

REPORT

To: - Members of Municipality of the District of Shelburne (MDS) Council

From: - Ken Smith, CPA CA, Interim CAO, Town of Shelburne

Date: - October 7th, 2020

Subject: - Shelburne Marine Terminal – 1st Phase Remediation Project

Origin

At the September 15, 2020 Shelburne Port Authority Committee meeting, the two representatives asked that the Committee update the members of the MDS Council at its October 13, 2020 Council meeting as to the progress which has been made at the Marine Terminal since the last presentation was made.

Background

On November 12, 2019 a delegation consisting of Mayor Mattatall and CAO Darren Shupe of the Town of Shelburne, along with the Executive Director and the Municipal Advisor of the Department of Municipal Affairs made a presentation, Subsequent to this meeting, the District agreed to contribute \$143,000 to the 1st Phase Remediation Project in partnership with the ACOA,(559,742) Develop Nova Scotia,(100,000) and the Town of Shelburne(57,000) for a capital budget of \$859,747. A staff report dated November 25th, 2020 consolidated information received from the Town and provided the information which MDS sought prior to making a decision.

Analysis

As noted in the November 25th, 2019 memo, Appendix A as attached to the report provided an overview of the "current" situation from a business case perspective.

Outlined below is a summary of the progress achieved over the past 10 months since November /19

- (a) Leases have been substantiated with the 3 major users of the Marine Terminal; -
1. Comeau Seafood's at \$36,000/yr
 2. Clearwater at \$75,000/yr – up from \$52,000/yr
 3. Cook's at \$75,000/yr

These relationships provide a steady base of revenue upon which to build into the future.

- (b) As indicated by the operating budget, the next 3 years are budgeted to pay down the debt by approximately \$30,000/yr and transfer approximately \$60,000/yr to a reserve.
- (c) The 1st phase remediation project is projected to be slightly under budget.

With respect to the project, the focus was on ensuring that the "stem" area was completed within the \$656,000 contract was awarded to G.W. Doucett. After taking into consideration an allotment of approximately \$40,000 for engineering and electrical, the remaining contingency

amount of \$120,000 is now being used to complete minor areas previously identified, Estimates on these areas haven't been finalized, but we should still have enough funds to complete these areas and replace the ladder which was removed.

APPENDICES

1. Nov. 25/19 Staff Report to MDS Council Members consolidating background information;
2. "APPENDIX A – Shelburne Marine Terminal" provided by CAO Darren Shupe at the Nov.12/19 meeting.
3. Shelburne Port Authority Operating Budget showing unaudited actual for 2019/20 and budgeted figures for 2019/20, 2020/21, 2021/22 and 2022/23
4. Framing and Repair Plan prepared by the Project Engineer.

STAFF REPORT

TO: Members of Shelburne Municipal Council

FROM: Ken Smith, Interim CAO

DATE: November 25, 2019

SUBJECT: Shelburne Marine Terminal -1st Phase Remediation Project

ORIGIN

A request was made to the Municipality of the District of Shelburne (MDS) by the Town of Shelburne (TOS) to contribute \$143,000 to a capital project at the Shelburne Marine Terminal. The request was brought to a November 12, 2019 In -Camera by a delegation consisting of the Mayor and the CAO of the TOS and the Executive Director and Municipal Advisor of the Department of Municipal Affairs.

BACKGROUND

The delegation outlined the history of the Marine Terminal starting in 1958, highlighting the various major repairs and reports with respect to the infrastructure as outlined in Appendix "A".

Also included in Appendix "A" was an overview of the current situation from a business case perspective, the challenges and opportunities for the harbour and the current strategy for the continued operations of this critical regional Economic Development Infrastructure.

As a result of discussion at the meeting, the Town CAO gathered and then forwarded to the MDS the following documentation by e-mail:

- (a) Financial Statements of the Port Authority Operating Fund for the past five years;
- (b) 18-year financial history as per the annual financial statements;
- (c) 2012 YMCL Study – Wharf Condition Assessment and Loading Capacity;
- (d) 2016 Terminal Condition Assessment;
- (e) 2019 Terminal Upgrades Project Scope;
- (f) Photos and overview regarding the use of the Marine Terminal by independent lobster fishers; and
- (g) Copy of the RFP for the leasing and operation of the terminal; and

DISCUSSION:

This is an opportunity to move forward to ensure the critical infrastructure for regional economic development with the three levels of government working together is sustainable. A significant investment will be required over the next two decades to optimize this world class harbour. The financial challenge may be too overwhelming in the future to achieve long term success, but this is the best opportunity to take on the challenge.

