Watson & Associates
ECONOMISTS LTD.

Port Glasgow Trailer Park Financial Analysis
Council Meeting

Municipality of West Elgin
June 23, 2025

Agenda

1	Background
2	Financial Analysis – Scenarios 1 to 5
3	Risks and Challenges – Scenarios 1 to 5
4	Pros and Cons – Scenarios 1 to 5

1 Background

- The Port Glasgow Trailer Park (PGTP) is owned by the Municipality of West Elgin

- West Elgin Council has deemed the PGTP to be surplus land. This presentation considers various options, including:

Maintain

- 0% fee increases
- Fee increases to maintain a reserve balance
- Fee increases to become a municipal revenue stream

Lease

- The Municipality would maintain ownership
- Operations would be the responsibility of a third-party operator through a lease agreement

Sell

- Municipality sells the PGTP in its current condition for a one-time revenue

1

Background

25.67 acres

6 months of operations (May-Oct)

$6.16 M of assets

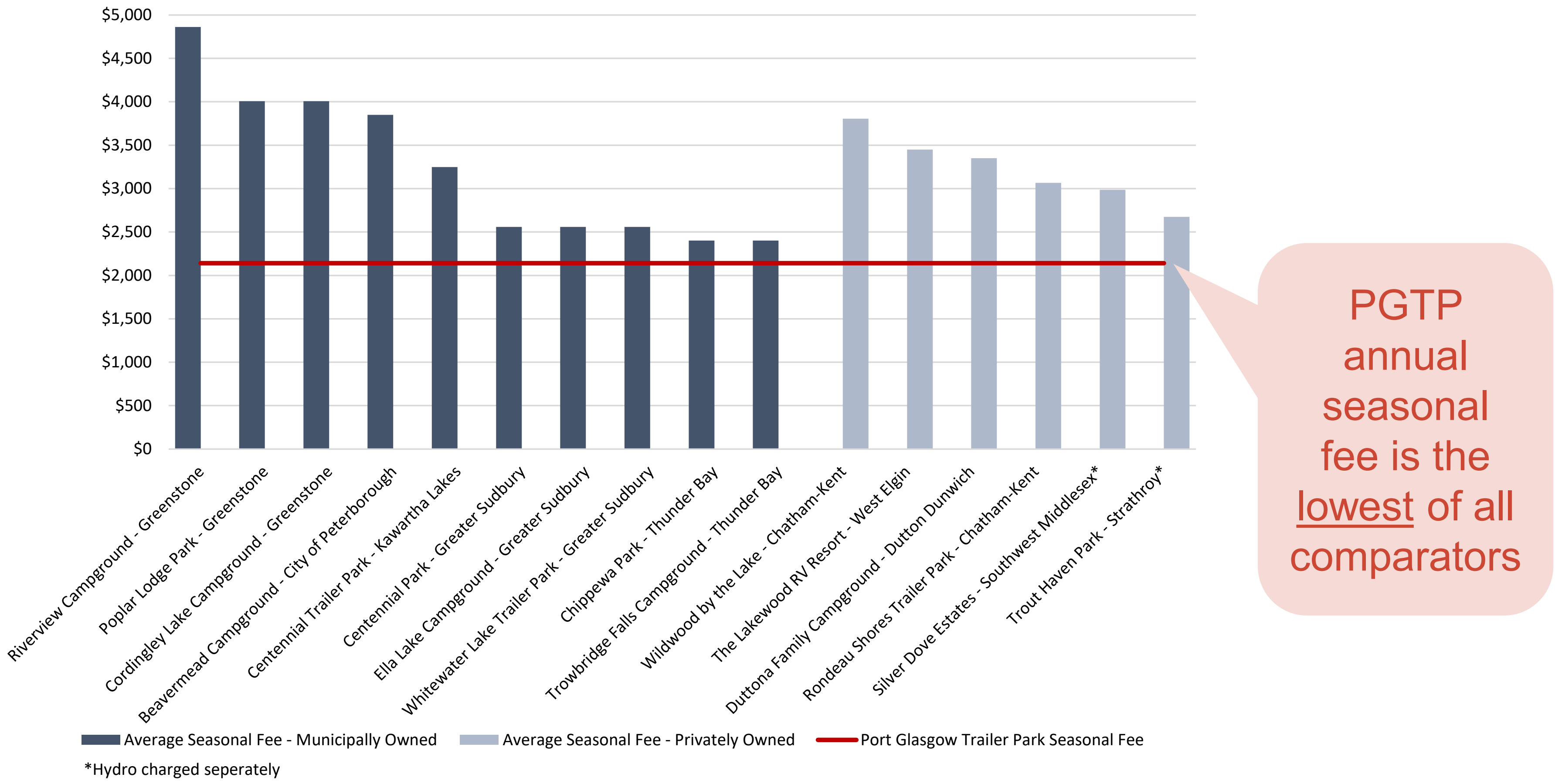
164 seasonal sites

22 transient sites

2 tent sites

Background

Comparison of Annual Seasonal Fees



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Background

Capital Infrastructure

- The PGTP has many capital assets totalling approximately $6.16 million in replacement value (2025 $)
- Based on the asset's general condition, any assets deemed to be in "poor" or "very poor" condition were used to create a 5-year capital forecast for 2025 to 2029 as follows:

2025	2026	2027	2028	2029
• Update washroom 1	• Stairs to beach	• Roadways (paving) • Children's playground • Food booth	• Hydro systems	• Children's playground equipment
$350,000	$400,000	$282,000	$422,000	$100,000

1

Background

Lifecycle Costing

- Lifecycle costs are all the costs incurred during the lifecycle of an asset from acquisition to disposal to have funds available to replace the asset when the time comes
