 With: LPMA Comments inserted on identified matters herein:

CITY OF
Burlington

With: LPMA Comments *inserted on identified matters herein by LPMA:*

SUBJECT: LaSalle Park Marina Business Case Review

TO: Community and Corporate Services Committee

FROM: Finance Department

Report Number: F-28-16

Wards Affected: 1

File Numbers: 945-10

Date to Committee: September 12, 2016

Date to Council: October 3, 2016

Recommendation:

Receive and file finance department report F-28-16 reviewing the business case for LaSalle Park Marina.

Purpose:

Services offered by LaSalle Park Marina, provide recreational activities for residents of the City of Burlington, 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. 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 April 18, 2016, Parks & Recreation staff brought forward report PR-01-16, which provided an update on the LaSalle Park Marina Wave Break project. There were also a number of delegates at the meeting both in support of and against the project. At this meeting, Council requested Finance staff to review the most recent business case for their Vision 2012 Safe Harbour Project and 2015 financial statements submitted by LPMA.

Vision 2012 Safe Harbour Project

The following provides a summary of facts surrounding the permanent wave break and expanded marina project, based on the January 2016 business case;

- Environmental assessment is complete
- Recreation and Boating Feasibility study complete (phase 1- 2014)
- Project cost for permanent wave break and expanded marina estimated at $14 million, includes 30% contingency
- Estimated 3 year project length (construction scheduled for off-season)
  LPMA Comment: *Construction period to build 3-4 months Shoreplan Engineering*
- Expanded marina with 340 slips (including transient slips)
- Detailed design has not been initiated, estimated cost of $350,000 to be funded by LPMA
  LPMA Comment: *Construction Level Design brings more reliable cost estimates. Until January, some of this funding was to come from the City Held LPMA Reserve Fund, access to which was suddenly withdrawn despite 4 years of Staff agreement to allow access for this project.*
- Financing for the proposed project cost (no financing commitments to date);
  - Senior levels of government grants $9.4 million
  - Joint Venture Loan $4.6 million
  - LPMA preferred repayment terms 25 years+

Strategy/process

Finance staff have thoroughly examined LPMA's financial statements from 2011-2015 and their revenue and cost projections based on an expanded marina with a permanent wave break. Staff noted the following;

Revenue

<u>Financial Statements</u>

- Revenues have been steadily declining each year, experiencing a total decrease of 8% from 2011. **LPMA Comment:** *5 boats destroyed, massive boat and infrastructure damages in 3 storms since 2012 are directly responsible for decline in occupancy. Competitors retaining their high occupancy because they have Safer Harbours and demand is strong.*

- LPMA has indicated that their occupancy rate declined in that time frame from 96% to approximately 84% in 2015. **LPMA Comment:** *due to repeated storm damages*
- In 2015, 89% of slip rental revenue came from boats 30ft. and under

LPMA Comment: *20 – 34 foot. The percentage is actually closer to 86.5%*

LPMA Financial Projection

- Assumes a conservative 80% occupancy rate - **LPMA Comment:** *in a 95%+ market*
- Based on an expanded marina with 320 slips and 20 transient slips for a total of 340 slips
- Revenue distribution of slip rentals assumed to remain consistent throughout the forecast period at 56% from boats 30ft. and under and 44% from boats in excess of 30ft.
- Rental rates (based on length of boat) reflect an increase in the range of 3.5% to 11.5% in year one of the forecast - **LPMA Comment:** $*250 increase per slip*
- Member rates project an increase of 30% - **LPMA Comment:** $*250 increase per slip as approved by the LPMA membership*
- The above assumptions result in an overall revenue increase of 92% (46% due to increased slips, and the remaining 46% due to rates and distribution) in the first year of forecast

There are two areas of concern regarding forecasted revenue as follows;

- Revenue Distribution Mix: LPMA is modeling a significant change in the types of rentals they receive in year one of the forecast period and going forward. The assumption is that LPMA will be able to accommodate larger boats (up to 40ft.) with the new slips. At this point, they are able to accommodate boats up to 37.5 ft., and currently only have 1 slip rented out at this size. The revenue forecast assumes 19% of the total rentable slips (219) will be rented out to 40ft. boats, at a much higher rate. As a result, approximately 70% of the new slips would be allocated to large boats, representing an increase of 6 times their current portfolio. As per the Boating Feasibility and Capacity study, the number of larger boats has increased over the past several years and this trend is expected to continue, at a declining rate. Though larger boats may continue to increase their share of the boat market, those boats less than 26ft. will continue to dominate the market in Halton Region and Ontario as a whole.

  LPMA Comment: *Boats up to 50 feet, not 40 feet – which is a growing, not shrinking demographic.*
  Turn-a-way of boats at LaSalle Park Marina above 37.5 feet – 50 feet have been between 40-150 each of the past years since the case was tabled in 2009.

- Rates & Fees: As per the Boating and Feasibility study completed in June 2014, annual rate increases of 3-4% are typical given the competitive nature of the market and one-time increases above this range for capital improvements do occur. Based on LPMA's current and forecasted rate structure, they are proposing an increase to rental rates ranging from 3.6% to 11.5%, as well as a member rate increase of 30%. Comparing LPMA proposed rates to the current rates of three neighboring marinas, LPMA rates are generally higher. Rental rates for 40ft. boats are 22% higher than the average. LPMA will need to have a communication plan to members in order to justify rate increases relative to amenities offered versus comparable marinas.

LPMA Comment: *LaSalle Park Marina rates are below, not above area marinas. See rate sheets 50 Point Marina, Harbour West, Bronte Outer Harbour – all are higher. LPMA has had an effective communication plan with its boaters since inception. The additional fees targeted are clearly identified and the LPMA have always had unanimous votes to proceed each time the Safe Harbour project has been discussed.*

It should be noted that, the Boating and Feasibility study indicated there is a wait list in the Halton region for 470 boaters and that this has the possibility of offsetting some of the revenue concerns above. **LPMA Comment:** *Incomplete, Halton Boating Feasibility & Capacity Study Report shows slip shortage in Halton of 600 by 2016; 710 by 2017; 820 by 2018; 930 by 2019 and 2160 by 2031 in Halton (page112).*
14.5% of population boats, rising to 19.6% by 2019 – Halton Boating Feasibility & Capacity Study Phase 1 Final Report.
City's Strategic Plan shows 40% growth target in Burlington Households over 25 years.

Expenses

Financial Statements

- Operating cost as a % of revenues have fluctuated significantly year over year, most likely attributed to replacement of main docks and finger docks
- General/ Administrative expenses average 30% of revenues
- Do not consider any costs for detailed design

LPMA Comment: *Incorrect, LPMA has clearly defined the Safe Harbour allocations identified for Consultation / Design in its New Wavebreak Allocation Fund and previously Identified and agreed access to the City Held LaSalle Park Marina Capital Fund (boater, not taxpayer money).*

LPMA Financial Projection

- Removed $60,000 in annual operating expenses to account for maintenance of the current temporary wave break that would no longer be required with a new permanent structure
- Total expenses increase annually by 1.06%
- No annual provision for renewal of major infrastructure

Historically, LPMA's general and administrative expenses average approximately 30%

of their revenue. In the forecast, LPMA has only assumed 1.06% year over year growth in their expense projection and a nominal increase in year one taking into consideration an expanded marina and a permanent wave break. The changes in expenses seem disproportionate to the increase in revenue. Also, debt repayment over 25 years will account for approximately 50% of their revenues. Any negative revenue fluctuations and/or increase in expenditures will have an impact on LPMA's ability to repay the debt.

LPMA Comment: *Inaccurate, the LPMA Proforma and Business Case is modeled at a conservative occupancy of 80% when the rest of the Halton Area Marina's are at 95%. The likelihood of exceeding 80% forecast occupancy is extremely high.*

LPMA Safe Harbour Excel Proforma
Revenue
$623,000 @ 95% Occupancy
$561,500 @ 87.5% Occupancy
$500,000 @ 80% Occupancy

The Business Case is based on the most conservative scenario, not the likely outcome scenario.

Furthermore, areas of concerns are places of omission. LPMA financial projections exclude lifecycle costing, costs for detailed design and the down payment requirement for loans under the existing joint venture policy. Estimates for lifecycle costing and further information can be found in the next section of this report.

LPMA Comment: *Completely incorrect, there are absolutely no 'omissions.' Such a phrase is a pejorative 'chosen' word.*
LPMA have clearly identified the surplus revenue above expenses in its active sheets Excel Proforma running 38 years and the cumulative surplus going forward which clearly show sufficient money to be drawn from for Capital renewal. ***Commencement of Dock Replacements*** *is clearly identified as a phased-in replacement starting in* ***Year 14***. ***By Year 25****, there would be $4.3M cumulative surplus to draw from to replace the estimated $3.2M worth of docks at 80% occupancy. $4.3M is greater than $3.2M*
At 95% Occupancy*, that Year 25 number would be $8.2M free cash Redeployable to dock replacement and other leasehold Capital renewals.*
Replacements: *The Proforma methodology is a Reverse Amortization protocol for recapitalization of docks replacements going forward and exceeds the cost of the docks allowing for additional leasehold maintenance & improvements. A Reverse Amortization to future replacements is a valid metric in the business world and meets CRA and the Corporations Act for Not for Profit Organizations (NPO). LPMA cannot use the Condominium Act. LPMA is a NPO and the strictures imposed by NPO legislation precludes the use of a Condominium modeling. Our Treasurer is a retired Auditor for the Canada Revenue Agency.*
Down Payment *per previous agreement with Staff re JVFL modeling all upfront expenses and costs to arrive at the Build Process would count per City requirement for 10% up front including docks identified in Vision 2012 which have now been replaced and are being replaced. LPMA have identified, our up front and cash is greater than $1.4M (10%) being nearer to $1.775M. That is identified in LPMA's BC, but is not reported herein.*