RECOMMENDATION:

MDS become engaged in the development of the Terminal in partnership with the TOS and the other two levels of government, by contributing the requested \$143,000 to the project and working with the TOS to create a new governance model for the Port Authority.

ATTACHMENTS:

- Appendix "A" – Shelburne Marine Terminal
- Three Year Projected Budget

APPENDIX A



Shelburne Marine Terminal

2019.11.10

The History

1958 – Stem of facility, as well as 18m of eastern ell, constructed in 1958

1965 – Western ell added (91.4m) and eastern ell extended 30.9m

1987 – \$1M structural repairs program on the entire length of the tee conducted by the Federal government

1998 – Federal Divestiture Report estimated the residual life of stem to be 20 years (2018); and the tee to be 27 years (2021). Replacement cost was estimated to be \$4.3M and the existing value (replacement minus depreciation) was estimated to be \$1.7M.

2001 – Port Divested by the Federal Government

- Appraised value listed on agreement <\$500,000
- \$500,000 provided to Town to assist with long-term facility management

2007 – Connors Diving Services Wharf Inspection Report identified concerns over the poor condition of most of the southern face of the tee; 2003-2008 repairs totaling \$125,000

2009 – Application made to Federal Government with respect to the expansion of the Marine Terminal (ask of ~\$4.1M); Town invested in \$140,000 preliminary planning and engineering study to support application

2012 – Port Committee meeting with MP Gerald Keddy, noted that cuts in federal spending made the support of such infrastructure projects unlikely at that time.

2013 – YMCL Engineering Report – Phase 1 Condition Assessment and Loading Capacity Report

- High priority items recommended to be repaired immediately (est. \$681,000); low priority repairs over the next 5 years (est. \$100,000); authors note that further studies would be required to provide repair estimates for the south face of the tee
- "The 71 year old original components of the stem have, as well as the 54 year old replacement deck, have reached or exceeded their expected service life of 50 years and many more components will require repair or replacement in the near to medium term."



2014 – Repairs completed on the south face of the tee in the amount of \$322,000 (addressing the 2007 Connors Diving Report findings)

2016 – Pinto Engineering Condition Assessment

- Noted that only minor support repairs had been completed since the 2013 report
- Recommended short term (1 year max) repairs (est. \$649,440) to address load capacity on the stem area



2017 - \$229,000 stem stabilization project

2018 – Updated cost estimate at ~\$800,000 to complete load capacity repairs, rescope to focus on the most critical repairs at the juncture of tee and stem. Due to the magnitude of borrowing required to finance the re-scoped project (+/- \$600,000), Council deferred the project to 2019-20 based on expectations of grant support. For insurance purposes, the replacement cost was estimated at \$13.7M.

2019 – Early indication from the Federal Government was that a marine terminal upgrade could be advanced through the Rural and Northern Communities Fund with a federal contribution of 93%. As such, the Town budgeted \$56,000 towards the Marine Terminal project in the 2019-20 capital budget.

Subsequently, through extensive negotiations with all levels of government, it was recognized that the Rural and Northern stream was not going to be available for the project. After additional discussions, a funding agreement was announced on September 6, 2019 in which ACOA provided \$559,000, Develop Nova Scotia \$100,000 and the Town would be responsible for the remaining \$200,000 of a \$859,000 facility upgrade project to be completed by February 28, 2020.

It was contemplated that this project would be the first part of a multiple phased approach to allow for expansion and development of the business model.

The Current Situation

- In long-term contract negotiations with the interim new port operator, structured on the premise that the Town (eventually Port Authority) will act as landlord to the facility and the facility manager will oversee, promote and profit from marine terminal operations. The contract will need to ensure that the landlord is able to adequately manage the annual and long-term infrastructure costs based on a portion of the annual revenue generation.
- Current project with ACOA and Develop Nova Scotia is critical to demonstrating the region's commitment to the facility to companies who are looking to invest in Shelburne County.

