority did not have any finance lease agreements.

(b) Port Authority as a lessee

The Port Authority assesses whether a contract is or contains a lease, at inception of the contract. The Port Authority recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Port Authority recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Port Authority uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Port Authority expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2020

(In thousands of dollars)

2. Significant accounting policies (continued)

Pedestrian Tunnel concession liability

In 2012, the Port Authority entered into a Public Private Partnership to design, build, finance, operate and maintain the Pedestrian Tunnel to Billy Bishop Toronto City Airport for twenty years. The base contract price cost to construct the Pedestrian Tunnel was \$82.5 million and it was substantially complete and accepted by the Port Authority on May 29, 2015. The Pedestrian Tunnel was officially opened to the public and stakeholders on July 30, 2015. Title to the Tunnel will remain with the Port Authority throughout the term of the Agreement.

The Port Authority has capitalized construction costs as well as the present value of future Capital Lifecycle payments to be made over the term of the concession period (Expiry date April 8, 2034). The Port Authority has also recognized a liability for the Tunnel, equal to the construction cost of the asset less payments made. The present value calculations to determine the asset/liability is based on the weighted average cost of capital of 7.25%.

Employee future benefits

The Port Authority maintains a defined benefit pension plan, registered with the Office of the Superintendent of Financial Institutions (OSFI), for the benefit of full-time permanent employees (for non-unionized employees hired before November 25, 2013 and certain unionized employees). The Port Authority also offers a defined contribution pension plan for full-time non-unionized employees hired after November 24, 2013. Certain Plan members are also granted supplemental benefits, which mirror the formula of the registered plan and replace defined benefits that have been limited by the Income Tax Act. These supplemental benefits are unfunded. In addition, the Port Authority offers other non-pension post-employment benefits to most employees, including a death benefit, early retirement benefits and self-funded workers' compensation benefits. Beginning in 2018, the Port Authority established other employee future benefits for certain full-time employees provided that they remain employed with the Port Authority for a specified length of time. Obligations under the employee benefit plans are accrued as the employees render the service necessary to earn the pension and other employee future benefits.

The Port Authority has adopted the following policies for its defined benefit pension plan and other retirement benefits:

- (i) The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, and retirement ages of employees.
- (ii) The fair value of plan assets is used as the basis of calculating the expected return on plan assets.
- (iii) The discount rate used to value the defined benefit obligation is based on high quality corporate bonds in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit obligations.
- (iv) Actuarial gains and losses due to changes in defined benefit plan assets and obligations are recognized immediately in accumulated other comprehensive income (loss). When a restructuring of a benefit plan gives rise to both curtailment and settlement of obligations, the curtailment is accounted for prior to or in conjunction with the settlement.

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2020
(In thousands of dollars)

2. Significant accounting policies (continued)

Employee future benefits (continued)

- (v) When the calculation results in a net benefit asset, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan (the "asset ceiling"). In order to calculate the present value of economic benefits, consideration is given to minimum funding requirements that apply to the plan. Where it is anticipated that the Port Authority will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements for future services, the net defined benefit asset is reduced to the amount of the asset ceiling. The impact of the asset ceiling is recognized in comprehensive income (loss).

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Revenue recognition

Revenue from a contract to provide services is recognized in line with the transfer of promised services to a customer by reference to the stage of completion of the contract, and at an amount that reflects the consideration expected to be received in exchange for transferring such services. The Port Authority's policy for recognition of revenue from operating leases is described above in Note 2 for Leases, in accordance with IFRS 16.

Revenue from vessels, cargo and passengers using the port are recognized when services are substantially rendered. Landing fees and airport operating fees are recognized as the airport facilities are utilized. Airport improvement fees are recognized upon the enplanement of passengers. Seasonal berthing fees and storage fees earned at the Outer Harbour Marina are recognized on a straight-line basis over the term of the agreement and any unearned portion is reflected as unearned revenue.

Gross revenue charge

In order to maintain its Letters Patent in good standing, the Port Authority is required to pay annually to the Transport Canada a charge on gross revenue, which is calculated as follows:

	Charge %
Gross revenue	
up to \$10,000	2
on the next \$10,000	4
on the next \$40,000	6
on the next \$10,000	4
over \$70,000	2

In March 2020, as part of its COVID-19 Economic Response Plan, the Government of Canada announced that, from March through December 2020, it will waive the portion of the Port Authority's gross revenue charge for the operation of BBTCA, from March to December 2020 in alignment with the treatment of National Airport System (NAS) airport authorities. This had the effect of reducing PT's 2020 gross revenue charge expense that is due in March 2021. The Port Authority was permitted to subtract the projected saving resulting from the waiver from its 2019 gross revenue charge payment that was due in March 2020. No interest was charged on the payment, as the Port Authority met the revised requirement to make the adjusted payment by August 31, 2020. The difference between the BBTCA revenues forecasted and the actual revenues generated for 2020 have been reconciled as part of the calculation of the 2020 gross revenue charge. This relief approach will be formalized by supplementary letters patent by the Minister of Transport.

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2020
(In thousands of dollars)

2. Significant accounting policies (continued)

Adoption of new and revised standards

New and amended IFRS Standards that are effective for the current year

Amendments to IFRS 16 Leases

The amendment introduces an optional practical expedient for lessees. Previously, IFRS 16 required assessments on whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The amendment allows for a practical expedient, where rent concessions are eligible to be accounted for as if they were not lease modifications. The application of this amendment has had no impact on the Port Authority, as no rent concessions were taken by the Port Authority during the year.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Port Authority has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts
Interest rate benchmark reform	Phase 2

The Port Authority does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Port Authority in future periods, except as noted below:

Amendments to IFRS 17 Insurance Contracts

On May 18, 2017 the IASB issued IFRS 17, a comprehensive standard that provides guidance on the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 requires entities to measure insurance contract liabilities as their current estimate of fulfillment cash flows using one of three approaches and to discount loss reserves. On June 25, 2019, the IASB issued amendments to IFRS 17 that included targeted improvements and the deferral of the effective date to January 1, 2023. The Port Authority does not expect the adoption of the standard to have a material impact to the consolidated financial statements.

Interest rate benchmark reform – Phase 2

In August 2020, the IASB issued amendments to various IFRS standards associated with the ongoing interest rate benchmark reform. The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as inter-bank offered rates (“IBOR”) to alternative benchmark interest rates.

