



TO:	GENERAL COMMITTEE
SUBJECT:	INVESTIGATION RELATED TO THE POTENTIAL PRIVATIZATION OF THE CITY OF BARRIE MARINA
WARD:	ALL WARDS
PREPARED BY AND KEY CONTACT:	G. DIAMANTOPOULOS, MANAGER OF CORPORATE FACILITY SERVICES EXT. # 4509
SUBMITTED BY:	R. PEWS, DIRECTOR OF CORPORATE FACILITIES, EXT. 4710
GENERAL MANAGER APPROVAL:	D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES
CHIEF ADMINISTRATIVE OFFICER APPROVAL:	M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. That Staff Report FCT001-19 concerning the investigation related to the potential privatization of the City of Barrie Marina be received for information purposes.

PURPOSE & BACKGROUND

Report Overview

2. The purpose of this staff report is to report back on the findings in response to motion 16-G-104 regarding Privatizing the City of Barrie Marina, adopted by City Council on May 09, 2016 as follows:

“That staff in the Corporate Facilities Department investigate and update the feasibility of privatizing the City of Barrie Marina and/or Marina operations through lease or sale and report back to General Committee.”

Background

3. Since 1971, the full responsibility for the maintenance and operation of the Marina was assumed by the City of Barrie as per Council direction. Prior to 1971, the Marina was leased to a series of private marina operators who were responsible for the operating and maintenance costs, with the City responsible for all capital investment and renewal.
4. The primary focus has been providing seasonal marina services to City of Barrie residents for small to mid-sized boats, and transient boat slips for visitors.
5. The Marina provides limited amenities and tailored service allowing rates to be kept lower than other local marinas. On average the City marina fees are 20 to 40% lower than other local marinas. The Marina offers the basic services essential to the boating community including a gas dock, waste pump-out, boat launch, potable water supply, shore power and minimal restroom/shower facilities. Marina staff also provide assistance launching and docking to maximize ramp throughput by minimizing the amount of time each boater needs for this purpose.

6. With the exception of the Marina Supervisor, Marina staff are seasonal City employees who provide a downtown face to the City of Barrie, by providing assistance and information to residents and tourists on the waterfront through the Ask Me! Program. These staff also clean the majority of the City's waterfront facilities, support the Tiffin boat launch and waterfront operators, help support waterfront events on behalf of the City and participate in the City Centre Waterfront Operating Committee.
7. In 2012, a study of the Marina's operation by N. Barry Lyon Consulting included a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) outlining the various characteristics which shape the Marina as well as setting the stage for the future direction for the City's marina operations. This study summarized that the City of Barrie Marina is a well maintained facility that enjoys strong demand, a high approval rating from its patrons, and an annual operating revenue surplus supporting necessary capital renewal.

The highlights of the SWOT as identified in the study are:

Strengths

- No Tax based contributions – The Marina is fully self-funded providing operations and capital renewal at no cost to the tax fund.
- Low cost – the Marina is highly appealing to mid-market boaters offering only essential boater services.
- Annual surplus – The Marina operates consistently with no seasonal vacancy and generates positive annual earnings maintaining the marina reserve to fund Marina capital projects and renewals.
- Proximity to downtown services – The Marina is located within walking distance to downtown allowing relatively convenient access to a variety of service and shopping opportunities, injecting tourist dollars into the local community.
- Good dock infrastructure – Ongoing marina facility improvements have improved the Marina's appeal to boaters and presents a positive image along the waterfront.

Weaknesses

- Limited Trent-Severn traffic – The Marina's distance (42 km) away from the entrance to the Trent-Severn Waterway limits the Marina's exposure to transient traffic.
- Limited boater amenities – Unlike other marinas on Lake Simcoe the Marina does not offer lockers, laundry, Wi-Fi, cable, winter storage or club house facilities to its clients.
- Lack of parking – Heavy use of the waterfront on weekends limits boater accessibility to parking in peak periods. Road realignment will further reduced parking going forward.
- Lack of winter boat storage – the marina has a very limited amount of land to use for winter boat storage, restricting revenue generating opportunities during the off-season
- Limited capacity to accommodate large boats – The boat lengths are trending upwards throughout the market. The maximum boat length in the marina is 35 feet.
- Marina administration building – The current marina administration building is a tight space housing an office, restroom and utilities. The building presents an unfavourable image towards visitors in particular and is not reflective of Barrie's high quality downtown image.

Opportunities

- City of Barrie Marina seasonal slip rates are typically 20% to 40% less expensive than the rates at other nearby Lake Simcoe marinas. There is also a waiting list for seasonal slips. This offers the potential to consider rate increases to support upgrades to the marina and immediate vicinity.
- Launch and pump-out fees – Currently only non-Barrie residents are charged to use the City's boat launch and for other services such as pump-outs and mast stepping (raising and lowering of sailboat masts to accommodate out-of-water moving and storage). Charging all users would add a potentially new revenue stream for the marina.
- Service expansion – some expansion to marina service offerings would further increase the appeal of the Marina. Relatively inexpensive offerings could include offering laundry facilities, Wi-Fi and winter storage.
- Commercial opportunities – A broad range of commercial opportunities including sailing and fishing charters could be supported out of the Marina.

