



ST IVES HIGH SCHOOL INDOOR SPORTS CENTRE FEASIBILITY STUDY FINAL DRAFT REPORT

MARCH 2018



SPORT + LEISURE

Prepared by

Otium Planning Group Pty Ltd



OTIUM PLANNING GROUP PTY LTD

Head Office:

Level 6
 60 Albert Road
 South Melbourne VIC 3205
 Phone: (03) 9698 7300
 Email: vic@otiumplanning.com.au
 Web: www.otiumplanning.com.au
 ABN: 30 605 962 169
 ACN: 605 962 169

Local Office

Suite 1, 273 Alfred Street North
 North Sydney NSW 2060
 Contact: Simon Haire
 Phone: 0428 600 657
 Email: simon@otiumplaning.com.au

Otium Planning Group has offices in:

- Auckland
- Brisbane
- Cairns
- Christchurch
- Darwin
- Melbourne
- Perth
- Sydney

OPG, IVG and PTA Partnership has offices in Hong Kong, Shenzhen, Shanghai and Beijing



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1. Background and Project Context

Ku-ring-gai Council (KMC) have engaged Otium Planning Group (OPG) to complete a feasibility report to help inform the assessment of a potential Joint Use Project (JUP) with the Department of Education (DoE).

1.1 Background of the Project

The project involves the development of a four-court indoor sports complex at St Ives High School, Yarrabung Rd, St Ives on the following key terms and conditions basis:

- Two indoor courts accessible to Council/community at all operating times
- Two indoor courts used by the school during school hours and accessed by Council/community outside of school times
- Council will be responsible for managing community access and community hire

Key elements to complete the project evaluation for these facilities include:

- Facility need and design (to address identified demand, appropriate for intended uses and sharing)
- Management approach and level of access to facilities
- Capital costs and likely contributions
- Operating costs and likely cost sharing
- Assessment of value and comparison to alternative options

Council has been working with DoE on the first three of these elements and now wishes to document these and consider likely operating outcomes and relative value through the completion of this feasibility report.

1.2 Study Scope

The project involves gathering and reporting available information to establish the feasibility of a proposed indoor sports centre at St Ives High School. The study is based on schematic concept design and preliminary capital cost estimates previously developed by DoE with input from KMC. The methodology undertaken by OPG to complete the project is outlined in the following table.