The amendments are effective for annual periods beginning on or after January 1, 2021 with early application permitted. The Port Authority does not anticipate any impact from this amendment.

Use of estimates and key areas of judgment

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from these estimates. Accounts requiring significant estimates and assumptions include fair value of interest rate swap and hedge accounting, useful lives of capital assets, accounts receivable, impairment of capital assets, employee future benefits, legal provisions and pedestrian tunnel concession liability, which are further elaborated below.

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2020
(In thousands of dollars)

2. Significant accounting policies (continued)

Use of estimates and key areas of judgment

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Fair value of interest rate swap and hedge accounting

As described in Note 3, the Port Authority uses valuation techniques that include inputs that are based on observable market data to estimate the fair value of its interest rate swap. Note 3 provides information about the key assumptions used in the determination of the fair value of the interest rate swap.

The Port Authority believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

The Port Authority also applied judgement in electing to apply hedge accounting on the changes in the fair value of the derivative. The alternative under IAS 39 would be to recognize all unrealized changes in the fair value of the swap in net income.

(ii) Useful lives of capital assets

The Port Authority reviews the estimated useful lives of capital assets at the end of each reporting period. There has been no change in the useful lives estimates for the current year. Below are the amortization rates of the capital assets, which approximate their useful lives:

Land	No amortization
Buildings, structures, runways and taxiways	Straight-line over 5–75 years
Plant and equipment	Straight-line over 3–25 years
Deferred site preparation expenditures	Straight-line over 5–40 years
Capital work-in-progress	No amortization

(iii) Accounts receivable

The carrying amount of accounts receivable is reduced by a valuation allowance which is calculated based on the expected credit losses for the accounts. The expected credit losses are measured at an amount equal to the 12-month expected credit losses. Management reviews the adequacy of this allowance at each reporting date.

(iv) Impairment of capital assets

The Port Authority reviews the carrying amount of capital assets and CGUs in comparison to their recoverable amounts. The recoverable amounts are determined based on the value in use or fair value less costs to sell. In the year ended December 31, 2020, there was no impairment identified by management. In making this assessment, management considered the circumstances due to COVID-19 and determined there was no impact on the capital assets.

(v) Employee future benefits

The determination of funding requirements is made on the basis of annual actuarial valuations. The recording of employee future benefits liability and the related annual expense is made on the basis of annual actuarial valuations or extrapolations for accounting purposes, in the years between full valuations.

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2020
(In thousands of dollars)

2. Significant accounting policies (continued)

Use of estimates and key areas of judgment (continued)

(vi) Legal provisions

Provisions are recognized when the Port Authority has a present obligation (legal or constructive) because of a past event, it is probable that the Port Authority will be required to settle the obligation, and a reasonable estimate can be made of the amount of the obligation.

The amount recognized as a provision, if any, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

(vii) Pedestrian Tunnel concession liability

The accounting treatment for the BBTCA Pedestrian Tunnel including the related asset and concession liability was a key area of judgement. The Port Authority reviewed the substance of the Project Agreement and concluded that the present value of the Pedestrian Tunnel's construction costs and related liability should be recognized on the consolidated statement of financial position.

3. Financial instruments: fair value and risk management

Fair value

The fair value of the interest rate swap is calculated using a discounted cash flow analysis using the applicable yield curve and credit spread over the remaining life of the derivative.

The carrying value of cash and cash equivalents, short-term investments, accounts receivable, notes receivable, prepaid threshold – tunnel deposit, accounts payable and accrued liabilities approximate their fair values due to the relatively short-term maturity. The carrying value of long-term investments and bank loans approximate fair value due to the terms and conditions of the arrangements compared to current market conditions for similar items.

Fair value hierarchy

The Port Authority applies a three-tier hierarchy to classify the determination of fair value measurements for disclosure purposes. Inputs refer broadly to the data and assumptions that market participants would use in pricing the investment. Observable inputs are inputs that are based on market data from independent sources. Unobservable inputs are inputs that reflect the Port Authority's own assumptions about the assumptions market participants would use in pricing an investment based on the best information available in the circumstances.

The three-tier hierarchy of inputs is as follows:

Level 1 – Quoted prices in active markets for identical investments

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – Inputs for the investment that are not based on observable market data (unobservable inputs)

The following is a summary of the fair value and classification levels as at December 31, 2020:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities				
Interest rate swap	—	434	—	434

3. Financial instruments: fair value and risk management (continued)

Fair value hierarchy (continued)

The following was a summary of the fair value classification levels as at December 31, 2019:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities				
Interest rate swap	—	172	—	172

There were no transfers of financial instruments between Levels 1, 2, and 3 during 2020 and 2019.

Financial risk management

In the normal course of business, the Port Authority is exposed to a variety of financial risks: market risk, credit risk, liquidity risk, cash flow risk and interest rate risk. The Port Authority's primary risk management objective is to preserve capital. Risk management strategies, as discussed below, are designed and implemented to ensure the Port Authority's risks and related exposures are consistent with its objectives and risk tolerances.

Market risk

Market risk is managed by the Port Authority's investment policy, which requires a diversified portfolio of allowable investments pursuant to Section 32 of the Canada Marine Act. The Port Authority does not have any financial instruments which are subject to significant market risk.

Credit risk

The Port Authority's principal financial assets are cash and cash equivalents, short term investments, long-term investments, accounts receivable, and notes receivable, which are subject to credit risk. The carrying amounts of financial assets on the consolidated statement of financial position, represents the Port Authority's maximum credit exposure at the date of the consolidated statement of financial position.

The Port Authority's credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the consolidated statement of financial position for accounts receivable are net of allowance for doubtful accounts, estimated by the management of the Port Authority based on previous experience and its assessment of the current economic environment to reflect the 12-month expected credit losses. In order to reduce its risk, management has adopted credit policies that include regular review of credit limits.

The credit risk on cash and cash equivalents, short-term investments, notes receivable, and long-term investments is limited because the counterparties are chartered banks and public sector entities with high credit-ratings assigned by national credit-rating agencies.