Threats

- Access to capital – Expanding the Marina's physical infrastructure and service offerings beyond those currently offered requires access to capital in order to finance improvements.
 - Resistance from current seasonal slip users – There is a general resistance from the Marina's current seasonal lessees, 98% of which are City of Barrie residents, to pay more than a marginal rate increase for an enhanced level of service.
8. In June of 2013 City Staff requested expressions of interest from any private parties to lease the marina. No proposals from interested parties were submitted.
 9. The Barrie Waterfront & Marina Strategic Plan 2013 developed by Baird & Associates was approved by Council through motion 13-G-160. It identified the Barrie Waterfront as the City's greatest asset and attraction. Public ownership of the waterfront was recommended in this plan to ensure public access to, and vitality along the shores of Kempenfelt Bay.

"The City shall protect and enhance public ownership of the water's edge, with a focus on achieving a highly connected public water's edge trail and park network".
 10. Through the Barrie Waterfront & Marina Strategic Plan, Baird & Associates were asked to specifically comment about the advisability of selling or leasing the Marina to the private sector. The following is an excerpt from the Baird & Associates Plan:

"In our view, there would be no significant advantages to the City. Given the marina's central placement in the waterfront and the opportunities that surround it for future public benefits, the disadvantages associated with losing control outweigh any benefits."
 11. The Waterfront & Marina Strategic Plan also recommended maintaining public ownership and operation of the Marina. This recommendation was accepted by Council through motion 13-G-274.

ANALYSIS

12. In response to motion 16-G-104, N. Barry Lyon Consulting were asked to provide an update to their previous findings and comment on the marina's current position in the marketplace. Their findings and comments are below:

"In general, while a sale or lease of the marina offers the potential to discharge liabilities and provide a revenue source, these must be balanced against a range of largely non-financial impacts that are difficult to quantify, but potentially significant to the City of Barrie.

The value of the marina, in either a lease or sale proposition is a key issue. As discussed earlier, the marina posts a small operating surplus that could be quickly eroded in the hands of the private sector due to additional operating expenses. An appraisal of the marina that untangles the City from marina budgets may be a useful next step if Council wishes to explore this matter further. It may also be useful to conduct "market soundings" with potential operators to explore the depth of interest.

Otherwise, we see significant potential drawbacks from the privatization of the marina and relatively few benefits."

13. Following the release of the Lyon report, work was undertaken to quantify and separate indirect budget costs from the direct costs associated with the operation of the marina. As an example, while casual Marina staff perform summer maintenance and cleaning duties at various waterfront washroom facilities the budget for doing so is properly carried within the Parks operating budget, with work completed on a charge-back basis. The marina's operating and capital budgets are fully offset by marina revenue.
14. Staff have investigated the following three privatization scenarios in response to motion 16-G-104:

- **Option A - Leasing the Marina as a Public / Private Partnership**

In this scenario, the Marina operation would be leased to a private operator in return for a monthly rent. Leasing the marina to a private operator brings the potential benefit of transferring all responsibility for the operation, maintenance and potential renewal / revitalization of the marina to an independent party while maintaining public ownership of the waterfront.

A Request for Expression of Interest received no proposals from private operators to lease the marina.

Option A Analysis

Without market interest in leasing the marina operation from the City it is impossible to say for certain what the impact of this option would be. However, staff do not recommend this option. As with any successful business, the operator's business plan will require a profit to be earned against revenues generated from the operation.

Additionally, the private operator will encounter expenses such as rent, business taxes, security and insurance. Given the marina's low operating costs and basic level of service, user rate increases will be required to cover these expenses and generate this profit while providing the same level of service, and a rate increase without any perceived value is likely to result in negative feedback towards the City regardless of who actually runs the marina. The required increase could and likely would be masked through the provision of augmented services to make it more palatable to the boating community, however these services and more could be provided by the City directly for a lower increase in rates.

Furthermore, a private operator would be motivated to capture all revenue in the Marina itself and may not effectively provide the additional City Ambassador and support services that City staff currently provide. Even after rate increases, funding for capital improvements and renewals would be reduced by the need to generate profit. The waterfront would not see any significant improvement at the Marina.

Several Ontario municipalities including City of Mississauga, City of Toronto, Toronto Port Authority, Town of Whitby, City of Oakville, and City of Kingston have chosen not to lease their marinas to private parties over the past several years. Losing control of the waterfront and limiting reinvestment due to profit taking were among reasons cited for these decisions when the municipalities were queried. Staff have been advised that the Township of Scugog leases land to the operator of Port Perry Marina and has done so for many years, although recent discussions about the redevelopment of the waterfront surrounding the marina have limited marina lease renewals to short-term engagements only.

- **Option B - Selling the Marina – Private Operation**

In this scenario, the Marina business would be sold. This scenario offers investors significantly more control over the marina business and could potentially drive the redevelopment of the marina basin and amenities in exchange for market and likely above market rental rates required to recoup the purchase costs.

A Request for Expression of Interest received no interest from private operators to purchase the marina.

