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The Effects of High Water Along the St. Lawrence River on Local Businesses in the Thousand Islands Region

A Senior Honors Thesis

Submitted in Partial Fulfillment of the Requirements for Graduation in the Honors College

By
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Abstract

This study examines the effects of the high-water levels on businesses along the St. Lawrence River in 2017. I investigate two specific research questions: if and how the businesses were financially affected by a changing number of tourists, as well as, if and how businesses were affected, physically or financially, by the high-water levels and flooding that occurred. I explore these research questions by interviewing owners and managers from a sample of three organizations in the region, each representing a different industry. In addition to conducting interviews, in an attempt to quantify the dollar impact of the high water and flooding in the region on my sample businesses, I compare the financial records for the two fiscal years prior to the fiscal year affected by the flooding in 2017. I find that the businesses were affected by the flooding primarily because they experienced fewer tourists.
1. Introduction

Being a beautiful and interesting location with a very long history, the Thousand Islands is a highly regarded tourist destination. However, high water levels along the St. Lawrence River and Lake Ontario threatened that livelihood during the spring and summer of 2017. Although the International Joint Commission worked on a plan to lower the water levels by a certain amount each week, the water levels continued to rise due to high amounts of rain. Due to the flows of water from body to body, the control of water has limits in the amount that can be released. The first signs of high-water came in late April, by May the state had declared an emergency in Jefferson County because there was so much flooding. Most of the docks protruding into the water were covered by water or had been washed away. Finally, in the end of June, the water levels had stabilized. Although the water levels were still high, the IJC could now begin working on returning the water levels to average for the time of year. The high water caused flooding in many basements and along many roads, effecting many families and local businesses. The state provided flood relief, in the form of grants, to many businesses and local municipalities in order to mitigate the effects of the flooding. The focus of my research is on the effects of the flooding on local businesses. The question I answer is “How did the high-water levels on the St. Lawrence River affect local businesses?”

I answer the research question using a combination of secondary and primary data. First, I reviewed a survey conducted by the Thousand Island International Tourism Council. This survey asked 680 businesses in the Thousand Islands region questions about if and how they were affected by the flooding. Of the 109 businesses that completed the survey, a majority said they were negatively impacted by the flooding. They claimed that the negative news media discouraged people from visiting the area. They believed that this impact was worse than impact due to physical
damages caused by the flooding. The small percentage of businesses that claimed to have been positively impacted by the flooding were those that were more willing to take risks than their competition, such as by putting their boat in the water for fishing tours whereas a lot of others thought the water was too dangerous. Others that were positively impacted were those that simply had a better location than their competitors, so they were not as badly affected by the flooding.

I also conducted my own survey. Businesses that were recruited are businesses with a waterfront property, located between Cape Vincent, New York and Alexandria Bay, New York. I chose to narrow the area of my study from Cape Vincent to Alexandria Bay because this area is considered the heart of the Thousand Islands, and the tourism season is a very important season for businesses located here. I chose waterfront property as a way to even further narrow my research area. I chose restaurants, hotels, souvenir shops, marinas, state parks and tourist attractions as the industries to focus on because I believe they comprise most of the industries that are represented in the research area. Finally, I believe waterfront businesses between Cape Vincent and Alexandria Bay are all affected by tourism equally, meaning not one industry or business chosen had more tourists visit than another. Often times, tourists will visit Cape Vincent, Clayton, which is located between Cape Vincent and Alexandria Bay, and Alexandria Bay, all in one visit because of their close proximity and plethora of activities to do.

For the recruitment process, I created a list of possible businesses in each industry based on the above criteria. My goal was to continue asking businesses from the list to participate, until I had one business from each industry, for six in total. To participate in my research study, I required both a personal interview with the owner or manager of the business and the provision of the past three years of financial records. By conducting a personal interview, more can be determined from the personal point-of-view of the businesses owner/manager about how the
business was affected, such as if it flooded, did they have any water damage, or if the owner/manager felt that there was a decrease in the amount of business last year compared to previous years. Financial records were used to quantify the extent to which the businesses were affected, by comparing sales and other numbers to previous years. However, despite asking many different businesses and due to a time constraint, I was only able to recruit three businesses and only one of those provided me with financial statements. The three businesses to agree were a cottage rental business, a marina and a tourist attraction. The interview questions and answers are attached as appendix B to this report.