- Utilizing the sinking fund method and based on the assets replacement value of approximately $6.16 million and useful lives, the Municipality would incur annual lifecycle costs of $221,000

Existing Reserves/Reserve Funds

- The Municipality currently maintains a PGTP capital reserve. The December 31, 2024, year ending balance in the reserve was approximately $940,628

1

Background

Operating Expenditures

- PGTP operating expenditures have been forecasted out to 2050 based on the past 5-year actual operating budgets and the 2025 forecasted operating budget
- Most budget items increase by 2% inflation annually while some are set to increase by 5% (e.g. fuel, hydro, water)

Year	Budget (Inflated $)
2025	$317,179
2030	$364,220
2035	$420,170
2040	$486,810
2045	$566,700
2050	$662,980
Total (2025 to 2050)	**$12,105,189**

1

Background

Operating Revenues

- 87% of revenues collected at the PGTP are from the seasonal camp sites

Revenue Item	Budget (2025 $)
Miscellaneous	$1,000
Camp Fees Seasonal	$367,788
Camp Fees Transient	$50,000
Laundromat	$2,500
Total	**$421,288**

- Operating revenues are set to increase at the same rate as the seasonal camp fee rate increases in the various scenarios

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Financial Analysis – Scenarios 1 to 5

Maintain

- Scenario 1: 0% annual fee increases
- Scenario 2: Annual fee increases to maintain a reserve balance
- Scenario 3: Fee increases to become a municipal revenue stream

Lease

- Scenario 4: Lease the PGTP to a third-party operator

Sell

- Scenario 5: Sell the PGTP

2

Financial Analysis – Scenarios 1 to 5

Maintain

Scenario 1: 0% annual fee increases

- Parameters: 5-year schedule of capital expenditures from 2025 to 2029, annual lifecycle savings of $221,000 beginning in 2030, annual fee increases set to increase by 0%, miscellaneous revenues increase by 2% annually
- The PGTP Capital Reserve balance would fall into a deficit beginning in 2028 and remain in a deficit every year thereafter