Option B Analysis

Without market interest in purchasing the marina from the City it is impossible to say for certain what the impact of this option would be, however the lack of interest may suggest a reluctance to compete with existing local marinas, and a potentially enlarged upscale marina at Friday Harbour. It is expected that the sale of the marina would require certain concessions to be made by the City. These may include:

- Repeal of the policy established under motion 02-G-450 that prioritizes City of Barrie residents / taxpayers for the City of Barrie Marina's boat slip waiting list. Under the current policy, new non-City residents may only be offered seasonal marina slips after the City resident waiting list has been exhausted. It is believed that the repeal of this motion would be an important consideration in the viability of a private operation as this would allow existing slips to be offered to those best able to pay to support and augment the business, regardless of resident status.
- Restricted access to the marina area including the board walk to allow an enclosed marina area. Although not supported by staff, it is expected that the need to allow public access through the leased space could drive other concessions from the City, such as discounts for public space upkeep.
- Loss of control of the waterfront providing a less inclusive waterfront for local citizens and visitors. As a private business interested in maximizing profits, a private operator with full ownership of the waterfront property may not operate in the best interests of the general public.

- **Option C - Outsource Marina Operations (Management Firm)**

In this scenario, a management company would oversee the operation of the marina for an annual fee drawn against marina revenues. This model has been used by several municipalities across Ontario and beyond, usually as a means to re-invigorate underutilized or floundering marina operations. The focus of professional marina operators is a combination of capital upgrades and marketing to improve utilization, and customer service to keep those customers once they arrive.

One private operator that specializes in the professional management of publically owned marinas has expressed interest in this option.

Option C Analysis

The City has received a proposal from a U.S.-based professional marina operator to manage aspects related to the Barrie Marina.

It is important to note that the proposal was primarily a marketing proposal. Under the proposal, the existing City staff would continue to operate and maintain the marina but would do so with oversight from the operator. Capital renewal and renovation work would also be undertaken by the City. All staffing costs and usual expenses would remain with the City, as would any risks associated with the operation of the marina.

The operator's proposal included elements they have introduced to other operations that roll up under the following three key areas:

- i. Community Connectivity / Boater Experience, focusing on building and supporting a more closely-knit boating community of seasonal and transient patrons within the downtown core. The proposal also suggests some boater amenity options that are commonly found in other marinas and could be introduced to the Barrie Marina.
- ii. Marketing Efforts focusing on connecting with, attracting and maintaining a strong customer base for the marina. Brand recognition and a more prominent social media and web presence are two key aspects of the proposal
- iii. Management and Financial focuses on staff training and general management oversight with a strong focus on the provision of budgeting, accounting and reporting tools specific to the marina

While some of the tools proposed could be quite useful for the ongoing operation of the marina, others like the proposed budgeting and finance systems are geared for small businesses and would be incompatible with the City's financial system.

The fee proposed for the cost of external management, oversight and marketing was \$86,000 per year for a five-year term, with an additional \$7,500 start-up fee in the first year of operation. As noted earlier, the proposal fees would be in addition to the costs associated with all of the existing City operations (staff and maintenance), as well as capital works.

Staff do not recommend this option as it provides no clear benefit to a marina operation that maintains a healthy waiting list for entry and is geared toward the basic service desired by the majority of the marina's seasonal patrons. The significant management cost would necessarily reduce annual marina reserve contributions that could instead be used to support capital upgrades and augment basic services supported by the marina's seasonal patrons.

15. For many years, the Barrie Marina has operated as a low-cost operation geared towards City residents. For City residents already used to shopping in the community, many of the amenities often found at more expensive or remote marinas become less important. It is recognized however that the current amenities, while functional for marina use, no longer 'fit' with the recently enhanced waterfront, boardwalk and transient docks. To enhance the marina area without impacting the tax base, staff have provided an alternative for consideration:

Potential Alternative Operating Strategy for the City of Barrie Marina

16. Currently the City of Barrie Marina requires that boaters be taxpayers to the City by either owning or renting property (Motion 02-G-450). The City of Barrie Marina has the potential to become a Higher Service Marina, resulting in higher annual revenues from additional services that would enhance the marina waterfront facilities and grounds in a manner consistent with the recent Lakeshore Drive redevelopment, without impacting the tax base.
17. There is demand for slips in the Barrie marina from non-residents who own larger more expensive boats. These boaters are willing to pay higher rates based on the size of boat provided that marina amenities more closely match those of other marinas in the area. These enhanced amenities include Wi-Fi, winter haul-out and storage services, laundry facilities, upgraded dedicated washroom and shower facilities plus community space for barbecues and member get-togethers.
18. Should the policy approved under motion 02-G-450 be rescinded, increased revenues through slip and augmented service fees and could more easily support the capital investment required to reconstruct and enlarge a new Marina Amenity Centre aligning with the Marina Strategic Plan as outlined in Staff Report ENG021-13.
19. During this past boating season marina staff surveyed the marina patrons asking specific questions about the future of the City of Barrie Marina. The following was noted:

Subject	Results
Percentage of patrons who are residents of the City of Barrie	98.4%
Average boat length	25 feet
Use boat launch ramp twice per year or less	64%
Endorse a fee increase to have Wi-Fi, on-line slip renewals, new washrooms and showers and a common BBQ area	70%
Rate for professionalism of marina management and staff	88% good/excellent
Would like to see the provision of additional services such as winter storage and shrink-wrapping, hull bottom washing and winterization	82%
Support a user fee increase of up to 5% / 10% for added services and amenities	68.3% for an increase of between 1 and 5%) 16.93% for an increase between 6 and 10%
Additional fee of up to \$400 for a designated parking space	62%

20. Under this scenario the marina would operate in manner that allows a sustainable reserve while augmenting services and amenities to help enhance the image and reinforce the City of Barrie as Ontario's premiere waterfront community.