The Challenge

- ~200 Shelburne County and area jobs directly depend on the continued operation of the Shelburne Marine Terminal
- Principle clients include, Clearwater Seafoods, Cooke Aquaculture, Canadian Coast Guard, local fishing fleet, cruise ship industry, storm safe haven
- As a regional economic development asset, additional partners are required to support the operations and growth opportunities of the facility.

- **The Question: How does a small rural NS town/area find the means to provide for the long-term upgrades required for the continued operation of critical regional economic development infrastructure?**

Our current approach:

- Explore a new facility operations management structure – Incentivize private industry to greater realize the port's potential. We are 9 months into an agreement with Shelburne Stevedores to provide port management services. Shelburne Stevedores has been active in promoting and marketing the port and we are looking to renegotiate our Clearwater contract as well as add two additional long-term contracts.
- Engagement with Develop Nova Scotia and regional municipal partners towards a Shelburne Harbour Marine Strategy. As part of this strategy we are looking to include a section on governance structures which would include greater participation from industry and regional government stakeholders.
- Leverage the support we have received from ACOA and the Federal Ministry of Rural Economic Development towards a long-term development strategy and commitment from the federal government.

SHELburnE PORT AUTHORITY

BUDGET 2019/20		PROJECTED 2019/20	BUDGET 2020/21	BUDGET 2021/22	BUDGET 2022/23
	PORT AUTHORITY FEES/SALES				
	Federal Government				
22,000.00	Berthage	20,000	22,220	22,442	22,667
250.00	Top Wharfage	250	253	255	258
200.00	Electrical	200	202	204	206
-	Other	-	-	-	-
500.00	Water	122	505	510	515
<u>22,950.00</u>		<u>20,572</u>	<u>23,180</u>	<u>23,411</u>	<u>23,645</u>
	Provincial Government				
	Other				
	Container Traffic				
300.00	Berthage	300	300	303	306
250.00	Top Wharfage	250	250	253	255
400.00	Water	-	400	404	408
<u>950.00</u>		<u>550</u>	<u>950</u>	<u>960</u>	<u>969</u>
	Cruise/Recreational				
6,000.00	Berthage/Passenger Fee	2,592	6,000	6,060	6,121
	Electricity	120	400	404	408
<u>6,000.00</u>		<u>2,712</u>	<u>6,400</u>	<u>6,464</u>	<u>6,529</u>
	Commercial Fishing				
50,000.00	Berthage	50,000	40,000	40,400	40,804
5,100.00	Top Wharfage	7,000	6,000	6,050	6,121
60,000.00	Electricity	63,000	65,000	65,650	66,307
3,100.00	Water	3,652	3,200	3,232	3,264
<u>118,200.00</u>		<u>123,652</u>	<u>114,200</u>	<u>115,342</u>	<u>116,495</u>

	<u>Other</u>				
-	Berthage	-	-	-	-
	Electricity				
1,000.00	Call Outs-Water/Power	500	1,000	1,010	1,020
<u>21,000.00</u>	Security Fees	<u>23,000</u>	<u>25,000</u>	<u>25,250</u>	<u>26,503</u>
<u>22,000.00</u>		<u>23,500</u>	<u>26,000</u>	<u>26,260</u>	<u>28,523</u>
<u>170,100.00</u>	TOTAL FEES/SALES	<u>170,986</u>	<u>170,730</u>	<u>172,437</u>	<u>174,161</u>
	<u>Revenue from Other Sources</u>				
7,000.00	Wharf Usage	7,000	7,000	7,070	7,141
52,000.00	Wharf Lease	52,000	163,000	164,630	166,276
2,900.00	Land Lease	400	-	-	-
<u>61,900.00</u>		<u>59,400</u>	<u>170,000</u>	<u>171,700</u>	<u>173,417</u>
	<u>Return on Investment</u>				
-	Interest on Investment	-	-	-	-
900.00	Bank Interest on CIA	900	900	909	918
<u>900.00</u>		<u>900</u>	<u>900</u>	<u>909</u>	<u>918</u>
	<u>Penalties & Interest</u>				
5,000.00	Interest	8,000	5,000	5,000	5,000
<u>5,000.00</u>		<u>8,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
	<u>Misc Revenue</u>				
-	Other Revenue	-	-	-	-
4,600.00	Dumpsters-Garbage Removal	4,000	4,500	5,000	5,000
<u>4,600.00</u>		<u>4,000</u>	<u>4,500</u>	<u>5,000</u>	<u>5,000</u>
	<u>Other Transfers</u>				
16,166.00	Surplus - Prior Years	6,807	-	-	-
<u>16,166.00</u>		<u>6,807.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>258,566.00</u>	TOTAL PORT AUTHORITY REVENUE	<u>250,093</u>	<u>351,130</u>	<u>355,046</u>	<u>358,496</u>