Although only a cottage rental, marina and tourist attraction agreed to partake in the study, I was able to make a conclusion about the effects of the high-water levels on the businesses. While exploring the issue in two different ways, the impact of the flooding on tourists, which in turn impacted the businesses and the impact of the flooding, physically, on the businesses, I discovered the businesses were impacted by fewer tourists. The businesses I interviewed did not have a lot of physical damage, rather the businesses lost revenues because there was less foot traffic. All three businesses interviewed lost revenues, although each in a different way, due to the flooding. The cottage rental was lucky, none of their cottages were damaged. They lost extra revenues due to their docks being underwater, so they could not rent them. The marina lost revenues because people decided to wait to buy a boat, until the following season when it was safe to use it in the water and they did not have to be as cautious while driving. Finally, the tourist attraction lost revenues because their gift shop was flooded and inoperable and their concession stand had to be moved to a static location that was smaller. Therefore, the menu for the concession stand was limited and they lost extra revenues from the gift shop. The tourist attraction actually saw a
decrease in operating expenses for the fiscal year of the flooding, however their decrease in revenues caused an overall decrease in net income for the year.

2. Thousand Islands Region and Tourism

Located in Northern New York, the Thousand Islands Region spans from Cape Vincent, New York to Morristown, New York, along the St. Lawrence River. The Thousand Islands is an archipelago comprised of 1,864 islands of varying sizes. Interestingly, to be considered an island in the Thousand Islands, a piece of land must have at least one square foot of land above water all year long and must be able to sustain at least two living trees. The Thousand Islands region is comprised of several small towns, each with its own unique set of businesses setting them apart from one another. Further, this region is divided territory between Canada and the United States: Canada owns more islands but the United States owns a larger land area. The region is also the home of two castles, Boldt and Singer, known for their beautiful scenery and is the homeplace of Thousand Islands Dressing\(^1\). In addition, the Thousand Islands is home to a Canadian national park, Thousand Island National Park\(^2\), and several New York state parks, including Cedar Point State Park, Keewaydin State Park, Grass Point State Park, Burnham Point State Park and Wellesley Island State Park. All of these characteristics bring in a majority of the tourism which peaks between late spring and early fall. Many of the businesses are only open from Memorial Day to Labor Day.

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\(^1\) Thousand Islands dressing has two main stories for its origin. One holds that George Boldt’s chef made it for Boldt and his wife, when he forgot dressing for their salad one day. When Boldt tried it, he told his chef he wanted it put on the menu at his Waldorf-Astoria Hotel immediately. The second version of the story is that Sophia LeLonde, a fishing guide’s wife, made the dressing called “Sophia’s Sauce” for her husband and his colleagues. One of his colleagues was actress May Irwin, who enjoyed the dressing so much she convinced the LeLonde’s to share the recipe with her. She in turn shared the recipe with George Boldt (Botero, 2016).

\(^2\) Thousand Island National Park is comprised of 21 islands and three mainland properties. It is one of Canada’s oldest national parks (1000 Islands Tourism Council, 2018).
Globally, tourism seasons differ and the businesses that are included in the tourism sector can vary. The tourism sector is a difficult sector to define and identify. In 2017, Drakulevski and Janeska-Iliev describe a typical tourism cluster as “not only… primary attractions, but also the quality and efficiency of complementary businesses such as hotels, restaurants, shopping outlets, and transportation facilities” (p. 66). The tourism sector, in general, is also very largely comprised of small businesses and can make up 10% of the workforce in a municipality (Drakulevski & Janeska-Iliev, 2017).

Globally, tourism and travel are growing business sectors. Tourism and travel are becoming more prominent today than in the past as governments of all sizes are realizing the importance of them and as society moves towards a more global economy. Between the 1950s and 1999, international tourism grew rapidly, from 25 million international tourists to 664 million international tourists, which only counts for 20% of all tourist activities, (Drakulevski & Janeska-Iliev, 2017). In New York State in 2017, tourism spending grew 4.4%, generating $67.6 billion of direct tourism spending (Tourism Economics, 2017).

The Thousand Islands region accounts for 1% of all of New York State’s tourism and 3% of traveler spending in Upstate New York (Tourism Economics, 2017). Although the region only accounts for 1% of tourism in New York, tourism in the Thousand Islands is a $543 million industry (Tourism Economics, 2017). It provides 8.4% of all jobs in the region, employing 9,194 citizens (Tourism Economics, 2017). One of those 9,194 citizens is me. Most tourist spending in the Thousand Islands is on the rental and upkeep for second homes and at restaurants. Having a tourism driven economy can be a very difficult; most of a business’ revenues are concentrated

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3 I have worked at Angel Rock Waterfront Cottages and Vacation homes located in Cape Vincent since the summer after my senior year in high school. I began working as a cottage cleaner and by the end of my first summer, the owners trained me to work in the office and gave me the opportunity to undertake some accounting work, which influenced my decision to major in accounting.
into just a couple of months and it can be difficult to predict the number of tourists that are going to visit the region each year. The number of tourists will determine sales. Many of the businesses are small businesses, which do not have the financial resources of a large business and can be more affected by even small changes in an economy.

