

A Solution for Ending the Debate

The Harbour

Submission By

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To

Town of Cobourg
Committee of the Whole
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The Author

My wife and I moved to Cobourg in the summer of 2009 and we are pleased and honoured to call Cobourg home.

I retired in 2008 following a distinguished 43 year career with Bank of Montreal.

My early years with BMO involved numerous branch positions and postings. I subsequently transferred into very diverse disciplines including divisional and credit administration, loan portfolio analysis, legislation and government, risk management policy and the Canadian payments system. From 1994 until my retirement, I was Senior Manager and Policy Advisor responsible for providing counsel to senior executives and through the Canadian Bankers Association and the Canadian Payments Association, negotiating strategic policy initiatives with financial institutions and government.

Following my retirement, I acted as a consultant and expert witness to one of Canada's leading business law firms, conducted detailed research and analysis and provided expert opinion, advice and recommendations on wire transfers and anti-money laundering practices and legislation involving a major international case.

After moving to Cobourg, I served for four year as a Director and Treasurer for a small Condominium Corporation in town.

From March 2009 until November 2012, I served as a Director and Treasurer for a large Homeowners Association in Florida and on the Board of Managers for its real estate brokerage subsidiary.

In the 1990s, I served in a voluntary capacity as the Ontario spokesperson for the Canadian Taxpayers Federation (CTF), Canada's largest non-partisan taxpayer advocacy group and until recently was a member of the CTF's board of directors.

In 1989 I was President of the Toronto-Peterborough-Havelock Passenger Association, we responded responsibly to the federal government's cancellation of VIA Rail service. We commissioned a feasibility study on establishing a private sector commuter rail network. The project was derailed when the Ontario government announced, the day before the positive results of our study were released, that it was extending GO service to four of the five proposed lines.

I received CTF's *Taxfighter of the Year Award* and am the proud recipient of the Queen's Jubilee Medal.

I ran unsuccessfully as a candidate for Cobourg's Deputy Mayor in the 2014 municipal election and am committed to do what I can as a citizen in rebuilding Cobourg's economic prosperity so it can be restored to the great community that it can be.

My wife Marilyn and I have been married for thirty-eight years and have two children. Daughter Stephanie lives in London and son Matthew in Calgary.

Introduction

Tonight Council will be discussing two items that relate to the policy issue of expanding the Marina into the West Harbour.

One is the Strategic Plan and the other is the motion that Councillor Rickerby has filed to be voted on.

The subject of the Marina expansion continues to be a controversial one.

Since November 2013, when staff first brought forward the proposal, there has been endless consultation, debate, user group meetings, delegations to Council, calls for a referendum, petitions and promised public meetings that have now been cancelled..

The filed motion to cease any plans of expanding the number of slips into the West Harbour until the end of 2016 simply means that Phases 2 and 3 are on hold until the Waterfront Advisory Committee has concluded its mandate of waterfront development, which includes not only the Marina Expansion project but other major issues involving the Trailer Park, the East Pier and the West Headland.

The various user groups have articulated their positions in detail, the general public has expressed its opposition and each of you have clearly stated what your position was during last year's election campaign.

It's fair to say that user groups and citizens who have spent the time, effort and energy in developing and conveying the reasons underlying their opposition feel their time has been wasted in light of the proposed temporary moratorium.

Strategic Plan

Action item 4.2 of the Strategic Plan that is before you this evening reads: "Complete and implement the Cobourg marina expansion plan".

However, Section 10 "Waterfront" of the accompanying report by Deputy Mayor Henderson on citizen feedback states Action Item 4.2 as being "Complete and implement the Waterfront Master Plan".

Which of the two is the correct version?

Reasons for Expansion

Three reasons were given by Marina Manager Paul Gauthier as to why Marina expansion is necessary:

- Address the shortage of recreational boating facilities in Cobourg.
- Provide a revenue stream required to support the anticipated \$1 million replacement cost of C, D & E docks within the next 15 years.

- Provide a critical customer base required to support a \$630,000 investment in boat handling equipment.

Observations and Recommendations

1. Shortage of Facilities

One can always argue there is a shortage of a commodity or service. We find that shortages of goods or services abound everywhere. That doesn't mean a supplier must always continue to increase supply. In some cases, it just isn't possible when dealing with a finite or limited resource. For example, most golf clubs have waiting lists.

Supply and demand are the most fundamental concepts of economics and it is the backbone of a market economy. Excess demand is created when the price is set below the equilibrium price. Because the price is so low, too many consumers want the good while producers are not making enough of it.

2. Transient vs. Seasonal Slips

Phase 1 saw the addition of 34 new slips bringing the total to 218. And with the recent re-alignment of transient vs. seasonal slips, the number of transient slips is now 73, resulting in a ratio of 33% transient and 67% seasonal.

The current waiting listing of 207 could be reduced by 63, if the number of transient slips was reduced to, say, 10 or just under 5% of the total available slips. Increasing the number of seasonal slips would provide greater certainty of revenue and it would improve the overall occupancy ratio. Reducing the number of transient slips should also decrease employee costs, as the rental of seasonal slips would be less labour intensive.

