Appendix A
File #945-10

LaSalle Park Marina – Wave Break Viability Review

Report of the Financial Advisor

February 28, 2019

Grant Thornton

The City of Burlington
426 Brant Street
Burlington, ON L7R 3Z6

Attention: Reena Bajwa

February 28, 2019

Dear Reena:

LaSalle Park Marina – Wave Break Viability Review - Report of the Financial Advisor

The LaSalle Park Marina Association ("LPMA") has requested support from the City of Burlington (the "City") with respect to the replacement of the current wave break which was built in 1998 and is no longer able to adequately suppress large waves and is at the end of its service life (the "1998 Wave Break"). The City is considering acquiring a new wave break (the "2020 Wave Break" or the "Project") and charging a license fee to the LPMA. The City decided to engage an advisor to assist with its review of LPMA's viability and the payments which LPMA could afford under a license agreement.

In this regard, the City has retained Grant Thornton Limited as its financial advisor ("GTL" or the "Financial Advisor") to the City. The Financial Advisor was engaged to:

- review the LPMA's recent historical financial statements;
- review and comment on LPMA's forecasts;
- perform sensitivity analysis on the LPMA forecasts in order to understand the effect of changes in key assumptions;
- provide a view as to the LPMA's financial viability under certain scenarios;
- comment on LPMA's ability to make license fee payments and the amount of such payments under certain scenarios; and,
- other matters related to LPMA which the City determines to be appropriate.

Sources of Information

The information contained in this Report is based primarily on:

- Audited financial statements for November 30, 2017 and 2018;
- Forecasted financial results;
- A report prepared by Grant Thornton on August 28, 2017 which looked at the various wave break options available to the City and the LPMA (the "2017 GTL Report")
- General correspondence and discussions with "Management" personnel at the LPMA (John Birch "*President*", Tina Wright *"Vice-President"* and Lorne Newton *"Communications"*)

We provided a draft version of this Report to Management on February 27, 2019 to confirm the facts stated herein. The following Report includes the comments made by Management.

Scope of work and limitations

Our work focused on the areas set out in our engagement letter. Our engagement does not constitute an audit in accordance with Generally Accepted Auditing Standards and no verification work has been carried out by us, except as expressly stated herein. Consequently, we do not express an opinion on the figures included in this Report.

The responsibility for forecasts and the assumptions on which they are based is solely that of Management. It must be emphasized that forecasts by their nature necessarily depend on subjective judgement.

Forecasts are, to a greater or lesser extent, according to the nature of the business and the period covered by the forecasts, subject to inherent uncertainties. As a consequence, they are not capable of being audited or substantiated in the same way as financial statements which present the results of completed accounting periods.

The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this Report, which a wider scope review might uncover.

Forms of Report

Multiple copies and versions of this Report may exist in different media and in the case of any discrepancy, the final signed hard copy should be regarded as definitive.

General

This Report is issued on the understanding that the City and Management of LPMA have drawn our attention to all matters, financial or otherwise, of which they are aware and which may have an impact on our Report up to the date of signature of this Report. Events and circumstances occurring after the date of our Report will, in due course, render our Report out of date and, accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date Report. Additionally, we have no responsibility to update this Report for events and circumstances occurring after this date.

Contacts

If there are any matters upon which you require clarification or further information please contact Daniel Wootton at 416-360-3063 or Rob Stelzer at 416-607-8849.