Small businesses are very important to the United States’ economy, New York state’s economy and the Thousand Islands region’s economy. Small businesses make up approximately 99.7% of all existing businesses and they have provided around 63% of all new jobs created between 1993 and 2013 (Drakulevski & Janeska-Iliev, 2017). In New York State, there are 2.1 million small businesses, accounting for 99.8% of all businesses (U.S. Small Business Administration Office of Advocacy, 2018). These small businesses employ about 4 million individuals, or about 50.2% of all employees in New York State (U.S. Small Business Administration Office of Advocacy, 2018). In 2018 small businesses created nearly 115,000 new jobs in New York State alone (U.S. Small Business Administration Office of Advocacy, 2018). A common tool used to identify a small business is if it has 50 or fewer employees. However, a more formal definition, according to the Small Business Act is, “a small business concern shall be deemed to be one which is independently owned and operated and which is not dominant in its field of operation” (Drakulevski & Janeska-Iliev, 2017). This is the definition I have used to identify smaller businesses in my research.

3. 2017 Flooding Crisis

Between the months of May and September in 2017, there were extreme high-water levels and flooding of the St. Lawrence River and Lake Ontario; there was also an above average amount of rain in the region. Due to the flow of water through the Great Lakes and the St. Lawrence River, threats of high-water and flooding, if not managed well, can easily lead to physical damage to
property. High water levels can affect the ability of businesses to open for the season due to damage. New tourists might not visit the area because they do not think they will have access to tourist attractions, and repeat tourists may not visit because they cannot enjoy the activities they enjoy, such as recreational boating, causing an overall poor business season.

The first reports of the high-water levels were published in the *Watertown Daily Times*, on April 18, 2017. The report stated “Water levels have recently increased across the St. Lawrence River and Lake Ontario, with officials attributing the increase to recent storms and snowmelt in the region,” (Block, 2017c, p. A5). The water levels in Lake Ontario rose 7.5 inches between April 4 and April 10, other connecting bodies of water also rose, as much as 14.6 inches, during that period. The St. Lawrence River was reportedly six inches higher than in 2016 and if it were not for the water-level regulating group, the International Joint Commission, the levels could have been six inches higher.

The International Joint Commission (IJC) was created, in 1909, by Canada and the United States to manage and preserve the lakes and rivers that the countries share as borders. The IJC has two main responsibilities, first to approve projects that affect water levels and flows across the boundary, and second to investigate transboundary issues and recommend solutions (International Joint Commission, 2018). In December 2016, the IJC approved a plan titled Plan 2014, to be implemented in January 2017. According to US Section Chair, Lana Pollack, "Plan 2014 is a modern plan for managing water levels and flows that will restore the health and diversity of coastal wetlands, perform better under changing climate conditions and continue to protect against extreme high and low water levels" (International Joint Commission, 2016). The purpose of plan 2014 was to regulate the flows of water and water levels of the St. Lawrence River and Lake Ontario. The water is regulated by the Moses-Saunders Dam, located north of the Thousand
Islands in Massena, New York. Before Plan 2014, the system for regulating flows was developed in the 1950s. Plan 2014 is the result of 14 years of scientific studies. It is supposed to better mimic the natural water levels and moderate extreme highs and lows through the Moses-Saunders Dam and so help restore ecosystem health damaged due to the old regulating system.

Plan 2014’s implementation was immediately blamed for the high-water levels. However, the Plan addresses the difficulty the IJC faces when there are extreme changes in water levels and the relationship connecting bodies of water have with one another. The IJC explained the water level of Lake Ontario is dependent upon the inflows and outflows of it. While the amount of water that flows into the lake is uncontrolled, the water that flows out is controlled by the Moses-Saunders and Long Sault Dams, located on the St. Lawrence River. The water the dams release lowers the water level in Lake Ontario, they also effect the levels of water in Lake St. Lawrence and Lake St. Louis. For example, releasing water at a rate of 29,000 cubic feet per second for a week, changes the water level in Lake Ontario by one inch, changes the water level in Lake St. Lawrence by 16.5 inches and changes the water level in Lake St. Louis by 10 inches. Along with the effects on Lake St. Lawrence and Lake St. Louis, the rate of outflow also effects the St. Lawrence River. The Moses-Saunders dam, is the dam the IJC used to control the flooding during 2017. The dam, while providing some control over the water levels, is very limited in what it can do because of the effects of the flow of water on other bodies of water. If too much water is released, the water level in Lake Ontario will decrease faster, however, the St. Lawrence River will experience more flooding. If too little water is released, Lake Ontario may flood, while the St. Lawrence River water levels will decrease. Finally, the IJC must deal with changing water levels as they occur because foreseeing water levels in the future is limited (International Joint Commission, 2014).
Governor Andrew Cuomo first warned state agencies to prepare for possible flooding April 23, 2017. By early May, however, firefighters and other volunteers worked endlessly to try to keep up with the rising water levels by preparing sandbags to guard structures along the river from the flooding (Block & Wolf, 2017). Many of the docks protruding into the water were covered by water or had already been washed away. This created a danger to boaters, because floating debris could damage their boats. According to the NYS Boaters Guide, boat speed is limited to 5 mph, if within 100 feet from the shore, a dock, a pier, a raft, a float or an anchored boat. This is to prevent large waves from causing damage to any of the aforementioned pieces of property (Office of Parks, Recreation and Historic Preservation, 2015). However, new temporary restrictions were enacted in May 2017, extending the no wake rule from 100 feet to 600 feet from the shoreline, to prevent damaging waves (Governor’s Press Office, 2017g).