Infrastructure Renewal

The financial projections provided by LPMA do not include any lifecycle costing for major capital renewal. Asset Management is a critical component of managing infrastructure as a long term investment in a cost effective manner. Since the permanent wave break is a unique structure, it is difficult to determine exactly what life cycle or maintenance costs are reasonable. With that said, staff was able to find some external data that assisted in extrapolating a reasonable number.
LPMA Comment *LPMA, having conversed with Coastal engineers at Shoreplan Engineering who did the ESR, shows Rock Maintenance would be low at the site specific LaSalle. They indicated $5,000 per year would be more than reasonable. Staff was copied that conversation.*

Major Infrastructure (Floating Docks, Launch Ramps)
LPMA Comment *Launch Ramps ? LPMA does not have any Launch Ramps.*

- The Boating Feasibility and Capacity study suggests that marina operators should include in their budgets an annual reserve of 10-12% of gross revenue when possible to cover major capital improvements within the 20-25 year life cycle of major infrastructure features. This would suggest that LPMA budget for a cost in the range of $30,000-$50,000 annually based on their current experience and revenue projections of $500,000 in year one.
  LPMA Comment: *Inaccurate / incorrect, the project will resolve the higher maintenance issues caused by wave action on the new docks.*

- A generally accepted best practice is 2% of replacement costs to determine an annual maintenance cost. As per the city's facility condition data, La Salle Park Marina major infrastructure has an estimated replacement value of $3.2 million (includes an estimate for expanded marina), suggesting an annual maintenance cost of $64,000. **LPMA Comment:** *Inaccurate, LPMA have been successfully running the Marina for 36 years in realworld economics using proper and accepted Cost Accounting principles, we well know and have identified needed maintenance in the Business case*
- As per report PR-03-16, LPMA has now replaced all in-water infrastructure with an expected life cycle of 25 years. The assumption would be that by 2041, LPMA would need a minimum of $3.2 million (excludes inflation) to replace docks. This would imply that LPMA would need to begin to reserve approximately $128,000 annually to meet this need. **LPMA Comment:** *Per note above, LPMA project having a minimum of $4.3M in Accumulated Surplus to address $3.2M of Docks @ 80% occupancy, which is greater. LPMA are using a Reverse Amortization schedule as found in the proforma.*

Permanent Wave Break

- At an August 2012 Public Information Centre for the Class EA process, LPMA suggested that maintenance costs for a fixed wave break could vary between 0.5%, to 1% of the capital cost on an annual basis. Based on a capital cost of $14 million, removing 30% contingency, this could range from $54,000 to $108,000 annually.

  LPMA Comment: *Inaccurate extrapolation. Shoreplan Engineering have stated clearly 'the rock isn't going anywhere, that none of their projects (some over 20years old) have required replacement of rock ever.' At the LaSalle site, and given the experience of the 21 year old LaSalle Spit immediately adjacent, no rock would need replacing, but it would be prudent to accumulate between $70,000 - $100,000 over a 20 year period for a future potenial replacement of some rock which might experience frost cracking. This would indicate $5,000 being set aside each year in the event of a need for replacements 20-30years later. (Correspondence confirmed with Shoreplan July 9, 2016) Staff was copied that conversation.*

LPMA has not included annual maintenance/ renewal for their assets (permanent wave break and finger docks). Staff would anticipate at minimum annual costs of $258,000 for a maintenance/ renewal component. ($50,000 dock maintenance, future dock replacement of $128,000, $80,000 for the maintenance/ rehabilitation of the permanent wave break). As per the EA study, it is normal practice for docks to remain in the water during the winter when protected by a permanent wave break. However, the ability for docks to withstand the ice cannot be fully assessed or guaranteed. The study further states that shifting ice has been known to cause more problems in LaSalle Park than any other area in Burlington Bay.

LPMA Comment: *Again, inaccurate extrapolation. Shoreplan Engineering have stated clearly 'the rock isn't going anywhere, that none of their projects (some over 20years old) have required replacement of rock ever.' At the LaSalle site, and given the experience of the 21 year old LaSalle Spit immediately adjacent, no rock would need replacing, but it would be prudent to accumulate between $70,000 -$100,000 over a 20 year period for a future potenial replacement of some rock which might experience frost cracking. This would indicate $5,000 being set aside each year in the event of a need for replacements 20-30years later. (Correspondence confirmed with Shoreplan July 9, 2016) Staff was copied that conversation.*

LPMA Comment *LPMA are using proper cost accounting in projecting future dock replacements as identified in the proforma. LPMA is governed by the strictures of the Corporations Act for NPOs. As the docks are new, $128,000 saved per year is the incorrect modeling. A Reverse Amortization modeling shown in the proformas is the proper modeling. $50,000 for dock maintenance of new docks is significantly excessive. Again, a Reverse Amortization is demonstrated.*

LPMA Comment: *The EA Study ESR Report:*
Since inception LPMA has clearly indicated deicing equipment would be employed to protect the docks behind the Safe Harbour Rock Wavebreaker. The Technology is highly reliable and well proven. HMCS Haida has been using pneumatic deicing equipment for more than a decade, it is energy efficient and highly reliable.
***The ESR Clearly states** Rock, because of its slope, is ideal for handing ice conditions. The 'shifting ice' comment above is taken from one of the rejected alternative options being a Sheet Pile vertical wall Wavebreak. Rock is ideal because of its slope, hence another reason for its final selection in the ESR.*

Loan Request

LPMA's funding model for the capital project suggests one-third of project funding comes from the Infrastructure Ontario Loan and/or the City. One-third of total project funding ($14 million) is equivalent to approximately $4.6 million, with a LPMA-preferred repayment term of 25 years or more. The city must rely on the Region of Halton for any debt financing. The Region issues debt annually on behalf of local municipalities and based on market conditions and needs.

<u>Infrastructure Ontario (IO) Loan</u>

IO provides long term financing to public sector clients (municipalities, sports & recreation organizations, universities and colleges, hospices) to renew infrastructure. Finance staff met with our IO loan representative regarding LPMA's ability to apply for a loan under the Sports & Recreation program. Unfortunately, LPMA is not affiliated with any member organizations under the Sports and Recreations category and would not qualify for a loan under this program.

> **LPMA Comment:** Staff - "LPMA is not affiliated with any member organizations under the Sports and Recreations category"
>
> **LPMA Comment: *Incorrect,*** *http://ontariosailing.ca/members-services/affiliate-organizations/ , one can plainly see LaSalle Park Marina Association is in fact affiliated with Ontario Sailing (formerly known and referenced by IO as the Ontario Sailing Association) which makes LPMA eligible for Infrastructure Ontario consideration contrary to the Finance's Report F-28-16. (Correspondence confirmed with Infrastructure Ontario July 5, 2016)*

The City of Burlington has the option to apply for the IO loan on behalf of LPMA, through the Region of Halton. The main advantage of the IO program is favorable lending rates. However, the IO representative indicated that when terms are of this length (25 years +), the lending rates under the program are not much different than if the Region issued debt through their regular process, therefore, losing the main advantage of applying under this program. The following are the current lending rates for municipalities (June 8, 2016) posted by IO and the corresponding repayment.

Table 1: Repayment Scenarios $4.6 million loan (IO rates)

Term	Rate	Annual Repayment	Total
20 years	2.95%	$308,000	$6.2 million
25 years	3.14%	$268,000	$6.7 million
30 years	3.25%	$242,000	$7.3 million

Whether the City/Region applied for the loan under the IO program or through the annual Regional debt issue, the city would be fully responsible for repayment of this debt if LPMA defaults on all or part of their loan obligation.

Joint Venture (JV) Loan

Since LPMA does not qualify for a loan under the IO program, they would need to enter into a Joint Venture Loan Agreement with the city. As per the city's JV policy, a down payment of 10% of the project cost is required in support of the loan. This would equate to a down payment of $1.4 million. As per LPMA's financial statements, they do not have the funds to support this.

Furthermore, it is part of our JV policy that debt has a repayment term of 10 years. Issuing debt beyond our policy may set a precedent for future requests.

City's Debt Limit

Currently, the city's debt limit is at 11.6%, as per the March 2016 Financial status report. A $4.6 million loan, over a term of 25 years or greater would have a long term impact on the city's debt limit. The city maximizes its debt capacity when issuing debt in ten year terms. Longer term debt shrinks available capacity as the available room is tied up for a greater period of time.

As per the debt workshop to Committee of the Whole in March 2016, Council unanimously indicated they would not be in support of a longer repayment period for JV loans. The city's Joint Venture policy as mentioned above states a debt repayment term of ten years, which aligns with the debt issuances of other city debt. Issuing debt with a repayment term of 25 years or greater for a quantum of $4.6 million may also pose challenges as there would need to be an appetite in the market for such a product or alternatively it would need to be combined with other debt issuances of the same term, again this may be unlikely considering the term, and since the Region typically goes to market once a year. It would be possible to request an IO loan through the Region.

Taxpayer Implications

Further to the actual loan request of $4.6 million, the remainder of the project cost ($9.4 million) would require cash flow financing. Generally, senior government funding is received upon proof of significant project completion. Therefore, the city would need to cash flow the $9.4 million over a 3-4 month construction period. Cash flowing $9.4 million from the city's short and long term holdings even over a short period of time is a significant obligation and is representative of a taxpayer contribution. The interest earned ($~140,000) on the $9.4 million is forgone and this decrease in investment income would need to be supplemented by the tax base.