Yours truly,

GRANT THORNTON LIMITED

Glossary

City	The City of Burlington
FY	Fiscal year-ended (always November 30th of the given year, for example FY19 would be November 30, 2019)
GTL	Grant Thornton Limited, or the Financial Advisor, or 'we'
HPA	Hamilton Port Authority
LPMA	LaSalle Park Marina Association
Report	This GTL report dated February 28, 2019
Management	John Birch (President), Tina Wright (Vice-President) and Lorn Newton (Communications)
Marina	LaSalle Park Marina
1998 Wave Break	Wave Break built in 1998 and currently towards the end of its useful life
2020 Wave Break	Floating wave break the City is proposing to build and have ready for the FY20 boating season to replace the 1998 Wave Break
2**050 Wave Break**	The objective of the license fees is to provide funding for a replacement "2050 Wave Break" when the 2020 Wave Break is at the end of its useful in FY50

1. Executive Summary

LPMA Management has advised that the existing 1998 Wave Break has been unable to suppress severe waves resulting in damage to boats and resulting in the loss of members. As a result, the City is considering purchasing the 2020 Wave Break to protect boats at the Marina. The City is proposing a license fee arrangement where a license fee would be charged to the LPMA. License fees would accumulate in an account held by the City and be available to build a 2050 Wave Break when the 2020 Wave Break reaches the end of its expected useful life in FY50.

The City is also proposing that it no longer be involved in the administration of an account held for the benefit of chartered and senior members and that funds on hand in that account be returned to these members.

In order to consider the financial viability of the Marina and LPMA, the LPMA, with assistance from the Financial Advisor, created a financial model to forecast future revenue, expenses, capital expenditures, etc. from the FY19 (November 30, 2019) through until the FY50 (November 30, 2050). The financial model in Microsoft Excel, including the key assumptions, are summarized in this Report and appended as **Appendix "A"**.

The projections assume that occupancy, presently at 92%, would fall after the return of deposits to chartered and senior members, but that occupancy would ultimately stabilize at an estimated 93%. The projections also assume that the current balance of a fund held by the LPMA and dedicated to replacement of the 1998 Wave Break of approximately $556,000 would be transferred with $500,000 going to a new Electrical Upgrade Fund which would provide for the installation of electricity at all slips with the remaining $56,000 used for a New Office Fund.

The Financial Advisor recommends to the City that the license fee be set at $75,000/year starting in FY20 and increasing to $100,000/year in FY30. The Financial Advisor calculates a net balance in the license fee account to be approximately $4.3 million by FY50 (including accrued interest). The Financial Advisor notes that the 2020 Wave Break is expected to cost no more than $4 million suggesting that the license fee may be sufficient in covering much of the cost of the 2050 Wave Break. The Financial Advisor suggests that costs of the 2050 Wave Break and financial capacity of the LPMA be reviewed half way through the 2020 Wave Break's expected service life in order to gauge whether or not the license fee payments are sufficient. Also, in the event the LPMA has a poor financial year, a one year deferral mechanism in the license agreement is may be reasonable.

The Financial Advisor conducted a sensitivity analysis which considered if occupancy rates were to be 10% lower than projected (i.e. reaching a peak of 83% instead of 93%); it showed that the LPMA would still be slightly profitable and generate positive cash flow. The Financial Advisor also explored the risks of the Project.

In summary, subject to the assumptions described herein, the Marina and LPMA appear financially viable and license fees of $75,000, starting in FY20 rising to $100,000 in FY30, seem to provide the City with a significant balance by the end of the expected service life of the 2020 Wave Break.

2. Introduction

2.1 Background

The Marina and related LPMA were established in 1981. Since its inception, the Marina has been managed and operated by LPMA. The current management and operational terms as between the City and LPMA are dictated by way of a joint-venture agreement. The Marina is located within the Hamilton Harbour along the North Shore and adjacent to the LaSalle Park in Burlington, Ontario.

LPMA is a not-for-profit organization consisting of a volunteer board of directors, an on-site manager, and seasonal labour. LPMA operates from a trailer located within LaSalle Park and next to the Marina.

The land and water lots where the Marina are situated are leased by the City from the HPA whereby LPMA and the Marina pay rent to the City to satisfy a portion of rent paid by the City to the HPA.

The Marina consists of 219 boat slips and a floating wave break. The Marina's services include: parking, a security gate, Wi-Fi internet, shared power, fresh water, outdoor seating, pump out services, seasonal dock lifts, and washroom/shower facilities for members and patrons of the Marina. The washroom and shower facilities are co-shared with the Burlington Sailing and Boating Club.