In early May 2017, just outside of Cape Vincent, the town of Lyme, located on Lake Ontario, declared a state of emergency. Governor Cuomo also declared an emergency in several counties, including Jefferson County, the county in which the Thousand Islands region is located, providing them with 50,000 more sandbags. By the end of May, New York State allocated $10 million to local governments that were affected by the flooding along Lake Ontario and the St. Lawrence river (Molongoski, 2017a). Five million dollars in grants were created to help small businesses. They could receive up to $20,000 to “repair or replace damaged or destroyed real property or assets like equipment, furniture, fixtures and inventory” (Block, p. A1, 2017). The $20,000 provided to small businesses was eventually increased to $50,000 according to an announcement published by the Governor’s Press Office (Governor’s Press Office, 2017e). The state also appealed to the IJC, allowing them to release additional water through the Moses-Saunders Dam (Block & Wolf, 2017). Although the IJC was attempting to lower the water levels
by increasing the outflow rate to 360,200 cubic feet per second, the water levels continued to rise due to high amounts of rain.

Finally, by June the water levels stabilized and the IJC prepared to reduce the rate of outflow through the Dam. Although the water levels had stabilized, it took several weeks to reduce the water levels significantly, and even longer for the water levels to return to a normal level (Block, 2017b). On June 4, 2017, Lake Ontario was 32.3 inches above average (Block, 2017b). By June 30, 2017, New York State passed a $55 million flood relief bill, of which $45 million was for communities along Lake Ontario and the St. Lawrence (Molongoski, 2017). Governor Cuomo also signed an act providing the funding for flood damages to the victims quicker (Watertown Daily Times, 2017c). Slowly, between June and August, the water-levels returned to average levels, however, damage was still being discovered and remediated. The high water and flooding caused floods in many basements and along many roads, affecting many families and local businesses.

4. Impact of High Water on Small Businesses in the Region

The flooding of the St. Lawrence River was an issue many of the businesses in the Thousand Islands region had never faced before. Therefore, during the flooding, business owners needed to determine what preventative measures to take to make sure it was safe for guests to use their facilities while also trying to earn profits during their busy season.

4.1 Thousand Islands International Tourism Council Survey

A survey was conducted by the Thousand Islands International Tourism Council that asked business owners about the effect the flooding had on their business during the months of May through October, making estimates about September and October. The Council sent the survey to 680 businesses from the United States and Canada; 109 completed the survey. The industries, of
the businesses that competed the survey, were distributed somewhat evenly between lodging, dining, retail, marine, fishing/hunting, attraction and a smaller fraction were entertainment businesses. Of those that answered, 47% claimed that the high water had a very negative impact on their business, and 35% said the high-water had a somewhat negative impact on their business. Of the businesses that claimed they were negatively impacted by the high-water, the average amount of business lost was between 20% and 29% (1000 Islands Tourism Council, 2017).

The survey then asked the businesses during which months they were most affected, which type of impact the high-water had on the business, how much business they lost, and for any comments they had about the high water. Most of the impact of the flooding, according to the survey, happened during June, after which the impact declined.

The survey divided the different impacts due to high water into three categories. The three categories are: impact of direct physical damage from high-water, impact of high-water impeding business operations, and impact of high-water discouraging visitation to the area. Of the three categories, the impacts of high-water discouraging visitation to the area caused the most impact on the businesses, with over 90% of businesses claiming to have some amount of impact (1000 Islands Tourism Council, 2017). According to comments from the survey, business owners attributed the lack of visitors to the negative reports from news outlets. One comment stated, “There was less foot traffic this summer. I think the negative news in the beginning of the summer had people deciding not to open and/or changing vacation plans” (1000 Islands Tourism Council, 2017). Adding onto that, another comment stated “We received calls from as far away as Virginia stating the media had said our roads were closed due to flooding. This occurred right up to the middle of August” (1000 Islands Tourism Council, 2017). Media all over the nation was reporting about the flooding in the area, although not all areas were affected as badly as others.
Although many of the businesses were open and operating business as usual, the lack of docks and boat parking deterred tourists from visiting. Many travelers from Canada travel to the United States by boat, others travel from all over with their boat and when they arrive, they use it as their main source of transportation. Boating, due to the speed limitations and large amount of debris in the water, was described as a “tiresome activity” (1000 Islands International Tourism Council, 2017).