Increasing the ratio of seasonal slips would also produce a positive side benefit of increasing CYC's membership.

As American Express says – membership has its privileges.

Cobourg residents should have first choice on seasonal slips and a higher price fee structure should apply for non-residents.

On the matter of rental fees, a seasonal rental for a 35' boat on a serviced new dock would cost \$2,170. This compares to a seasonal waterfront lot in the Trailer Park renting at \$3,050.

3. Improving Revenues and Reducing Expenses

An examination of the Marina's actual revenue and expenses over the past six years indicates that expansion into the West Harbour is not necessary in order to ensure the Marina is self-sustaining.

Since 2009, seasonal and transient fees have grown by \$108,562 or 38%. Employee costs on the other hand have increased by \$90,338 or 52.4%. As a ratio of total seasonal and

transient fees, they have increased from 61% to 67%. Reducing these costs to 61% would yield an additional \$23,000 in annual reserve contributions.

According to the Financial Information Return, in the three years ending December 31, 2013, the number of Parks and Recreation seasonal employees has grown by 22 or 110% to 42 people. While the Return does not specify how many of these employees are assigned to the Marina, the reason for the increase as it may relate to Marina operations is an area worth exploring for further cost reductions.

Margins on consumable sales such as gasoline are also inconsistent. The markup on gas ranges from a low of 5.3% in 2011 to a high of 35.1% in 2013. A consistent markup of 20% in 2014 would have yielded \$15,126 more in profit and a transfer to reserves and at 25% an additional \$23,314.

The same holds true with beverage sales, where net income was only \$20 or a 1.3% markup in 2014 compared to \$990 or a 45.8% markup in 2011.

In contrast, the Trailer Park appears to have a profit markup of 120% on ice and firewood sales.

Bank service fees, largely credit card merchant fees, should also be negotiated down through competitive tendering with card processors.

4. Reserve Funds

The average contribution to reserves over the past six years has been almost \$74,000.

With strong financial management, there is no reason why the annual reserve contribution could not increase to \$120,000 or more, which would cover the \$1MM deck replacement cost in just over eight years.

5. Boat Handling Equipment

While the Marina's financial statements show revenues and expenses for lift-in and lift-out services, members of the CYC currently handle the process on behalf of the Marina and retain the lifting fees collected from the boaters. This represents approximately 15% of the CYC's operating revenue.

The benefit of a self-propelled travel lift and hydraulic trailer in place of a stationery crane and a hydraulic trailer combination is cited as being boat lift-out can be scheduled more effectively without needing to close off the East Pier twice yearly.

However, the \$630,000 purchase cost plus maintenance and repairs and staffing costs associated with the twice annual process is not cost justified. The need to expand the Marina into the West Harbour by 116 slips to secure the critical mass to support the investment is unfair and totally unacceptable to the existing users of the West Harbour and in itself is not reasonable justification.

Either the existing process of using a rented stationery crane and a hydraulic trailer combination should be maintained or the option of renting a self-propelled travel lift and hydraulic trailer should be explored. In both instances, the necessary personnel to assist in the process should be provided by the rental company or by Marina staff who should be fully trained and insured to perform such work.

6. Recommended Amendments to Councillor Rickerby's Motion

I would like to applaud Councillor Rickerby's initiative in bringing forward a motion to be discussed and voted on this evening.

However, rightly or wrongly, it's not hard to understand why an 18 month moratorium could be interpreted by the public as an attempt to simply postpone a predetermined outcome.

More information gathering and deliberation by the Waterfront Advisory Committee will not produce anything more than a repetition of what has already been said on the issue of expansion.

We have reached the point where Council has squandered far too much political capital on an issue that is highly unpopular with the vast majority of your constituents.

Political capital is finite and should not be spent poorly on things citizens don't want.

It's time to bring closure to the Marina proposal once and for all.

As the Marina's objective of being self-sustaining on both an operating and capital replacement basis can be achieved through a framework of strong financial management within its existing footprint, I would recommend that consideration be given to amending Councillor Rickerby's motion as follows.

WHEREAS the Cobourg Marina Expansion Operations and Facilities Study (Shoreplan Engineering Ltd. December 2014) and any amendments be received for information purposes; and

WHEREAS the Marina Manager be directed to implement a strong framework of fiscal management that will ensure the Marina's ability to be self-sustaining for both operating and capital replacement needs within its existing footprint.

WHEREAS the current Marina Expansion Steering Committee (Working Group) be dissolved.

WHEREAS any further plans or consideration regarding expansion of slips at the Cobourg Marina into the West Harbour cease effective immediately.

FURTHER THAT the mandate of the newly formed Waterfront Advisory Committee be amended to exclude Marina expansion into the West Harbour and that it develop a designation of the West Harbour that will ensure any and all future usage be restricted to passive purposes such as, but not limited to, dragon boating, canoeing, kayaking, and junior sailing.