

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

**MANAGEMENT'S DISCUSSION & ANALYSIS – 2022**  
**(In thousands of dollars)**

**April 12, 2023**

*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 (the "Port Authority"), doing business as PortsToronto for the years ended December 31, 2022 and 2021 and should be read in conjunction with the 2022 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, 2022, and in the comparative information presented in these Financial Statements for the year ended December 31, 2021.*

**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 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 is governed by a Board of Directors appointed by three levels of government pursuant to section 14(1) of the *Canada Marine Act*, and section 4.6 of the Port Authority's Letters Patent. At full complement, 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. Ms. Amanda Walton is Chair of the Board as of the date of this Report.

**Business & Operations**

The Port Authority's main business units are Port Operations (the "Port"), 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 (Warehouse 52). This site also houses Marine Terminal 51, which has been repurposed and converted to a film and production studio. Additionally,

*(In thousands of dollars)*

the Port Facility includes the Cruise Ship Terminal, which services the cruise ship industry and is being used for film production, as well as event space.

The Port Authority continues to promote mixed use at its Port Facility including bulk, general and project cargo handling and storage management, as well as container packing and unpacking services. With its preferred location and proximity to burgeoning construction in Toronto and surrounding areas, the Port Authority will continue to pursue additional opportunities for its Port Facility in 2023 and beyond.

In 2022, 2.347 million metric tonnes (“MT”) of cargo moved through the Port of Toronto, tracking at 2% higher than the 2.296 million MT the Port handled in 2021, another record year for the Port. This successful performance marked the 6<sup>th</sup> consecutive year that more than 2.2 million MT moved through the Port. There were 231 ship visits in 2022, bringing sugar, salt, cement, aggregate and steel directly to the heart of the City, reinforcing the Port of Toronto’s important role in the national supply chain. In 2022, 40 of the 231 ship visits were cruise ships, which brought 12,904 passengers to Toronto, making a positive impact and contributing to the City’s economic recovery.

In 2022, general cargo totaled 161,096 metric tonnes (MT) which consisted of steel imports (159,916 MT) and project cargo (1,180 MT). Eighteen ships brought in steel imports from around the world (including rail, rebar, steel plate and coils). In 2022, the Port also saw the arrival of another bridge span from Nova Scotia via tug/barge for Waterfront Toronto’s Port Lands Flood Protection project, and the Port was critical in providing berthing for a marine vessel delivering three high-value transformers to the City of Toronto.

Operations at the Marina remained positive and consistent in 2022. Demand for winter storage remained strong in the 2022-2023 winter season, and summer berthing renewals brought the Marina to a 100% occupancy level, with a sizable waiting list. Recreational boating continued to be a favoured activity in Toronto with many new boaters coming from condominiums, within close proximity of the downtown core.

Billy Bishop Airport had a difficult start to 2022, with the negative impact of the COVID-19 Omicron variant adversely affecting passenger traffic. Despite the slow start in the early months, passenger volumes grew steadily up to June, where passengers were at 75% of 2019 volumes. There was continued recovery in the last six months of 2022 and passenger volumes averaged 81% of 2019 levels over that period. Total passenger volume in 2022 was 1.732 million versus 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 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 gateway in supporting the economic health of Southern Ontario.

*(In thousands of dollars)*

## **Financial Considerations**

### **Financial Results in 2022**

The financial performance of the Port Authority, was impacted again by the COVID-19 pandemic, specifically at the Airport in early 2022. However, the latter half of 2022 was a much different outcome, ultimately leading to a very strong year financially.

The slow start to 2022 at the Airport eventually began to dissipate as the year progressed and the financial performance grew to become much more consistent and eventually very strong. The significant recovery at the Airport in 2022 and strong performance of the Port and Marina, resulted in two events of importance on the financial position of the Port Authority. The first of these two occurred in August 2022, when the Port Authority's Bank waived Subject Events of Default that occurred in 2020 on a permanent basis, effective June 30, 2022. (Please see Note 8(a) in the Audited Financial Statements). The second was that with the increase in Airport Improvement Fee ("AIF") revenues in the previous twelve months, the required Prepaid Deposit for the Pedestrian Tunnel decreased from three-times the monthly service payments, to one-time. This resulted in \$16,350 being returned to the Port Authority's cash reserves. (Please see Note 15 in the Audited Financial Statements).

The overall financial performance of all of the Port Authority business units was very good in 2022. This is reflected in the Statement of Operations, as provided in Note 16 of the Audited Financial Statements and the Dashboard on page 4 of this MD&A. The Net Income from Operations and AIF revenues (before certain specific items) improved in 2022 to \$30,358 in 2022 from \$9,988 in 2021, a 204% increase.

### **Key Financial Ratios:**

#### **Financial Liquidity**

The financial liquidity of the Port Authority remains positive, with a Current Ratio (Current Assets divided by Current Liabilities) of 1.91 as at December 31, 2022. This is lower than the Current Ratio as at December 31, 2021 of 4.52, due primarily to more long-term investments being held as at December 31, 2022 as opposed to December 31, 2021, \$34,299 versus \$1,494, respectively.

#### **Financial Performance**

The financial performance ratio, significantly improved in 2022 with a Margin (Net Income (Loss) divided by Gross Revenue) of 14.7%. The ratio was -22.4% in 2021.