2.2 Financial Operation of the Marina

The Marina generates revenue through four revenue streams:

1. Charter Membership – the historical model that was subsequently replaced with senior membership in 2005. An initial capital investment was required with reduced annual slip fees and membership in LPMA with voting rights. In order to obtain a refund of their capital investment, a charter member is required to find a replacement member to pay the capital investment or pay an annual administration fee and be listed for sale.
2. Senior Membership – requiring an initial capital investment with reduced annual slip fees and membership in LPMA with voting rights. A partial refund of the capital investment is possible within the first 7 years on a depreciating basis.
3. Associate Membership – seasonal slip fee rate with membership in LPMA without voting rights
4. Other Revenue – short term slip rentals, storage, pump outs and other fees

All members have full use of LPMA's facilities including the clubhouse.

General operating expenses managed by the LPMA include:

1. Management and labour expenses
2. Insurance
3. Rent
4. Professional fees

5. Advertising
6. Utilities, supplies and interest

Seasonally, the Marina incurs expenses with respect to the installation and haul out of the floating wave break and all docks. The past financial performance of LPMA is summarized in the following table:

Historical Income Statement - FY16 to FY18

($)	FY16	FY17	FY18
Revenue	$ 231,863	$ 240,833	$283,275
Operating Expenditures	58,134	64,550	107,569
Gross Profit	173,729	176,283	175,706
Administrative and General	81,742	87,641	86,756
Excess of revenue over expenditures from ops	91,987	88,642	88,950
Allocation to Funds	(94,000)	(20,000)	(91,061)
Net Result after Allocation to Funds	$ (2,013)	$ 68,642	$ (2,111)

GTL did not look at the slip fees of the LPMA relative to its competitors, but notes that the 2017 GTL Report did look at slip fees and found the LPMA's fees to be lower or equal to the rates of the competition. The LPMA forecasts increasing these rates by 1% a year, which appears reasonable.

2.3 The 2020 Wave Break

At its inception, the Marina utilized a floating tire wave break which provided protection to boats moored in the Marina from high waves and severe weather. In 1998, the floating tire wave break was replaced with the floating steel tube 1998 Wave Break. The 1998 Wave Break is approaching the end of its useful life and the boats within the Marina have suffered significant damage over the past few years in storms where the wave break has been unable to sufficiently suppress the waves. Management believes the damage has affected occupancy at the Marina and that in the absence of a new wave break occupancy would decline and the viability of the Marina could be in question.

The City considered several alternatives and decided that a floating wave break is the best alternative. This report explores the viability of the Marina and LPMA on the basis that the 2020 Wave Break is installed. We understand that the original planned implementation date for the 2020 Wave Break was to complete it in FY19; this Report is based on the assumption that it is completed no later than April 1, 2020 in time for the 2020 boating season.

We understand that the City is considering purchasing the 2020 Wave Break. The City is proposing a license fee arrangement where a license fee would be charged to the LPMA and where the City would be responsible for the maintenance of the wave break (including any winter storage). License fees would accumulate in an account held by the City and contribute towards the cost to replace the 2020 Wave Break at the end of its useful life in 2050.

2.4 LPMA Fund Accounts

Excess cash flow from operations is used to contribute to various funds. In 2018, LPMA maintained the following separate funds:

1. **City of Burlington Held Marina Reserve Fund** – a fund administered by LPMA and the City which holds a reserve of $100,000 for marina dismantling costs as well as member trust funds

for charter and senior members. This fund is replenished by way of interest income generated from the fund account balance, the replacement of charter memberships with senior memberships, as well as the prescribed declining balance of senior member contributions (i.e. a portion of senior member initiation fees are depreciated over a 7-year period). The balance of the fund as at November 30, 2018 was $443,457.

