

MUNICIPALITY OF CHATHAM-KENT
COMMUNITY AND DEVELOPMENT SERVICES
COMMUNITY SERVICES – MUNICIPAL PROPERTIES

TO: Mayor and Members of Council

FROM: Sean McRoberts, Facilities Supervisor,
Municipal Properties

DATE: March 18, 2008

SUBJECT: Clearville Park and Campground Business Plan – Seasonal Lot
Rate Increase

RECOMMENDATIONS

It is recommended that:

1. Seasonal lot rates at Clearville Park and Campground be adjusted at the rate of CPI plus \$30.00 for each of the next six years to recover expenses related to the monitoring of the water/wastewater system, pump repair and municipal trailer property taxes.
2. A Clearville Park and Campground lifecycle provision of \$5,000 per year be introduced beginning in 2008 for repair and replacement of infrastructure within the Park.
3. The Phase 2 expansion of Clearville Park scheduled for 2007 be eliminated from the business plan.

BACKGROUND

In March 2004, Council approved the Clearville Park and Campground Business Plan which called for advances of capital funds for infrastructure projects. These advanced capital funds were to be repaid from park operating surpluses. Projection for full repayment of the advanced funds was 2014 (9.44 years).

At the November 21, 2005 Council meeting, the Clearville Park and Campground business plan was modified to include the advancement of funds for the development of a safe and secure potable water system as per Ministry of the Environment (MOE) regulations. Projection for full repayment of the advanced funds remained 2014 (9.44 years).

At the August 21, 2006 Council meeting, Council approved modifications to the Clearville Park and Campground Business Plan to cover the additional cost of the new/office store by eliminating the recreation hall proposed for 2013 and the elimination of camping services during the winter months to decrease utility costs. Projection for full repayment of the advanced funds remained 2014 which is 9.73 years, a marginal adjustment from 9.44 years.

COMMENTS

To date, Council has approved advancing \$433,597 for Clearville Park infrastructure projects. Actual spending on these projects has been \$487,243, as summarized in the chart below.

Project	Approved	Actual	Difference
1. Septic System	\$318,000	\$321,060	\$3,060
2. New Office, Store, Washroom	\$70,597	\$77,354	\$6,757
3. Potable Water System	\$45,000	\$88,829	\$43,829
TOTAL	\$433,597	\$487,243	\$53,646

The additional overage to the potable water system was due to engineering and pump expenses. This amount was not factored into the original payback of the loan.

Additional Expenses

The following expenses have occurred since the original Business Plan.

1. The potable water system is now operated and monitored by the Chatham-Kent PUC at a cost to Clearville Park, of \$15,000 per year.
2. Pump repair and replacement costs for this water system are now approximately \$3,000 annually.
3. In 2005, an assessment by the Municipal Property Assessment Corporation (MPAC) was conducted on trailers that met the definition of land and real property. As per the Assessment Act, all permanent structures are required to be assessed for their property value. The majority of the seasonal trailers within the park have add-on rooms (removable) and decks to increase living space, deeming them more of a residence than a trailer. Therefore an annual tax of \$3,332 was assessed for Clearville Park.
4. A lifecycle program was not included in the original business plan. A Clearville Park and Campground lifecycle component of \$5,000 should be introduced, beginning in 2008, for repair and replacement of infrastructure within the park.

Shortfall and Interest

The total of these four new annual expenses (\$26,332 per year) were not projected in the original business plan and cannot be covered through current park revenues without significantly extending the loan repayment plan or by increasing seasonal rental rates.

The original projected loan payback schedule included revenues from a two-phase expansion of the park. The first expansion was completed in 2003 and resulted in an addition of 33 seasonal lots to the 92 lots already available for rent, totalling 125 lots. Of these 33 new lots, 23 have been rented for the 2008 camping season. The second phase of expansion that was to have resulted in an additional 22 lots has not occurred as there hasn't been demand, to date, to satisfy the first expansion. These factors have resulted in revenues less than those projected as part of the original loan payback.

In 2007, 107 seasonal lots were rented generating revenues of \$122,702. Deposits for 8 additional lots have been secured for 2008.

Under the current fee structure, the loan would not be retired until 2023 (19.7 years). Therefore it is recommended that to offset these expenses, a \$30 increase per year for each of the next 6 years (starting in 2008) be added to all seasonal lots in addition to the annual CPI fee increase. Based on an estimated CPI rate of 2.4%, the fee schedule is summarized in the chart below.

	2007 Rate	2008 CPI + \$30	2009 CPI + \$30	2010 CPI + \$30	2011 CPI + \$30	2012 CPI + \$30	2013 CPI + \$30
Large 40' x 40'	\$1,150.05	\$1,207.65	\$1,266.63	\$1,327.03	\$1,388.08	\$1,452.22	\$1,517.07
Regular 40' x 35'	\$1,097.78	\$1,154.13	\$1,211.83	\$1,270.91	\$1,331.41	\$1,393.37	\$1,456.81
Semi Service 40' x 35'	\$940.95	\$993.53	\$1,047.38	\$1,102.52	\$1,158.98	\$1,216.79	\$1,275.99
Cottage	\$981.00	1,034.54	\$1,089.37	\$1,145.52	\$1,203.51	\$1,261.88	1,322.17
New Lots 40' x 60'	\$1,359.15	\$1,421.77	\$1,485.89	\$1,551.55	\$1,618.79	\$1,687.64	\$1,758.15

The additional fee increases would allow the loan retirement to be projected to 2019 (15.3 years).