Table 1: Project Methodology

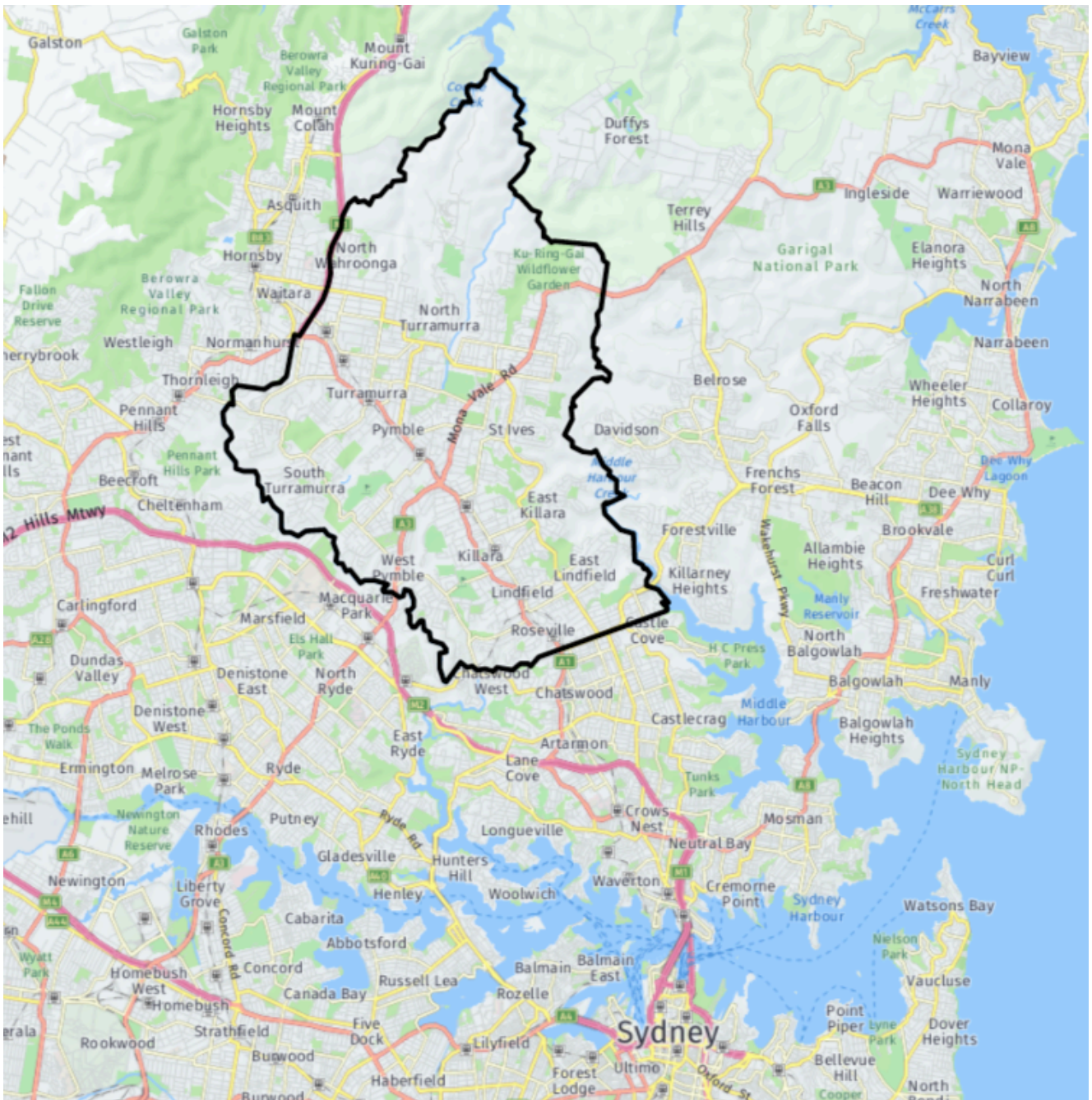
Phase	Task
Phase 1: Background Review and Preparation	Project inception
	Review previous planning and other background documents
	Demographic profile and geographic spread impacts
	Review sport and leisure trends
Phase 2: Research and Analysis	Demand and supply analysis
	Facility case studies and industry best practice review
	Consult with potential key users
	Review facility component plan
	Review of management options
	Review preliminary design options
	Key findings summary
Phase 3: Report Development	Present design, cost and funding options
	Develop business case assumptions
	Base case 10-year electronic financial model
	Draft feasibility report
Phase 4: Report Review	Draft review
	Final feasibility report



1.3 Project Area Profile

The Ku-ring-gai Local Government Area (LGA)¹ is in Sydney's northern suburbs, about 16 kilometres from the Sydney CBD. The Ku-ring-gai LGA is bounded by the Northern Beaches Council area in the east, Willoughby City and the City of Ryde in the south, and Hornsby Shire in the west.

The Ku-ring-gai LGA is predominantly residential, with significant areas of parkland and bushland. The LGA encompasses a total land area of 84 square kilometres, of which a large proportion is National Park, public park, bushland or reserves. There is very little commercial or industrial land use.