We understand that the City does not wish to be involved in the administration of this account going forward. The City intends to return a prorated portion of the current balance to the chartered and senior members. Upon receipt of the prorated payment of their capital, some of these members may decide to move to another marina. The assumptions in our analysis take the expected decrease of these members into account.

2. **New Wave Break Replacement Fund** – a fund used to reserve excess cash from operations in anticipation of a new wave break solution to the current aged floating wave break. The balance as at November 30, 2018 was $556,372 (including an accounts receivable for a refund of $150,000 from the City to the LPMA for an environmental assessment paid for by the LPMA). The LPMA is proposing that $500,000 of this account be moved to a new Electrical Upgrade Reserve Fund with the Balance of $56,372 being moved to a New Office fund.
3. **Electrical Upgrade Fund** – As noted above, the LPMA is proposing to transfer $500,000 (which includes the accounts receivable cited above) from the New Wave Break Replacement fund to this new fund to cover the cost of installing bringing electrical service to all docks and bubblers to protect the docks during below freezing conditions.
4. **Floating Wave Break Cleaning Fund** – a fund used to cover cleaning costs of the wave break. Upon replacement of a new wave break in 2020, the intention of the LPMA would be to use the $20,000 balance of this fund to cover disposal costs (if any) for the current wave break.
5. **Dock Replacement Fund** – a fund used to contribute to the cost of replacing all docks at the Marina. We understand that all docks and walkways were replaced from 2006 through until 2017. The balance of this fund is negative $238,839 as at FY18 as a loan was used to finance the docks. The LPMA's forecast includes the payback of this fund over time.
6. **New Dock Fund** – We understand that the docks have an expected life space of 30 years meaning that they are expected to be replaced between FY36 to FY47. As at FY18, the balance of this fund was $18,000.
7. **New Office Fund** – This fund had just $1 as at November 30, 2018 but, as noted above, the intention of the LPMA is to transfer $56,372 from the Wave Break Replacement Fund to provide funding for a new office.

While not on the balance sheet, starting in the FY20 the LPMA is projecting that it will make license fee payments to the City in order to save capital for the 2050 Wave Break, after the 2020 Wave Break is at the end of its expected service life. The projected balance from these payments is calculated later on in this Report.

3. Financial Viability

3.1 Overview

The Financial Advisor performed a financial analysis focusing on the viability of the LPMA after payment of the license fees.

3.2 Financial Model

In order to consider the financial viability of the Marina and LPMA, Management, with assistance from the Financial Advisor, created a financial model to forecast future revenue, expenses, capital expenditures based on certain assumptions from the FY19 through until the FY50. The following is a list of the significant assumptions made by the Financial Advisor; a more detailed list of assumptions is contained in the financial model attached as **Appendix "A"**.

Significant Assumptions

- **2020 Wave Break Timeline** – An agreement between the LPMA and City is reached and the wave break is operational by April 1, 2020 (for the 2020 boating season). Without a replacement in sight, the LPMA will likely lose members.

- **2020 Wave Break Efficacy** – We are assuming that the 2020 Wave Break is effective at supressing waves throughout its service life and will operate until the end of FY50.

- **2020 Wave Break Cost** – We understand that the City has approval to spend up to $4 million. We have not examined the reasonability of this assumption; if the cost is higher that may affect the City's ability to proceed as planned.

- **2050 Wave Break License Fee** – We have suggested, and base the financial model upon the assumption of a license fee of $75,000 for the wave break starting in FY20 increasing to $100,000 starting in FY30. We understand that the LPMA will have no financial obligations related to maintaining the 2020 Wave Break.

- **Dock Removal** – To be conservative, management has assumed that docks will continue to have to be put in the water and removed each season. In the event that the 2020 Wave Break results in docks being able to stay in the water over the winter that would result in additional cost savings which would reduce operating expenses.

