



REPORT

Community Services, Programs & Initiatives

TO: Mayor and Members of Council

FROM: Emily Cowan

DATE: May 26, 2020

REPORT: CSP-26/2020

SUBJECT: Private Operation of Marina and Harbours Expression of Interest response

EXECUTIVE SUMMARY:

The purpose of this report is to provide Council with detailed considerations of the results of the Expression of Interest issued by staff pertaining to the operation of the Picton and Wellington Marinas.

At the March 12 Committee of the Whole, staff submitted a report detailing for Council the current state of Marina operations at Picton and Wellington marinas. The report recommended that Council direct staff to prepare and release an Expression of Interest for the operation of both marinas.

The deadline for proposals was May 15, 2020, only one proposal was received from Tenacity Capital's CEO and founder CJ Thompson. Mr. Thompson submitted a proposal to run both Picton and Wellington marinas as a public private partnership (P3), he proposes to continue the services currently provided by the municipality as well as several other possibilities facilitated through a P3 arrangement. A Summary of the proposal follows:

- Formalized 5-year lease agreement at \$1 per year with pre-established provisions for extension/renewal in accordance with our current agreement with Ministry of Natural Resources (MNR) and would take on the annual submission of 10% of revenues to the MNR
- Rezoning of Picton marina location to Tourism Commercial
- Municipality maintains garbage removal on public property
- Mitigate municipal exposure through a co-authored contract

RECOMMENDATION:

1. **THAT** Council receive report CSP 26/2020 for information; and

2. **THAT** Council enter into negotiations with Tenacity Capital for the operation of the Picton and Wellington Marinas for an initial 5 -year lease as per the tenants of the proposal.

ANALYSIS:

The County received one proposal as a result of issuing 2020-CSP-36 Expression of Interest - Marina Operations for the operation of the Picton and Wellington marinas. Tenacity Capital submitted a proposal within the parameters set out in the procurement process, therefore the proposal may be considered by Council.

Tenacity Capital, operated by CEO and founder CJ Thompson, proposes to enter into a Public - Private Partnership (P3) agreement with the municipality to establish and revitalize marina operations at both locations. Mr. Thompson suggests stabilizing the hours of operation, and hiring full time staff in order to improve and maintain services and maintenance of the properties. He also proposes Tenacity Capital's investment in the Picton location to expand harbor services, capital improvements to upgrade safety features and increase the number of transient docks.

Tenacity Capital requests an initial 5-year agreement with the opportunity to renew to 2033 and 2041 as per the existing beach agreement with the Ministry of Natural Resources (MNR) at \$1 per year. They also agree to honour the pre-determined 10% revenue-share set out in the aforementioned beach agreement between the County and the MNR.

Other details of the proposal are as follows:

- 70+ berths at Picton Marina
- U. S. Port of Entry on property owned by Tenacity Capital, adjacent to municipal marina property at Picton marina
- Improve and maintain docking and launching operations in Wellington

The proposal also details possible opportunities which could be developed through a P3 with The County:

- New marina services
- New customer facing opportunities
- Property and service improvements

Tenacity Capital outlines the core responsibilities it intends to undertake as marina operator including the following:

- Provision of insurance levels and types
- Coordination of set-up of service fees and other applicable expenses for the operation of the marina
- Payment of taxes, rates, charges, etc. generated through the operation of the marina

Staff recommend initiating lease discussions with Tenacity Capital acknowledging their \$1 per year offer and the cost of 10% of profits to the MNR. In any agreement the municipality would include language that identifies municipal expectations, ensures core services and their delivery, sets standards, identifies ongoing

maintenance responsibilities and provides appropriate legal protection for both parties. Upon achieving a successful agreement, municipal staff would work with Tenacity Capital employees to transition the operations of both marinas and boat launches.

Included with this report is Tenacity Capital's proposal (Attachment B) which outlines their operations plan and includes some planned initial capital investment. Also included are three letters of support for their proposal including the neighbouring properties and businesses.

A report coming to Committee of the Whole recommends the implementation of parking fees at some County-owned boat launches and does not currently include marinas. Should Council enter into negotiations with Tenacity Capital, parking and signage could be addressed within those negotiations

OTHER OPTIONS CONSIDERED:

Council could decline to enter into negotiations with Tenacity Capital and therefore not award a lease agreement for either marina properties. In this case the municipality would continue to operate both marinas.

FINANCIAL CONSIDERATIONS:

Outsourcing the operation of Picton and Wellington Harbour Marinas would eliminate the on-going annual deficit and eliminate the requirement to offset this with reserve transfers.

	2016	2017	2018	2019
PICTON MARINA	-4,139	23,291	-65,621	-34,968
PICTON HARBOUR	-3,659	-9,858	-5,828	-5,490
WELLINGTON HARBOUR/BEACH	-13,220	-70,065	-16,615	-22,906
TOTAL	-21,018	-56,632	-88,604	-63,364

In the 2020 Operations budget the Marina operations projected \$156,100 in revenues and \$172,015 in expenses including wages, materials and supplies, utilities, repairs and maintenance, leaving a projected operating deficit of \$15,915. Should the marinas be run by a third-party, these funds could be redirected to other priorities.

RISKS:

RISK DESCRIPTION	RISK TYPE	PROPOSED MITIGATION
The municipality receives complaints about the operation of the marinas under the management of the contracted operator.	Public/Stakeholder	Ensure the contract holds the operator to specific service standards with measurables that can be used to cancel/shorten the agreement should the situation become untenable. Monitor service levels, forward to operator and log complaints for review at contract renewal or at

		particular milestone in the agreement. Consider including performance management tools within the agreement.
The contracted operator defers major maintenance tasks to the end of the lease agreement which may cost the municipality should the lease not be renewed.	Financial	Ensure the contract includes regular maintenance of assets, outlining a maintenance schedule within the agreement and the ability to charge for the cost of maintenance not undertaken during the contract.

RELEVANT POLICY/BY-LAW:

This recommendation complies with the FI 270 Purchasing Policy for both the Expression of Interest, and whereby proposals may or may not result in further negotiations.

CORPORATE STRATEGIC PRIORITY ALIGNMENT:

Financial Sustainability - Ensuring financial sustainability with a financial plan and reserves that all us to achieve our financial objectives;

Currently, the municipality's operation of their boat launches is operating at a deficit. Allowing a third-party to operate County-owned boat launches could be negotiated to ensure these properties are at least cost-neutral to the municipality.

STAFF CONSULTED

Amanda Carter - Director of Finance

Tanya Delaney - Supervisor, Environmental Services and Sustainability

Patti White - Purchasing Clerk

ATTACHMENTS:

1. Attachment A - 2020-CSP-36 Expression of Interest - Marina Operations
2. Attachment B - Tenacity Capital Expression of Interest: Picton and Wellington Marina Operations

Authorizing signatures:

Prepared by: Emily Cowan
Grants & Special Projects May 19, 2020

Reviewed by: 
Todd Davis
Director of Community Services,
Programs and Initiatives May 19, 2020

CAO Approval: 
Marcia Wallace
Chief Administrative Officer May 21, 2020