ENVIRONMENTAL MATTERS

21. The City of Barrie continues to operate as a Blue Flag marina, the Gold Standard in the marina industry. Regulations related to operational activities such as the dispensing of fuel, weed control and dredging will continue per the appropriate legislation regardless of operating model chosen.
22. The City of Barrie continues to participate in the Clean Marine Eco-Rating Program, an environmental program developed by Boating Ontario that allows marine businesses to follow best practices to reduce and prevent water, air and land pollution from recreational boating activities in Ontario. Marinas voluntarily join the program to participate in an independent third party, 220-point assessment. Scores from the assessment are converted into an Eco-Rating system from one to five Green Anchors, with Gold, Diamond and Platinum as the highest achievements. In 2018 the City of Barrie Marina was elevated to Platinum rating from five Green Anchors.

ALTERNATIVES

23. The following alternatives are available for consideration by General Committee:

Alternative #1

General Committee could choose to approve the Alternative Operating Strategy identified in this report.

This alternative would change the current marina operating principle from that of low cost, basic amenity operation serving a select group of local residents to one that would advance the development of the marina waterfront area through the injection of new funds for capital works, without impacting the tax base.

This alternative is not recommended at this time as staff are continuing to investigate these opportunities. Staff will report back to General Committee on any rate changes that could assist in the delivery of additional services or capital work through the business planning process.

Alternative #2

General Committee could choose to out-source the operation of the Barrie Marina, consistent with the approach suggested by the single proponent interested in this option.

This alternative is not recommended as it would provide no clear benefit to a marina operation that maintains a healthy waiting list for entry and is geared toward the basic service desired by the majority of the marina's seasonal patrons. The significant management cost would necessarily reduce annual marina reserve contributions that could instead be used to support capital upgrades and augment basic services supported by the marina's seasonal patrons.

FINANCIAL

24. There are no financial considerations associated with the recommended motion or Alternative #1 and **no** additional funding is being requested at this time. Barrie Marina operational and capital costs are fully funded through the marina reserve, with all reserve revenues generated through marina rates outlined in the City's Fees By-law. As such no impact to the tax base is applicable. Any rate changes contemplated to enhance service levels or subsequent capital upgrades will be reflected in future Fees By-law or City Capital Plan submissions, as appropriate, for General Committee's review and consideration.
25. Should General Committee elect to choose Alternative #2, the 2019 Marina Operating and Capital Plan submissions would need to be revised to reflect this new expense

LINKAGE TO 2014-2018 STRATEGIC PLANS

26. The recommendation(s) included in this Staff Report support the following goals identified in the 2014-2018 Strategic Plan:

- ☒ Responsible Spending
- ☒ Inclusive Community

The Barrie Marina currently operates on a full cost recovery basis with all expenses offset by marina user fees, and while there is no impact on the tax base all Barrie residents and their guests benefit from owning this prominent feature along Barrie's waterfront. Both the recommended motion and Alternative #1 support continued redevelopment and beautification of this waterfront resource at no net cost to the City. At the same time, maintaining marina ownership in public hands is consistent with the City's vision of being *Central Ontario's Premier Waterfront Community*.

APPENDIX "A"

Core Area of City of Barrie Marina



APPENDIX "B"

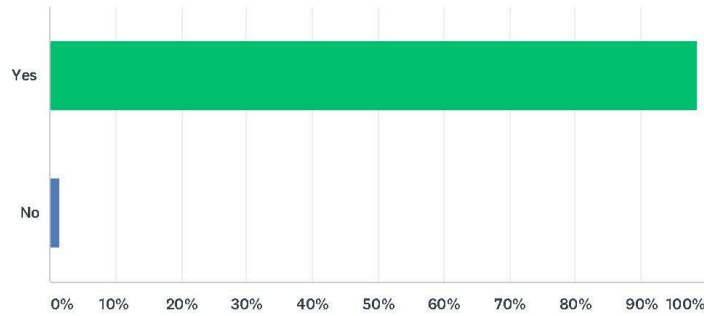
City of Barrie Marina Seasonal Boater Survey

City of Barrie Marina Seasonal Boater Survey

SurveyMonkey

Q1 Are you a City of Barrie resident?