The businesses that saw a positive impact from the high-water, made up just 8.25% of the businesses to respond to the survey. Two-thirds of those claimed to have increased business of 15% to 25%. They attributed their positive impacts to the effects of competition, meaning that due to the location, or some other aspect of their business compared to their competitors, they were able to remain open or have an advantage over their competitors, thus stealing their competitor’s businesses. Others attributed their success to the high-water. One business claimed that it kept their beach cleaner because weeds were easier to remove. Another claimed that the high-water created an environment for fish to successfully breed, creating a good fishing season or area for research on the fresh water fish of the St. Lawrence River. One comment in the survey said “Although the water levels were over my lawn and we had to build 20 ft. ramps to get to our docks the overall benefit to fish breeding and the successful fishing season so far have out-weighed this, the water levels were way too low for the last 10 years at a detriment to fish breeding and the rooting of chocking bull rushes in breeding areas” (1000 Islands Tourism Council, 2017). Although the business had setbacks, the overall success was positive because of the successful fishing season.
4.2 Author-Conducted Interviews

Being a business student and an employee at a small business in the Thousand Islands, I was motivated to research how small businesses were affected by the disastrous high-water and flooding that occurred during the peak season in 2017. I want to know how the businesses prepared for the flooding, if/how they were affected both physically and financially, and how they can prevent these issues in the future. By looking at the financial statements, I will also quantify in dollars the financial impact of the high water and flooding on a sample of businesses in the region.

In order to answer these questions, I created a list of businesses that were located along the St. Lawrence River, between Cape Vincent and Alexandria Bay, on the river’s edge and divided them into six different industries: marinas, state parks, hotels, tourist attractions, restaurants and souvenir shops. I hoped to have one business from each of the sectors to agree to participate in an interview and provide me with their last three years of financial statements. Unfortunately, only three business agreed to do an interview with me and only one of those business provided me their financial statements. The three businesses to participate were: a local cottage rental business, that has two full-time employees and eighteen part-time employees during the busy season, a local marina with seven full-time employees and five part-time employees and a tourist attraction with ten full-time employees and about 75 summer employees.

4.2.1 Impact on Cottage Rental Business

The small cottage rental business that I interviewed was bought by the current owners in 1997. Since then, the business has expanded greatly, however, the owners had never dealt with flooding before. Luckily the cottages and vacation homes are located above ground and far enough away from the water, so they were not directly affected. However, when the flooding began to occur, the owners had to decide whether or not to let their guests use the new docks for docking
their boats or for fishing due to safety concerns. After deciding to not allow their guests to dock their boats until they had determined it was safe to do so, the business owners had to: monitor the water levels weekly, contact each guest that had rented the dock, inform them of the issue, provide them with other possible solutions for docking their boat and give their customers a refund. Ultimately, the business lost $6,000 in dock rental income, about $100 a week per dock slip, and $3,000 on a cancelled reservation (Cottage Rental, personal communication, September 30, 2018).

The cottage rental business did not experience a huge decrease in guests or have any extenuating damages; however, they had less service revenue due to the docks being unusable. They made walking ramp accommodations so that the owners could use and dock their work boat. They did not let their customers use the dock because it created an opportunity for the guests’ boats to be damaged, creating too large of a liability. The cottage business left the walking ramps in place until Spring 2018, to ensure there was no need for them the following year. Then they were removed. As of the time of the survey, the cottage rental business had fully recovered. Again, since there was only minor damage to the property, they did not qualify for any of the flood relief grants available for businesses in the area.

### 4.2.2. Impact on Marina

Based on the answers given in their interview, the marina lost sales due to fewer customers. Many customers waited to buy a boat until the water levels returned to normal, and some even delayed their purchase until the next boating season (Marina, personal communication, September 30, 2018). However, many year-round citizens still kept their dock slips, so the business still maintained some of their revenues. As a way to mitigate the effects of the flooding, the marina built small ramps to the floating docks, so their customers could get to their boats without walking in too much water.
As of September 2018, the marina is fully recovered from the flooding and did not take any steps to prevent damage from high-water issues in the future. Since there was minimal damage to the facilities, the business did not qualify for any grants, although they did receive emails from Senator Patty Ritchie’s office. Although they did not provide their financial statements, it would have been interesting to see if the company earned more revenues than usual in 2018 due to people who delayed their purchase from the previous year.

4.2.3 Impact on Tourist Attraction

The tourist attraction had a similar overall experience with the flooding. In the interview, the tourist attraction stated that in calendar year 2016, there were 194,000 visitors to their business. In 2017, there were about 7,000 fewer visitors. The tourist attraction opened one day but closed the next day, in order to make their docks usable. Throughout the season, they had to build a new ticket booth because their old one flooded, they had to reroute their electrical from the main structure to the docks, and they had to put new walls in their powerhouse because the flooding melted the sheetrock (Tourist Attraction, personal communication, August 30, 2018).