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2020
(In thousands of dollars)

3. Financial instruments: fair value and risk management (continued)

Financial risk management (continued)

Credit risk (continued)

The aging of accounts receivable was:

	2020	2019
	\$	\$
Trade		
Current	6,015	8,536
Aged between 31-90 days	338	966
Aged greater than 90 days	171	390
	6,524	9,892
Others	22	22
	6,546	9,914
Allowance for doubtful accounts	(260)	(191)
	6,286	9,723

Reconciliation of allowance for doubtful accounts

	2020	2019
	\$	\$
Balance, beginning of year	191	160
Increase during the year	548	51
Bad debts written off during the year	(479)	(20)
Balance, end of year	260	191

As of May 1, 2020, the two notes receivable (carrying value of \$8,232 in 2019) related to the sale of the 30 Bay/60 Harbour property on May 1, 2017 had been received. In 2020, total repayment received was \$8,666 (\$8,667 in 2019). Income of \$384 (\$631 in 2019) was recognized representing the portion of the discount attributable to the current year under the effective interest rate method.

Liquidity risk

The Port Authority's objective is to have sufficient liquidity to meet its liabilities when due. The Port Authority monitors its cash balances and cash flows generated from operations to meet its requirements. The Port Authority has the following financial liabilities as at December 31, 2020. The total undiscounted cash repayments required to settle these liabilities, with the exception of the Tunnel concession liability, are set out below:

	Carrying value	2021	2022	2023 and thereafter
	\$	\$	\$	\$
Accounts payable and accrued liabilities	8,892	8,892	—	—
Bank interest rate loan	31,323	2,280	2,280	26,763
	40,215	11,172	2,280	26,763

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3. Financial instruments: fair value and risk management (continued)

Financial risk management (continued)

Liquidity risk (continued)

With respect to the Tunnel concession liability, the Port Authority is responsible for the payment of monthly Capital Payments totalling \$6,583 per year until April 8, 2034 in settlement of the liability (Note 15). The discounted cash repayments relating to this liability are as follows:

	Carrying value \$	2021 \$	2022 \$	2023 and thereafter \$
Tunnel concession liability	60,157	2,986	3,174	53,997

Cash flow risk

The Port Authority's Investment Policy includes a targeted upper limit of 25% of cash reserves in the investment products of any one particular financial institution, with a hard cap limit of 30%, regardless of the type of investment.

Interest rate risk

Interest rate risk describes the Port Authority's exposure to changes in the general level of interest rates. Interest rate risk on financial assets arises when the Port Authority invests in fixed income which contain interest-bearing investments and when it incurs financial liabilities at variable interest rates. Interest rate changes directly impact the fair value of fixed income securities and the fair value of the pooled funds. Interest rate changes will also have an indirect impact on the remaining investments held by the Port Authority. At the end of 2020, the Port Authority holds fixed income securities as part of short-term investments totalling \$42,394 (\$60,917 in 2019) and as part of long-term investments totalling nil (\$997 in 2019). These fixed income securities consist of bankers acceptances, guaranteed investment certificates, and bonds.

An analysis of maturity dates for the long-term fixed income securities is set out below.

	Interest rate %	2020 \$	Interest rate %	2019 \$
Maturity 2021	—	—	2.72	997
		—		997

The cost of the Port Authority's short-term fixed income securities together with accrued interest income approximates fair value given the short-term nature of the investments.

The long-term fixed income securities are valued at amortized cost, and as such fluctuations in interest rates will have no impact on the amount reflected in the Statement of Financial Position or net earnings.

The Port Authority's financial liabilities are exposed to fluctuations in interest rates with respect to the unhedged portion of long term debt and its credit facility. The Port Authority is exposed to the following interest rate risks at December 31, 2020:

	\$
Unhedged portion of long-term debt	20,178

Toronto Port Authority
Notes to the consolidated financial statements

December 31, 2020
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3. Financial instruments: fair value and risk management (continued)

Financial risk management (continued)

Interest rate risk (continued)

The following table details the Port Authority's sensitivity analysis to an increase of interest rates by 0.5% on net earnings and comprehensive income. The sensitivity includes floating rate financial liabilities and adjusts their effect at year-end for a 0.5% increase in interest rates. A decrease of 0.5% would result in an equal and opposite effect on net earnings and comprehensive income.

	Effect on net earnings and comprehensive income \$
Unhedged portion of long-term debt	<u>101</u>

Under interest rate swap contracts, the Port Authority agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Port Authority to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract.

The interest rate swaps settle on a monthly basis. The Port Authority settles the difference between the fixed and floating interest rate on a net basis.

4. Capital disclosures

The Port Authority's objective when managing capital is to ensure sufficient liquidity to support its financial obligations and execute the operational and strategic plans to continue to provide benefits for its stakeholders and to remain financially self-sufficient. The Port Authority continually assesses its capital structure and adjusts it with reference to changes in economic conditions and risk characteristics associated with its underlying assets. According to its Letters Patent, the Port Authority's aggregate borrowing cannot exceed \$52,100 except for borrowing for the Pedestrian Tunnel. There is \$140,000 that is specifically identified for the Pedestrian Tunnel. The Port Authority cannot borrow money as an agent of Her Majesty. Currently the Port Authority largely relies on cash flows from operations and investment activities to fund its capital investment program. The Port Authority's capital is comprised of its bank loan, Pedestrian Tunnel concession liability, and equity, net of cash and cash equivalents, and short-term investments.

	2020 \$	2019 \$
Total debt	31,323	33,033
Tunnel concession liability	60,157	62,965
Less: cash and cash equivalents	18,047	18,883
Less: short-term investments	42,394	60,917
Net debt	31,039	16,198
Equity	207,937	227,393
	238,976	243,591

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4. Capital disclosures (continued)

As of December 31, 2020, there was a shortfall of \$9,628 in AIF funds which had been temporarily financed by general non-AIF funds. As and when AIF revenue is generated by BBTCA, it will be used to replenish the non-AIF funds that were used. The Port Authority has certain covenants on its bank loans. As at December 31, 2020, the Port Authority complied with those covenants. In addition, the Port Authority has certain external restrictions on the assets it can purchase with the airport improvement fees. As at December 31, 2020, the Port Authority complied with those restrictions.

5. Right-of-use assets and lease liabilities

The Port Authority's right-of-use assets and lease liabilities relate to a lease for its head office premises, as well as an IT service room and lunch and locker room in the terminal building located at Billy Bishop Toronto City Airport. Both leases were entered into in 2019.