Answered: 130 Skipped: 1



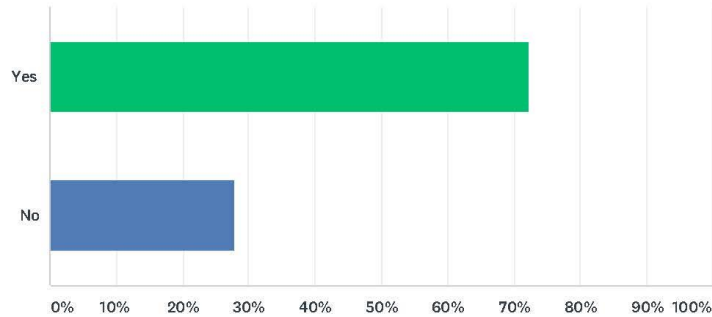
ANSWER CHOICES	RESPONSES	
Yes	98.46%	128
No	1.54%	2
Total Respondents: 130		

City of Barrie Marina Seasonal Boater Survey

SurveyMonkey

Q2 Do you believe the City of Barrie Marina should be reserved for the exclusive use of City of Barrie Residents?

Answered: 129 Skipped: 2



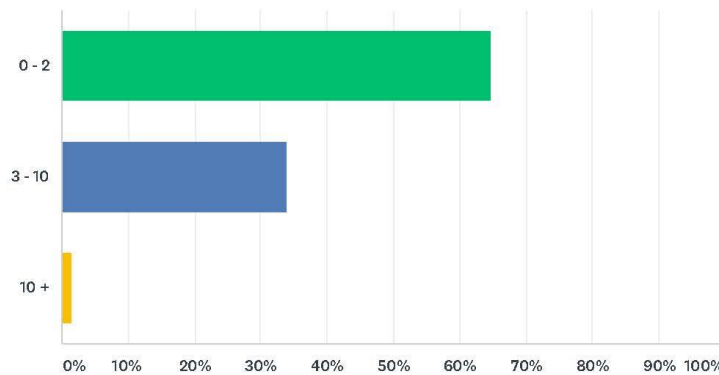
ANSWER CHOICES		RESPONSES	
Yes		72.09%	93
No		27.91%	36
Total Respondents: 129			

City of Barrie Marina Seasonal Boater Survey

SurveyMonkey

Q3 How often do you use the marina launch ramp per season?

Answered: 130 Skipped: 1



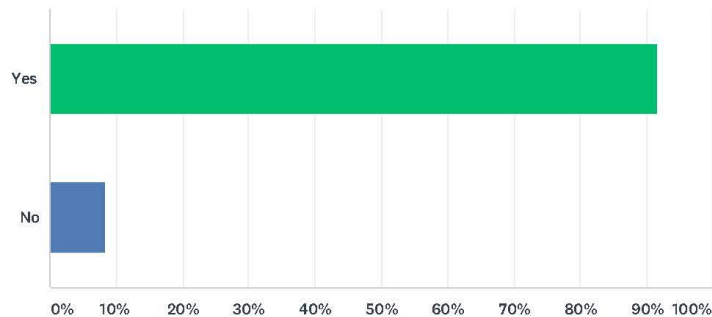
ANSWER CHOICES	RESPONSES	
0 - 2	64.62%	84
3 - 10	33.85%	44
10 +	1.54%	2
Total Respondents: 130		

City of Barrie Marina Seasonal Boater Survey

SurveyMonkey

Q4 If free use of the launch ramp is included in the seasonal slip fee, would you support charging the public a fee to use the launch ramp?

Answered: 130 Skipped: 1



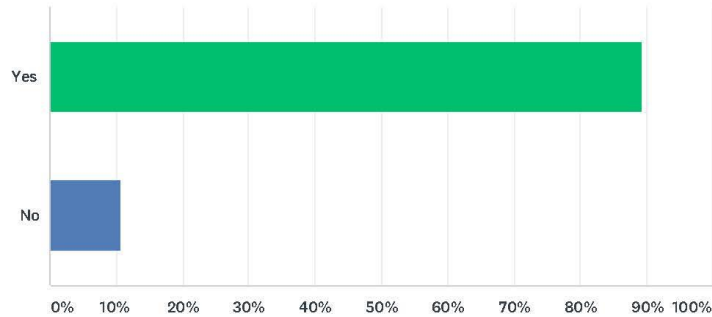
ANSWER CHOICES	RESPONSES	
Yes	91.54%	119
No	8.46%	11
Total Respondents: 130		

City of Barrie Marina Seasonal Boater Survey

SurveyMonkey

Q5 Should the City of Barrie Marina continue to operate as a low cost, low amenity marina?

