



SUBJECT: Marina Governance and Operating Model

TO: Committee of the Whole

FROM: City Manager's Office

Report Number: CM-17-19

Wards Affected: 1

File Numbers: 945-10

Date to Committee: September 9, 2019

Date to Council: September 23, 2019

Recommendation:

Direct the Director of Parks and Recreation to finalize a long-term licence agreement with the LaSalle Park Marina Association for the operation of the Marina at LaSalle Park substantially in accordance with confidential Appendix B based on Council's approval of the purchase of a new floating wave break (capital works department report CW-31-19) and approval of a preferred operating model for the Marina at LaSalle Park (city manager's office report CM-17-19); and

Authorize the Mayor and City Clerk to sign the licence agreement with the LaSalle Park Marina Association prepared to the satisfaction of the City Solicitor, Director of Parks and Recreation and Director of Finance for the operation of the Marina at LaSalle Park; and

Direct the Director of Finance to issue refunds from the City held LaSalle Park Marina reserve fund to charter members and undepreciated senior members on a pro-rata basis.

Purpose:

The purpose of this report is as follows:

- Outline potential operating models for the LaSalle Park Marina (Marina) as outlined in the TOURISTICS report (Appendix A)
- Provide staff's evaluation of the operating models and a recommendation for a Marina operator

- Seek Council's approval to enter into a long-term licence agreement with the LaSalle Park Marina Association (LPMA) for the operation of the Marina
- Satisfy any outstanding staff directions related to the Marina
- To summarize LPMA's overall contribution to the new floating wave break, and
- Finalize any operational requirements as the current agreement between the City of Burlington (City) and LPMA expires on October 31, 2019.

Background and Discussion:

The LaSalle Park Marina Association has a Joint Venture Agreement with the City that expires at the end of October 2019. The Marina has 219 slips and is protected by a floating wave break. The Burlington Sailing and Boating Club (BS&BC) and the Able Sail program are separate entities that offer sailing programs at the Marina. In addition, the City has a public boat launch at the Marina that is protected by the floating wave break.

Over this past year Committee has received three reports related to the Marina:

1. CM-01-19 – Committee directed staff to implement option A regarding the future operation of the Marina, issue a Request for Proposal for a new floating wave break, continue negotiations with LPMA for a long-term licence agreement, report back on alternative governance models for a community-based public Marina and explore alternative funding options.
2. CW-31-19 – Committee awarded the new floating wave break tender.
Charge the total cost of \$4,000,000 (net HST) to capital order PR0150, financed from the Hydro Reserve Fund, with a minimum \$2.1M repayment by the LaSalle Park Marina operator through an annual licence fee.
3. CM-05-19 – Committee tabled a report on alternative governance models for the Marina with the following staff directions:

Table city manager's office report CM-5-19 on alternative operating models for the Marina at LaSalle Park to the Committee of the Whole meeting on September 9, 2019 at which time staff will provide a recommendation on a preferred operating model for the Marina.

Strategy/process

Consultant's Report

Staff secured the services of a consultant, TOURISTICS, to undertake an analysis of potential operating models for the LaSalle Park Marina. Following the Committee meeting on July 8, 2019, the consultant revised the report to reflect the discussion and direction staff received. This included increasing the annual licence fee for the Marina operator, reducing the amount for annual maintenance for the floating wave break and eliminating costs for the Marina operator related to the removal and installation of the docks each year. The revised consultant's report is included in Appendix A and provides the following:

- Overview of LPMA's operation and financial information
- Comparing LaSalle Park Marina with other marinas based on the features and value of amenities
- Outlook for future slip occupancy for LaSalle Park Marina
- Information and financial data related to all aspects of LPMA, Burlington Sailing and Boating Club and Able Sail
- Financial viability of LPMA's current operating model
- Outlines several different operating models along with financial implications to the City including:
 - Public marina - City owned and operated, direct management contract, profit sharing management agreement
 - Public/Private marina
 - Private marina
 - Arm's Length operation of marina

The consultant's report identified that, based on the limited services and amenities available at LaSalle Park Marina along with the limited number of slips, a private operator would have challenges meeting its financial goals and would not consider the Marina at LaSalle a viable long-term business.