LPMA Comment: *Per our correspondence with Infrastructure Ontario, who seem perplexed that this project is not a Municipal Ask, which they have said would be 10 times easier to bring forward given the Marina is owned by the City, IO provides construction loans at a favorable rate (currently 1.45% per annum). The Construction Loan is up to 100% of the project's build cost, convertible 4 months after substantial completion into a fixed rate debenture which would handle cashflow matters when the anticipated Federal & Provincial Grant commitments would kick in. The 2 thirds ($9.4) would be repaid to cover the Construction Loan and LPMA would carry the remaining debenture either as municipal debt or its own debt. In the latter case, the City would not be on the hook for the payments though it may or may not impact Municipal debt ratios which currently (@11.6%) are below the City's debt covenant (12.5%) and less than half of the province imposed (25%). Regardless, IO stated a $14M project is not large. Staff have not explored all the various options with LPMA and Infrastructure Ontario.*

LPMA does prequalify as an identified affiliate *to Ontario Sailing (formerly OSA) for consideration for application as a not for profit under Sports Organizations under IO rules.*

LPMA Comment: *We believe the risks are not fully understood by staff regarding an Infrastructure Ontario fixed rate debenture loan and that those risks to the city are overstated. Infrastructure Ontario debenture loans are floated from the open capital markets and are not taxpayer dollars.*

There are scenarios where LPMA takes the IO loan as a Sports Organization without City cosigning. Therefore, no City Exposure or debt ratio impact. That exploration in full has not as yet occurred due to the delay in the Mayor's letter.

Financial Matters:

Table 2: Revised Staff Financial Projection (‘000s)

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue *(LPMA figures)*	**$500**	**$510**	**$520**	**$531**	**$541**
Operating Expense *(City figures)*					
Maintenance Permanent Wave break	$80	$80	$80	$80	$80
Maintenance Docks	$50	$50	$50	$50	$50
Total Operating Expenses	**$130**	**$130**	**$130**	**$130**	**$130**
General Expenses *(City figure)*	**$150**	**$153**	**$156**	**$159**	**$162**
Debt Repayment					
Existing JV Loan – Docks	$28	$28	$28	$28	$28
$4.6M Loan (25 years)	$268	$268	$268	$268	$268
Total Debt Repayment	**$296**	**$296**	**$296**	**$296**	**$296**
Infrastructure Reserve – Finger Docks *(City figure)*	**$128**	**$128**	**$128**	**$128**	**$128**
Deficit	**($204)**	**($197)**	**($190)**	**($182)**	**($175)**

LPMA Comment*: the above table is wildly incorrect based on erroneous assumptions. $258,000 of artificial costs have been added without questions or discussions with LPMA*

The above financial projection assumes the following;

- Revenues as provided by LPMA’s business case, however noting the revenue concerns above
- Operating expenses include annual maintenance costs based on an expanded marina and estimations of on-going annual maintenance requirements of a permanent wave break (no inflation adjustment applied).
- General and administrative expenses are projected at 30% of revenues. This is based on LPMA historical financial statements

LPMA Comment: *This is an erroneous assumption, and the tables above are wildly incorrect. LPMA clearly laid out its General and administrative, and Operating needs in its Business Case & Proforma going forward. Those needs are nowhere near 30% of Revenues (which is inflated to include covering debt repayment). This staff report makes assumptions and presents them as facts, whereas LPMA has 36 years of realworld management experience running the City's Marina.*

- Debt repayment includes current ten year (2016) JV loan with the City for the replacement of 60 finger docks, and assumed debt repayment for a 25 year $4.6 million loan, based on IO published rates
- Annual reserve provision of $128,000 for the future replacement of docks.

LPMA Comment: *This is only one of several ways to properly account for future capital expenses. The Docks are new. The correct way is in the Proforma and Business case as a Reverse Amortization which shows clearly @80% occupancy there would be $4.3M available to replace $3.2M worth of docks. ($8.2M @ 95%) Nor behind rock is this an absolute need for a 25 years replacement as wear and tear would be much lower in the Safe Harbour.*
LPMA could elect to replace docks in 30 or even 35 years behind rock. Many Safe Harbour marinas do exactly that.

*The correct modeling is a Reverse Amortization found on the next page under **LPMA Inserted:** LPMA 38 Year CashFlow Proforma including Capital Renewals at 80% & 95% Occupancy*

The forecast does not include 10% down payment requirement of a JV loan ($1.4 million) or the expense of $350,000 for the detailed design. It is possible for LPMA to use the LPMA held new wave break replacement fund for this cost. Currently there is $356,372 in the fund; use of these funds for the detailed design would deplete this fund.

LPMA Comment: *Not if Staff honoured several recent years of prior commitment to allow access to the City Held LPMA Marina Reserve Fund (boaters money, not the City's). Council should enact Clause 40 of the JVA and create Reserve Fund D: Major Capital*

It should be noted, if LPMA does not set aside funds for maintenance and/or future renewal of their assets they would have sufficient funds to repay the debt assuming their revenue forecasting model. However, they would not earn enough annually to set aside for current or future preventative maintenance. If LPMA does not practice sound asset management principles, their assets will not operate nor be maintained in a cost effective manner, deteriorating their condition and impacting levels of service. The permanent wave break has a design life of 50 years (EA study) at which point one could expect the wave break may require some major rehabilitation as a result of winter conditions and regular wear if periodic and regular maintenance and inspections are not occurring.

LPMA Comment: *This all has been clearly shown in the Proforma Accumulated Surplus Reverse Amortization which would go to cover all future Capital needs. There is more than sufficient @80% Occupancy.*

LPMA Comment "*It should be noted, if LPMA does not set aside funds for maintenance and/or future renewal of their assets they would have sufficient funds to repay the debt assuming their revenue forecasting model.*" *The Reverse Amortization schedules demonstrated in the proforma address on an escalating basis every concern Finance has*. *When the debt is retired in 25 years LPMA will have roughly an additional $300,000 annually freed up to apply to any Major Capital items after the docks have been replaced and will need to do so or violate its NPO designation. Please remember we have prepared our modeling per the strictures of the Not for Profit Corp Act, not the For Profit Condominium Act. LPMA will have a perpetually sustainable marina to operate for the City, able to address all foreseeable needs going forward.*

LPMA Comment Re: "The permanent wave break has a design life of 50 years (EA study) at which point one could expect the wave break may require some major rehabilitation as a result of winter conditions and regular wear if periodic and regular maintenance and inspections are not occurring."

LPMA Reply: ***Again assumptions based on erroneous misinterpretation. The Wavebreak would have a Greater than 50 year life expectancy (50+ years, not 50 years). Significantly greater than 50 years in fact, that is why it is called permanent. LPMA have demonstrated it does indeed have sufficient cashflow in accumulated surplus going forward after dock replacements per its correspondence with Shoreplan for potential rock placements at the site specific needs at LaSalle throughout its 38 year proforma.***

LPMA Inserted: LPMA 38 Year CashFlow Proforma including Capital Renewals **at 80% Occupancy**

SCHEDULE D - Pickering Model (Matched Federal; Provincial; Municipal (LPMA))

25 Yr Fixed Infrastructure Ontario Debenture A, LPMA Debenture B - Cash Flow Proforma Post Vision 2012

Project Outcome $14M includes 30% Contingency proforma at 80% Occupancy

LPMA Debenture	A		$ 4,666,666		3.58%									
Canada 150 JVL	B		$ 250,000		@ 4.0 %						Retire B			
Year		1	2	3	4	5	6	7	8	9	10	11	12	13
Revenue *		500,000	510,000	520,200	530,604	541,216	552,040	563,081	574,343	585,830	597,546	609,497	621,687	634,121
Expense **		(150,000)	(151,587)	(153,191)	(154,812)	(156,449)	(158,105)	(159,777)	(161,468)	(163,176)	(164,903)	(166,647)	(168,410)	(170,192)
Debenture	A	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)
Canada 150 JVL	B	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)			
Surplus Rev/Exp		**36,391**	**44,804**	**53,400**	**62,183**	**71,157**	**80,326**	**89,694**	**99,266**	**109,044**	**119,034**	**157,241**	**167,667**	**178,319**
accumulated surplus to future Capital Replacements			81,194	134,594	196,777	267,935	348,261	437,956	537,221	646,265	765,300	922,540	1,090,208	1,268,527
Inflation Rate			1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	**1.02%**	1.02%	1.02%	1.02%

25 Yr Fixed Infrastructure Ontario

Project Outcome $14M

Start of dock

Replacements 10 year Phase-in

											Retire A			
14	**15**	**16**	**17**	**18**	**19**	**20**	**21**	**22**	**23**	**24**	**25**	**26**	**27**	**28**
646,803	659,739	672,934	686,393	700,121	714,123	728,406	742,974	757,833	772,990	788,450	804,219	820,303	836,709	853,443
(171,993)	(173,813)	(175,651)	(177,510)	(179,388)	(181,286)	(183,204)	(185,142)	(187,101)	(189,080)	(191,081)	(193,103)	(195,146)	(197,210)	(199,297)
(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
189,201	**200,318**	**211,673**	**223,274**	**235,124**	**247,228**	**259,592**	**272,222**	**285,123**	**298,300**	**311,759**	**325,507**	**625,157**	**639,499**	**654,147**
1,457,728	1,658,046	1,869,719	2,092,993	2,328,117	2,575,345	2,834,937	3,107,159	3,392,282	3,690,582	4,002,342	**4,327,848**	4,953,006	5,592,505	6,246,651
1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

25 Yr Fixed Infrastructure Ontario

Project Outcome $14M

29	**30**	**31**	**32**	**33**	**34**	**35**	**36**	**37**	**38**		**Total**
870,512	887,922	905,681	923,794	942,270	961,116	980,338	999,945	1,019,944	1,040,343		28,057,470
(201,405)	(203,536)	(205,690)	(207,866)	(210,065)	(212,287)	(214,533)	(216,803)	-219,097	-221,415		(6,971,419)
											(7,140,233)
-	-	-	-	-	-	-	-	-	-		(280,000)
669,107	**684,386**	**699,991**	**715,929**	**732,205**	**748,828**	**765,805**	**783,142**	**800,847**	**818,928**		**13,665,818**
6,915,758	7,600,144	8,300,135	9,016,064	9,748,269	10,497,098	11,262,902	12,046,044	12,846,890	13,665,818		
1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%		

LPMA Inserted: LPMA 38 Year CashFlow Proforma including Capital Renewals **at 95% Occupancy**

SCHEDULE D - Pickering Model (Matched Federal; Provincial; Municipal (LPMA))