An analysis was conducted to determine if the proposed rates were at market value. Two parks were found in proximity of Clearville that had similar amenities.

The following chart shows that the proposed rates are comparable.

Rate/Amenities	Clearville Park Duart, ON	Holiday Harbour Campground Wheatley, ON	Lakewood Trailer Estates Rodney, ON
Seasonal Rate 2008	\$1,154.13 – \$1,421.77	\$1,375.00	\$1,320.00
Beach	✓		
Boat Ramp	✓		
Ball Diamond			✓
Basketball			✓
Controlled Access		✓	✓
Horseshoe Pits	✓	✓	✓
Laundromat	✓		✓
Onsite Sewer/Water	✓	✓	✓
Payphone	✓	✓	✓
Picnic Shelter	✓		✓
Playground	✓	✓	✓
Propane			✓
Recreation Hall		✓	✓
Store	✓	✓	✓
Swimming Pool			✓
Volleyball Courts		✓	✓

The prices of the following campgrounds were also analyzed, although not considered as comparators to Clearville Park, due to the types of amenities.

Campground	Amenities
Campers Cove Campground Wheatley, ON \$1,763.00/seasonally	Controlled access, games room, horseshoe pits, Internet access, laundry facilities, onsite sewer/water, pay phone, playground, pool, propane, recreation hall, snack bar, store, close to downtown restaurants, stores and other amenities
Sturgeon Woods Campground Leamington, ON \$1,795.00/seasonally	Controlled access, ball diamond, horseshoe pits, laundry facilities, onsite sewer/water, pay phone, playground, recreation hall, soccer field, store, swimming pool, volleyball courts, waterslide, close to downtown restaurants, store and other amenities
Mitchell's Bay Campground/Marina Mitchell's Bay, ON \$1,630.00 - \$2,475.00/seasonally	Controlled access, bait/tackle shop, beach, boat ramps, gas pumps, horseshoe pits, laundry facilities, marina, onsite sewer/water, pay phone, playground, recreation hall, walking distance to beach, playgrounds, restaurants, variety stores, picnic shelters, splash pad, wharf, 15 minute drive from Wallaceburg/Chatham

Campground	Amenities
Wildwood by the Lake Morpeh, ON \$2,100/seasonally	Controlled access, laundry facilities, picnic area, playground, propane, recreation hall, restaurant/snack bar, store, swimming pool, children’s pool, natural swimming, pay phone, driving range, mini golf, horseshoe pits, shuffleboard, tennis court, volleyball, basketball, baseball

COMMUNITY STRATEGIC PLAN

The recommendations in this report support the following objectives and strategic directions:

B: Economy – We are a prosperous community.

B3: Maintain and enhance new and existing infrastructure to support economic and smart growth opportunities

Desired Outcomes/Proposed Activities

- Support new infrastructure investments and modernize existing infrastructure.

The recommendations in this report will not adversely impact on the remainder of the Community Strategic Plan.

CONSULTATION

The Clearville Park Committee was consulted on these changes to the Business Plan and are in agreement with the \$30, plus CPI, increase for the next six years.

Budget & Performance Services was consulted with regard to the debt repayment program calculations.

The Manager of Water/Wastewater Services was consulted on the cost of maintenance and operations at the Park.

FINANCIAL IMPLICATIONS

The analysis in this report was conducted under the following assumptions:

- a) All year end operating surpluses were applied to the outstanding balance of the loan
- b) A CPI rate of 2.4% was used to project revenues and expenses
- c) Interest expenses were calculated based on the 2007 borrowing rate of 4.5%
- d) Future revenues were projected based on the rental of 115 of the 125 lots available for rental. It should be noted that the 10 unrented lots have a revenue potential of \$14,217.70 per year (at 2008 rates).

e) There are no further capital advances expected at this time.

The capital loan balance at January 1, 2008, was \$409,293. The projected loan repayment schedule is attached (Attachment A).

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Attachment A: Loan Repayment Schedule

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Seasonal lot rate increase Mar08.doc

ATTACHMENT 'A'

Clearville Park and Campground Loan Repayment Schedule

March, 2008

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	ACTUAL	ACTUAL	ACTUAL	ACTUAL													
Opening balance	\$0	\$280,662	\$260,128	\$387,418	\$409,294	\$396,252	\$378,640	\$356,163	\$328,512	\$295,361	\$256,368	\$214,623	\$169,987	\$122,313	\$71,447	\$17,231	\$0
Capital requirements	\$317,292	\$4,972	\$136,590	\$28,389	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Annual surplus	-\$40,880	-\$33,409	-\$21,626	-\$25,069	-\$31,460	-\$35,443	-\$39,516	-\$43,678	-\$47,934	-\$52,284	-\$53,281	-\$54,294	-\$55,324	-\$56,369	-\$57,432	-\$58,510	-\$59,608
Imputed interest	\$4,250	\$7,903	\$12,326	\$18,555	\$18,418	\$17,831	\$17,039	\$16,027	\$14,783	\$13,291	\$11,537	\$9,658	\$7,649	\$5,504	\$3,215	\$775	\$0
Closing balance	\$280,662	\$260,128	\$387,418	\$409,293	\$396,252	\$378,640	\$356,163	\$328,512	\$295,361	\$256,368	\$214,623	\$169,987	\$122,313	\$71,447	\$17,231	\$0	\$0
Payback																	15.3