SHELBURNE PORT AUTHORITY

BUDGET 2019/20		PROJECTED 2019/20	BUDGET 2020/21	BUDGET 2021/22	BUDGET 2022/23
<u>PORT AUTHORITY EXPENSES</u>					
<u>General Administrative</u>					
42,000.00	Port Manager Wages	42,000	45,000	45,900	46,818
500.00	Port Manager Expenses	500	510	520	531
1,000.00	Office Bldg/Shed-Mtc & Repair	750	1,020	1,040	1,061
1,290.00	Office Bldg/Shed-Light & Fuel	1,132	1,316	1,342	1,369
550.00	Office Bldg-Water	540	561	572	584
700.00	Office Bldg-Janitor & Supplies	500	714	728	743
18,000.00	Security Wages & Expenses	18,000	18,360	18,727	19,102
<u>64,040.00</u>		<u>63,422</u>	<u>67,481</u>	<u>68,830</u>	<u>70,207</u>
<u>Common Services</u>					
1,500.00	Stationary & Postage	1,000	1,530	1,561	1,592
2,000.00	Telephone/Internet	2,400	2,040	2,081	2,122
2,000.00	Printing & Advertising	2,600	2,040	2,081	2,122
41.00	Equipment & Insurance	41	42	43	44
1,500.00	Membership Dues	1,500	1,530	1,561	1,592
500.00	Travel	500	510	520	531
5,000.00	Engineering Services	5,000	5,100	5,202	5,306
200.00	Other	100	204	208	212
<u>12,741.00</u>		<u>13,141</u>	<u>12,896</u>	<u>13,256</u>	<u>13,521</u>
<u>Shelburne Wharf</u>					
10,000.00	Mtc & Repairs-Wharf	7,500	10,200	10,404	10,612
1,000.00	Mtc & Repairs-Equipment -Wharf	1,000	1,020	1,040	1,061
1,000.00	Snow Removal	1,000	1,020	1,040	1,061
5,975.00	Wharf Insurance	5,840	6,095	6,216	6,341

4,050.00	Water Supply	3,800	4,131	4,214	4,298
5,000.00	Demolition Boats		5,100	5,202	5,306
500.00	Wharf-Other	300	510	520	531
7,500.00	Wharf-Garbage	7,500	7,650	7,803	7,959
49,000.00	Wharf-Power	49,000	49,980	50,980	51,999
1,000.00	Dock St - Wharf	1,000	1,020	1,040	1,061
<u>85,025.00</u>		<u>76,740</u>	<u>86,726</u>	<u>88,460</u>	<u>90,229</u>
	Professional Fees				
10,000.00	Legal Fees	10,000	10,200	10,404	10,612
265.00	Collection Fees	295	301	307	313
31,618.00	Administration Expense	31,618	32,260	32,895	33,553
5,875.00	Auditors	5,875	5,983	6,112	6,235
<u>47,758.00</u>		<u>47,788</u>	<u>48,744</u>	<u>49,719</u>	<u>50,713</u>
	Depreciation				
-	Depreciation	-	-	-	-
	Other Charges				
29,675.00	Debtenture Principal	29,675	29,675	35,275	35,275
14,227.00	Debtenture Interest	14,227	14,803	15,317	14,428
100.00	Bank Service Charges	100	400	60	61
	Capital Expense from Revenue		5,000	5,100	5,202
	Transfer to Reserve		60,000	60,000	61,200
5,000.00	Uncollectible Accounts	5,000	5,100	5,202	5,306
<u>49,002.00</u>		<u>49,002</u>	<u>114,978</u>	<u>120,954</u>	<u>121,470</u>
<u>258,566.00</u>	TOTAL PORT AUTHORITY EXPEN	<u>260,093</u>	<u>330,924</u>	<u>341,219</u>	<u>346,140</u>
-	SURPLUS/(DEFICIT)	-	<u>20,206</u>	<u>13,827</u>	<u>12,356</u>