Based on the data and research presented by TOURISTICS, it appears to staff that continuing our relationship with LPMA to operate the Marina is the most economical and feasible option for the operation at LaSalle Park. Given LPMA's longstanding commitment to the Marina, its volunteer capacity and involvement with supporting the operation, the Marina's limited amenities and limited number of slips, this is the

preferred model that has the least impact on the taxpayers of Burlington while leveraging community support to maintain the Marina in the City.

The consultant will attend the Committee of the Whole meeting to answer questions related to their report.

Licence Agreement

Staff and representatives from LPMA met on a regular basis to negotiate a new licence agreement for the use of water lots and the operation of the Marina behind a new City owned floating wave break. Staff and representatives from LPMA have agreed in principle on a draft agreement and the volunteers should be recognized for their time and effort in finalizing the document.

Based on approval of this report, staff will finalize financial details and then have the document signed by both parties.

Staff recommend the existing agreement with LPMA stays in place until October 31, 2019 and to start the new licence agreement effective November 1, 2019.

Based on the TOURISTICS report of alternative operating and governance models, successful negotiations with LPMA and staff's review of LPMA's community focused operating model, staff recommend entering into a long-term licence agreement with LPMA substantially in accordance with the key terms outlined in Confidential Appendix B of this report and to the satisfaction of the City Solicitor, Director of Parks and Recreation and Director of Finance.

LPMA is committed to the Marina being publicly assessible and affordable and will be making a presentation to demonstrate their support of this.

Transitioning from existing agreement with LPMA to new agreement

With the existing Joint Venture Agreement with LPMA coming to an end, there are a couple of housekeeping items that need to be addressed including the disbursement of the City held reserve funds to LPMA charter members and undepreciated senior members. Additional information related to the reserve funds is included in the financial section of this report.

Appendix C is a summary of the tasks associated with the construction and installation of the floating wave break and related items.

Options considered

While staff recommend the City continue to work with LPMA to offer boating opportunities at the Marina, staff have reviewed and considered options presented in the TOURISTICS report.

Should Council want to consider an alternative operating and governance model for the Marina, Table 1 below identifies tasks and timelines associated with the process. The process would not preclude LPMA from submitting a proposal to operate the Marina.

Table 1

Task	Timeline
Negotiate a transition plan and agreement with LPMA to wind down its operation of the LaSalle Park Marina.	September/October 2019
Issue Request for Expressions of Interest (RFEI) for the operation of LaSalle Park Marina, selection of proponents, report to Council.	October – December 2019
Issue Request for Proposal (RFP) for the operation of LaSalle Park Marina, award of RFP, report to Council.	January - March 2020
Negotiate Licence agreement with Operator.	April 2020
Operator in Place.	May 2020

The timelines in Table 1 present uncertainty for a new Marina operator and boaters related to the 2020 boating season. The new operator would need to start marketing the Marina to boaters during the winter and then have all facets of the operation in place for April/May next year. The timelines above would not position a new Marina operator for success in 2020.

Financial Matters:

The proceeding section will address the following staff directions:

Charge the total cost of \$4,000,000 (net HST) for the new floating wave break to capital order PR0150, financed from the Hydro Reserve Fund, with a minimum \$2.1M repayment by the LaSalle Park Marina operator through an annual licence fee (CW-31-19)

Negotiate a \$500,000 contribution for the LaSalle Park Marina to the wave break, electrification and/or finger docks as part of the negotiation on a renewed agreement (CM-07-18)

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 (CM-13-16)

In finalizing an agreement with LPMA, staff reviewed the financial assessment completed by Grant Thornton to ensure that revenues and cost assumptions were up to date and are reflective of the conditions in the licence agreement.