Year	PGTP Capital Reserve	PGTP Lifecycle Reserve	Total PGTP Reserves
2025	$694,737	$0	$694,737
2026	$382,077	$0	$382,077
2027	$175,162	$0	$175,162
2028	($195,353)	$0	($195,353)
2029	($236,386)	$0	($236,386)
2030	($400,316)	$221,100	($179,216)
…	…	…	…
2035	($1,383,706)	$1,326,600	($57,106)
2040	($2,677,396)	$2,432,100	($245,296)
2045	($4,342,246)	$3,537,600	($804,646)
2050	($6,453,676)	$4,643,100	($1,810,576)

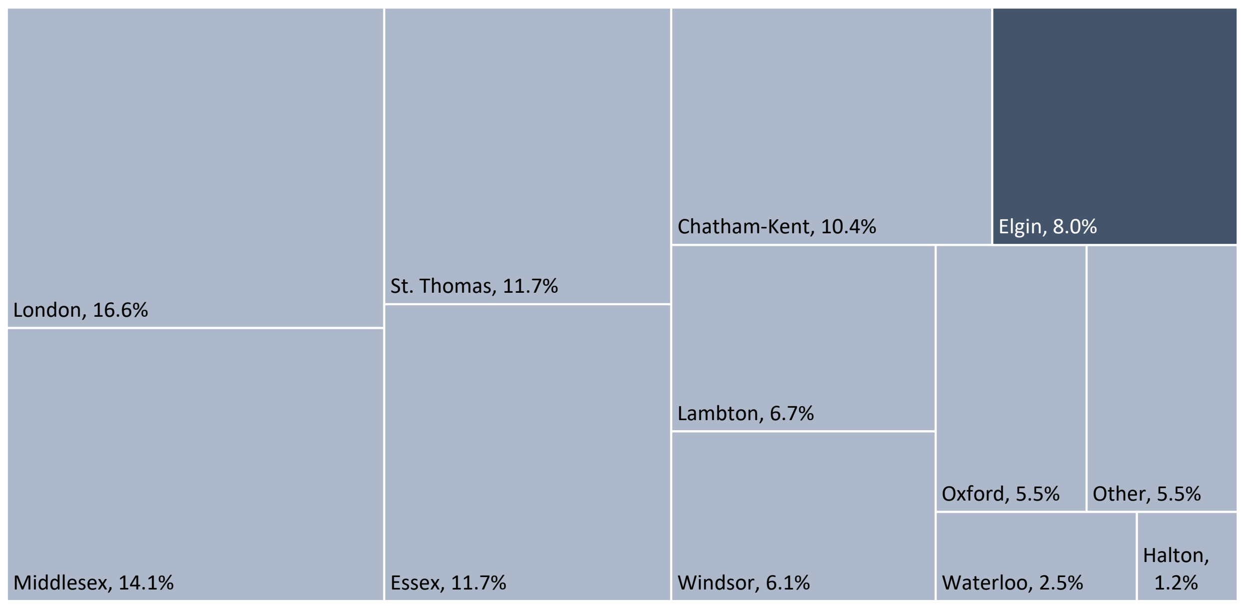
2

Financial Analysis – Scenarios 1 to 5

Maintain

Scenario 1: 0% annual fee increases

- The amount to be funded from municipal property taxes would be on average approximately ($387,591) over the 25-year period to fund the deficits
- The PGTP serves residents across Ontario. Approximately only 8% of seasonal occupants reside in Elgin County:



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Financial Analysis – Scenarios 1 to 5

Maintain

Scenario 2: Annual fee increases to maintain a reserve balance

- Parameters: 5-year schedule of capital expenditures from 2025 to 2029, annual lifecycle savings of $221,000 beginning in 2030, miscellaneous revenues increase by 2% annually
- To maintain at least 3 months of operating expenditures in the PGTP Capital Reserve, the following rate increases would be required:
    - 11% in 2026 and 2027, 9% in 2028, and 2% every year thereafter

Year	Seasonal Camp Fees
2025	$2,142
2026	$2,378
…	…
2030	$2,993
2035	$3,304
2040	$3,648
2045	$4,028
2050	$4,447

