

STAFF REPORT

THE CORPORATION OF THE TOWN OF COBOURG



Report to:	Mayor and Council Members	Priority:	<input checked="" type="checkbox"/> High <input type="checkbox"/> Low
Submitted by:	Ian D. Davey, BBA CPA CA Treasurer / Director of Corporate Services	Meeting Type:	Open Session <input checked="" type="checkbox"/> Closed Session <input type="checkbox"/>
Meeting Date:	September 11, 2023		
Report No.:	Corporate Services-203-23		
Submit comments to Council			

Subject/Title: Northam Industrial Park – First Half 2023 Financial Report

RECOMMENDATION:

THAT Council receive the First Half 2023 Northam Industrial Park Financial Report for information purposes.

1. STRATEGIC PLAN

N/A

2. PUBLIC ENGAGEMENT

N/A

3. PURPOSE

The purpose of this report is to provide Council and the Public with the financial results for Northam Industrial Park to the end of the first half of the 2023 fiscal year.

4. ORIGIN AND LEGISLATION

This report covers the period from January 1, 2023 through to June 30, 2023 and is intended for information purposes. The report also includes a summary of results for the first 20 years of ownership of Northam Industrial Park by the Town of Cobourg.

5. BACKGROUND

The Town of Cobourg purchased Northam Industrial Park from the Ontario Realty Corporation on March 4, 2003 therefore March 4, 2023 marked the 20th anniversary of the original purchase.

It is important to recognize Mayor Peter Delanty and his Council as well as Steve Robinson, CAO and Treasurer of the Town of Cobourg for their leadership and vision in making the decision to acquire this property on behalf of the citizens of Cobourg.

The original purchase was financed 100% by way of a loan from the Royal Bank of Canada and this loan was repaid in full as of March 4, 2018 after 15 years of ownership. This is mentioned in each financial update to Council as a reminder that no tax dollars went into the original purchase and that the original loan was repaid entirely from rental revenues generated by the park.

In addition, we should acknowledge Delcom Management Services, our park managers, who have partnered with the Town of Cobourg in this venture from the start. Specifically, the principals of DMS, being Paul Smith and Rob Watt and most importantly Sandra Arthur the Park Manager and her Associate Judy Dolley who have both been with us from the start.

6. ANALYSIS

The attached financial report is unaudited and has been prepared internally from information provided by the park management group. There are four pages to this summary as follows:

Balance Sheet

The asset section is split between current assets of \$7,650,240 and fixed or capital assets of \$17,212,060. The bank balance includes an operating balance of \$3,788,482 and a capital reserve fund of \$3,640,844.

The liabilities as of June 30, 2023 were \$921,165 compared to \$315,726. The increase was largely due to roof replacement work that was completed but unpaid as of that date.

The book value of the equity in the park is \$23,941,135 as of June 30, 2023. This value is based on historical accounting results since the date of purchase and should not be taken as a indication of the current fair market value for this property.

Income Statement

The income statement is presented in five columns including actual results for the last three years and the 2023 results for the first 6 months of 2023 along with the budget for the full 2023 fiscal year.

Operating revenues for the first half of 2023 are marginally ahead of the expected budget. Vacancies within the park remain at low levels with no changes anticipated throughout the remainder of 2023.

Operating and administrative expenses are tracking within budget for the first six months of 2023 as well.

Cashflow Report

The cashflow report provides a snapshot of the sources and uses of cash resulting in the bank balance of \$7,429,326 as of June 30, 2023.

Twenty Year Earnings Summary

The fourth page provides a summary of the financial results for the first 20 years of ownership of the park by the Town of Cobourg.

A total cash profit of \$46,976,837 has been reported with \$14,000,000 being used to repay the original loan, \$16,566,601 being invested back into the infrastructure of the park assets and \$10,279,369 being returned to the Town of Cobourg to be used towards funding of numerous capital works as documented in the annual operating and capital budgets of the Town.

The net cash position as of December 31, 2022 was \$6,800,840.

A more detailed spreadsheet outlining the year- by-year results has been provided to all Members of Council.

7. CONCLUSION

This financial report has been provided to Council and the Public for information purposes.

The results indicate that Northam Industrial Park continues to meet the original expectations of the Town which were to provide a non-taxation source of revenue and to assist with Economic Development objectives of Cobourg and the County of Northumberland.

As this marks my final report to Council on Northam Industrial Park, I would like to thank this and all previous Councils for the opportunity afforded to me to participate in the management of this venture.

If there are any specific questions on any of this information, I would be pleased to answer them.

NORTHAM INDUSTRIAL PARK

BALANCE SHEET - AS AT JUNE 30, 2023

(UNAUDITED)