- **Occupancy** – In FY16 occupancy was 73%, but since then it has increased to 92% as at FY18. The forecast assumes a drop in chartered and senior members due to the prorated refund of their deposit with overall occupancy falling to 84% and then increasing back to 92% by FY21 and increasing to 93% by FY24 and remaining at that level (meaning that 203 of the 219 slips would be occupied). We understand that the LPMA plans on honouring its current pricing to chartered and senior members who stay at the LMPA – if that were not the case then occupancy would likely fall further as chartered and senior members with larger boats would see their rates double and may move to another club. The LPMA is also proposing to allow new senior members and expects to attract 5 new senior members a year and generate initiation revenue of $5,000 per person ($25,000 of revenue a year).

- **Receivable collection** – The LPMA's financial statements reflect a $150,000 accounts receivable from the City to be collected in FY19.

3.3 Financial Results

Attached as **Appendix "A"** is the financial model which the LPMA prepared with the Financial Advisor's assistance. Key worksheets to this model include:

- Assumptions
- Financial Statements (Income Statement, Cash Flow & Balance Sheet including historical FY17 to FY18 and forecasted FY19 to FY50)
- Revenue Forecast
- Dock Replacement

Below is a summary of key highlights from the financial model.

Operating Results

Summary Income Statement Forecast - FY19 to FY50

($ rounded in 000's)	FY19-FY50	% of Rev
Revenue	$ 11,851,000	100%
Operating Expenses	2,827,000	24%
Gross Profit	9,024,000	76%
Administrative and General	3,021,000	25%
Excess of revenue over expenses before Wave Break	6,003,000	51%
License Fee - 2050 Wave Break	2,850,000	24%
Excess of revenue over expenses from ops	3,154,000	27%
Allocation to Funds	(2,076,000)	-18%
Net Result after Allocation to Funds	$ 1,078,000	9%

As shown in the previous table, over a 32 year period, LPMA is projecting revenue of approximately $11.9 million. After operating expenses of $2.8 million and administrative and general expense of $3 million, this results in $6 million available before the proposed licensing fees for the 2020 Wave Break. The fee proposed is $75,000 starting in FY20 and increases to $100,000 starting in FY30 resulting in total payments of $2.9 million. The result is projected excess revenue over expenses from operations of approximately $3.2 million before allocations.

Allocations to Funds total $2.1 million with approximately $0.2 million relating to allocating funds for the dock loan and the remaining $1.9 million relating to a fund to cover future dock replacement. This does not include annual upkeep of docks of $5,000/year. After subtracting the $2.1 million allocations for the docks, there is a projected $1.1 million available after allocations to funds.

Cash Flow Results

Summary Cash Flow Statement Forecast - FY19 to FY50

($ rounded in 000's)	FY19-FY50	% of Rev
Cash Flow from Operations	$ 794,000	7%
Cash from Financing Activities	(227,000)	-2%
Cash from Investing Activities	443,000	4%
Change in Cash	1,010,000	9%
Opening Balance: Cash & Investments	541,000	
Ending Balance: Cash & Investments	$ 1,551,000	

Over the 32 year period, LPMA is projected to realize a net positive cash flow of $1 million. The cash flow projection includes: operating costs of the Marina, replacement of all docks and walkways within 30 years of their construction, and payment of the license fee for the 2050 wave break. Note that the amounts paid under financing activities relate to payment of a loan which was obtained for dock replacement in FY17. The loan balance of approximately $227,000 is paid in full by FY27.