Key Assumptions:

- Revenues forecasted at a 1% growth with a stabilizing occupancy of 93%
- Expenses are forecasted at 1%, include;
 - Maintenance of docks, walkways etc.
 - Assumption for future electricity costs should electrification of docks proceed
 - Portion of water lot fee to Hamilton Port Authority (24%)
 - Repayment of joint venture loan (balance owing \$225,000 over 7 years)
 - Payment of a licence fee to the City

Based on the above assumptions the financial forecast as provided by Grant Thornton shows that LPMA is financially sustainable. Financial sustainability is achieved as a result of LPMA sustaining day to day operations, reserving funds for future replacement of Marina infrastructure (docks, walkways) and being able to provide an annual licence fee to the City.

As per Council's direction, the agreement with LPMA includes an annual licence fee which is estimated to generate \$2.7 million over 25 years and exceeds the minimum \$2.1 million repayment required by the City.

LPMA maintains a reserve fund balance of approximately \$406,372 which is earmarked towards the electrification of docks and general improvements to the Marina. As per the licence agreement, should electrification of the docks not occur within a specified time period, \$350,000 of LPMA's reserve fund balance will be provided to the City as their upfront contribution to the capital cost of the new wave break. It is financially prudent that the remaining balance in the reserve fund should remain with the LPMA to provide them with financial flexibility for operations and general improvements to the Marina.

Staff do not recommend that LPMA be reimbursed for costs leading up to this project. To date, LPMA has put forward \$150,000 for their share (50%) of the Environmental Assessment (EA) and Recreational Boating Feasibility and Capacity Study. Those costs were incurred by LPMA and the City as a requirement to replace the existing wave break structure and should not be reimbursed as LPMA benefits from the new floating wave break.

As discussed previously with Council, staff recommend that the funds in the city-held marina reserve fund be returned to Charter and undepreciated Senior members on a

pro-rata basis. The balance of the reserve fund at December 31, 2018 is \$446,456. Staff will work closely with LPMA in distributing funds to members.

As part of negotiating the licence agreement, LPMA will continue to review opportunities to increase revenues and manage costs. Option that will be explored for feasibility are pay for parking, public boat launch fee and fee structure.

Financial Impact

In summary, over a 25-year period the City's overall known cost of the new wave break would be \$4 million in upfront capital, plus an annual operating cost of \$20,000 for a total cost of \$4.5 million. It is estimated that LPMA over that same period can pay the City up to \$2.7 million through a licence fee, resulting in a net city cost of \$1.8 million.

For committee's information, the \$2.7 million being paid over 25 years would be equivalent to a loan of \$2.1 million at 2.25%. In effect, the City is realizing a capital contribution from LPMA of \$2.1 million, plus an implied interest recovery of \$0.6 million.

For committee's information the City's funding, excluding the tender award has been as follows:

- \$150,000 Environmental Assessment and Recreational Boating Feasibility and Capacity Study (50% cost share with LPMA)
- \$72,600 Grant Thornton Wave Break Viability
- \$21,500 Grant Thornton Financial Assessment Floating wave break
- \$25,000 TOURISTICS Report Potential Operating Models (Estimate)

Public Engagement Matters:

Staff have been meeting with volunteer representatives from LPMA to negotiate a new licence agreement for the operation of the Marina. The representatives have been notified of this report.

Staff anticipate that sections of the wave break will take up space in the parking lot on the pier at the Marina over the course of the winter as it is built and installed. Staff will provide updates to the public and stakeholders during this process.

Conclusion:

Having reviewed the governance and operating model report from TOURISTICS, staff recommend that the City enter into a new long-term licence agreement with LPMA for the operation of the Marina at LaSalle Park. LPMA is a long-standing community-based organization that has successfully operated the Marina since 1981 and will benefit from the new floating wave break that will stay in place year-round.

Respectfully submitted,

Tim Commisso

City Manager

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Appendices:

- A. TOURISTICS Report
(Appendix A can be accessed at www.burlington.ca/calendar)
- B. Confidential Memo (under separate cover)
- C. Tasks and Timeline

Notifications:

Lorn Newton, President of LPMA

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.