Right-of-use assets

	2020	2019
	\$	\$
Opening cost, January 1	3,543	—
Additions	—	3,543
Ending cost, December 31	3,543	3,543
Opening accumulated amortization, January 1	(203)	—
Amortization	(374)	(203)
Ending accumulated amortization, December 31	(577)	(203)
Opening net book value, January 1	3,340	—
Ending net book value, December 31	2,966	3,340

Lease liabilities

	2020	2019
	\$	\$
Maturity analysis – contractual undiscounted cash flows		
Less than one year	408	406
One to five years	1,764	1,722
More than five years	1,393	1,843
Total undiscounted lease liabilities as at December 31, 2020	3,565	3,971
Lease liabilities included in the consolidated statement of financial position as at December 31, 2020		
Current	309	297
Non-current	2,774	3,083
	3,083	3,380

For the year ended December 31, 2020, the expense relating to variable lease payments not included in the measurement of lease obligations was \$310 (\$193 in 2019). Expenses relating to short-term leases were \$348 (\$947 in 2019) and expenses relating to leases of low value assets were \$32 (\$29 in 2019).

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6. Capital assets

	Land \$	Buildings and structures \$	Plant and equipment \$	Deferred site preparation expenditures \$	Capital work in process \$	2020 Total \$
Opening, January 1, 2020						
Cost	15,518	259,013	40,777	2,395	13,820	331,523
Capital funding	—	(23,682)	(10,864)	—	—	(34,546)
Accumulated amortization	—	(48,215)	(16,017)	(348)	—	(64,580)
Opening, January 1, 2020						
Net book value	15,518	187,116	13,896	2,047	13,820	232,397
Additions/Disposals	—	13,470	5,571	138	(5,285)	13,894
Amortization	—	(7,354)	(2,195)	(36)	—	(9,585)
Capital funding received	—	—	(918)	—	—	(918)
	—	6,116	2,458	102	(5,285)	3,391
Closing, December 31, 2020						
Net book value	15,518	193,232	16,354	2,149	8,535	235,788
	Land \$	Buildings and structures \$	Plant and equipment \$	Deferred site preparation expenditures \$	Capital work in process \$	2019 Total \$
Opening, January 1, 2019						
Cost	15,518	253,257	38,409	2,395	7,360	316,939
Capital funding	—	(23,682)	(7,724)	—	—	(31,406)
Accumulated amortization	—	(40,947)	(13,920)	(312)	—	(55,179)
Opening, January 1, 2019						
Net book value	15,518	188,628	16,765	2,083	7,360	230,354
Additions/Disposals	—	5,756	2,368	—	6,460	14,584
Amortization	—	(7,268)	(2,097)	(36)	—	(9,401)
Capital funding received	—	—	(3,140)	—	—	(3,140)
	—	(1,512)	(2,869)	(36)	6,460	2,043
Closing, December 31, 2019						
Net book value	15,518	187,116	13,896	2,047	13,820	232,397

Deferred site preparation expenditures

Deferred site preparation expenditures were incurred to prepare lands in the port-lands area for sub-tenants under a ground lease. These expenditures are being amortized over the initial term of the sub-tenant leases.

Future capital projects

The following information is provided in accordance with the requirements of section 36(a) of the Port Authorities regulations:

Total estimated future capital expenditures for projects authorized or committed – \$3.8 million (\$21.1 million in 2019).

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6. Capital assets (continued)

Future capital projects (continued)

Projects with estimated costs in excess of \$1 million per project included in the total above are as follows:

Description (in thousands dollars)	Total authorized or committed As at December 31, 2020	Total spent As at December 31, 2020	Estimated future expenditure As at December 31, 2020
	Marilyn Bell I Electrification	2,850	1,241

7. Employee future benefits

The Port Authority maintains a defined benefit pension plan, registered with the Office of the Superintendent of Financial Institutions (OSFI), for the benefit of full-time permanent employees (for non-unionized employees hired before November 25, 2013 and certain unionized employees). The Port Authority provides a defined contribution pension plan for full-time non-unionized employees hired after November 24, 2013. Certain Plan members are also granted supplemental benefits, which mirror the formula of the registered plan and replace defined benefits that have been limited by the Income Tax Act. These supplemental benefits are unfunded. The Port Authority also provides other non-pension employment benefits to most of its employees as detailed in Note 2 under "Employee future benefits". The OPEB and WSIB benefits are unfunded. Beginning in 2018, the Port Authority established other employee future benefits for certain full-time employees provided that they remain employed with the Port Authority for a specified length of time.

Information about the Port Authority's employee future benefits in the aggregate is as follows:

	Pension benefit plan \$	Other benefits \$	2020 Total \$	Pension benefit plan \$	Other benefits \$	2019 Total \$
Accrued benefit obligation						
Balance, beginning of year	65,426	2,364	67,790	56,825	1,933	58,758
Employer current service cost	1,922	347	2,269	1,517	333	1,850
Employees' contributions	451	—	451	474	—	474
Interest expense	1,992	61	2,053	2,113	74	2,187
Benefits paid	(2,761)	(89)	(2,850)	(2,752)	(118)	(2,870)
Actuarial losses	5,140	82	5,222	7,249	142	7,391
Balance, end of year	72,170	2,765	74,935	65,426	2,364	67,790
Plan assets						
Fair value, beginning of year	60,713	—	60,713	53,696	—	53,696
Employer contributions	1,167	89	1,256	1,149	118	1,267
Employees' contributions	451	—	451	474	—	474
Non-investment expenses	(223)	—	(223)	(212)	—	(212)
Benefits paid	(2,761)	(89)	(2,850)	(2,752)	(118)	(2,870)
Interest income	1,863	—	1,863	2,011	—	2,011
Return on plan assets excluding amounts included in interest income	(1,355)	—	(1,355)	6,347	—	6,347
Fair value, end of year	59,855	—	59,855	60,713	—	60,713
Funded status – plan deficit	(12,315)	(2,765)	(15,080)	(4,713)	(2,364)	(7,077)
Accrued benefit liability	(12,315)	(2,765)	(15,080)	(4,713)	(2,364)	(7,077)

7. Employee future benefits (continued)

The Port Authority's net benefit plan expense is as follows:

	Pension benefit plan	Other benefits	2020 Total	Pension benefit plan	Other benefits	2019 Total
	\$	\$	\$	\$	\$	\$
Components of net benefit costs recognized during the year						
Current service costs	1,922	347	2,269	1,517	333	1,850
Administration costs	223	—	223	212	—	212
Interest expense	1,992	61	2,053	2,113	74	2,187
Interest income	(1,863)	—	(1,863)	(2,011)	—	(2,011)
Employee future benefit cost recognized	2,274	408	2,682	1,831	407	2,238

The amounts recognized in OCI are as follows:

	Pension benefit plan	Other benefits	2020 Total	Pension benefit plan	Other benefits	2019 Total
	\$	\$	\$	\$	\$	\$
Remeasurement of the net defined benefit liability in OCI						
Actuarial losses/(gains) on assets	1,355	—	1,355	(6,347)	—	(6,347)
Actuarial losses on obligations	5,140	82	5,222	7,249	142	7,391
Remeasurement loss recognized	6,495	82	6,577	902	142	1,044

The date used to measure assets and liabilities for accounting purposes was as at December 31, 2020. The most recent actuarial valuation for funding purposes for the Pension Plan for Employees of the Toronto Port Authority was January 1, 2020. The next actuarial valuation for funding purposes will be done as at January 1, 2021.

The Port Authority expects to make contributions of \$1,200 in 2021 to the defined benefit pension plan of employees of the Toronto Port Authority. The Port Authority has secured additional contributions totalling \$3,707 through a consolidated letter of credit for the years 2011-2015, inclusive, which remains outstanding as of December 31, 2020.

The Port Authority's funding policy for the Pension Plan is in accordance with the requirements of the federal Pension Benefits Standards Act. The determination of the funding requirements is made based on annual actuarial valuations.

The Port Authority has reflected Ruling 14 of the International Financial Reporting Interpretations ("IFRIC 14") which clarifies how the asset ceiling defined under IAS 19 should be applied, particularly how it interacts with minimum funding rules. Under IAS19, any variation in the asset ceiling will be recognized in other comprehensive income (as opposed to profit and loss). The impact of the asset limit on the funded plans has been applied based on management's interpretation of IAS 19, as clarified by IFRIC 14. This interpretation is summarized as follows:

- The Port Authority assumed that it does not have an unconditional right to a refund of surplus;
- The Port Authority may take funding contribution holidays based on past practice and/or plan rules;

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7. Employee future benefits (continued)

- Minimum Funding Requirements (“MFR”) have been set based on the requirements of the most recently filed actuarial valuation report for funding purposes. Based on the MFR, the going concern and solvency funded status is projected into the future. In any year where the plan is projected to be in a surplus on both a going concern and solvency basis and the threshold set by the governing pension legislation for taking a contribution holiday is met, then this projected surplus is used to reduce or eliminate the minimum funding contribution in that year. The economic benefit available from a reduction in future contributions is therefore equal to the difference between the present value of employer IAS 19 current service cost and the present value of the employer minimum funding current service requirements. The present values are determined using the IAS 19 discount rate and have been calculated assuming that the plan is maintained indefinitely.
- Any required deficit contributions that, once made, are not available to the Port Authority as an economic benefit may form an additional liability which is netted against the consolidated statement of financial position, or if there is already a liability, the adjusted liability on the consolidated statement of financial position is equal to the present value of the remaining required deficit contributions. Required deficit contributions are determined based on the most recently filed actuarial valuation report for funding purposes.

The main risks affecting the Pension Plan, OPEB and WSIB Benefits are:

Longevity	The risk that retirees will collect a pension for a longer period of time, on average, than expected according to the mortality assumptions used.
Investment	The risk that the invested assets of the Pension Plan do not yield the assumed rate of return, resulting in insufficient assets to provide for the benefits promised and/or requiring the Port Authority to make additional contributions to fund the deficit.
Discount rate	The risk from changing market interest rates. A decrease in corporate bond yields will increase plan obligations. This risk is greater to the extent that there is a mismatch between the characteristics of the assets and obligations.
Regulatory/legal	The risk of regulatory/jurisprudence changes that can alter the benefit promise.
Health inflation risk	The risk that the cost of health benefits increases is higher than the assumptions used.

*Pension Plan Asset Allocation as of December 31, 2020**

Asset category	Percentage of defined benefit assets			
	Quoted %	2020 Unquoted %	Quoted %	2019 Unquoted %
Equities	52.20	—	52.80	—
Fixed income	17.70	—	15.90	—
Alternative investments	29.80	—	30.70	—
Other	0.30	—	0.60	—
	100.00	—	100.00	—

* OPEB benefits and WSIB benefits are unfunded.

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7. Employee future benefits (continued)

The significant actuarial assumptions adopted in measuring the Port Authority's accrued benefit obligations are as follows (weighted-average assumptions as of December 31):

	2020	2019
	%	%
Key assumptions		
Accrued benefit obligation at end of year		
Discount rate	2.60	3.10
Compensation increase	3.00	3.00
Benefit cost during the year		
Discount rate	2.60	3.10
Health care trend rates at end of year		
Initial rate	4.50	5.50
Ultimate rate	4.00	4.00
	2020	
	Pension plan	Other benefits
	\$	\$
Sensitivity analysis on defined benefit obligation		
Impact of 1% increase in discount rate	(10,415)	(216)
Impact of 1% decrease in discount rate	13,630	262
Impact of 1% increase in salary scale	1,261	192
Impact of 1% decrease in salary scale	(1,114)	(163)
Impact of 1 year increase in longevity	2,140	42
Impact of 1 year decrease in longevity	(2,160)	(43)
Impact of 1% increase in trend rate	N/A	207
Impact of 1% decrease in trend rate	N/A	(173)

The weighted average duration of the plan is approximately 16.4 years in 2020, (17.0 years in 2019).

8. Bank loans and derivative instruments

(a) Bank loans

Due to the COVID-19 pandemic, the Port Authority's two commercial carriers announced a temporary cessation of their operations at Billy Bishop Airport in March 2020 and as a result, there has been a material change in passenger levels. In accordance with the terms of the Port Authority's loan agreement with the Bank, the Port Authority provided notice of a material change in passenger levels and the resulting material adverse change in its financial condition, business and operations. The Port Authority and Bank entered into an amending agreement in 2020 that includes revisions to the terms of the loan agreement. The Port Authority has sufficient cash and short-term investments available to repay any borrowing of funds under the Bank loan agreement.