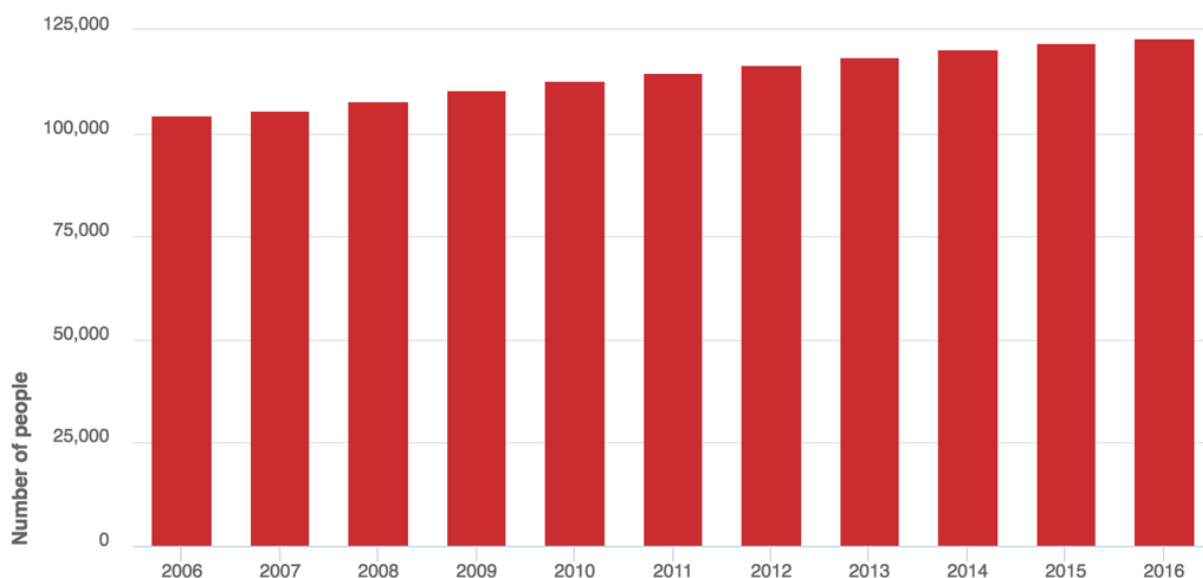
¹ This profile is based on the Ku-ring-gai Community Profile Compiled and presented by .id - the population experts id.com.au in February 2018



1.3.1 Demographic Profile

The 2016 Estimated Resident Population for Ku-ring-gai LGA is 123,143. This has grown from 104,459 in 2006. The chart below shows total population from 2006 to 2016.