Answered: 131 Skipped: 0



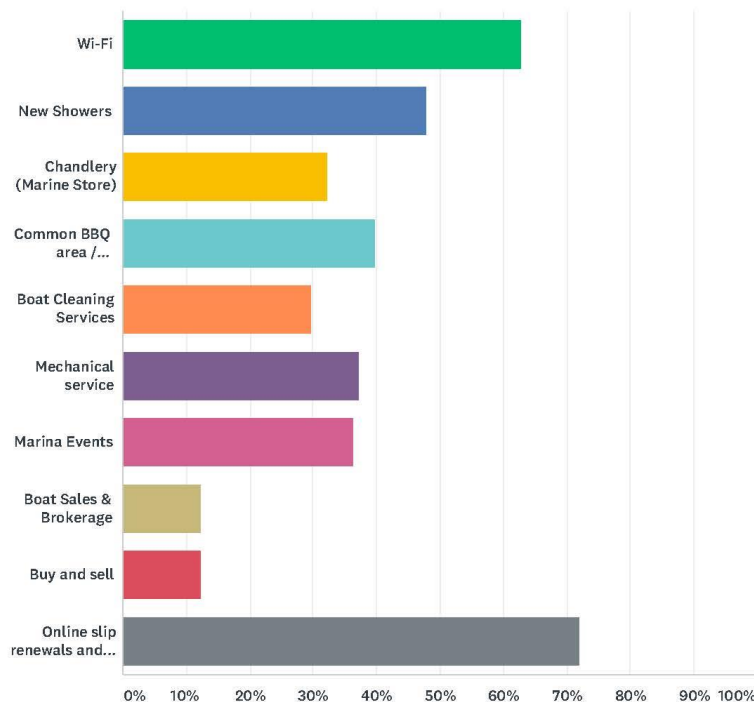
ANSWER CHOICES	RESPONSES	
Yes	89.31%	117
No	10.69%	14
Total Respondents: 131		

City of Barrie Marina Seasonal Boater Survey

SurveyMonkey

Q6 What additional services and amenities would you be interested in seeing at the marina?

Answered: 121 Skipped: 10



ANSWER CHOICES	RESPONSES	
Wi-Fi	62.81%	76
New Showers	47.93%	58
Chandlery (Marine Store)	32.23%	39
Common BBQ area / gathering place	39.67%	48
Boat Cleaning Services	29.75%	36
Mechanical service	37.19%	45
Marina Events	36.36%	44
Boat Sales & Brokerage	12.40%	15
Buy and sell	12.40%	15
Online slip renewals and payment	71.90%	87

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City of Barrie Marina Seasonal Boater Survey