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8. Bank loans and derivative instruments (continued)

(a) *Bank loans (continued)*

As a result of the amending agreement, the following are the main terms of the credit facility:

Description	Amount \$	Interest rate	Amortization
Term Facility (Revolving)			
To finance capital expenditure:	50,000	BA rate plus 1.00% BA rate plus 1.15% during 2021 or BMO Prime plus 0.00% BMO Prime plus 0.15% during 2021	15 years
	50,000		

Capital expenditures financed and refinanced in the term credit facility includes:

- Repairs and improvements related to access to BBTCA, including a Ferry, Dockwalls, new Ferry Passenger Transfer Facilities
- Various projects at the Marine Terminals, Outer Harbour Marina, Airport and Tunnel Advertising Equipment
- Runway Airfield Rehabilitation Program at Billy Bishop Toronto City Airport
- Any other capital expenditures in any of the Port Authority businesses

As of December 31, 2020, \$31,323 (\$33,033 in 2019) has been drawn from the term facility in the form of a Bankers Acceptance ("BA"), with a maturity date of January 11, 2021 and interest rate of 0.48%. Under the provision of the Loan Agreement, the facility is revolving, the BA automatically renews every 30 days upon maturity, and is repayable over 180 months. As such, the loan has been classified as long-term (with a short-term portion reflecting principal repayments due in the next 12 months).

Principal payments for the above facility for the next five years are as follows:

	Total \$
Year	
2021	2,280
2022	2,280
2023	2,280
2024	2,280
2025	2,280
Thereafter	19,923
	<u>31,323</u>
Less: current portion	2,280
Long-term	<u>29,043</u>

The Airport's capital program, which includes Debt Service for borrowings, is funded through Airport Improvement fees. As at December 31, 2020, the principal amounts payable by the Port Authority (non-AIF) and the restricted Airport Improvement Fees are \$5,938 and \$25,385, respectively. Please see details on Airport Improvement fees under Note 10.

8. Bank loans and derivative instruments (continued)

(a) *Bank loans (continued)*

The Port Authority has two interest rate swaps:

	Start	Maturity	Starting Notional \$	Interest rate \$	Notional at December 31, 2020 \$	Notional at December 31, 2019 \$
1st Swap	Jan 2007	Jan 2022	11,250	5.085%	4,687	5,328
2nd Swap	Jul 2016	Jul 2031	7,998	1.670%	5,629	6,166

(b) *Derivative instrument and hedge accounting*

On January 31, 2012, the Port Authority designated the 1st interest rate swap in a hedging relationship with an original credit facility of \$11,250. Prospective and retrospective hedge effectiveness is assessed on these hedges using a hypothetical derivative method. The hypothetical derivative assessment involves comparing the effect of changes in interest rates each period on the changes in fair value of both the actual and hypothetical derivative. The effective portion of the interest rate swap is recorded in other comprehensive income until the forecasted transaction occurs. Where applicable, the fair value of the derivative has been adjusted to account for the Port Authority's credit risk.

In July 2016, the Port Authority designated 2nd the interest rate swap in a hedging relationship with an original credit facility of \$7,998. Prospective and retrospective hedge effectiveness is assessed on these hedges using a hypothetical derivative method. The hypothetical derivative assessment involves comparing the effect of changes in interest rates each period on the changes in fair value of both the actual and hypothetical derivative. The effective portion of the interest rate swap is recorded in other comprehensive income until the forecasted transaction occurs. Where applicable, the fair value of the derivative has been adjusted to account for the Port Authority's credit risk.

The hedges were designated as cash flow hedges, with the hedge designations continuing in effect for subsequent refinancing. Based on an evaluation of the new credit agreement entered into in May 2019, the Port Authority determined that these instruments continue to qualify for hedge designation as the original cash flows under hedge (the "hedge items") continue to be in place under the new credit agreement. The amending agreement negotiated in 2020, as described in Note 8(a) does not have any impact on this assessment.

The effect on net income and other comprehensive income is as follows:

(i) *Effect on net income – ineffective portion*

	2020 \$	2019 \$
Mark to market (loss)/gain of the swap	(262)	2
Amortization of accumulated loss of interest rate swap	(91)	(91)
Ineffectiveness of hedge accounting	(1)	85
Change in fair value	262	(2)
Interest recovery	75	101
	(17)	95

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8. Bank loans and derivative instruments (continued)

(b) *Derivative instrument and hedge accounting (continued)*

(ii) *Effect on other comprehensive income – effective portion*

	2020	2019
	\$	\$
Change in fair value	262	(2)
Interest recovery	75	101
Ineffectiveness reclassified to net income	(1)	85
Recognized in other comprehensive income	(336)	(184)

9. Payments in lieu of taxes

Payments in Lieu of Taxes or (“PILTs”) are payments that may be made by federal institutions to the municipalities in which they operate. The quantum of PILTs made by a government institution to its host municipality is discretionary and, if made, is determined in accordance with the federal Payments in Lieu of Taxes Act (the “PILTs Act”). The Port Authority properties to which the PILTs Act applies are the Billy Bishop Toronto City Airport (“BBTCA”), the Outer Harbour Marina, 80 Cherry Street, and various waterlots. PT also pays property taxes to the City of Toronto (the “City”) for BBTCA and various other properties.

10. Airport improvement fees

The Port Authority charged an Airport Improvement Fee (“AIF” or “Fee”) of \$15.00 in 2020. These Fees are to be used entirely to finance the Airport’s capital program, which includes Debt Service for borrowings (see Note 8).

For the year ended December 31, 2020, the net amount of AIF collected was \$2,234 (\$15,370 in 2019). These Fees are recorded as Airport improvement fees, net in the consolidated statement of operations and comprehensive income.

The AIF revenue is net of the 7% commission paid to the air carriers for the collection of AIF from enplaned passengers.

The cumulative unused balance in AIF funds as of December 31, 2020 was in deficit of \$9,628 (surplus of \$1,869 in 2019).