Balance Sheet

Summary Balance Sheet Forecast - FY19 to FY50

($ rounded in 000's)	Opening FY 19	Closing FY 50
Cash & Investments	$ 541,000	$ 1,551,000
City of Burlington Held Marina Reserve Fund	443,000	-
Other Assets	161,000	11,000
	$ 1,145,000	$ 1,562,000
Long-Term Debt (current & long portion)	$ 227,000	$ -
Other Liabilities	24,000	24,000
	$ 251,000	$ 24,000
Unrestricted Net Assets	$ 95,000	$ 1,173,000
City of Burlington Held Marina Reserve Fund	443,000	-
LPMA Held New Wave Break Replacement Fund	556,000	-
LPMA Held Dock Replacement Fund	(239,000)	-
LPMA Held New Dock Capital Fund	18,000	365,000
All Other Funds	20,000	-
Total Net Assets	894,000	1,538,000
Total Liabilities and Net Assets	$ 1,145,000	$ 1,562,000

The summary balance sheet shows opening balances for FY19 and closing figures for FY50. Note that the City of Burlington Marina Held Reserve Fund is eliminated from both the assets and liabilities. Cash and investments are the largest asset by FY50. As explained in the cash flow section, the long term debt is paid in full. There is a projected $365,000 in the New Dock Capital Fund remaining in FY50 with the balance of net assets being Unrestricted Net Assets.

Conclusion

Based on the Financial Advisor's review and the assumptions contained herein, the Marina appears to be financially viable.

3.4 Other Considerations

The 2017 GTL Report contained sections outlining the LPMA's support of local organizations in the community, environmental considerations, ownership considerations (since it is the HPA, and not the City, which owns the land). Please consult the 2017 GTL Report for further information. Such considerations were outside of the scope of this engagement.

4. Wave Break License Fee

4.1 License Fee Structure

Below is a summary table showing the expected license fees collected to save for a replacement 2050 Wave Break after the 2020 Wave Break is expected to be at the end of its useful life.

Assumptions:

- License fee of $75,000 starting in FY 2020
- Increase in license fee to $100,00 starting in FY 2030
- Interest Rate of 2.75% (rate provided by the City)

Wave Break License Fee Account - FY19 to FY50

($ rounded in 000's)	FY 19-50
Opening Balance	-
License Payments	2,850,000
Interest Income	1,503,000
Closing Balance	$ 4,353,000

It should be noted that maintenance and repair costs of the 2020 Wave Break are the responsibility of the City. This would include removal and launch costs if the 2020 Wave Break needs to be removed each year. Accordingly, these costs would be paid by the City and not the LPMA. Estimating these costs is beyond the scope of our engagement and, as a consequence, such costs are not included in the figures above.

While it is difficult to know the exact lifespan of the 2020 Wave Break or estimate the replacement cost, it is clear that the license payments would provide the City with a significant contribution towards the cost of the 2050 Wave Break.

4.2 Additional Wave Break License Fee Payments

If the LPMA achieves results in line with the financial model, by FY50 there is a projected $1.5 million of cash and unrestricted net assets of $1.1 million. While the cost of the 2020 Wave Break is believed to be $4 million, by 2050 the cost may be much higher than the $4.4 million projected balance of the Wave Break License Fee Account. If maintenance and repair costs were to be deducted from the account then this would increase any expected shortfall. We suggest reviewing the Wave Break License Fee account and the finances of the LPMA closer to the replacement date (perhaps in FY35 when the 2020 Wave Break is half way through its expected service life) in order to examine if there is expected to be a shortfall in covering the costs to build the 2050 Wave Break with consideration to the financial capacity of the LPMA at that time to contribute towards any forecasted shortfall.

Alternatively, the City could ask that any capital expenditures in a given year in excess of $100,000, which are not in the financial model, take place after the consent of the City so that the City is able to ensure there is sufficient capital from the LPMA to contribute an appropriate amount towards the 2050 Wave Break.

4.3 Other Considerations

Over the course of 32 years, it is possible that the Marina and LPMA experience a few poor financial years. We suggest considering a license fee arrangement that allows the LPMA to defer payment of a license fee due in a given year by up to one year to provide some flexibility. The deferred payment could be subject to the City's approval.