The tourist attraction is prepared and has planned ahead to prevent future damage in case of recurring high-water. When they repaired their powerhouse, they rebuilt the walls with a different material, so they will not be damaged in the future if there is another flooding. The electricity was also rerouted to avoid the issue of water contact, again. Overall, they had about $50,000 in damages, but all of their damages were fixed by spring 2018. They paid for all of their damages using their excess cash, so they did not apply for any grants, although they were informed about them. The overall monetary effects of the flooding on the tourist attraction will be evaluated in the financial statement analysis section of this paper. Despite all of the issues they faced, business ran pretty close to business as usual, during the flooding.
Tourist Attraction Financial Statement Analysis

The tourist attraction was the only business interviewed that supplied their financial statements. From these statements, I evaluated the revenues and expenses for the year impacted by high water (the most recent year available) and the two prior years, looking at the trends and explanations for the differences. In addition, I evaluated whether there were any unusual one-time revenues or expenses that may have skewed their financials year-over-year.

The tourist attraction has a fiscal year ending February 28, therefore, the months the flooding occurred are reflected in the fiscal year 2018 financial statements. The revenues for the tourist attraction for fiscal years 2016, 2017 and 2018 were $2,361,194, $2,963,538 and $2,635,673, respectively (Tourist Attraction Financial Statements, 2018). Note the decrease in revenues from fiscal years 2017 (the year prior to the flooding) to 2018 (the year impacted by the flooding). In the accompanying notes to the financial statements, the tourist attraction notes, “…a decrease [in activity levels] due in part to weather affecting the early part of the operating season and the prior year was the second best since… 1977 which was a high metric to compare against” (Tourist Attraction Financial Statements, 2018). This explains that they attributed the decrease in revenues to the weather, but that they were only badly affected during the beginning of the season and were able to partly recover during the end of the season. During their interview, they said they were able to fix most of the issues, early on, so their facilities were safe and able to remain open. Once these issues were fixed, business was close to normal. They also had a record year in fiscal year 2017, which includes the peak season months for calendar year 2016, so they were expecting difficulty earning as much during fiscal year 2018, especially with the water levels.

The breakdown of total operating expenses showed a decrease in operating costs from fiscal years 2017 to 2018. Although operating expenses due to wages increased because of
increases in salaries given to full-time employees and seasonal employees, this was offset by decreases in cost of goods sold. The cost of goods sold is the amount of money that a good cost to the business when they acquired it. Due to flooding, the concession stand had to be moved to a satellite location that was smaller than normal, so they could not sell all of their normal products and therefore did not need to buy them either, thus decreasing their cost of goods sold. They also were unable to open the gift shop during the year because of the flooding, so they had lowered cost of goods sold in that respect as well. Overall, the decrease in cost of goods sold from the concession stand and gift shop was estimated to be $118,000. Finally, in fiscal year 2017 the business updated a video, creating an unusual, one-time operating expense for the year.

Overall, between fiscal years 2017 and 2018, there was a decrease in both revenues and operating costs. The net income for fiscal years 2017 and 2018 were $274,622 and $221,562, respectively (Tourist Attraction Financial Statements, 2018). Although the operating costs decreased, the decrease in revenue caused the net income to decrease by $53,060. The tourist attraction did not have a net loss, but they had a decreased net income compared to fiscal year 2017.

5. Conclusion

Based on my own personal experiences during summer 2017, I expected many businesses to be severely affected by the flooding. I thought that there were fewer tourists visiting, and the businesses were all experiencing some sort of flood damage to their property.

However, I was very surprised by the results of my interviews and the 1000 Islands Tourism Council survey. While the flooding negatively affected a majority of the businesses that completed the survey from the International Tourism Council, it did so not as much through physical damage as through high water discouraging visitation to the area. Negative publicity and
news reports discouraged visitors from coming to the area, causing less foot traffic, despite this, tourism spending actually increased. In my own survey I found the marina and cottage rental business had minimal damage and while the tourist attraction was more affected, they were able to easily recover. Businesses were affected by the flooding because people could not participate in activities along the St. Lawrence River. They were discouraged from visiting the area because they could not do activities they enjoy, such as boating, fishing, and exploring nearby towns. The high-water and flooding of the St. Lawrence River caused harm to net income in the form of lost revenues rather than higher expenses.

Although the summer was very frightening for many business owners, in the end, they were less affected by the flooding than they expected. Overall, tourism spending in the region increased by 4.2% from 2016 to 2017, due in part to an increase in gas prices during the year (Tourism Economics, 2017). Finally, the lasting impact of the flooding was not as large as expected and most businesses fully recovered from the flooding less than a year later.
Appendix A: Map of Thousand Islands

The image to the left illustrates a map of the New York State, with the Thousand Islands Region and Great Lakes Seaway Trail highlighted in red.