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10. Airport improvement fees (continued)

Revenue and expenses relating to Toronto Port Authority non-AIF operations and Airport Improvement Fees

The following is an analysis of the Toronto Port Authority's results from the consolidated statement of operations and comprehensive income in terms of revenue and expenses from the Port Authority's non-AIF operations and those related to the restricted Airport Improvement Fees:

	2020	2019	2020	2020	2019	2019
	Total	Total	Non-AIF	AIF	Non-AIF	AIF
	\$	\$	\$	\$	\$	\$
Operating revenue						
Port, Outer Harbour Marina, Airport, property and other revenue	34,375	45,643	34,375	—	45,643	—
Airport improvement fees, net	2,234	15,370	—	2,234	—	15,370
	36,609	61,013	34,375	2,234	45,643	15,370
Operating expenses						
Wages, salaries and employee benefits	10,688	13,834	10,688	—	13,834	—
Repairs and maintenance	5,965	6,727	5,965	—	6,727	—
Professional and consulting fees	1,287	1,379	1,287	—	1,379	—
Property taxes, net	53	38	53	—	38	—
Other operating and administrative expenses	12,478	14,762	12,478	—	14,762	—
	30,471	36,740	30,471	—	36,740	—
Income from operations and Airport improvement fees, net before the following	6,138	24,273	3,904	2,234	8,903	15,370
Payments in lieu of taxes	(3,166)	(3,133)	(3,166)	—	(3,133)	—
Amortization of right-of-use and capital assets	(9,959)	(9,604)	(1,777)	(8,182)	(1,572)	(8,032)
Interest expense	(4,594)	(5,061)	(203)	(4,391)	(212)	(4,849)
Charge on gross revenue – Port, Outer Harbour Marina, Airport, property and other revenue	(930)	(2,117)	(930)	—	(2,117)	—
Charge on gross revenue – Airport improvement fees	(106)	(922)	—	(106)	—	(922)
(Loss) gain on interest rate swaps – ineffective portion	(17)	95	(17)	—	95	—
Net (loss) income for the year	(12,634)	3,531	(2,189)	(10,445)	1,964	1,567
Changes in fair value of interest rate swaps due to hedge accounting – loss on interest rate swaps – effective portion	(336)	(184)	(336)	—	(184)	—
Unamortized loss and past service costs	(6,577)	(1,044)	(6,577)	—	(1,044)	—
Comprehensive income for the year	(19,547)	2,303	(9,102)	(10,445)	736	1,567

11. Contingencies

There are a number of outstanding claims against the Port Authority that have been referred to legal counsel and reported to the Port Authority's insurers, as applicable. With respect to insurable claims, the Port Authority expects that its liability, if any, will be limited to the amount of its insurance deductible.

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(In thousands of dollars)

12. Canada marine act and port authorities' management regulations

Pursuant to subsection 37 (3) of the Canada Marine Act, total remuneration (includes salaries and bonus) was paid to the following:

	2020	2019
	\$	\$
Director's fees		
Mr. Robert Poirier, Chair	65	68
Mr. Darin Deschamps	38	40
Ms. Amanda Walton	36	38
Mr. Don McIntyre	31	28
Ms. Hellen Siwanowicz	29	30
Mr. Chris Reynolds (appointment as Director, April 8, 2020)	12	—
Ms. Jan Innes (ceased to hold office August 29, 2019)	—	35
	211	239
Chief Executive Officer – Mr. Geoffrey Wilson		
Remuneration	465	480
Other benefits	24	24
	489	504
Executive Vice President, Ports Toronto and Billy Bishop Toronto City Airport – Mr. Gene Cabral		
Remuneration	260	276
Other benefits	19	19
	279	295
Senior Vice President & CFO – Mr. Alan Paul		
Remuneration	260	262
Other benefits	20	20
	280	282
Vice President and General Counsel – Mr. Craig Manuel		
Remuneration	229	224
Other benefits	13	14
	242	238
Vice President Communications and Public Affairs – Ms. Deborah Wilson		
Remuneration	222	220
Other benefits	13	14
	235	234
Vice President Infrastructure, Planning & Environment – Mr. Chris Sawicki		
Remuneration	223	219
Other benefits	18	18
	241	237

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13. Commitments

The Port Authority currently has a Lease Agreement with the provincial Ministry of Natural Resources and Forestry to construct, operate and maintain a landfill area at the foot of Leslie Street on a portion of the Leslie Street Spit. The Port Authority is in the process of extending the lease until October 31, 2024.

Meanwhile, the Port Authority continues to provide monitoring of hard points and beaches along the east and south shores of the Leslie Street Spit for shoreline stabilization.

The Port Authority currently has a lease for its head office premises located at 207 Queens Quay West. The Lease expires on September 28, 2027. The Port Authority also has a lease for an IT service room and lunch and locker room in the terminal building located at Billy Bishop Toronto City Airport. The lease expires on June 29, 2033. Please see Note 5 for details on the lease liability recorded in respect of these two leases.

14. Guarantees

In the normal course of business, the Port Authority enters into agreements that meet the definition of a guarantee. The Port Authority's primary guarantees are as follows:

- (a) Indemnity has been provided to all directors and or officers of the Port Authority for various items including, but not limited to, all costs to settle suits or actions due to association with the Port Authority, subject to certain restrictions. The Port Authority has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as, director or officer of the Port Authority. The maximum amount of any potential future payment cannot be reasonably estimated.
- (b) In the normal course of business, the Port Authority has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Port Authority to compensate counterparties for losses incurred by the counterparties because of breaches in representation and regulations or because of litigation claims or statutory sanctions that may be suffered by the counterparty because of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated. In addition to the foregoing, in connection with the lease of real property from the City of Toronto by the Port Authority's wholly owned subsidiary, 2315155 Ontario Inc., the Port Authority has guaranteed 2315155 Ontario Inc.'s obligation to the City. The maximum liability of the Port Authority to the City pursuant to this guarantee is \$500.

Other than the guarantee to the City described above, the nature of these indemnification agreements prevents the Port Authority from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Port Authority has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the statement of financial position with respect to these agreements.