SHELBURNE PORT AUTHORITY

BUDGET 2019/20		UNAUDITED 2019/20	BUDGET 2020/21	BUDGET 2021/22	BUDGET 2022/23
	PORT AUTHORITY FEES/SALES				
	<u>Federal Government</u>				
22,000.00	Berthage	13,229	15,000	15,150	15,302
250.00	Top Wharfage	-	-	-	-
200.00	Electrical	140	200	202	204
-	Other	-	-	-	-
500.00	Water	122	200	202	204
<u>22,950.00</u>		<u>13,491</u>	<u>15,400</u>	<u>15,554</u>	<u>15,710</u>
	<u>Provincial Government</u>				
	Other				
	<u>Container Traffic</u>				
300.00	Berthage	-	300	303	306
250.00	Top Wharfage	-	250	253	255
400.00	Water	-	400	404	408
<u>950.00</u>		<u>-</u>	<u>950</u>	<u>960</u>	<u>969</u>
	<u>Cruise/Recreational</u>				
6,000.00	Berthage/Passenger Fee	2,723	-	3,000	3,030
	Electricity	150	-	150	152
<u>6,000.00</u>		<u>2,873</u>	<u>-</u>	<u>3,150</u>	<u>3,182</u>
	<u>Commercial Fishing</u>				
50,000.00	Berthage	53,194	28,775	29,063	29,353
5,100.00	Top Wharfage	7,848	1,973	1,993	2,013
60,000.00	Electricity	67,739	67,000	67,670	68,347
3,100.00	Water	4,042	4,000	4,040	4,080
<u>118,200.00</u>		<u>132,823</u>	<u>101,748</u>	<u>102,765</u>	<u>103,793</u>

	<u>Other</u>				
-	Berthage	805	500	505	510
	Electricity			-	-
1,000.00	Call Outs-Water/Power	225	250	253	255
21,000.00	Security Fees	19,792	20,000	20,200	20,402
<u>22,000.00</u>		<u>20,822</u>	<u>20,750</u>	<u>20,958</u>	<u>21,167</u>
<u>170,100.00</u>	TOTAL FEES/SALES	<u>170,009</u>	<u>188,848</u>	<u>143,386</u>	<u>144,820</u>
	<u>Revenue from Other Sources</u>				
7,000.00	Wharf Usage	4,800	4,800	4,800	4,800
52,000.00	Wharf Lease	52,000	174,000	174,000	174,000
2,900.00	Land Lease	-	-	-	-
<u>61,900.00</u>		<u>56,800</u>	<u>178,800</u>	<u>178,800</u>	<u>178,800</u>
	<u>Return on Investment</u>				
-	Interest on Investment		-	-	-
900.00	Bank Interest on C/A	2,821	2,500	2,526	2,550
<u>900.00</u>		<u>2,821</u>	<u>2,500</u>	<u>2,525</u>	<u>2,550</u>
	<u>Penalties & Interest</u>				
5,000.00	Interest	5,908	5,000	5,000	5,000
<u>5,000.00</u>		<u>5,908</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
	<u>Misc Revenue</u>				
-	Other Revenue	3	-	-	-
4,500.00	Dumpsters-Garbage Removal	2,712	3,000	3,000	3,000
<u>4,500.00</u>		<u>2,715</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
	<u>Other Transfers</u>				
16,166.00	Surplus - Prior Years	-	-	-	-
<u>16,166.00</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>258,566.00</u>	TOTAL PORT AUTHORITY REVENUE	<u>238,253</u>	<u>328,148</u>	<u>332,711</u>	<u>334,171</u>

