

BUDGET COMMITTEE MEETING OF NOVEMBER 12, 2012

RE: MEM 2

Town of Oakville Memorandum

To: Mayor Burton and Members of Council

From: Chris Mark, Director, Parks & Open Space Department

Date: November 16, 2012

Subject: Harbours Mooring Slip Rates

At the Budget Committee meeting of November 12, 2012, staff was directed to re-examine the proposed harbours mooring slip rate increases and report back to Budget Committee at an upcoming meeting.

The Harbours Business Plan identified the operating costs and infrastructure renewal requirements of the Harbours section. Option B – Table 14 – Phased Full Market and PSAB Compliance was approved as the financial model for the operations of the Harbour Section for the period 2012 to 2021. One of the principles of the business plan was achieving market rate for mooring slips by 2016.

During the November 12, 2012, Budget Committee meeting, a question was raised as to the revenues generated vs capital expenditures and whether HST was included in the market comparators rates for two of the four marinas listed.

Revenues and Capital Expenditures

The harbour mooring fee revenue contributes to various reserves that finances capital replacement such as harbours infrastructure and equipment. The capital replacement requirements identified in the harbours business plan total \$3.4 million over the 10 year period. As there was not sufficient funding in the reserve to accommodate this level of expenditures, a modified PSAB approach was recommended and subsequently approved by Council. Under this approach only \$1.45 million of the \$3.4 million in capital replacements can be funded over the 10 years. In addition, there will not be sufficient funds available for the dredge required in 2015. The reserve fund cannot be in a negative position. Therefore, debt will need to be issued to fund the shortfall and ensure an adequate level of funding in the reserve to offset unexpected expenses or revenue shortfalls in the harbours operating budget. This will put further pressure on harbours operations.

Council has heard from stakeholders and some tenants that services must be enhanced to warrant the 6.5% increase in mooring fees and justify the move to market rate by 2016. The reality of the situation is even with the 6.5% increase in 2013 and movement

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to full market rates by 2016, there will still not be enough funds in the reserve to undertake all the necessary capital replacement within the harbours or to repay previous debt charges for past equipment and dredges.

As docks and infrastructure is replaced, there will be an increase in quality to ensure the harbour assets are modernized and meet current standards. However, enhanced services, if desired by harbours clientele, beyond what is currently provided, may only be attainable through other harbour revenue streams.

Mooring Rates

As indicated at the Budget Committee meeting of November 12, 2012, staff reviewed the rates of all four marina comparators, being: Bronte Outer Harbour Marina, Lakefront Promenade, Port Credit Marina and LaSalle Park Marina. As part of this review it has been determined that only Lakefront Promenade rates included HST on the comparison rate chart provided to Council back in February 2012. It should be noted, however, that hydro was also not included in the per foot slip rate for the Bronte Outer Harbour.

In order to ensure that the harbours mooring slip rates remain competitive, staff undertook a review of current (2012) rates for the market comparators. The current average vessel size that is moored with the Town of Oakville harbours (Oakville Harbour and Bronte Harbour) is 27.5 feet. This average size was used to calculate the 2012 average slip fee of comparators. In reassessing the market comparator rates this reduces the market rate to \$78.11 in 2016 instead of \$80.30 as was previously reported. Based on the most recent comparison based on a 27.5 ft vessel,

2012 Average slip fee among comparators - \$69.40 per foot

2012 Oakville and Bronte harbour rate - \$62.70 per foot.

As illustrated, Town mooring slip fees remain considerably below the average fee based on our market comparators. As a result, staff believes the 6.5% increase in 2013 to \$66.80 is necessary to stay competitive and achieve market rate by 2016.

It is worth noting the Town of Oakville offers a diverse range of mooring slip types, including finger docks (both serviced and non-serviced) as well as mediterranean or what we refer to as wet moorings where the vessel is tied to the seawall with no dock. The comparator rates are specifically focused on full-service (with hydro) finger docks which amount to 39% of Town of Oakville mooring slip permit holders. The remaining 61% of mooring slip permit holders have either a non-serviced finger dock mooring or a wet mooring. These different mooring slips are offered at a lower cost than full-service finger docks. For example, the proposed 2013 rate for a wet mooring for a 27.5 ft. vessel would be \$49.70 per foot as opposed to a full-service finger dock at a rate of \$66.80 per foot. The market comparators do not offer these different mooring options.

In addition, the Town of Oakville harbours, being situated within creeks, must not only install and remove all docks and mooring devices every year, we must also dredge the

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creeks for siltation accumulation. Dredging occurs every 10 years in Oakville Harbour and every 7 years in Bronte Harbour. The estimated cost for the next dredge (2015 in Bronte Harbour) is \$2,000,000. Costs for dredging are borne through the harbour fees. The other market comparators do not have to dredge to accommodate vessels and conduct minimal annual maintenance at the end of the season.

Conclusion

A reduction in the proposed fee increase would further reduce the ability of the Harbours section to properly maintain and replace existing infrastructure. The proposed rates and fees for the harbours section includes a 6.5% increase on mooring slip fees for 2013. The operating and capital budgets have also been based on this increase and reductions to revenue will impact the service level staff are able to provide on a day-to-day basis and the ongoing capital work scheduled.

Given the ongoing licence agreement discussions with the clubs which have yet to be completed, staff recommends that the 6.5% increase in mooring slip rates for 2013 be maintained. Staff will be reporting back to Council in the 2nd quarter of 2013 when it is estimated that negotiations will be concluded with 2 out of the 3 boat clubs. At that time staff will be in a position to provide Council with a detailed analysis of any impacts to the harbours operations and reserves as previously requested by Council. Staff is also committed to annually review market comparators and present those results to Council with the corporate rates and fees report.

Submitted by:

Chris Mark
Director