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15. Pedestrian Tunnel Project

On March 8, 2012, the Toronto Port Authority and BBIA LP, an entity controlled by Forum Infrastructure Partners signed a Project Agreement ("the Agreement") to construct a Pedestrian Tunnel (the "Tunnel") to link the Billy Bishop Toronto City Airport ("Airport") to the Mainland at the foot of Bathurst Street, under the Western Gap. BBIA LP agreed to design, build, finance, operate and maintain the Tunnel for twenty years. The base contract price for BBIA LP to construct the Tunnel was \$82.5 million and it was substantially complete and accepted by the Port Authority on May 29, 2015. The Tunnel was officially opened to the public and stakeholders on July 30, 2015. Title to the Tunnel will remain with the Port Authority throughout the term of the Agreement.

The Port Authority has capitalized construction costs as well as the present value of future Capital Lifecycle payments to be made over the term of the concession period (Expiry Date April 8, 2034). The Port Authority has also recognized a liability for the Tunnel, equal to the asset, less payments made. As at December 31, 2020 an asset of \$110,418 (\$110,418 in 2019) has been included as part of capital assets, with a related liability of \$60,157 (\$62,965 in 2019).

On April 8, 2016 BBIA LP sold its interest in the Tunnel to BBPT AF LP, an entity controlled by Fiera Capital Corporation. As part of this transaction the Agreement was assigned by BBIA LP to BBPT AF LP and BBPT AF LP assumed all of BBIA LP's obligations under the Agreement.

The Port Authority pays monthly Capital Payments totaling \$6,583 per year until April 8, 2034 to BBPT AF LP using a portion of the airport improvement fee collected for enplaning (departing) passengers at the Airport. In 2020, the Port Authority was permitted to utilize its deposit on hand with Fiera to pay three monthly service payments. Following the utilization of the deposit to satisfy three monthly service payments the deposit was replenished by the Port Authority. As the airport improvement fee was only collected during first few months of 2020, the payments were made through a combination of airport improvement fees and other internal sources.

The Port Authority is also responsible for monthly Lifecycle Payments totalling \$212 per year and monthly Operating Payments totalling \$1,301 per year, until 2034. These payments are indexed to inflation.

Pursuant to the Agreement, the Port Authority was required to provide a refundable deposit to BBIA as security for future monthly capital, life cycle and operating payments. The deposit amount is equivalent to 1, 2 or 3 times the total monthly payments for the next twelve months, determined based on the AIF revenues for the previous twelve months. During 2020, due to COVID-19 and resulting reduction in passenger level, PT was required to provide a deposit of 3 times the total monthly payments for the next twelve months. The amount on deposit as at December 31, 2020 was \$24,729 (\$8,291 in 2019).

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16. Revenue and expenses by Business Units

The following is an analysis of the Toronto Port Authority's results from the Consolidated Statement of Operations and Comprehensive Income by business units:

	Business unit revenue		Business unit expenses		Business unit net income	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Business units						
Port operations	8,798	9,574	4,439	6,209	4,359	3,365
Outer Harbour Marina	4,789	4,730	2,340	2,912	2,449	1,818
Billy Bishop Toronto City Airport and net airport improvement fees	18,197	41,676	15,172	19,553	3,025	22,123
Property and other	2,956	2,568	449	440	2,507	2,128
Investment income	1,869	2,465		—	1,869	2,465
Corporate services		—	8,071	7,626	(8,071)	(7,626)
	36,609	61,013	30,471	36,740	6,138	24,273
Net income from operations and airport improvement fees, net before the following					6,138	24,273
Payments in lieu of taxes					(3,166)	(3,133)
Amortization of capital assets					(9,959)	(9,604)
Interest expense					(4,594)	(5,061)
Charge on gross revenue					(1,036)	(3,039)
Gain on interest rate swaps - Ineffective portion					(17)	95
Net (loss) income for the year					(12,634)	3,531
Loss on interest rate swaps - Effective portion					(336)	(184)
Remeasurement loss on employee future benefits					(6,577)	(1,044)
Comprehensive (loss) income for the year					(19,547)	2,303

17. Prior years comparative figures

Certain of prior year's comparative figures have been reclassified to conform with current year's presentation.

18. COVID-19

Due to the COVID-19 pandemic crisis, the Port Authority went through a very difficult and challenging 2020 in terms of financial performance. A number of unprecedented and unforeseen events and activities required prompt and decisive measures to ensure the Port Authority's ongoing safety, security and stability. While there were some effects on other operations at PT, the largest impact of COVID-19 was to the operations of the BBTCA. In March 2020, the Port Authority's two commercial carriers announced a temporary cessation of their scheduled service which has extended to the end of 2020 and beyond. As a result, there was a material change in passenger levels at the BBTCA. In accordance with the terms of the Port Authority's loan agreement with the Bank, the Port Authority provided notice of a material change in passenger levels and the resulting material adverse change in its financial condition, business and/or operations. The Port Authority signed an Amending Agreement dated December 31, 2020 with the Bank to address this situation. At all times, the Port Authority had liquidity to repay the credit facility. Please see details on Bank Loans under Note 8.

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18. COVID-19 (continued)

Also in March 2020, as part of its COVID-19 Economic Response Plan, the Government of Canada announced that, from March through to December 2020, it would waive the portion of the Port Authority's gross revenue charge for revenue generated from operations at the BBTCA, in alignment with the treatment of National Airport System ("NAS") airport authorities. Please see details under Note 2.

The Port Authority applied for government assistance under the Canada Emergency Wage Subsidy and recognized \$3,949.

In response to COVID-19, the Port Authority also reviewed the necessity and timing of proceeding with some of its planned capital projects. In particular, the capital program at the BBTCA, which is financed through AIF, was significantly lower in 2020 and the AIF fund was depleted; the shortfall in funding required to support the capital program was funded through other internal resources. Please see details under Note 10.

Pursuant to the Pedestrian Tunnel Project Agreement, the Port Authority is required to provide a refundable deposit to BBIA as security for future monthly capital, life cycle and operating payments. Due to the significant drop in AIF revenues, the deposit was increased to three times annual coverage pursuant to the terms of the Agreement. Please see details under Note 15.

The Port Authority has evaluated its financial statements and financial position as at December 31, 2020. As a result of the spread of COVID-19, economic uncertainties still remain. The duration and impact of COVID-19 are unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these ongoing developments will have on the financial results and condition of the Port Authority in future periods.



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The Toronto Port Authority, doing business as PortsToronto since January 2015, is a government business enterprise operating pursuant to the Canada Marine Act and Letters Patent issued by the federal Minister of Transport. The Toronto Port Authority is hereafter referred to as PortsToronto.

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