SurveyMonkey

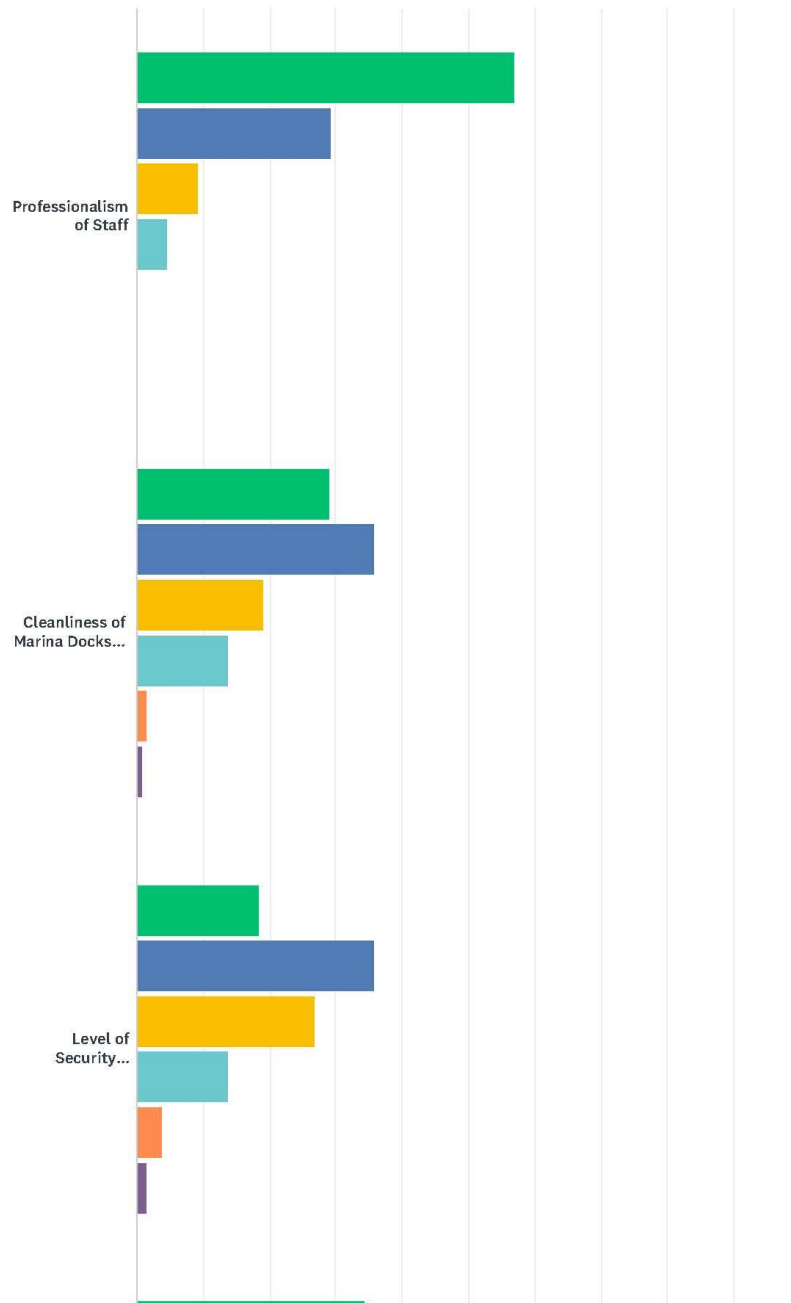
Total Respondents: 121

City of Barrie Marina Seasonal Boater Survey

SurveyMonkey

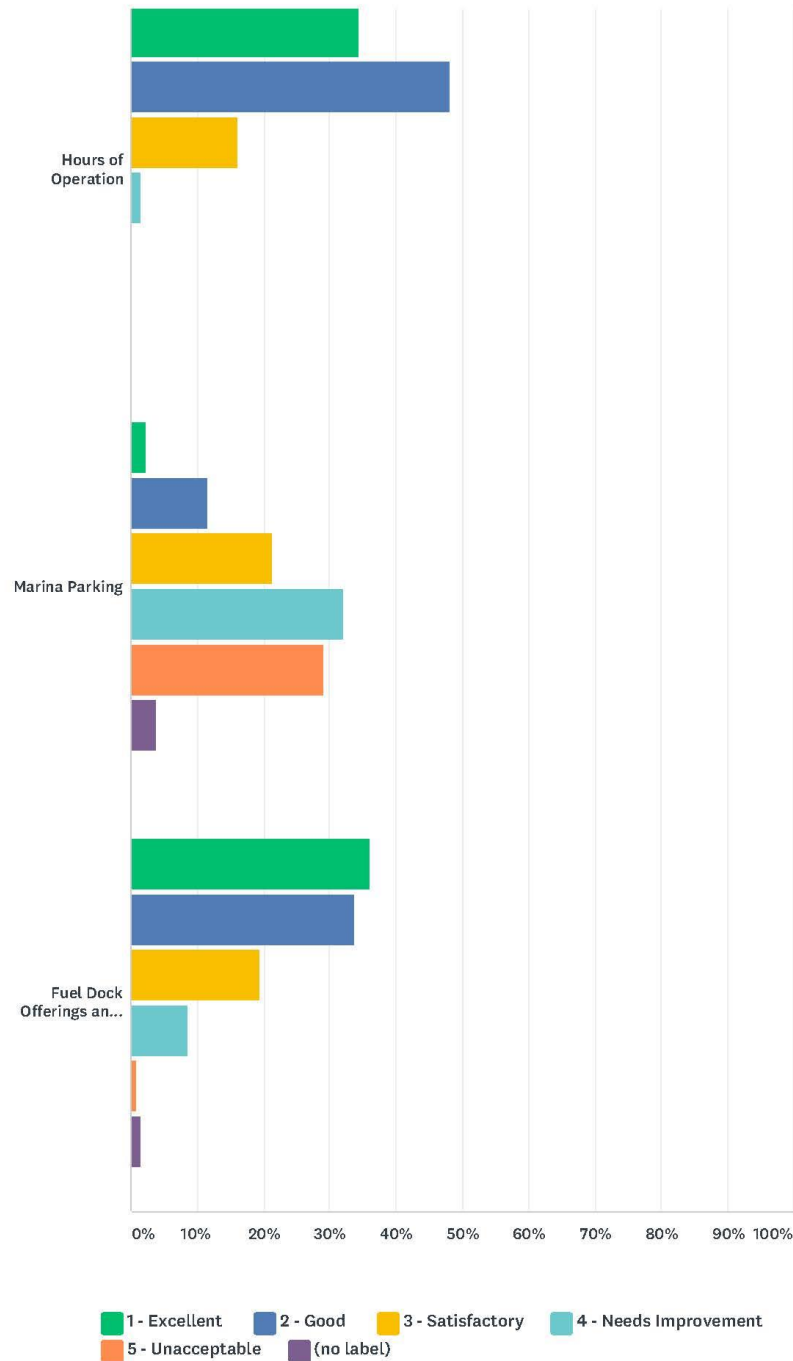
Q7 Please rate the following services currently provided