25 Yr Fixed Infrastructure Ontario Debenture A, LPMA Debenture B - Cash Flow Proforma Post Vision 2012

25 Yr Fixed Infrastructure Ontario

Project Outcome $14M includes 30% Contingency proforma at 95% Occupancy

Project Outcome $14M

LPMA Debentur	A		$ 4,666,666		3.58%									Start of dock							
Canada 150 JVL	B		$ 250,000		@ 4.0 %						Retire B				Replacements 10 year Phase-in						
Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Revenue *		623,000	635,460	648,169	661,133	674,355	687,842	701,599	715,631	729,944	744,543	759,434	774,622	790,115	805,917	822,035	838,476	855,245	872,350	889,797	907,593
Expense **		(150,000)	(151,587)	(153,191)	(154,812)	(156,449)	(158,105)	(159,777)	(161,468)	(163,176)	(164,903)	(166,647)	(168,410)	(170,192)	(171,993)	(173,813)	(175,651)	(177,510)	(179,388)	(181,286)	(183,204)
Debenture	A	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)	(285,609)
Canada 150 JVL	B	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)				-	-	-	-	-	-	-
Surplus Rev/Exp		**159,391**	**170,264**	**181,369**	**192,712**	**204,296**	**216,128**	**228,212**	**240,554**	**253,158**	**266,031**	**307,177**	**320,602**	**334,313**	**348,315**	**362,613**	**377,215**	**392,126**	**407,353**	**422,902**	**438,780**
accumulated surplus to future Capital Replacements			329,654	511,023	703,735	908,032	1,124,160	1,352,372	1,592,926	1,846,085	2,112,115	2,419,292	2,739,895	3,074,208	**3,422,523**	3,785,136	4,162,351	4,554,478	4,961,831	5,384,733	5,823,513
Inflation Rate			1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	**1.02%**	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

25 Yr Fixed Infrastructure Ontario

Project Outcome $14M

				Retire A															
21	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**	**31**	**32**	**33**	**34**	**35**	**36**	**37**	**38**		**Total**
925,745	944,260	963,145	982,408	1,002,056	1,022,098	1,042,539	1,063,390	1,084,658	1,106,351	1,128,478	1,151,048	1,174,069	1,197,550	1,221,501	1,245,931	1,270,850	1,296,267		34,959,607
(185,142)	(187,101)	(189,080)	(191,081)	(193,103)	(195,146)	(197,210)	(199,297)	(201,405)	(203,536)	(205,690)	(207,866)	(210,065)	(212,287)	(214,533)	(216,803)	-219,097	-221,415		(6,971,419)
(285,609)	(285,609)	(285,609)	(285,609)	(285,609)															(7,140,233)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		(280,000)
454,994	**471,550**	**488,456**	**505,718**	**523,345**	**826,952**	**845,329**	**864,094**	**883,253**	**902,815**	**922,789**	**943,182**	**964,004**	**985,263**	**1,006,968**	**1,029,128**	**1,051,753**	**1,074,852**		**20,567,956**
6,278,507	6,750,057	7,238,513	7,744,231	**8,267,575**	9,094,527	9,939,856	10,803,950	11,687,203	12,590,018	13,512,807	14,455,989	15,419,993	16,405,255	17,412,223	18,441,351	19,493,104	20,567,956		
1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%		

Source of Funding

The City of Burlington has provided the following funding to the LPMA;

- 1999, $220,000 for floating wave break (JV loan) **LPMA Comment** (*REPAID on Time*)
- 2011, $150,000 Environmental Assessment **LPMA Comment** *matched LPMA Cofunding*
- 2013, $6,754 Recreational Boating Feasibility and Capacity Study (Phase 1)

  LPMA Comment: *Incorrect, the Study money came from the City/LPMA cofunded EA, this is not new money which is incorrectly implied (see Staff Report PR 33-13)*
- 2016, $250,000 for purchase of finger docks (JV loan)

Other Resource Impacts

LPMA has the following funds to draw upon;

- Wave Break replacement fund $356,372
- Dock Replacement fund $16,247
- Floating Wave break cleaning fund $0.

As mentioned above, use of the wave break replacement fund for detailed design would deplete this fund, leaving a balance of approximately $22,000 in reserves. Based on the above scenario (Table 2), there would be insufficient funds available for replenishing the above reserves.

LPMA Comment: ***LPMA in fact have clearly demonstrated the ability to save and deploy allocations to future Capital needs year after year at about 42% of Budget on average. What is shown above is a onetime snapshot post expensing significant and needless repairs to the floating wavebreaker while at the same time retiring the payment balance on the 40 new replacement docks built and delivered in 2015.***
In fact LPMA has done a laudable job as a volunteer not for profit in balancing current and future capital needs.

Public Engagement Matters:

N/A

Conclusion:

Finance staff has thoroughly reviewed information provided by LaSalle Park Marina. Staff has reviewed the information in order to evaluate risks, performance, financial health and future prospects of the organization. Understanding that staff are not experts in the boating market, we have to the best of our knowledge provided facts and assessed financial information based on the data available. There is inherent variability to financial health and market assumptions that impact future sustainability for LPMA which staff, based on reasonable expectations, have attempted to capture above.

LPMA Conclusion Comment: *The staff report is based on incorrect application and erroneous assumptions being presented as fact and extrapolated when, in fact, little fact has been used. We agree, "*that staff are not experts in the boating market*".*

However, LPMA are experts with a 36 year proven track record. What has occurred herein this report is a failure by staff to express their concerns through proper questions to LPMA, and consultations, breaching protocol and policy.

It would seem that, at best, this Report F-28-16 is not produced with the due care and attention required of the municipality acting in good faith as a JV partner. The acts of employees are, after all, the acts of the employer. There were no follow-up questions or meetings, other than the original 1 hour meeting, yet staff keeps saying this or that "raises questions" – well ask those questions. Finance's failure to meet further with us, or ask questions, despite the Manager's commitment made publicly and to us has resulted in an error filled Report. One cannot make good recommendations without good information. We are sure the elected representatives of Council did not intend this unnecessary and unfortunate failure of the proper good-faith consultative process.

We remind Council & the Public the LPMA Business Case is based on hypothetical scenarios, and that it stands strong. For clarity we all need to engage the Public / Stakeholder / Agency consultations per the Ministry of the Environment & Climate Change's directions (July 2015) to both proponents (City & LPMA) and then engage the Construction Level Engineered Design for true costing. We are literally ready to proceed and we urge Council to enact Clause 40 of the JVA, creating Fund D: Major Capital to draw $248,000 surplus funds from the City Held LPMA Marina Account. The Marina Account is in fact in significant surplus (boater's money, not taxpayers). LPMA will bring the balance from its Safe Harbour Fund allocations.

Doing so will provide clarity on the expected Safe Harbour cost.

We are prepared to move forward and continue what has been up until quite recently a productive and proper process.

- LPMA Board of Directors

Respectfully submitted,

Reena Bajwa

Coordinator of Financial Strategies & Business Consulting

905-335-7600 x7896

Appendices: (if none delete section)

A. Supplemental Information

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.

La Salle Park Marina Business Case Review (F-28-16)
Supplemental Document

Report F-28-16, provides a review of the business case for an expanded marina and fixed breakwater based on the information provided by La Salle Park Marina, as well as a joint meeting with Finance, Parks Recreation staff and La Salle Park Marina. The information below is intended to clarify or provide greater detail to certain aspects of the report.

Infrastructure Ontario (IO)
At the time of writing the report LPMA was not affiliated with any organization under the program's Sports & Recreation category. Recently, LPMA has become a member organization of Ontario Sailing, a provincial organization recognized under the IO Sports Recognition Policy. This along with their status as a not-for-profit organization makes LPMA an eligible applicant.

LPMA has been requested to provide directly to IO the required documents in order to undertake a legal and credit review. IO will rely on data obtained from financial statements, articles of incorporation, and other materials provided as part of the application process to complete the review. The credit review will assess each borrower's ability to repay the loan, specifically addressing project construction, past and future financial performance, management and governance, sustainability of the business model, legal structure and security, and environmental risks.

Revenue Distribution Mix
The report states that the number of larger boats has increased over time and this trend is expected to continue. However, as per the Boating and Feasibility study the growth will continue at a declining rate. The table provides the growth rates as per the Study.

Boat Length		2018-2023	2023-2028	2028-2031
9m < 11m	30ft. < 36ft.	4.5%	3.9%	2.0%
11m < 14m	36ft. < 46ft.	3.8%	3.2%	1.6%
14m+	46ft. +	4.6%	4.0%	2.0%

LPMA Comment : *From the Halton Boating & Feasibility Report Phase 1 Final page 36*
"LaSalle Park Marina is proposing to add 120 seasonal slips for the opening of the 2016 boating season. There is a theory among many marina operators and boat manufacturers throughout North America today that if there are no adequate slips at a port, the number of boats in the area will reflect this deficiency. If on the other hand, quality facilities are offered, these facilities will actually foster boat ownership and activity in the area. Port Whitby Marina in Whitby and Meyer's Pier in Belleville are direct examples of this theory.

We estimate that at the end of the boating season in 2013 there was a need for 430 additional slips. If LaSalle Park Marina is able add 120 new seasonal slips in time for the

2016 boating season, the need for additional seasonal slips will reach 600. By 2018, the need for additional slips will rise to 820 (EXHIBIT 28).

The trend toward longer and wider boats will have a significant impact on the number of slips in Oakville and Bronte Harbours where the finger docks are short and the fairways narrow. It is evident that there is a current and future need for seasonal slips in the 10.67 metre (35 foot), 12.12 metre (40 foot), and 13.72 metre (45 foot) range." – page 36

Rates and Fees

The analysis in the report on rates and fees was restricted to boat lengths 40ft. and under based on the information provided by LPMA. The LPMA rates as provided were assumed to not include HST, as they were used by LPMA in calculating their revenue projections. If the rates as provided did include HST then LPMA would have inadvertently inflated their revenue projections by the HST equivalent.

