

Annual Report

April 1, 2016 - March 31, 2017



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1. INTRODUCTION

The Souris Harbour Authority Inc., (SHAI) is a not-for-profit community based company incorporated in 2006 under Part II of the P.E.I. Companies Act to own, operate and promote the development of the Port of Souris. This is the eleventh annual report of the corporation.

The Board of Directors of the Souris Harbour Authority Inc. are:

<u>Member</u>	<u>Representing</u>
Denis Thibodeau, President	Town of Souris
Brian MacPhee, Vice President	Fishers
Eric Gallant, Secretary	Marina
Brian Ching	Port User
Joanne Chisholm	Community at Large
Jason Chapman	Port User
Terry Campbell	Community at Large
Peter MacPhee	Fishers

The Board of Directors of SHAI meets monthly. The board's agenda includes financial, management and committee reports and various company business matters. The Board of Directors oversees policy and operations with three committees; Finance, Audit and Governance; chaired by Terry Campbell, Capital Planning, chaired by Eric Gallant and Marketing and Business Development, chaired by Denis Thibodeau.

The corporation's management team consists of Denis Thibodeau, CEO, Art MacDonald, Port Manager, Margo Robertson, Accountant/Office Administrator, André Gallant, Eastern Cold Storage Manager, Eric Gallant, Marina and Lighthouse Manager, John Hughes, Plant Engineer, Delbert Francis, Senior Financial Advisor and Gerry Gallant, Business Development Consultant.

Scotia Asset Management, Toronto, and Scotia McLeod, Charlottetown are SHAI's investment management advisors, and the Bank of Nova Scotia, ACOA and Finance PEI are its lenders. Local banking services are provided by the Souris Credit Union. The company's auditor is MacPherson, Roche, Smith and Associates, Charlottetown. Legal counsel is provided by Barbara Smith, Stewart, McKelvey, Charlottetown, (contracts and leases) Alan MacPhee, Souris, (land transactions) and Daniel Watt at McInnes Cooper, Halifax, (marine).

2. OPERATIONS AND MAINTENANCE

The Souris Port is the home of a thriving fishing fleet, recreational vessels at its marina, and commercial marine transportation. Since taking ownership of the port from Transport Canada in 2006, the Authority (SHAI) has invested \$21 million in harbour improvements and waterfront business development. Annually, the Authority spends over \$2.25 million in wages, operating and maintenance costs for supply and services. The port's commercial activity includes commercial shipping, mostly in-bound aggregate and berthage. Aggregate imports were at lowest level since incorporation at 4,000t in 2016.

In 2016, the port experienced an increase in transient berthage activity mainly due to the mackerel fishery and the ports proximity to the commercial blast freezing operations at Eastern Cold Storage. The Souris Harbour is an active port for lobster, snow crab, mackerel, herring, rock crab, tuna, and scallop fishers. It is a well-known haven in the event of severe weather for the commercial fleet fishing the waters of eastern PEI.

Topside off-season storage capacity on the lower deck wharf is maximized at 40+ vessels. The storage in the upper sailboat yard was over capacity at 51 vessels from all PE, NS, NB, ONT, PQ, including two vessels that were US flagged. An important milestone SHAI has achieved was in challenging the CBSA Tariff ruling for foreign flag vessels, developing a solid working arrangement with CBSA, enabling US flagged vessels to be stored in Canada, and at the SHAI topside facility.



The live lobster holding tank house and ice house were operational under lease agreements.

The Transit shed operated at 60% capacity, losing Agra West Foods as a major tenant. However, SHAI gained a new tenant, the French School Board.

Port operations experienced a solid performance record with no incidents or damages to report for the 2016-2017 period. The 2016 marina season was busy with forty-two seasonal berths. Tuna charters were down slightly from 2015.

Roof repairs to the Transit Shed were completed, providing a dry interior for storage. Structural repairs to the floor and sill on the north side were completed, giving the building a longer life span. The east side of the East Pack wharf received SSP and curbing, electrical, and water installations. Paving and asphalt repairs is an ongoing process in the Harbour.

Design and tender documents for major wharf repairs on the breakwater were prepared and work will be undertaken in summer/fall 2017.