	Jun 30 2023	Dec 31 2022	Dec 31 2021	Dec 31 2020
ASSETS				
Current				
Bank	7,429,326	7,053,384	5,832,513	4,969,525
Accounts receivable	66,875	6,929	333,841	571,211
Prepaid Expenses	154,039	56,255	56,131	16,958
	7,650,240	7,116,568	6,222,485	5,557,694
Fixed				
Land	3,683,512	3,683,512	3,683,512	3,683,512
Buildings	10,205,027	10,205,027	10,205,027	10,205,027
Building improvements	16,529,011	15,577,771	15,496,643	14,944,931
Roadways, rail and parking lots	436,264	430,319	366,752	366,752
	30,853,814	29,896,629	29,751,934	29,200,222
Accumulated amortization	-13,641,754	-13,291,754	-12,588,582	-11,866,727
	17,212,060	16,604,875	17,163,352	17,333,495
TOTAL ASSETS	24,862,300	23,721,443	23,385,837	22,891,189
LIABILITIES				
Current				
Accounts payable	741,297	228,309	522,420	875,725
Tenant deposits and prepaid rent	179,868	87,417	119,799	112,762
Due to Town of Cobourg	0	0	0	0
TOTAL LIABILITIES	921,165	315,726	642,219	988,487
EQUITY				
Capital reserve	3,557,534	3,557,534	2,500,000	2,000,000
Retained earnings	19,848,183	17,736,555	19,402,703	18,807,005
Current year earnings	1,242,773	2,111,628	2,111,215	2,161,352
Transfer to Town of Cobourg	-707,355	0	-1,270,300	-1,065,655
Total Equity	23,941,135	23,405,717	22,743,618	21,902,702
TOTAL LIABILITIES AND EQUITY	24,862,300	23,721,443	23,385,837	22,891,189

NORTHAM INDUSTRIAL PARK

INCOME STATEMENT

For the SIX months ended June 30, 2023

(UNAUDITED)

	2020 ACTUAL (12 MONTHS)	2021 ACTUAL (12 MONTHS)	2022 ACTUAL (12 MONTHS)	2023 ACTUAL (6 MONTHS)	2023 BUDGET (12 MONTHS)
REVENUE					
Base Rent	3,639,001	3,573,275	3,674,758	1,893,191	3,798,250
Realty Tax Recoveries	982,334	960,791	992,772	522,462	1,044,924
Vacancies	-153,498	-73,454	-55,066	-24,681	-48,222
Interest and other income	7,035	3,468	28,815	119,401	50,434
Concessions	0	-111,612	-149,987	-75,292	-150,583
	4,474,872	4,352,468	4,491,292	2,435,081	4,694,803
OPERATING EXPENSES					
Insurance	61,414	129,403	162,000	83,720	168,480
Realty Taxes	935,099	860,413	878,901	461,423	922,846
Repairs & Maintenance	240,956	204,010	227,397	140,742	331,100
Utilities	72,176	68,515	84,409	48,636	68,668
Mortgage interest	0	0	0	0	0
	1,309,645	1,262,341	1,352,707	734,521	1,491,094
ADMINISTRATIVE EXPENSES					
Bad Debts	0	0	0	0	5,000
Leasing Commissions	98,634	41,033	80,207	2,581	1,281
Management Fees	143,881	156,517	161,301	82,025	157,444
Office & General Admin	24,937	16,592	14,776	10,781	29,500
Consulting & Prof fees	13,995	42,915	67,500	12,400	65,000
	281,447	257,057	323,784	107,787	258,225
NET OPERATING INCOME	2,883,780	2,833,070	2,814,801	1,592,773	2,945,484
AMORTIZATION	722,428	721,855	703,173	350,000	700,000
NET INCOME	2,161,352	2,111,215	2,111,628	1,242,773	2,245,484

NORTHAM INDUSTRIAL PARK

CASHFLOW REPORT - AS AT June 30, 2023

(UNAUDITED)

	Jun 30 2023 ACTUAL	Dec 31 2022 ACTUAL	Dec 31 2021 ACTUAL	Dec 31 2020 ACTUAL
<u>Sources of cashflow:</u>				
Net income per budget report	1,242,773	2,111,628	2,111,215	2,161,352
Add non-cash item - amortization	350,000	703,173	721,855	722,428
Cash from operations	1,592,773	2,814,801	2,833,070	2,883,780
Reduction in accounts receivable	0	326,912	237,370	0
Reduction in prepaid expenses	0	0	0	0
Increase in accounts payable	512,988	0	0	635,160
Increase in tenant deposits and prepaid rent	92,451	0	7,038	0
Cash available	2,198,212	3,141,713	3,077,478	3,518,940
<u>Uses of cash</u>				
Increase in accounts receivable	-59,946	0	0	-380,751
Increase in prepaid expenses	-97,784	-124	-39,173	-3,185
Invested in fixed assets	-957,185	-144,695	-551,712	-770,959
Decrease in accounts payable	0	-294,111	-353,305	0
Decrease in tenant deposits	0	-32,382	0	-78,542
Transfer to Town of Cobourg	-707,355	-1,449,530	-1,270,300	-1,952,755
Cash used during period	-1,822,270	-1,920,842	-2,214,490	-3,186,192
Net change in cash balance during period	375,942	1,220,871	862,988	332,748
Cash balance at start of year	7,053,384	5,832,513	4,969,525	4,636,777
Cash balance at end of period	7,429,326	7,053,384	5,832,513	4,969,525

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NORTHAM INDUSTRIAL PARK

TWENTY YEAR EARNINGS SUMMARY

MARCH 4, 2003 to DECEMBER 31, 2022

SUMMARY OF RESULTS:

Profit before depreciation for first 20 years	46,976,837
Repayment of Mortgage Principal	-14,000,000
Capital outlays - reinvestment in the park	-16,566,601
Cash withdrawals by the Town of Cobourg	-10,279,369
SURPLUS CASH generated over 20 years	----- 6,130,867
OPENING CASH SURPLUS - Mar 4/03	----- 669,973
NET CASH POSITION , Dec 31, 2022	----- 6,800,840 =====

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