LPMA Comment: *LPMA was clear at our only one 1 hour meeting with Finance before F-28-16 that LPMA intended to provide slips for boats between 40-50feet. LPMA Projections do not include HST which is a flow through. That info was provided to Doug Pladsen representing the only follow-up contact from Staff made on behalf of Finance re LPMA questioning the assumptions of F-28-16*

In the report, LPMA proposed rates were compared to the existing rates of Bronte Outer Harbour Marina, Hamilton Harbour West Marina and Oakville Harbour. Including Fifty Point Marina within the analysis, LPMA rental rates for 40ft. boats would be 15% higher than the group average. Other rental rate categories (40ft. and under) generally fall in line. Rate comparison excludes HST in all cases.

LPMA Comment: *Bronte Outer Harbour Rate 45' boat $75 per foot plus power surcharge. Without power surcharge Bronte Outer Harbour Rate 45' boat is $3,375 + HST on a 40' long dock. Winter storage at $5.50 a square foot (example 45' LOA x 13' Beam x $5.50 = $3,217.50 + HST), all handling charges mast stepping/unstepping extra. Yard fees $80 an hour. Blocking at $10 per linear foot. Total year round cost $6,592.50 excluding additionals sited above.*

At 50 Point a 45' boat under plan A with power would be $3,900 + tax (Plan A requires a boat to be stored there the previous winter at $4.95 a square foot (example 45' LOA x 13' Beam x $4.95 = $2,895.75 + HST), all handling charges mast stepping/unstepping extra. Yard fees $80 an hour. Total year round cost $6,795.75 excluding additionals sited above.

At Harbour West who have just started replacing their docks, with expected fee increases pending, at their current rates a slip for a 45' boat is between $3,167 & $3,487 + HST depending on availability. A 46'-50' boat $3,778. Winter storage is at $4.26 per sq foot + mast removal, storage & stepping and other additional charges. Labour $98 per hr.

At LaSalle it is proposed a 45' boat slip would be $3,500 for an associate member or $77.77 per foot for the summer. There would be no winter storage at the Club for boats of that size.

Infrastructure Renewal

Capital Renewal
Due to the structural nature of the permanent wave break staff understand that this structure would not need replacement. However, the structure would need some form of annual maintenance and potentially a rehabilitation beyond its design life noted to be 50 years as per the EA study. Staff noted a cost of $80,000 which is in between 0.5%-1% of the capital cost, to cover both annual maintenance and future rehabilitation to ensure the structure is functioning at the level intended by the original design. This assessment of rehabilitation costs was provided through a response at the August 2012 PIC, in reference to this project.

LPMA Comment: ***However, per LPMA correspondence with Shoreplan Engineering (July 9, 2016 shared with Finance). Shoreplan*** *have stated clearly the rock isn't going anywhere, that none of their projects (some over 20 years old) have required replacement of any rock ever. At the LaSalle site, and given the experience of the 21 year old LaSalle Rock Spit immediately adjacent, no rock would need replacing, but it would be prudent to accumulate between $70,000 -$100,000 total over 20 years for a possible future replacement of some rock which might experience frost cracking. This would indicate $5,000 being set aside each year in the event of a need for replacements 20-30 years later.*

The report is clear and indicates only replacement of floating docks would be required beyond the 20-25 year life cycle of the docks. As per F-28-16, LPMA would need to set aside $128,000 annually to build a reserve for future dock replacement.

LPMA Comment: *As the Reverse Amortization schedule is the appropriate methodology which is clearly shown in the 38 year Proforma, $4.3M would be available in year 25 to replace $3.2M of dock, and the ensuing years would benefit from the retired debt service cash-flow being redeployed to Capital renewals going forward.*

Capital Maintenance
LPMA business case assumes that any annual surpluses would be used for capital maintenance. The financial projections do not include any budgeted expense for annual capital maintenance on the permanent wave break or finger docks. The report considers $50,000 for annual maintenance of the docks based on a 10-12% of gross revenues as suggested by the Boating Feasibility and Capacity study.

LPMA Comment: *The Halton Boating Feasibility and Capacity study does not envision Marinas building Safe Harbours and carrying the debt for same. Staff have unwittingly applied 10% to the Gross Revenue of $500,000 without accounting for the fact that up to $350,000 of that Revenue is for debt service on the Rock Safe Harbour Wavebreak.*

LPMA Reserve Funds

As per the report (F-28-16) LPMA currently have the following reserves funds to draw upon;

- Wave Break replacement fund $356,372
- Dock Replacement fund $16,247
- Floating Wave break cleaning fund $0.

LPMA Comment: *A onetime snapshot taken after extraordinary expenses repairing & cleaning the storm damaged Floating Wavebreak, and paying for new finger docks.*

The LPMA business case proposes establishing a revenue stabilization reserve fund to hedge against revenue shortfalls. However, the business case makes no indication of how the reserve fund will accumulate a proposed beginning balance of $150,000. As per staff's financial projections in the report F-28-16, including budget for infrastructure renewal LPMA does not have revenue surpluses to contribute to this fund.

LPMA Comment: ***If Council enacts Clause 40 of the JVA, we can commence the consultation and Construction Level Engineered Design process immediately. That will generate far more reliable Build cost information. Until then we are just pushing scenarios about in the absence of reliable information. Recommendations cannot be valid without good information. The Tender for a Coastal Engineering Construction Level Design firm; Public / Stakeholder and Agency consultations and the design itself would push out the actual Final Report by two to three fiscal years.***
LPMA can save $150,000, all other things being equal, over that period being the necessary allocations to create a Revenue Stabilization Account.

LPMA Comment: ***Relevant Clauses of the JVA:***

11. The City will in good faith:

(d) work towards and support such policies and actions so as to foster the long term viability and sustainability of the Marina;

(e) investigate a forty (40) year lease with the HPA for the use of the Waterlot by the Association;

(f) provide guidance and advice to the Association to support its goal of building a permanent full rock wave break system for the Marina;

(g) review the Reserve Fund status with the LPMA at the (5year) renewal of this agreement recognizing the Association's objective of establishing a Major Capital Replacement allocation within the Reserve Fund;

40. A more detailed explanation of how funds will be applied to the Reserve Fund is found in Schedule C. The Parties agree that the purpose of the Reserve Fund is to ensure the long-term viability of the Marina, including the renewal of infrastructure. The City acknowledges the objective of the LPMA to undertake future Major Capital Improvements and agrees to the joint review of the status of the Reserve Fund and the Financial Operating Model at the renewal of this Agreement, with the objective of establishing a fourth reserve fund allocation being Fund D – Major Capital Improvements.[1]

It's been 11 years, and 5 JVA extensions since the New Business Model was created. The New Business Model has exceeded all expectations and projections.

We all know what the solution is; engage Clause 40 of the JVA – its boater's money, not the City's. LPMA have already obtained LPMA members' unanimous ratification to draw the $248,000 surplus from the City Held LPMA Marina Account.

Together we can begin the Consultation & Design now and get on with the job.

LPMA Background Comment:

LPMA was incorporated in 1982 as a corporation ***without share capital.***
It letters patent state "the corporation shall be carried on
- without the purpose of gain for its members
- and any profits or other accretions to the corporation shall be used in promoting its objects - which are *To promote interest in sailing and boating:*

Essentially LPMA operates as a "Not-for-profit" corporation AND follows the income tax and accounting reporting rules as such a corporation.
These rules are distinctly different than the rules that would apply to a FOR PROFIT corporation such as a condominium organization.

LPMA's Treasurer is a retired Auditor for the Canada Revenue Agency

LPMA's VP is a retired Royal Bank of Canada Regional Branch Manager for Halton

LPMA's Equipment Director is retired from Sun Life Corporate Mortgages Division

LPMA's Communications Director is a retired Engineer HATCH & Associates and church treasurer.

The balance of the Board come from various occupations bringing with them significant transferable skillsets to the Marina

With: LPMA Comments inserted by LPMA on identified matters herein:

SUBJECT: LaSalle Park Marina Wave Break Project Update

TO: Community and Corporate Services Committee

FROM: City Manager's Office

Report Number: CM-13-16

Wards Affected: 1

File Numbers: 945-10

Date to Committee: September 12, 2016

Date to Council: October 3, 2016

Recommendation:

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 the undertaking and funding of capital projects and report back on any recommended changes.

Purpose:

This report serves as a companion report to F-28-16, in the same agenda (LaSalle Park Marina Business Case Review) in order to provide context for decision making with respect to the financing request for infrastructure improvements to the LaSalle Park Marina, discuss risks beyond the financial risks noted in F-28-16, and identify questions that this project raises about the City's Joint Venture model and policy.

Background and Discussion:

Discussions regarding the potential construction of a permanent wave break at LaSalle Park Marina have been ongoing for some years. In 2010, Council approved funding in the capital budget of up to $150,000 as its share of funding an Environmental Assessment of the project. Council has received numerous reports providing updates on the matter. The project is now at a critical juncture with a need for Council to make a decision with respect to the funding of the permanent wave break and marina expansion. LaSalle Park Marina Association (LPMA) has provided technical and financial information in support of the project. Staff has reviewed the information and has raised concerns with respect to the magnitude of the project, the financial capacity of LPMA to undertake the project, and more importantly, the implications of moving forward for other capital projects and other Joint Venture partnerships in the City.

The marina is operated under the terms of a Joint Venture Agreement (JVA) with the City of Burlington, which is governed by the City's Corporate Joint Venture Policy (Appendix A). Any decisions made with respect to this proposal have potential ramifications for other City JVA's.

Report F-28-16, also on this agenda, provides detailed background with respect to the wave break project proposed by the LPMA and a detailed financial analysis of the funding proposal and business case put forward by the group. This report will go beyond the financial implications identified and assess the broad level risks facing the City in two parts: First, how this project fits within the city's infrastructure priorities and limited funding constraints. Secondly, the joint venture financing request of this project and LPMA as an organization relative to the city's joint venture policy. These are key areas Council will need to consider as it relates to this project.