Source: NYSTIA

This image zooms in on the Thousand Islands Region between New York State and Canada. This area includes 1,864 islands located in the St. Lawrence River. On the United States side, the region starts at Cape Vincent and ends near Morristown. On the Canadian side, the region starts at Kingston, Ontario and ends at Brockville, Ontario.

Source: Google Maps
Appendix B: Summary of Interview Questions

<table>
<thead>
<tr>
<th>Question</th>
<th>Cottage Rental</th>
<th>Marina Sales and Service</th>
<th>Tourist Attraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of Business</td>
<td>Small</td>
<td>Small</td>
<td>Medium</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>2 full-time, 18 part-time</td>
<td>7 full-time, 5 part-time</td>
<td>10 full-time, 75 part-time</td>
</tr>
<tr>
<td>How do you think your business compared to others in the local industry last summer?</td>
<td>We were mostly unaffected, as our rental units are well above flood level – so compared with a business renting a low-lying unit, we would have fared much better.</td>
<td>Our boat/motor/trailer sales took a hit as many customers considering a boat purchase opted to wait until after the water dropped – which was the end of August, so at that point, they opted to wait till 2018. We think our competitors in the area had the same experience. Our dock customers had to walk through several inches of water to get to their docks – annoying, but not insurmountable – as our docks float. Anyone with fixed docks would have had more of a negative experience. Financially, the dock situation did not affect us, but we do know other marinas gave dock refunds as their docks were unusable.</td>
<td>Considering the challenges faced, business was pretty close to business as usual. Compared to 194,000 visitors in 2016, there were only about 7,000 less visitors in 2017.</td>
</tr>
<tr>
<td>Were there any other circumstances that may have skewed your financial reports during the last three years?</td>
<td>Financial statements not provided</td>
<td>Financial statements not provided</td>
<td>Nothing major, a restoration was finished, other projects were put on hold</td>
</tr>
</tbody>
</table>
## Appendix B: Summary of Interview Questions, Continued

<table>
<thead>
<tr>
<th>Were you affected by the high-water levels? How?</th>
<th>Cottage Rental</th>
<th>Marina</th>
<th>Tourist Attraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, our docks were unusable by customers until the end of August. We lost approximately $6,000 in dock rental income, and we know of at least one large $3,000 accommodation reservation cancelled because the guides did not have their boats in the water in spring due to high water.</td>
<td>Yes, see #5.</td>
<td>Yes. There was 10 inches of water on top of our docks, the powerhouse was damaged, because the sheetrock melted due to the flooding, the ticket booth flooded, the electrical to the docks had to be rerouted, closed for a day. Overall about $50,000 of damage.</td>
<td></td>
</tr>
</tbody>
</table>

|How did you prepare for the high-water levels?| We did not prepare in advance | We did not prepare in advance | Closed for a day to evaluate situation, spent about $10,000-$12,000 to build docks on top of docks, built a new ticket booth, ensured the safety of visitors |

<p>|How did you adjust for the high-water when it was not lowered when it was expected to be?| We built small walking ramps on top of our docks – to allow us to be able to dock our work boat at our dock – but we did not let customers dock there as their boats would have been susceptible to damage. We did allow guests to fish from our docks standing in several inches of water, once summer arrived, as they requested to do so. | We built small ramps so customers could get to their rented floating docks without walking in water. | Kept building docks on top of docks and made sure each day it was safe for visitors to visit |</p>
<table>
<thead>
<tr>
<th>Question</th>
<th>Cottage Rental</th>
<th>Marina</th>
<th>Tourist Attraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are you fully recovered from the high-water levels?</td>
<td>Yes</td>
<td>Yes</td>
<td>Pretty much, some minor damages are still being discovered, but all of the main issues were finished in spring 2018, mainly the powerhouse. Lasting effects are expected to surface in the coming years, as some of the buildings had 1 foot of water in them.</td>
</tr>
<tr>
<td>Did the events of 2017 result in you taking any steps to mitigate future high-water issues?</td>
<td>We left the walking ramps in place until 2018 Spring, to see if we would need them again, which we didn’t and they have since been removed.</td>
<td>No</td>
<td>Yes, the damage to the powerhouse will not happen again because they changed the material used. The electrical will remain rerouted. They are prepared to plan ahead for the damage that is expected to come.</td>
</tr>
<tr>
<td>Has any level of government contacted your business about the high-water experienced in 2017?</td>
<td>Yes, I’ve seen email correspondence from Senator Ritchie’s office regarding grants</td>
<td>Yes, we have seen email correspondence from Senator Ritchie’s office regarding grants</td>
<td>Yes</td>
</tr>
<tr>
<td>Have you received any government support, financially or otherwise, related to high-water issues?</td>
<td>No, we did not qualify for grants</td>
<td>No, we did not qualify for grants</td>
<td>No financial aid was received, all of the money used to pay for the damage came from in-house funds.</td>
</tr>
</tbody>
</table>
### Appendix C: Financial Statements