Answered: 131 Skipped: 0



City of Barrie Marina Seasonal Boater Survey

SurveyMonkey





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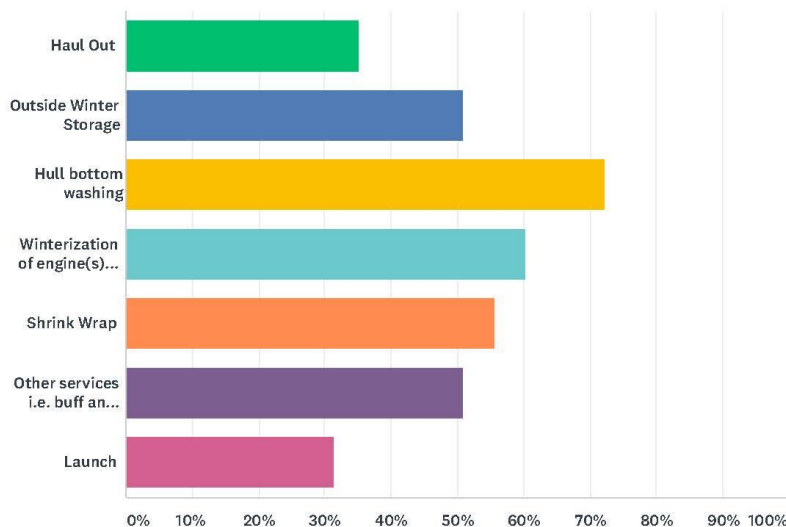
	1 - EXCELLENT	2 - GOOD	3 - SATISFACTORY	4 - NEEDS IMPROVEMENT	5 - UNACCEPTABLE	(NO LABEL)	TOTAL
City of Barrie Marina Seasonal Boater Survey							SurveyMonkey
Professionalism of Staff	56.92% 74	29.23% 38	9.23% 12	4.62% 6	0.00% 0	0.00% 0	130
Cleanliness of Marina Docks and facilities	29.01% 38	35.88% 47	19.08% 25	13.74% 18	1.53% 2	0.76% 1	131
Level of Security Coverage	18.32% 24	35.88% 47	26.72% 35	13.74% 18	3.82% 5	1.53% 2	131
Hours of Operation	34.35% 45	48.09% 63	16.03% 21	1.53% 2	0.00% 0	0.00% 0	131
Marina Parking	2.29% 3	11.45% 15	21.37% 28	32.06% 42	29.01% 38	3.82% 5	131
Fuel Dock Offerings and Service	35.94% 46	33.59% 43	19.53% 25	8.59% 11	0.78% 1	1.56% 2	128

City of Barrie Marina Seasonal Boater Survey

SurveyMonkey

Q8 Please indicate what winter seasonal services you would be interested in if provided by the marina:

Answered: 108 Skipped: 23



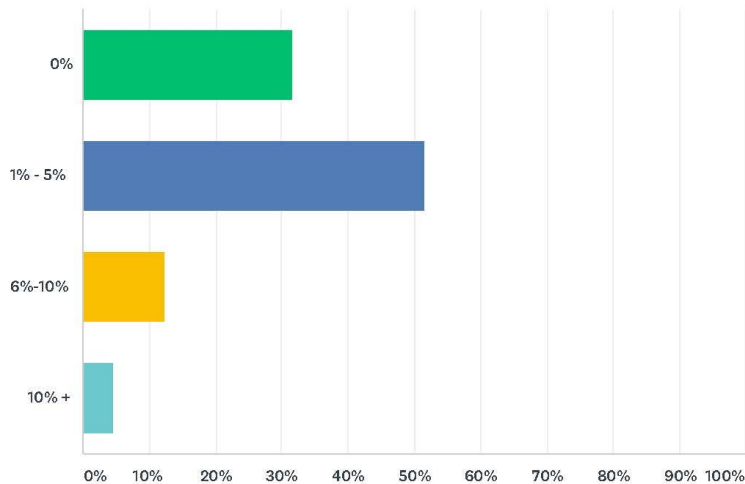
ANSWER CHOICES	RESPONSES	
Haul Out	35.19%	38
Outside Winter Storage	50.93%	55
Hull bottom washing	72.22%	78
Winterization of engine(s), water systems etc	60.19%	65
Shrink Wrap	55.56%	60
Other services i.e. buff and waxing, bottom paint, fiberglass repairs etc	50.93%	55
Launch	31.48%	34
Total Respondents: 108		

City of Barrie Marina Seasonal Boater Survey

SurveyMonkey

Q9 How much more of a user fee increase would you be prepared to pay in order to increase the marina amenities and services?

Answered: 130 Skipped: 1



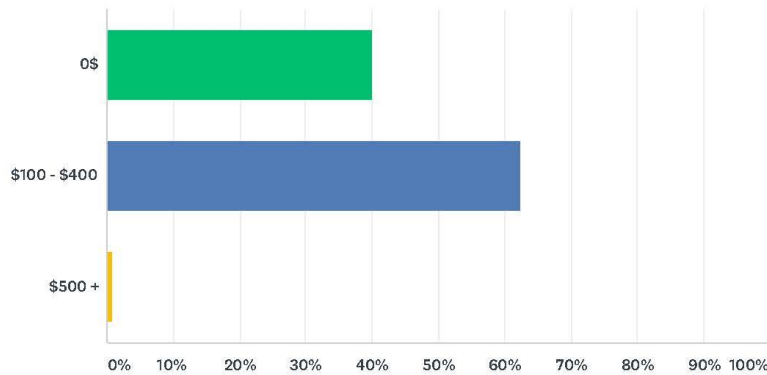
ANSWER CHOICES	RESPONSES	
0%	31.54%	41
1% - 5%	51.54%	67
6%-10%	12.31%	16
10% +	4.62%	6
Total Respondents: 130		

City of Barrie Marina Seasonal Boater Survey

SurveyMonkey

Q10 How much would you be willing to pay for a designated marina parking space?

Answered: 130 Skipped: 1



ANSWER CHOICES	RESPONSES	
0\$	40.00%	52
\$100 - \$400	62.31%	81
\$500 +	0.77%	1
Total Respondents: 130		