Three berths at the marina were kept open for visitors, of which the marina hosted 170-day visits. The marina sold 6,784 litres of gasoline. The marina has twelve boaters on a waiting list for a berth in 2017. The storage shed at the topside boat yard is at capacity with others asking for space. Bins were rented to boaters who requested heated storage in the transit shed at \$50 per season. Topside storage is at capacity with a waiting list for future seasons.



Revenues and visitation for lighthouse tours was up slightly from 2015. The lighthouse venue hosts the Mermaid Sea Glass Festival on the last weekend of July every year. The festival had over 4,000 attendance over the two days.



3. BUSINESS OPERATIONS

Eastern Cold Storage, the port's anchor enterprise continues to serve the fisheries, aquaculture and agriculture industries with bait freezing and public cold storage. To meet the increasing Eastern Cold storage demand in the region, SHAI purchased the former Ocean Choice International seafood plant in 2014 that has another 4 million lbs. of storage capacity. After repurposing the former Ocean Choice International seafood plant, the facility (Souris Harbour Industries) accommodates industrial tenants including the Centre for Aquaculture Technologies Canada occupying 22,000 sq.ft. and Lorne Valley Ranch Inc., a high bush blueberry grower and processor that is leasing the remaining 21,000 sq.ft. processing space.



In March 2017, stimulated by increasing demand from the blueberry processing sector, SHAI committed to expand the cold storage capacity at Souris Harbour Industries to another 4 million lbs. This will create a total of 12 million lbs. of storage capacity at Eastern Cold Storage by August 2017.



The Souris Harbour Centre restaurant has a new tenant who operate the 150 seat Souris Harbour Centre as the Lot 45 Pub and Eatery.



4. FINANCIAL

Highlights of the audited financial statements of the corporation prepared by MacPherson, Roche, Smith and Associates for the year ended March 31, 2017 follow:

Revenue		<u>2017</u>	<u>2016</u>
Harbour Authority Operations		639,418	456,037
Eastern Cold Storage		<u>1,219,509</u>	<u>1,197,977</u>
Total Operations Revenue		1,858,927	1,654,018
Other Revenue:			
Investment Income		1,113,430	-83,576
Amortization of Contributions		283,428	265,458
Government Funding		<u>92,287</u>	<u>19,308</u>
Total Other Revenue		1,489,145	201,190
Transfer Contributions		<u>664,041</u>	<u>1,657,766</u>
Grand Total Revenue		4,012,113	3,512,970
Expenses		<u>3,088,391</u>	<u>2,839,042</u>
Revenue less Expenses		923,722	673,928

In 2016-17, revenues from Harbour Authority leases and services and Eastern Cold Storage operations increased \$204,913 from 2015-2016. Returns from investments increased by \$1.2 million as the investment portfolios from the unrestricted funds were reprofiled to robust equity markets from bond markets that have been experiencing poor returns.

Total expenses of all port and business operations (including \$916,030 in depreciation) was \$3,088,391, an increase of \$249,349. Surplus revenue over expenditures in 2016-17 was \$923,722 an increase of \$249,794 from 2015-16.

The market value of SHAI's long term investments as of March 31, 2017 was \$17,703,614. Of this amount, \$9,814,935 is non-restricted meaning the Authority can use these funds not constrained by the Transport Canada Contribution Agreement which stipulates restricted funds as of March 31, 2017 in the amount of \$7,888,935 can only be used for port operations and maintenance. Property and equipment values totaled \$16,134,339 and total current assets (cash and receivables) totaled \$862,248 for total assets of \$34,700,201. Total long-term debt of the corporation as of March 31, 2017 is \$6,368,610.

SHAI is proud to be a committed community supporter and has donated \$13,000 to local sport teams and community organizations in 2016-2017. SHAI continues its annual \$5,000 gift as part of its pledged \$25,000 over five years to the Eastern Kings Health Foundation's fundraising campaign.

5. GOVERNANCE

The board undertook a comprehensive board and human resources review in 2016 with the guidance of a human resources consulting firm. The review made recommendations to the authority about board composition and terms.

6. CONCLUSION

I wish to acknowledge and thank the contributions of our board members. Their leadership, diligence drawing from their extensive business experience, community involvement and commitment to the board's fiduciary responsibilities and sound governance ensures the long-term sustainability of the corporation. I also want to thank our dedicated management and advisory team for their valuable services.

Respectively submitted,

A handwritten signature in blue ink, appearing to be "D. Thibodeau".

Denis Thibodeau Chairman and CEO