#### Condensed Statements of Net Position
**February 28, 2018, February 28, 2017, and February 29, 2016**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current and Other Assets</td>
<td>$23,771,833</td>
<td>$22,268,884</td>
<td>$21,334,409</td>
</tr>
<tr>
<td>Capital Assets, Net</td>
<td>$50,363,326</td>
<td>$49,014,216</td>
<td>$48,465,650</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$74,135,159</td>
<td>$71,283,100</td>
<td>$69,800,059</td>
</tr>
<tr>
<td><strong>LIABILITIES AND NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>$1,378,827</td>
<td>$778,927</td>
<td>$940,406</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>$6,230,968</td>
<td>$7,105,001</td>
<td>$6,959,750</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7,609,795</td>
<td>7,883,928</td>
<td>7,900,156</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Investment in Capital Assets</td>
<td>50,363,326</td>
<td>49,014,216</td>
<td>48,465,650</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$16,162,038</td>
<td>$14,384,956</td>
<td>13,434,253</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>66,525,364</td>
<td>63,399,172</td>
<td>61,899,903</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET POSITION</strong></td>
<td>$74,135,159</td>
<td>$71,283,100</td>
<td>$69,800,059</td>
</tr>
</tbody>
</table>

#### Statements of Revenues, Expenses, and Changes in Net Position
**For Years Ended February 28, 2018, February 28, 2017, and February 29, 2016**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Revenue:</td>
<td>$9,167,804</td>
<td>$8,879,788</td>
<td>$8,201,302</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>$11,803,477</td>
<td>$11,843,326</td>
<td>$10,562,496</td>
</tr>
<tr>
<td><strong>Operating Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>*</td>
<td>$10,871,728</td>
<td>$10,599,774</td>
<td>$10,096,591</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$931,749</td>
<td>$1,243,552</td>
<td>$465,905</td>
</tr>
<tr>
<td>Less Share</td>
<td>(1,094,934)</td>
<td>(1,212,662)</td>
<td>(934,100)</td>
</tr>
<tr>
<td><strong>Total Operating Income (Loss)</strong></td>
<td>(163,185)</td>
<td>30,890</td>
<td>(468,195)</td>
</tr>
<tr>
<td><strong>Non-operating Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in Net Position</td>
<td>$3,289,377</td>
<td>$1,468,379</td>
<td>$2,001,209</td>
</tr>
<tr>
<td><strong>Net Position - Beginning of Year</strong></td>
<td>63,399,172</td>
<td>61,899,903</td>
<td>60,366,889</td>
</tr>
<tr>
<td><strong>Net Position - End of Year</strong></td>
<td>$66,525,364</td>
<td>$63,399,172</td>
<td>$61,899,903</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>02/28/18</th>
<th>02/28/17</th>
<th>02/29/16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Expenses:</strong></td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>*</td>
<td>$8,457,617</td>
<td>$7,910,858</td>
<td>$7,771,968</td>
</tr>
<tr>
<td></td>
<td>$2,414,111</td>
<td>$2,688,916</td>
<td>$2,324,623</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$10,871,728</td>
<td>$10,599,774</td>
<td>$10,096,591</td>
</tr>
</tbody>
</table>
Appendix D: Photos of the Thousand Islands

Cape Vincent Public Docks taken April 29, 2017

Cape Vincent Public Docks taken May 17, 2017

Mason, M., 2017

Bashaw, L., 2017

View from Thousand Islands Bridge 2017

View From Thousand Islands Bridge 2018

Bashaw, J., 2017

Mason, P., 2018
Appendix D: Photos of the Thousand Islands, Continued

**Cape Vincent Public Boat Launch**

Mason, M., 2017

**Downtown Alexandria Bay at Uncle Sam’s Boat Tours Parking Lot**

Aubertine, H., 2017
Appendix D: Photos of the Thousand Islands, Continued

Cape Vincent Public Boat Launch

Water Level with Dock on June 23, 2017

DEC Docks and Building with Sandbags Being Used to Prevent More Flooding

DEC Docks Completely Under Water

Bashaw, L., 2017

Mason, P., 2017

Bashaw, L., 2017

Bashaw, L., 2017
Appendix D: Photos of the Thousand Islands, Continued

**Water on North Market Street, Cape Vincent**

![Water on North Market Street, Cape Vincent](image1)

**Wilson’s Beach on Lake Ontario Under Water**

![Wilson’s Beach on Lake Ontario Under Water](image2)

Bashaw, L., 2017

Bashaw, L., 2017
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