As noted in section 2 above, the LPMA is proposing that $500,000 of the $556,000 in the LPMA Held New Wave Break Replacement Fund be transferred primarily to an Electrical Upgrade Fund to provide electricity to all slips with the balance going to a new office fund. It is Management's understanding that most slips at marinas in Southwestern Ontario provide electricity and the provision of electricity may be required for the Marina to remain competitive and allow the LPMA to raise slip fees to increase revenue. However, the exact use of these funds will have to be discussed in detail with the City when coming to an agreement regarding the license fees.

5. Sensitivities

Sensitivity A - Low Occupancy

The model currently assumes that occupancy, presently at 92%, drops to 84% in FY20 and then gradually increases to 93%. In this low occupancy scenario, we reduce overall occupancy by 10% meaning a decrease to 74% in FY20 with a gradual increase to 83% occupancy over the duration of the forecast.

In this scenario, Excess Revenues over Expenditures from Operations would remain positive over the forecast period with a small loss of approximately $19,000 in FY20 after allocations. The cash balance would remain positive over the forecast period dipping as low as $194,000 by the end of FY20 and reach $741,000 by FY50. The new dock allocation fund would dip as low as $47,000 by the end of FY47.

Summary Income Statement Forecast - FY19 to FY50

($ rounded in 000's)	FY19-FY50	% of Rev
Revenue	$ 11,041,000	100%
Operating Expenses	2,827,000	26%
Gross Profit	8,214,000	74%
Administrative and General	3,021,000	27%
Excess of revenue over expenses before Wave Break	5,193,000	47%
License Fee - 2050 Wave Break	2,850,000	26%
Excess of revenue over expenses from ops	2,343,000	21%
Allocation to Funds	(1,939,000)	-18%
Net Result after Allocation to Funds	$ 404,000	4%

Summary Cash Flow Statement Forecast - FY19 to FY50

($ rounded in 000's)	FY19-FY50	% of Rev
Cash Flow from Operations	$ (17,000)	0%
Cash from Financing Activities	(227,000)	-2%
Cash from Investing Activities	443,000	4%
Change in Cash	199,000	2%
Opening Balance: Cash & Investments	541,000	
Ending Balance: Cash & Investments	$ 741,000	

Summary Balance Sheet Forecast - FY19 to FY50

($ rounded in 000's)	Opening FY 19	Closing FY 50
Cash & Investments	$ 541,000	$ 741,000
City of Burlington Held Marina Reserve Fund	443,000	-
Other Assets	161,000	11,000
	$ 1,145,000	$ 751,000
Long-Term Debt (current & long portion)	$ 227,000	$ -
Other Liabilities	24,000	24,000
	$ 251,000	$ 24,000
	0	0
Unrestricted Net Assets	$ 95,000	$ 500,000
City of Burlington Held Marina Reserve Fund	443,000	-
LPMA Held New Wave Break Replacement Fund	556,000	-
LPMA Held Dock Replacement Fund	(239,000)	-
LPMA Held New Dock Capital Fund	18,000	228,000
All Other Funds	20,000	-
Total Net Assets	894,000	727,000
Total Liabilities and Net Assets	$ 1,145,000	$ 751,000

Sensitivity B – Docks In

To be conservative, the model assumes that the LPMA must continue to remove the docks at the end of each season and reinstall them at the beginning of the next season. This is assumed to cost $36,000/year starting in FY19. However, the hope of Management is that with the 2020 Wave Break they will not have to remove the docks resulting in costs of only $5,000/year commencing in FY21 (on the assumption that FY20 would be used as a test year).

In this favourable scenario, we used the base case financial model but decreased operating expenses from $36,000 per year to $5,000 per year. Note the projected FY50 cash balance of $2.7 million.

