

# Annual Report – Financial Overview

## Financial Highlights – Statement of Comprehensive Income

(In thousands of dollars)	2023 Budget	March 31, 2023 Actual	March 31, 2022 Actual
Revenue	37,631	37,250	29,823
<b>Expenses</b>			
Operations	5,245	5,009	4,488
Maintenance	4,886	4,022	3,487
Administration	3,427	3,159	2,782
Amortization of property and equipment	10,379	10,283	9,651
<b>Total Expenses</b>	<b>23,937</b>	<b>22,473</b>	<b>20,408</b>
Operating Income	13,694	14,777	9,415
Net Finance Costs	5,217	3,304	3,910
<b>Comprehensive Income</b>	<b>8,477</b>	<b>11,473</b>	<b>5,505</b>

HHB's 2022-2023 audited financial statements are found at [www.hdbc.ca/publications](http://www.hdbc.ca/publications)

Halifax Harbour Bridges (HHB) was created in 1950 by a statute of the Province of Nova Scotia and is a Government Business Enterprise (GBE) as defined by the Public Sector Accounting Board recommendations. As such, HHB prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).



### Revenues

of HHB are 100% derived from tolls and fees based on traffic volumes on the Angus L. Macdonald and A. Murray MacKay Bridges. Toll rates increased 25% on January 3, 2022 following an application to the Nova Scotia Utility and Review Board (UARB) for an increase to fund future capital projects. Traffic volumes in fiscal 2022-2023 continued to improve following the COVID-19 pandemic. The budget assumed traffic levels at 95% of pre-pandemic levels and actual traffic levels finished at 94.6% for the fiscal year. As a result, toll revenues in fiscal 2023 increased over the prior year due to both the full year of increased rates and the increase in traffic. Toll revenue was slightly less than budget as traffic volume did not quite meet the budgeted level.



### Operations

includes the costs to staff the toll facilities, bridge patrol, the MacPass customer service centre and maintain the tolling equipment and IT infrastructure. In fiscal 2023, costs were below budget due to staffing shortages leading to unfilled shifts and cost savings.



### Maintenance expenses

include costs of maintaining the structural integrity and operational standards of the bridges along with upkeep of buildings and equipment. These costs include snow removal, corrosion protection through painting, consulting engineering fees and operational costs of buildings, vehicles and properties. Maintenance costs increased in fiscal 2023 with staff added to complete a greater number of projects and higher costs in building and equipment upkeep.



### Administrative expenses

include insurance premiums, professional fees, property taxes and wages for accounting, treasury and public relations functions. In fiscal 2022, administration costs were lower than budget as planned spending on consultants for IT initiatives was included in capital costs. Administrative costs rose compared to prior year with increases in insurance and consulting and additional staff to support a larger organization.



### Amortization of property plant and equipment

is a non-cash charge that represents the cost of HHB's long-term capital assets over their expected useful life. Amortization increased in fiscal 2023 as capital projects completed in the prior year are amortized.



### Net Finance costs

consist of interest costs for HHB's long term debt offset by interest income earned on cash held in operating and loan reserve accounts. In fiscal 2023, net finance costs decreased compared to the prior year as principal repayments reduced interest expense. The budget assumed additional long term debt and related interest expense in fiscal 2023 which was not incurred, as a result net financing costs were lower than budget.



### Outlook: Revenues and Expenses

For fiscal 2024, HHB has assumed traffic levels will average 100% of pre-pandemic levels. The assumed increase in traffic will generate higher revenues for fiscal 2024. Expenses are budgeted to also increase as HHB works to complete a large amount of capital works and maintenance projects as part of a ten-year plan. The financial plan includes additional long-term debt to finance the spending needed for these projects and a corresponding increase in interest expense.

## Financial Highlights – Statement of Financial Position

(In thousands of dollars)	March 31, 2023	March 31, 2022
Current Assets	9,502	10,994
Restricted Funds and Property Plant and Equipment	296,577	289,871
<b>Total Assets</b>	<b>306,079</b>	<b>300,865</b>
Current Liabilities	19,504	17,728
Long term debt and other liabilities	130,000	138,035
Equity	156,575	145,102
<b>Total Liabilities and Equity</b>	<b>306,079</b>	<b>300,865</b>

HHB's 2022-2023 audited financial statements are found at [www.hdbc.ca/publications](http://www.hdbc.ca/publications)

HHB's financial condition remained solid in fiscal 2023 as shown in the statement of financial position. Current assets consist primarily of cash at \$8.5 million and current liabilities include deferred revenue of \$4.7 million which represents customer deposits in their Macpass accounts. Total assets increased when compared to fiscal 2022 as property plant and equipment rose in value as the age of the bridges has necessitated investment in improvements.