#### **Financial Leverage**

As to financial leverage, the Port Authority's debt to equity ratio slightly deteriorated to 52.7% in 2022 as compared to 49.1% in 2021. This reflects the accrual of a provision in 2022 for Leslie Street Spit Hardpoint J and other potential obligations.

(In thousands of dollars)

Below are extracts from the Consolidated Statements of Operations, Consolidated Statement of Financial Position and gross increase in Capital assets:

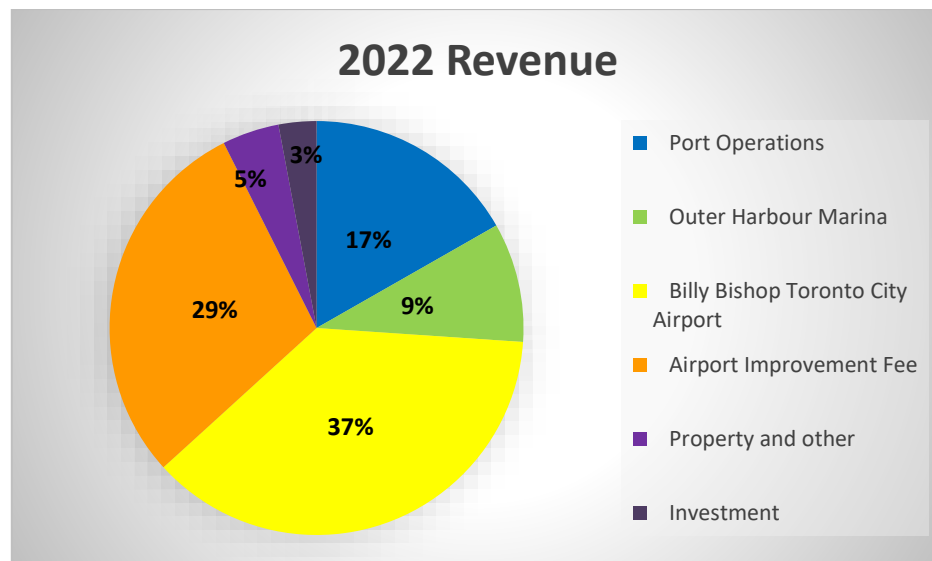
**Consolidated statement of operations**

(In thousands of Canadian dollars)

	2021	2022
<b>Revenue</b>		
Port	\$10,925	\$10,952
Marina	\$5,395	\$6,097
Airport	\$19,997	\$43,500
Property & Other	\$2,929	\$2,906
Investment	\$429	\$1,930
Corporate	\$0	\$0
<b>Total</b>	<b>\$39,675</b>	<b>\$65,385</b>
<b>Expenses</b>		
Port	\$5,470	\$4,703
Marina	\$2,995	\$3,284
Airport	\$15,006	\$19,507
Property & Other	\$463	\$794
Investment	\$0	\$0
Corporate	\$5,753	\$6,739
<b>Total</b>	<b>\$29,687</b>	<b>\$35,027</b>
<b>Net Income from operations (before certain specific items)</b>		
Port	\$5,455	\$6,249
Marina	\$2,400	\$2,813
Airport	\$4,991	\$23,993
Property & Other	\$2,466	\$2,112
Investment	\$429	\$1,930
Corporate	(\$5,753)	(\$6,739)
<b>Total</b>	<b>\$9,988</b>	<b>\$30,358</b>



Note: The above does not include Amortization, Payment-in-lieu of taxes, Interest expenses, Gross revenue charge and OCI. Also the above does not include Gain on sale of Parliament Slip, write off of Site Preparations costs and provision for Leslie Street Spit and Other Obligations.



(In thousands of dollars)

### Consolidated statement of financial position (Summarized version)

(In thousands of Canadian dollars)

	2022	2021
	\$	\$
<b>Assets</b>		
Current assets	84,054	83,343
Non-current assets	272,800	234,608
	<b>356,854</b>	<b>317,951</b>
<b>Liabilities &amp; Equity</b>		
Current liabilities	44,002	18,451
Non-current liabilities	79,145	86,220
Equity	233,707	213,280
	<b>356,854</b>	<b>317,951</b>

### Capital Assets - Gross Increase

(In thousands of Canadian dollars)

	2022	2021
	\$	\$
Port Operations	1,100	520
Outer Harbour Marina	546	116
Billy Bishop Toronto City Airport	6,051	3,567
Property & Other	1,255	527
<b>Total</b>	<b>8,952</b>	<b>4,730</b>

### Financial Outlook for 2023

The 2023 Outlook for the Port Authority is forecast to be strong, with Billy Bishop Airport continuing to recover, the Port expected to have another strong year in terms of cargoes and cruise ship visits, and the Outer Harbour Marina in a position of strength being at or near capacity, with the potential of additional customers from other marinas in the area. All of the business units are expected to have a strong 2023 and provide healthy returns to the organization. This combined with an ongoing focus on operating an efficient and effective organization, puts the Port Authority on a strong footing to engage in economic growth and sustainability initiatives. Port Authority management will continue to gauge the level of success in 2023 and make appropriate adjustments necessary in order to preserve cash resources and protect liquidity. The organization has many valuable assets and will continue to operate to maximize these assets going forward. As a result, the Port Authority is confident that 2023 will be a solid year financially for the organization.