

To: Mayor and Members of Council

From: Joan Ford, Director of Finance

C.C.: James Ridge, Allan Magi, Nancy Shea-Nicol, Denise Beard, Reena Bajwa

Date: June 14, 2018

Re: LaSalle Park Marina Next Steps (CM-07-18), Follow-Up

At the June 4, 2018 Committee of the Whole, staff were requested to complete a sensitivity analysis on the financial forecast provided by Grant Thornton (GT) to determine the LaSalle Park Marina Association's (LPMA) ability to contribute to the city for the future replacement floating break water. Staff have developed two scenarios in addition to the scenario developed by GT as part of report F-35-17 (Appendix G attached).

Each scenario developed as summarized in the below chart share the following common assumptions;

- Slip capacity remains at 219
- Occupancy is expected to decrease to 70% prior to installation of the new wave break. Once completed occupancy is projected to increase to 90% over a ten year period
- Analysis over a 27 year period (2019 -2045)
- Replacement of a wave break is \$4 million (current dollars)
- Replacement of dock and walkway infrastructure \$2.6 million (current dollars)
- City pays upfront the capital project cost of \$4 million
- Replacement floating wave break is designed to stay in the water
- Agreements regarding the water lots and LaSalle Park will be extended

Scenarios	Assumptions	Total Cash Flow	COB Cash Flow	LPMA Cash Flow
Grant Thornton – Appendix G	<ul style="list-style-type: none"> • Rates increasing at 1% • Inflation on expenses increasing at 1% • \$750,000 loan towards initial project 	\$4.43M	\$0	\$3.54M (net of \$750K loan)
Scenario 1	<ul style="list-style-type: none"> • Rates increasing at 2% • Inflation on expenses increasing at 2% • Annual license payment begins at \$50K escalates to maximum \$90K after 7 yrs 	\$5.11M	\$2.27M	\$2.84M
Scenario 2	<ul style="list-style-type: none"> • Rates increasing at 2% • Inflation on expenses increasing at 1% • Annual license payment begins at \$50K escalates to maximum \$120K after 12 yrs 	\$5.78M	\$2.78M	\$3.0M

The above is based on a 27 year sensitivity analysis, and Committee should be aware of the following factors that impact the above analysis;

- Opportunity for senior government funding in the future
- Replacement wave break has an estimated life of 25-30 years, based on a factor of 2% a future cost for replacement is approximately \$7.2 million

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- Replacement for docks and walkway infrastructure has an estimated useful life of 25 years based on a factor of 2% future cost for replacement is \$4.3 million. Depending upon timing of replacement this cost would most likely be spread over a period of time beginning in 2026 through to 2042.
 - Opportunity to operate at a capacity higher than 90%
 - Additional operating costs if the wave break is not designed to stay in the water year round
 - Annual licence payment subject to negotiated agreement

There is no scenario in which both the future wave break and future dock infrastructure can be fully funded in the future. As per report CM-07-18, LPMA is not in a financial position to fully support the annual replacement cost of the wave break while setting aside funds for their own renewal needs.

In order to ensure future sustainability and meet future infrastructure requirements, every opportunity should be taken to maximize revenues and minimize operating expenses, while maintaining reasonability to ensure that rates are appropriate for the market and the service level being delivered at LaSalle Park Marina.

Regards,

Joan Ford
Director of Finance