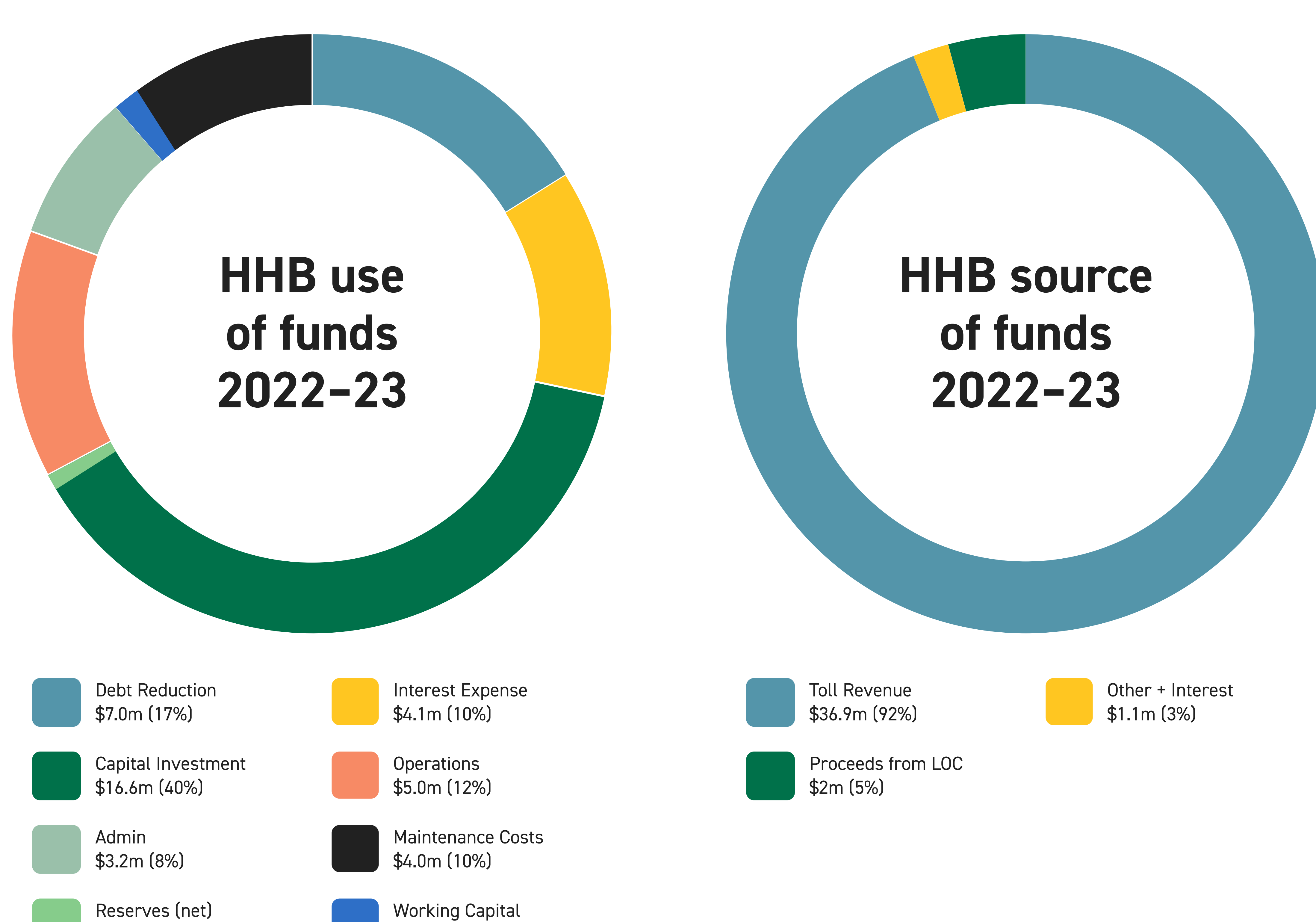
Overall the sum of current liabilities and long term debt have decreased in fiscal 2023 with the repayment of maturing debt. Equity has increased in fiscal 2023 with positive comprehensive income recorded for the year. Approximately \$15.8 million of the equity balance is recorded as a reserve for restricted assets, comprised of funds set aside under various loan agreement terms.



### Outlook: Financial Position

HHB presented a ten year plan as part of the application to the UARB for a toll increase that included additional capital spending of \$280 million over the ten years. The plan included additional long term debt of \$155 million which, along with the increased toll revenues, will pay for the capital projects. It is expected that a portion of this additional debt will be incurred in fiscal 2024.

## Financial Highlights – sources and uses of funds



Data for above charts from Statement of Cash Flows, part of HHB's 2022-2023 audited financial statement located at [www.hdbc.ca/publications](http://www.hdbc.ca/publications)

The two charts above summarize data from the statement of cash flows included in HHB's audited financial statements. The charts illustrate how HHB obtained funding in fiscal 2023 and how the money was spent.

In fiscal 2023, the increase in traffic from prior year along with the full year of increased toll rates improved toll revenue to \$36.9 million and provided 92% of the cash flow.

67% of the cash spent was Capital investments (40%), debt reduction (17%) and interest expense (10%). The Capital investment of \$16.6 million is primarily improvements to the Bridges and related structures to extend their useful life. Significant projects included steel and coatings work on the Macdonald Bridge, concrete pier rehabilitation and expansion joint replacements. The cash requirements to fund the day to day work of HHB and bridge operations is represented by the categories of "Operations", "Maintenance" and "Administration" totaling \$12.2 million as discussed in the review of the Statement of Comprehensive Income.