

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%

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.

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.

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.

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.

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 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.

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.