SHELBURNE PORT AUTHORITY

BUDGET		UNAUDITED	BUDGET	BUDGET	BUDGET
2019/20		2019/20	2020/21	2021/22	2022/23
 <u>PORT AUTHORITY EXPENSES</u>					
<u>General Administrative</u>					
42,000.00	Port Manager Wages	42,882	45,000	45,900	46,818
500.00	Port Manager Expenses	107	500	510	520
1,000.00	Office Bldg/Shed-Mtc & Repair	28	750	765	780
1,290.00	Office Bldg/Shed-Light & Fuel	1,207	1,250	1,275	1,301
550.00	Office Bldg-Water	431	450	459	468
700.00	Office Bldg-Janitor & Supplies	-	400	408	416
18,000.00	Security Wages & Expenses	10,899	11,000	11,220	11,444
<u>64,040.00</u>		<u>55,554</u>	<u>59,350</u>	<u>60,537</u>	<u>61,748</u>
 <u>Common Services</u>					
1,500.00	Stationary & Postage	865	1,000	1,020	1,040
2,000.00	Telephone/Internet	1,973	2,000	2,040	2,081
2,000.00	Printing & Advertising	1,296	1,700	1,734	1,769
41.00	Equipment & Insurance	41	42	43	44
1,500.00	Membership Dues	-	1,530	1,561	1,592
500.00	Travel	106	400	408	416
5,000.00	Engineering Services	-	10,000	10,200	10,404
200.00	Other	39	200	204	208
<u>12,741.00</u>		<u>4,320</u>	<u>16,872</u>	<u>17,209</u>	<u>17,553</u>
 <u>Shelburne Wharf</u>					
10,000.00	Mtc & Repairs-Wharf	367	25,000	25,500	26,010
1,000.00	Mtc & Repairs-Equipment -Wharf	500	1,000	1,020	1,040
1,000.00	Snow Removal	375	750	765	780
5,975.00	Wharf Insurance	5,640	7,300	7,446	7,595

4,050.00	Water Supply	2,626	3,000	3,060	3,121
5,000.00	Demolition Boats	-	-	-	-
500.00	Wharf-Other	-	500	510	520
7,500.00	Wharf-Garbage	3,589	4,000	4,080	4,162
49,000.00	Wharf-Power	49,727	49,980	50,980	51,999
1,000.00	Dock St - Wharf	1,019	1,020	1,040	1,061
<u>85,025.00</u>		<u>63,843</u>	<u>92,550</u>	<u>94,401</u>	<u>96,289</u>
	<u>Professional Fees</u>				
10,000.00	Legal Fees	316	10,200	10,404	10,612
265.00	Collection Fees	1,150	1,173	1,196	1,220
31,618.00	Administration Expense	31,618	31,240	31,865	32,502
5,875.00	Auditors	6,495	5,993	6,112	6,235
<u>47,758.00</u>		<u>39,578</u>	<u>48,606</u>	<u>49,578</u>	<u>50,569</u>
	<u>Depreciation</u>				
	Depreciation	-	-	-	-
<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>Other Charges</u>				
29,675.00	Debenture Principal	29,675	29,675	29,675	29,675
14,227.00	Debenture Interest	14,227	13,683	13,077	12,411
100.00	Bank Service Charges	5	50	60	61
	Capital Expense from Revenue	-	-	-	-
	Transfer to Operating Reserve	-	59,606	58,345	55,872
5,000.00	Uncollectible Accounts	10,276	7,500	7,650	7,803
<u>49,002.00</u>		<u>54,183</u>	<u>110,514</u>	<u>108,807</u>	<u>105,822</u>
<u>258,566.00</u>	TOTAL PORT AUTHORITY EXPEN	<u>217,478</u>	<u>327,891</u>	<u>330,531</u>	<u>331,981</u>
<u>-</u>	SURPLUS/(DEFICIT)	<u>20,775</u>	<u>257</u>	<u>\$ 2,180</u>	<u>2,189</u>

