



SUBJECT: LaSalle Park Marina wave break viability review

TO: Committee of the Whole - Workshop

FROM: Finance Department

Report Number: F-35-17

Wards Affected: 1

File Numbers: 945-10

Date to Committee: October 3, 2017

Date to Council: October 10, 2017

Recommendation:

Receive and file finance department report F-35-17 regarding the LaSalle Park Marina wave break viability review.

Purpose:

Services offered by LaSalle Park Marina, provide recreational activities contributing to healthy lifestyles.

A Healthy and Greener City

- Healthy Lifestyles
-

Background and Discussion:

LaSalle Park Marina (LPMA) is a non-profit organization that was created in 1981 and provides a venue for recreational boating at the Marina, located at the bottom of LaSalle Park. LPMA operates the marina under the terms of a joint venture agreement with the City of Burlington. The joint venture agreement provides LPMA with the authority to utilize the marina and outlines their responsibilities related to maintenance, operation and capital renewal. The current Marina operation has 219 slips and is protected by a floating wave break.

At the Community and Corporate Services committee meeting held on September 12, 2016 Finance staff brought forward report F-28-16, which provided a financial review of the business case for a permanent wave break and marina expansion provided by

LPMA, for information only. In addition to this report the City Manager brought forward a supplemental report CM-13-16, providing a high level update on the Marina wave break project. The following recommendations were approved by Council;

1. Direct the City Manager, in consultation with the Director of Finance to take carriage of project planning and financial analysis including an assessment of the project's alignment with the Strategic Plan and the relative priority for capital funding.
2. Direct the City Manager to retain outside consultant services to complete the following:
 - a. A complete financial assessment of the viability of the marina operations with and without capital upgrades.
 - b. Detailed costing and funding options and a recommended strategy if the assessment indicates that the marina is not viable without a permanent wave break and marina expansion.
3. Direct the City Manager to report back on the results of the analysis in recommendation 2 including next steps.
4. Direct the City Manager to consult with the LPMA and make recommendations to Council of compensating LPMA for costs they have incurred to date in leading this project.
5. Direct the City Solicitor and the Director of Parks and Recreation to undertake a review of the Joint Venture Policy (JVP) particularly with respect to undertaking and funding of capital projects and report back on any recommended changes.

Strategy/process

As a result of the above recommendations approved by Council, the city engaged the services of Grant Thornton Limited to provide an independent financial assessment of the marina operations. Attached as Appendix A to this report, is the consultant's report on their findings regarding the financial viability of the below three scenarios;

- (a) Replacing the current floating wave break with a fixed wave break;
- (b) The current status quo (continued use of the existing floating wave break);
- (c) A new replacement floating wave break

The proceeding section provides a high level synopsis of the consultant's findings with respect to the above three scenarios.

Options considered

Replacing the current floating wave break with a fixed wave break

- Highest cost option approximately \$14 million

- LPMA would require a 25 yr. loan of \$4.67 million, with the remaining two-thirds of project funding assumed to be coming from senior levels of government.
- Cannot meet the 10% down payment requirement as per the city's Joint Venture policy
- Boater occupancy would need to grow from 70-90%
- Wave break maintenance anticipated at \$100,000 in the 25 yr. period
- Annual dock maintenance reduced as docks are offered better protection and no longer needed to be taken out of the water during winter season, approximately \$5,000 annually.
- Ownership issues with the Hamilton Port Authority

Current status quo

- Lowest capital cost option \$0
- Without financial support, Marina will not be able to sustain itself with the current floating wave break beyond six years.
- Boater occupancy will continue to decline from its current 73%
- Wave break and maintenance costs will continue to run at approximately \$55,000 per annum
- Potential opportunity for pricing increases to cover additional expenditures, primarily with Senior Membership fees
- Possibility of insurance providers no longer insuring boats at the Marina, impacting occupancy

New replacement floating wave break

- Capital cost to be determined, but significantly less expensive than a fixed wave break
- Provides the city with options on assessing the ability to provide financial support that fits within the city's current financing guidelines (10 year debt repayment, 10% down payment)
- Annual wave break and maintenance costs will reduce to approximately \$15,000
- Potential for future expansion

Other Considerations

The consultant's report also noted the following conclusions that are important to note regarding this project;

- City of Burlington held Marina reserve fund is currently in a shortfall position of approximately \$193,000
- The fixed wave break does not benefit 100% of City of Burlington residents

- The fixed wave break project would require the city to alter its joint venture financing policy
- The Hamilton Port Authority would be the owner of the fixed wave break and as per the lease contract requires that HPA approve all construction projects, therefore consideration with respect to their scope of involvement in any future project
- The city currently leases the water lots used by the Marina the contract will remain in effect until 2020; similarly the City also leases the adjacent LaSalle Park from the City of Hamilton, the contract remains in effect until 2022.
- Ability to secure senior government funding provided the timelines regarding the current sustainability of LPMA operations, and life cycle of existing floating wave break.

Financial Matters:

Grant Thornton Limited was engaged by the City of Burlington at a total cost of approximately \$72,600 (including HST).

Public Engagement Matters:

Not applicable.

Conclusion:

The City retained outside consultant services to complete a financial assessment of the viability of marina operations. The report is being presented to Committee as part of the workshop on Joint Venture Policy review to provide an overview of the current status and issues surrounding JV's. Staff will report back at a later date with a recommended strategy with regards to the LaSalle Park Marina Wave Break Project upon considering the feedback from the workshop.

Respectfully submitted,

Reena Bajwa

Coordinator of Financial Strategies & Business Consulting

905-335-7600 x7896

Appendices:

- a. Grant Thornton – Wave Break Viability Review LaSalle Park Marina

Report Approval:

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.