City's Infrastructure Priorities

The permanent wave break and marina expansion is a large scale in-water capital project estimated to be approximately $14 million. A project of this size entails inherent risks to both the City and LPMA, particularly in the absence of detailed costing of the project including construction, project management and contingencies.

LPMA Comment: *Engaging the MOECC directions on the next step, Construction Level Engineered Design, would determine the costing and bring about the public consultations.*

As with any capital project there are a wide range of possible risks due to cost overruns, unanticipated construction challenges (common with in-water projects), and the potential for default on loans that have not been fully assessed, but would unquestionably be the responsibility of the City. These risks are fully discussed in companion report F-28-16. Default on the loans would inevitably lead to the City becoming the de facto operator of the marina by circumstance, rather than by deliberate decision.

LPMA Comment: *Default on an IO loan has not been explored if LPMA applies as a Sports Organization per LPMA comment discussion points under Infrastructure Ontario F-28-16 above. There are scenarios where the City would not be exposed at all.*

If Council wishes to pursue the construction of a significantly expanded marina with a permanent wave break then options for funding of the upgrades should be developed and assessed in the context of the City's overall capital needs.

Council has not yet set priorities for Federal and Provincial infrastructure grants. Regardless of who is seeking the funding, there is a finite amount of grant money that may be available for City of Burlington assets. The LPMA funding request for a permanent wave break and expanded marina should then be considered in the context of all City infrastructure needs, current and future. Furthermore, Council approved the City's Phase 1 financial plan for the 2015 Strategic plan which contained a multitude of strategic priorities representing the city's vision over the next 25 years. The LPMA proposed expanded marina with a permanent wave break was not recognized as a key priority in phase 1.

Joint Venture Policy and Loan Qualifications

Council approved the city's joint venture policy in 2010. The following identifies provisions of the Joint Venture Policy which are particularly relevant for Council to consider as the LPMA joint venture (JV) financing request is not representative of the loan qualifications set out below.

- The Joint Venture Organization will self-fund (100%) of capital infrastructure and renewal.
- Joint Venture Financing: is 100% recovery requirement (principal plus interest)
- A joint venture business process involving key decision points will ensure effective decision making, including;
    - Service and needs determination, including a review of the strategic fit of the services within the context of current City and Department Strategic Plans
- A sum equal to at least 10% of the project cost be either paid by the Community Group or deposited with the Corporation at the time of signing of the agreement and prior to commencement of new construction.
- The length of repayment for the loan not exceed ten years

- That the financial resources of the Community Group be considered as a primary source of funding for the project, when the need for the loan is being assessed.

The above provisions from the city's joint venture policy represent policies that the LPMA capital project does not meet.

LPMA is proposing to seek funding through Infrastructure Ontario (IO) as noted in companion report F-28-16. LPMA's qualification for an Infrastructure Ontario loan has not yet been confirmed. Even with senior government funding, this project would require a 25+ year JV loan of $4.6 million (with no down payment). This would require setting aside two elements of our JV loan policy: Allowing a term in excess of 10 years, and waiving the requirement for a 10% up-front contribution by the LPMA. While not a formal position of Council, when polled at the debt workshop, Council unanimously opposed extending JV loans beyond 10 years as per policy.

LPMA Comment: ***Staff previously responded that all work done toward this project, EA, Studies, Detailed Design, Savings & dock replacements identified in the original Vision 2012 Business Case (2009) that was completed prior to the Safe Harbour Build would count as LPMA's up front Capital Contribution. That staff position was in effect for at least 4-5 years, now suddenly Finance has reversed itself.***

There is also the matter of the magnitude of the project and the associated loan. The JV model did not anticipate a small non-profit JV partner undertaking the planning and funding of a complex project involving significant changes to City infrastructure. The largest JV loan the city has done to date is for $900,000 over 10 years (soccer dome). This would therefore be a significant departure from past practice and the approved corporate policy. Staff suggests that any such departure should be considered in the broader context of a policy review, taking into consideration implications for other Joint Ventures that the City has entered into.

Further the policy states the definition of a joint venture organization as a not-for-profit organization that when delivering programs meets the following criteria;

- If serving adults has participants primarily over 19 years of age and maintains a minimum of 80% Burlington residency for participants for all programs/leagues."

City policy requires that a joint venture partner have 80%+ Burlington residents as participants. Based on LPMA supplied data staff estimates that Burlington residents comprise of 44% of total slips being owned or rented presently at the Marina.

LPMA Comment: *Incorrect data, the Marina comprises 62% Burlington Residents (2016), down from 72-75% a couple of years ago. That number bounces around a fair amount annually. We take who comes to the door if their boat will fit.*

LPMA Comment: *The message being in such an 80% policy is that Burlington wants to close the door to boating Canadians living in inland communities, being that they should not have access (or only limited access), to the great waters of Lake Ontario via Burlington.*
The right to access the great waters of this country, owned by Her Majesty The Queen In Right of Canada, is a right of all Canadians which no municipality can deny.

No other waterfront community we can find has such an exclusion practice. The 80% message also being, that Burlington does not want the attendant new spending in the City that boating people from Cambridge; Milton; Guelph; Kitchener etcetera bring.

Again, we take who comes to the door.

A joint venture policy review is scheduled to be undertaken by the city in 2017, which will encompass the policy issues that have arisen from this project, including synergies with the city's strategic plan.

Joint Venture Partner - LPMA Operating Model

2005 – Operating Model

In 2005, LPMA adopted a new operating model that was carefully crafted to transition all members, then present and future, to a single class of membership being senior membership. It was intended to deal with original boaters (Charter members) who contributed to the initial construction of the marina by purchasing access to a slip on condition that they would be fully refunded their contribution when they sold their slip. In order to encourage the transition, the number of slips available for rental was capped at 30% or 66 slips, though the LPMA remains entitled to the revenue generated from the rental program. The cap was intended as a means to encourage the expeditious transition to the new model.
LPMA Comment: *That number bounces around a fair amount annually. We take who comes to the door if their boat will fit. We have no control how people wish to spend their money: Rent, Associate or Senior Member. Staff previously identified when asked about the ratio that this real world methodology LPMA is using was not problematic. Now suddenly it is problematic.*
The slow progress of the Safe Harbour proposal and repeated wave damages deter people from becoming Senior Members - there is a linear relationship sapping confidence.
A charitable donation program was also put in place for a limited time to expedite the transition. Concurrently, clear rules were established around access to the City held Reserve Fund and how the Reserve Fund was to be funded.
LPMA Comment: ***Clause 40 JVA*** *clearly identifies the need by mutual agreement of the City & LPMA that Fund D: Major Capital Improvements would need to be created at the 5th Anniversary of the JVA. That process has not occurred.*

In 2005 when the new model was adopted by Council there were 203 charter members in good standing. Assuming 8 sale transactions per year and 10 donations, it was estimated to take 24 years for the full transition to occur. The financial model that has been provided by LPMA is silent with respect to this aspect of the JV. The

City's records indicate that in 2015 there were 117 Charter members entitled to a refund when their slips are sold totaling approximately $625,000. As per June 30, 2016 the balance in the reserve fund is approximately $400,000. Attached as appendix B is a memorandum from the City Solicitor providing legal advice in respect of this and related legal issues.

LPMA Comment: ***Again, the Manager has received inaccurate information from Finance who have not kept up their records data. There are not 117 Charter Members, there are 84 Charter Members – the New Business Model is exceeding all expectations projected in 2005.***

Proposed Operating Model

The LPMA proposed business model fundamentally alters the operating model that was approved by City Council in 2005, and transitions the relationship between the City and LPMA from a JV serving the interests of resident boater members, to a commercial transient rental marina responsible for managing slips to non-member boaters. This transition is clear in LPMA's project proposal.

The current operating model that was approved by Council and is reflected in the current joint venture agreement is a member/resident boater model. The purpose of the joint venture is as follows;

> *"to provide a sustainable boating experience and **resident marina** opportunity in Burlington. Through this Joint Venture, the Parties intend that by pooling certain resources, the Joint Venture will be mutually beneficial and represent for both Parties an opportunity to meet the **community's need for a resident marina**, known as the LaSalle Park Marina."*

Under the current proposal, less than half the slips (110/340) would be used by LPMA members. LPMA would make available for rental a total of 219 slips plus transient boater slips which combined represents approximately 70% of the total number of slips. This clearly indicates that the marina would no longer be a resident marina meeting community needs, but rather transient style marina serving the broader interests of boaters in the GTHA. This is a significant transition from a JV that exists to serve its members' interests, to a contracted service managing city assets used by the general public. The City's Procurement policy would normally require a competitive process for the contracting out of this service.

LPMA Comment: ***About 5 years ago, Finance and Staff were shown comparative data on a 70:30 and 50:50 Safe Harbour Revenue Impact Modeling. Staff were comfortable with us proceeding on the 50:50 Associate:Senior Model.*** *LPMA have been tasked by 3 successive City Councils (since 2009) to develop a Safe Harbour Business Case Model in cooperation with the Dept of Finance that shows <u>no City money</u> going into the project build. All of which LPMA has done despite Finance not being timely nor clear on their requirements. The current version of the Business Case, to a large degree, has been developed without Finance's input because Finance has chosen not to meet, input or comment in a timely manner as it has been developed and evolved. <u>All information and projections as to actual Build Cost are hypothetical without the Detailed Design which far better quantifies the cost.</u>*

LPMA Comment: *LPMA remain convinced the Project is likely below $12M, but have developed their Safe Harbour Business Case Model at a higher number to demonstrate LPMA's ability to handle Build overruns. LPMA, in good faith, have taken every step in meeting three (3) successive City Councils directions since 2009.*

Recommendation

Based on the above, and reinforced in report F-28-16, the permanent wave break and marina expansion represents a significant financial risk to the city. Any default on future loans for this project by LPMA results in the city being financially responsible for commitments. Notwithstanding the financial risks, a project of this magnitude that has a potential to cost upwards to $14 million should be placed in priority with other city capital priorities, where a strong business case is required and a clear connection to the city's strategic plan as the funding available in the city and from senior government infrastructure programs is limited.