2

Financial Analysis – Scenarios 1 to 5

Maintain

Scenario 3: Fee increases to become a municipal revenue stream

- Part XII of the *Municipal Act* provides municipalities and local boards with broad powers to impose fees and charges for full cost recovery of services or activities provided
- The Municipality has numerous fees and charges related to the PGTP as per by-law 2025-04
- Under the current reserve structure, the Municipality should not increase fees beyond full cost recovery of costs attributable to the PGTP
- The Municipality may consider restructuring the reserve so the PGTP would be considered as part of the parks and recreation services, and fees and charges can be based on the parks and recreation service as a whole

2

Financial Analysis – Scenarios 1 to 5

Lease

Scenario 4: Lease the PGTP to a Third-Party Operator

- It is assumed the Municipality would issue a request for proposal to maintain the PGPT to a minimum standard including maintenance and replacement of capital infrastructure
- The Municipality would incur risk should the leaser fail to comply with the terms of the lease
- The Municipality should maintain a reserve balance to cover off risk for the future replacement of capital assets and the remaining operating expenditures incurred for the ownership of the PGTP (e.g. insurance, administrative costs, legal fees, etc.). Since the recommended annual capital lifecycle amount is $221,000, Council should consider the level of risk they would be willing to assume in determining the lease fee.

2

Financial Analysis – Scenarios 1 to 5

Sell

Scenario 5: Sell the PGTP

- If the Municipality were to sell the PGTP in its current condition (24.67 acres), it would receive a one-time revenue which could be invested to earn annual investment income
- The sale would reduce the assets in the Municipality's ownership including roads, waterlines, wastewater pipes, facilities, etc.
- An appraisal of the PGTP was undertaken in 2021 which estimated the value to be approximately $2.11 million
- Watson undertook a review of the Municipal Property Assessment Corporation (MPAC) database for campgrounds sold in the past 5-years across Ontario. Based on applying the average cost per acre from 76 properties, the PGTP could be valued up to $4.00 to $5.00 million

Risks and Challenges – Scenarios 1 to 5

	Risks and Challenges
Scenario 1: 0% annual fee increases	• This is not sustainable to maintain the park. The required capital upgrades will push the reserve into a deficit which would need to be subsidized by West Elgin taxpayers.
Scenario 2: Annual fee increases to maintain a reserve balance	• Municipality still responsible for standards of operating and maintaining the park.
Scenario 3: Fee increases to become a municipal revenue stream	• Under the current reserve structure, rates should be full cost recovery or they can be subject to legal challenge • The PGTP would need to be considered under the parks and recreation service to impose higher charges. It is recommended to seek a formal legal opinion.
Scenario 4: Lease the PGTP to a third-party operator	• Municipality still responsible for standards of operating • Municipality will still carry operating expenditures if maintaining ownership • Risk if leaser does not comply with the lease terms • Risk if leaser does not maintain and update capital assets
Scenario 5: Sell the PGTP	• n/a

4 Pros and Cons – Scenarios 1 to 5

	Pros	Cons
Scenario 1: 0% annual fee increases	• Status quo • Maintain ownership of PGTP assets	• Reserve deficits would need to be subsidized by West Elgin taxpayers
Scenario 2: Annual fee increases to maintain a reserve balance	• Full cost recovery paid for by occupants of the park • Maintain ownership of PGTP assets	• Annual fee increases for the PGTP occupants
Scenario 3: Fee increases to become a municipal revenue stream	• Additional revenues contributed to parks and recreation service • Maintain ownership of PGTP assets	• Annual fee increases for the PGTP occupants
Scenario 4: Lease the PGTP to a third-party operator	• Operating the PGTP is no longer the Municipality's responsibility • Maintain ownership of PGTP assets	• Oversight required by Municipality • Risk if leaser does not comply with terms or maintain capital assets • Municipality still has operating costs
Scenario 5: Sell the PGTP	• One-time revenue which could earn annual investment income • Potential land uses could generate additional tax revenues	• Reduction of municipal capital assets (land, roads, water and sewer mains, facilities) • Reduction of municipal revenues reduces debt capacity of Municipality

Questions?

Questions?