Summary Income Statement Forecast - FY19 to FY50

($ rounded in 000's)	FY19-FY50	% of Rev
Revenue	$ 12,012,000	100%
Operating Expenses	1,888,000	16%
Gross Profit	10,124,000	84%
Administrative and General	3,021,000	25%
Excess of revenue over expenses before Wave Break	7,103,000	59%
License Fee - 2050 Wave Break	2,850,000	24%
Excess of revenue over expenses from ops	4,253,000	35%
Allocation to Funds	(2,101,000)	-17%
Net Result after Allocation to Funds	$ 2,152,000	18%

Summary Cash Flow Statement Forecast - FY19 to FY50

($ rounded in 000's)	FY19-FY50	% of Rev
Cash Flow from Operations	$ 1,893,000	16%
Cash from Financing Activities	(227,000)	-2%
Cash from Investing Activities	443,000	4%
Change in Cash	2,109,000	18%
Opening Balance: Cash & Investments	541,000	
Ending Balance: Cash & Investments	$ 2,651,000	

Summary Balance Sheet Forecast - FY19 to FY50

($ rounded in 000's)	Opening FY 19	Closing FY 50
Cash & Investments	$ 541,000	$ 2,651,000
City of Burlington Held Marina Reserve Fund	443,000	-
Other Assets	161,000	11,000
	$ 1,145,000	$ 2,661,000
Long-Term Debt (current & long portion)	$ 227,000	$ -
Other Liabilities	24,000	24,000
	$ 251,000	$ 24,000
	0	0
Unrestricted Net Assets	$ 95,000	$ 2,247,000
City of Burlington Held Marina Reserve Fund	443,000	-
LPMA Held New Wave Break Replacement Fund	556,000	-
LPMA Held Dock Replacement Fund	(239,000)	-
LPMA Held New Dock Capital Fund	18,000	390,000
All Other Funds	20,000	-
Total Net Assets	894,000	2,637,000
Total Liabilities and Net Assets	$ 1,145,000	$ 2,661,000

6. Risks

The Financial Advisor notes that there are several risks which could materially impact the financial projections and ultimately the ability of the LPMA to make the license payments as suggested. Some of these risks are outlined below.

Wave Break Related Risks

- **2020 Wave Break Timeline** – The wave break may not be operational until April 1, 2020 – in time for the 2020 season. This is an important assumption as without a clear replacement in sight the LPMA will likely lose members and therefore revenue.
- **2020 Wave Break Efficacy** – The 2020 Wave Break may not be effective at blocking waves from large storms or may not last until the end of the FY50 season.
- **2020 Wave Break Cost** – We understand that the City has approval to spend up to $4 million. We have not examined the reasonability of this assumption and note that if the cost is higher that may affect the City's ability to proceed as planned.

Other Risks

- **Occupancy** –The forecast assumes a decrease in chartered and senior members due to the prorated refund of their deposit with overall occupancy falling to 84% and then increasing back to 92% by FY 2021, and increasing to 93% by 2024 and remaining at that level (meaning that 203 of the 219 slips would be occupied). These occupancy assumptions seem reasonable in the context of the 2020 Wave Break, but there is no guarantee that occupancy will be at these levels. The Financial Advisor notes that if occupancy rates were 10% lower (i.e. long term occupancy of 83%) the LPMA could still generate a small profit and positive cash flow, but an even greater drop in occupancy would likely result losses and negative cash flow.
- **Receivable collection** – The LPMA's financial statements reflect a $150,000 accounts receivable from the City to be collected in FY19. If this was not collected then the LPMA would be much tighter for cash in FY20.
- **Weather Patterns** - We note that changing weather patterns and climate change make the efficacy of the 2020 Wave Break harder to predict in the future as historical weather patterns may not be reflective of future weather. Even if the 2020 Wave Break is effective, if flooding, similar to what occurred during the summer of 2017 occurred more regularly that could affect revenues at the LPMA.
- **Loss of Key Personnel** – Much of the work of the LPMA is performed by volunteers which include Management. If key personnel were to leave this could affect operations or could result in higher costs to replace volunteers with employees.
- **Competition** – As part of certain local growth plans, it is expected there will be an increase in the number of boat slips. Competitive pressure could result in a loss of members or greater competition to lower rates.

Appendix A

Financial Model (in Microsoft Excel) provided with this Report