It would be prudent for the City to perform its own due diligence before committing to a project of this magnitude. In order to further explore the merits of this project additional financial resources and staff time will be required, including outside financial assistance. For a financial commitment of this magnitude, a comprehensive financial plan and business case would need to be developed, which should include an assessment of the size and viability of the marina operation in the City of Burlington with and without capital upgrades. The assessment should also explore in detail the alternative wave break options presented in the EA study to determine if there is a more cost effective solution.

LPMA Comment: ***Two Coastal Engineering firms have Studied LaSalle Park Marina's situation. Hall Coastal Canada Ltd (Report November 2001) and Shoreplan Engineering (Report July 2013). Both looked at many alternatives and concluded a Rock Wavebreaker was the most effective with the lowest downstream costs, being their independently arrived at recommended solution.***

Conducting an assessment of alternative solutions yet again, through yet another study, is a needless delay and expense which would not result in a valid recommendation that negates the two previous Coastal Engineering companies recommendations in their Reports.

Financial Matters:

Should Council approve the recommendation, approximately $150,000 would need to be put aside funded through the Tax Rate Stabilization reserve fund to hire a consulting resource to provide an arm's length review and assessment of the financial viability of the marina project.

Public Engagement Matters:

Community and stakeholder engagement has so far been limited to the EA process with a focus on alternative wave break methods. Should Council approve the report recommendation any forthcoming recommended strategy will include a community engagement component.

The LPMA was provided notice of the general direction in this report by letter in late August 2016.

Conclusion:

The proposed LaSalle Park Marina project for a permanent wave break and an expanded marina raises many concerns given the multiple layers of risk the city faces. The in-water capital project, which has not been costed in detail, goes beyond the scope of our current joint venture model. Staff has questions with respect to LPMA's operating and financial modeling and their capacity to sustain operations in the event of cost over-runs or if their projections prove to be overly optimistic. Council must consider LPMA's JV funding request in a broader context that goes beyond the business case and takes into consideration the issues raised in this report.

LPMA Conclusion Comment: ***Finance has not met with LPMA despite the Manager's commitment they would be told to do so. No meeting, no email, no phone calls, no follow-up all summer from Finance. Finance has provided the Manager with badly outdated and incorrect data. Finance says this or that "raises questions" – then why wasn't LPMA Contacted to address those "questions ?"***

Without good and accurate data, it makes arriving at an informed decision impossible. That is a matter between the Manager, Finance and Council.

Please understand, with the release of the surplus $248,000 from the City Held LPMA Marina Account and enactment of JVA Clause 40, LPMA are member authorized to bring its share and engage the Consultations & Engineered Construction Level Design immediately. Remember, this is boater's money, not the City's.

Further, the City has had 36 years to proactively seek a Safe Harbour, they have not chosen to do so. This makes Burlington, with one of the longest waterfronts on Lake Ontario, the only community to not have a Safe Harbour.

Even tiny Jordan Station has a Rock Safe Harbour.

LPMA Conclusion Comment (cont):

The irony is the Dept of Fisheries and Oceans Small Craft Recreational Harbours was located, until 1993, on Harvester Road, Burlington.

With all the verbiage in all the Reports above, there is not one word about enhancing Public Safety at Burlington's Open Public Marina. Not one word about safety at all.

The City has had 15 years of opportunity since the Hall Coastal Canada Ltd Report (Nov 2001) to enact, on its own, the recommended solution. It has not chosen to do so.

The City has had the LPMA Vision 2012 Safe Harbour proposal before it for over 8 years. LPMA, in good faith, have made every effort to work with every Council and Staff directions.

The Ministry of the Environment & Climate Change, after a two (2) year review has signed off on the Environmental Study July 2015, and given directions to the two proponents (City & LPMA). Since then nothing has been done. If the City does not follow the Ministry's direction, the Ministry's decision is likely invalidated without LPMA remaining a co proponent.

If the City wants to be lead proponent and LPMA secondary proponent, LPMA have no objection, but further delays are respectfully, inappropriate and unwarranted.

The correct comparator project is not something built recently out on Lake Ontario off Burlington, but rather the LaSalle West Rock Spit and East Environmental Rock Islands off LaSalle completed over 21 years ago.

We need to get back to where we were and move forward together.

We seek Safe Harbour.

Kindest regards,

LPMA Board of Directors

Respectfully submitted,

James Ridge

City Manager

905-335-7600, ext. 7608

Appendices:

A. Corporate Policy on Joint Ventures

B. Confidential memo prepared by the City Solicitor providing legal advice (distributed under separate cover)

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.

CITY OF Burlington

Corporate Policy

Parks & Recreation - Joint Ventures

Approved by:	Council		on	March 22, 2010
Report No.:	PR-9-10	Effective:	March 22, 2010	
Reviewed:	August 14, 2012	Amended:		
Next Review:	2017	Note:		

Policy Statement:

The City of Burlington will pursue collaborative arrangements through joint venture agreements when this approach is:

1) Based on demonstrated community need with clear community benefit, either across the community or specific to identified priority geographic or targeted populations.

2) Consistent with the City and Department's strategic plans.

3) Sustainable.

4) To actively support benefits of participation in recreation and leisure activities related to the health, wellness, social interaction and skill development of residents and economic benefits for the Burlington community.

5) To encourage and maximize participation of Burlington residents in a diverse range of recreational and leisure activities within their community.

Direct City Management:

The City will directly manage facilities and/or services when:

1. The City's financial expertise, land base or resources are essential to ensure the successful delivery of a leisure service with a demonstrated community need.
2. No other service providers are interested in meeting the identified community need.

3. Community input has demonstrated that the City is the preferred service provider.
4. City Council has directed this role through a resolution.

Decision-Making:

- City Council will make decisions about joint venture agreements, loans and new directions, giving consideration to staff recommendations and appropriate community input processes.
- The Community Services Division's senior staff team will make decisions about joint venture agreements based on staff research and input and within approved delegation of authority and purchasing policies and procedures.

Revenue Generation:

In direct and facilitated service delivery, the City may pursue opportunities for revenue generation that result in a net surplus in specific service areas, whether the service or facility is directly delivered by the City or is delivered in a collaborative relationship with others.

Scope:

This policy applies to all Parks & Recreations services, programs and facilities.

Definitions:

For the purpose of this policy, unless otherwise stated, the following definitions shall apply:

Term	Definition
Agreement	A written understanding and intention between two or more parties with respect to the effect upon their relative rights and duties.
Business Plan	A document that establishes direction for delivery of a

Term	Definition
	particular service based on a market analysis and identification of goals and objectives, strengths, weaknesses,opportunities and threats (SWOT Analysis). Business plans include a summary of current status and related issues, capital and operating budgets (including multi-year if required), financial impacts, alternatives considered, preferred alternative(s) and specific recommendations for implementation, evaluation, responsibility and timeline.
Community Group	Defined within the Community Development Policy (REC 017) as a nonprofit, volunteer group whose primary objective is the provision of leisure services for Burlington residents. More broadly, a group of people who share a common place, experience or interest.
Community Need	A gap identified through demographics, trends, community feedback and/or demands for service based on the existing range of services and/or service providers.
Exclusivity	Limiting possession, control or use to a single individual or group and excluding others from participation or access.
Feasibility Study	A document that summarizes findings, analyses, conclusions and recommendations pertaining to demand for a proposed service at a particular point in time. Feasibility studies include a summary of context within the community, market and competitive/ comparable analysis, financial analysis and utilization projections, conclusions regarding need and preliminary concept development. Concept development may include operational characteristics, site alternatives and selection criteria, funding sources and implementation plans. Feasibility studies are primarily indicated when new facilities are anticipated and/or when existing facilities are proposed for major renewal.

Term	Definition
Joint Venture	Any combination of resources by two or more persons, corporations, partnerships, or some combination thereof, whereby each agrees to contribute money, knowledge, skills, land/property in order to conduct an initiative together. The City of Burlington’s Joint Venture Policy addresses major projects such as the development of new facilities, major renovations to existing facilities and a variety of financing options for user groups. The City might have complete, partial or no ongoing responsibility for facility maintenance, capital repair and asset preservation, hence, the City’s risk rests with the ownership of the physical asset. Joint Venture Agreements can allow significant freedom to operate or be very detailed about limits.
Joint Venture Organization	A non-profit organization serving youth or adults and renting facilities for the purposes of delivering programs meeting the following criteria: 1. Burlington-based. 2. Does not duplicate an existing program. 3. If serving youth, has participants primarily under 19 years of age and maintains a minimum of 90% Burlington residency for all programs/leagues. 4. If serving adults has participants primarily over 19 years of age and maintains a minimum of 80% Burlington residency for participants for all programs/leagues.
Lease	A lease is a grant of the right to exclusive possession of a premises which creates an interest in real property. A lease is a hybrid document in that it creates both a contractual relationship and a property law relationship between the

Term	Definition
	landlord and the tenant. This hybrid affords the landlord contractual remedies, as well as property law remedies, in order to enforce the tenant's obligations. Common lease terms include the payment of rent and the covenant of quiet enjoyment (i.e. unimpaired use and enjoyment of the premises).
License	A licence is a grant of the right to use a premises in a specific way on specific terms. A licence does not create an interest in real property. A licence is a contractual arrangement that makes certain acts permissible on the premises. In most licences, the licensor typically retains a large degree of possession and/or control of the premises. A license may or may not provide for a degree of exclusive possession.
Leisure Services	The Community Development Policy includes parks, recreation, sport and cultural activities in its definition of leisure. Leisure Services do not include hospitality services such as catering and bar operation, facility maintenance nor services that are provided solely for their revenue-producing benefits.
Partnerships	An arrangement whereby two or more entities carry on business in common with a view to profit.
Strategic Alliance	A arrangement that involves the City and one or more additional entities from the community, not for profit or the private/commercial sector, which enables the City and other entities to achieve strategic objectives through the sharing of resources. (Strategic Alliances Guidelines for Development) In May 1995, Burlington Council adopted a policy supporting the pursuit of strategic alliances as a method for providing

Term	Definition
	municipal facilities and services on a case by case basis.
Tenant	One who has a legal agreement to rent or lease from a landlord; one who has the occupation or temporary possession of lands or building/facility space of another.

Principles:

1) The City of Burlington is committed to being:

   a) A leader in supporting a system of integrated community leisure services to ensure that community needs are met; and

   b) Recognized for its facility development and operations management expertise.

   The City will be recognized for these roles locally and province-wide, and will maintain its identity as a key community service provider.

2) Parks and Recreation services will be founded on community involvement and strategic alliances (Strategic Plan for Parks & Recreation).

3) Recreation and leisure services as provided through joint venture facilities are accessible to all citizens of Burlington regardless of ability, financial capabilities, cultural background, age or gender.

4) Safety, quality and customer responsiveness are the foundation of recreation and leisure services provided through joint venture agreements.

5) Parks and Recreation will work with joint venture organizations to ensure rates and fees are balanced and affordable particularly as they relate to general recreational programs offered to the community. Where both competitive and recreational programs are provided, Parks and Recreation staff will work with the joint venture organization to ensure that an appropriate balance exists.

References:

The following Council-approved policies and Departmentally-approved procedures have linkages to the Joint Venture Policy. Users are subject to all terms and conditions of these and other related and approved policies and procedures.

- Leisure Services Policy
- Zero Tolerance Policy
- Municipal Alcohol Policy

Roles:

Accountable:

Manager of Community Development, Parks & Recreation department is responsible for the timely review, updating and dissemination of the policy to all functional areas.

Responsible:

All Parks & Recreation staff who provide services or support facilities.

Additional information:

Business Process:

A joint venture business process involving key decision points will ensure effective decision making. Elements of the process include:

1. Service and needs determination, including a review of strategic fit of the service within the context of current City and Department Strategic Plans.

2. Service delivery approach determination, including an analysis of options.

3. Joint venture organization selection, including recruitment and a process to develop formal agreements.

4. Management of joint venture agreements, including implementation of the agreement and ongoing management of agreements.

5. Evaluation of the joint venture agreement.

Staff will be assigned to manage joint venture agreements and an ongoing planning, review and reporting process will be undertaken.

Assessment:

City staff will assess requests from potential joint venture organizations based on the following as required:

1. Community needs assessment.

2. Options analysis.

3. Joint venture organization assessment.

4. Business plan.

5. Feasibility study and/or requests for proposal (RFPs), if required.

Roles And Responsibilities of the City:

The City of Burlington Parks & Recreation Department will:

1. Provide leisure services leadership in Burlington through planning and facilitative roles that focus on research, evaluation, and activities that identify market needs and match these with appropriate service delivery approaches.

2. Provide resources to develop community capacity to support leisure services.

3. Support collaborative service delivery through sound agreement management practices and communication that supports excellent customer service.

4. Develop contingency plans to respond to events that might require City intervention.

Roles And Responsibilities Of The Joint Venture Organization:

The Joint Venture Organization will:

1. Provide leisure services to the community that are consistent with the City's goal of ensuring recreational and cultural opportunities are accessible and affordable to all residents.

2. Operate the facilities and programs according to the terms of the Agreement and ensure the obligations, including reporting requirements, are met.

3. Self-fund one hundred percent (100%) of the cost to operate the facility(ies) and leisure services.

4. Self-fund 100 percent (100%) of capital infrastructure and renewal.

5. Adhere to all terms of the agreement.

Joint Venture Financing:

Preamble:

Parks & Recreation services are part of the broad spectrum of social and community services, which support and enrich the quality of life of citizens of the City of Burlington. This policy is based on the following principles:

1. There is a substantial benefit to Community Groups and the City to financially support the practice of funding capital projects and community initiatives through a joint venture policy.
2. Leisure services should be provided in a manner which is sustainable.
3. Provision of these services is a shared responsibility among government and community providers as well as the individual.

The policy includes two sections.

- **Section A** sets out the general policy intent with respect to guidelines for use, recovery and interest payments.
- **Section B** relates to specific financing options for community organizations.

Section A Guidelines:

1. Intent:
    a) The policy will continue to be a vehicle to provide access to funding for community groups unable to access funding through private sector lending institutions.
    b) The policy will be applied to replacements, renovations and retrofits in addition to new facility development.
    c) The policy shall offer a menu of financing options for user groups to choose from.
    d) The City will identify suitable projects well in advance and take a proactive approach to developing joint venture financing arrangements with community groups. The policy shall act as a planning and financial management tool.
    e) The policy will include clear and fair criteria that address the recovery of interest. The Joint Venture Policy will be applied fairly and interest will be charged based on the cost to the City, whether from the issuance of external debentures or the loss of interest earned on financing from internal sources.
2. 100% Recovery Requirement (Principal & Interest)
    a) Any new facility (including a structure) that is requested by a group and has not been identified as a need in existing current or capital budgets or identified in the City's Major Facilities Study (approved by Council), that is proposed to be constructed and funded in the year it is requested.

b) Any renovation/retrofit that is proposed by a group and has not been identified as a need in current or capital budgets and proposed to be funded in the year it is requested.

c) Any new facility (including a structure) or renovation/retrofit that has been identified as required in future years but which the user group requests to be funded earlier than planned.

d) Any facility (including a structure) or renovation/retrofit that is primarily for the use of a limited membership (i.e. the facilities are not readily or generally available to the general public and the group charges annual dues or similar fees).

e) Any facility (including a structure) or renovation/retrofit that is primarily for the use of adults.

Section B Financing Options:

Policy For Interim Financing Of Community Group Recreation

Projects Financed By Public Donations

That where the City is being requested to provide interim “bridge” financing for a project in conjunction with a group of citizens proposing to raise contributions through a campaign for community funds, the following requirements will apply:

1) That the community need for the proposed project and benefit be clearly demonstrated to the satisfaction of Council, which would include a determination as to whether or not the need is being addressed to some degree by another service provider in the community.

2) That the community group be required to enter into an agreement with the City with respect to loan and repayment terms and conditions subject to the approval of the City’s Legal Department.

3) That prior to an application being made to the City for assistance in capital financing, at least 1/3 of the community subscription goal be achieved.

4) That all pledges for donations be receivable over a period not to exceed five years from the date of making the pledge, and that the length of repayment of the loan not exceed five years from the date of the first advance.

5) That the interested group be required to supply the following to the City Treasurer, prior to formal consideration of the application:

   a. An audited financial statement* for the immediately preceding year;

   b. An analysis of the complete cost of the project including architect or consultant's fees, furnishings and equipment, and any other costs related to the project;

   c. A schedule to show how the project is to be financed;

   d. A cash forecast of the project's expenditures and revenues over the period during which the City loan will be outstanding including loan repayments;

   e. A forecast of incremental operating costs for 3 years.

6) That the group provide the Treasurer of the City with an audited financial statement* of their operations within three months of the end of each fiscal year until the loan is repaid and with a quarterly statement of the cash position of the project and the status of pledges outstanding and collected during the term of the loan.

7) That all submitted financial reports and documents are prepared to the satisfaction of the City Treasurer.

8) That advances on the approved City loan shall be on the basis of required contractor progress payments and the cash position of the project, and evidenced by signed Promissory Notes.

9) That the names, addresses and occupations of the officers of the group are provided to the City at the time of application and the City be informed of any changes so long as the loan remains outstanding.

* The City Treasurer may waive the requirement for audited financial statements for the preceding year if in his/her opinion the risk of material error is low and the Community Group provides financial statements prepared by an independent, qualified accountant.

Policy For Loans To Community Groups For The Construction, Reconstruction, Repair Or Expansion Of Recreation Facilities

That where the City is being requested to partially finance a project through a municipal

contribution and/or a loan in conjunction with a community group, the following requirements will apply:

1. That the community need for the proposed project and benefit be clearly demonstrated to the satisfaction of City Council, which would include a determination as to whether or not the need is being addressed to some degree by another service provider in the community.

2. That the community group be required to enter into an agreement with the City with respect to repayment, title and operations subject to the approval of the City's Legal Department.

    a. That a sum equal to at least 10% of the project cost be either paid by the Community Group or deposited with the Corporation at the time of signing of the agreement and prior to commencement of new Construction.

    b. That a sum equal to at least 10% of the project cost be either paid by the Community Group or deposited with the Corporation at the time of signing of the agreement and prior to commencement of Reconstruction, Repair or Expansion.

3. That the length of repayment for the loan not exceed ten years.

4. That ownership of the facilities be vested in the Corporation of the City of Burlington.
5. That the interested group be required to supply to the Treasurer of the City prior to formal consideration of the application, an audited financial statement* for the preceding fiscal year and a cash forecast of their operations for the lesser of the term of the loan or the following three years, indicating how the loan repayment is to be financed.
6. That the group provides the Treasurer of the City with an audited financial statement* of their operations within three months of the end of each fiscal year until the loan is repaid.
7. That all submitted financial reports and documents are prepared to the satisfaction of the Treasurer.
8. That the financial resources of the Community Group be considered as a primary source of funding for the project, when the need for the loan is being assessed.
9. That the design of the facilities and the retaining of an architect or engineer if required be authorized and approved by Council.
10. That tenders or requests for proposals be called for and awarded by Council and the construction of the facilities be supervised by City staff, and that any extras to the contract in excess of the contingency allowance be approved by Council prior to the work being carried out.
11. That the names and addresses of the officers of the organization be provided to the City at the time of application and the City be informed of any changes so long as the loan remains outstanding.

*The City Treasurer may waive the requirement for audited financial statements for the preceding year if in his opinion the risk of material error is low and the Community Group provides financial statements prepared by an independent, qualified accountant.