Figure 1 - Estimated Resident Population

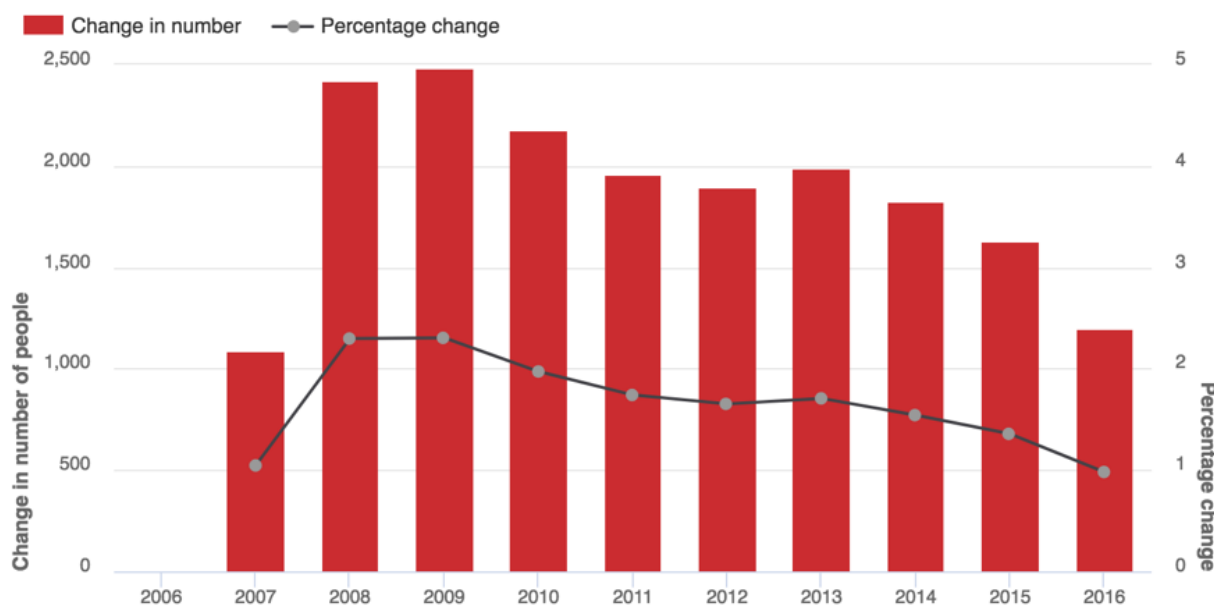


Source: Australian Bureau of Statistics, Regional Population Growth, Australia (3218.0). Compiled and presented by .id the population experts



The change over the 10-year period to 2016 is 18,684 or 17.9%. The chart below shows annual population change from 2006 to 2016.

Figure 2 - Annual Change in Population



Source: Australian Bureau of Statistics, Regional Population Growth, Australia (3218.0). Compiled and presented by .id the population experts

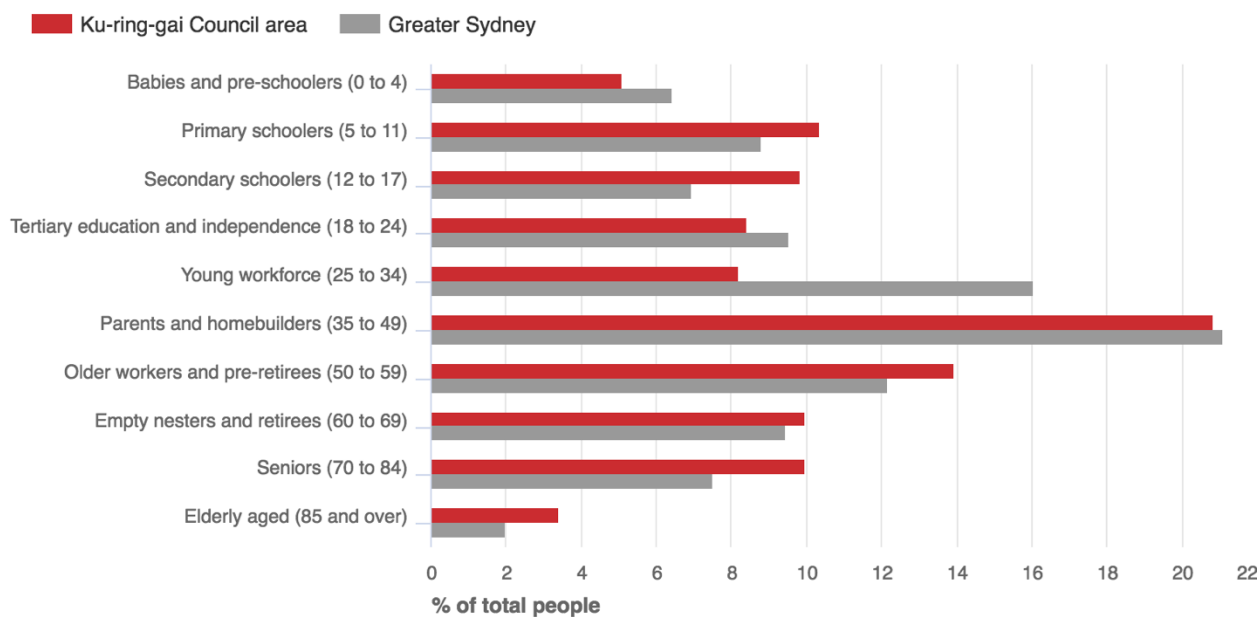




The Age Structure of the Ku-ring-gai LGA provides key insights into the level of demand for age based services and facilities. It is an indicator of its residential role and function and how it is likely to change in the future. Service age groups divide the population into age categories that reflect typical life-stages.

They indicate the level of demand for services that target people at different stages in life and how that demand is changing.

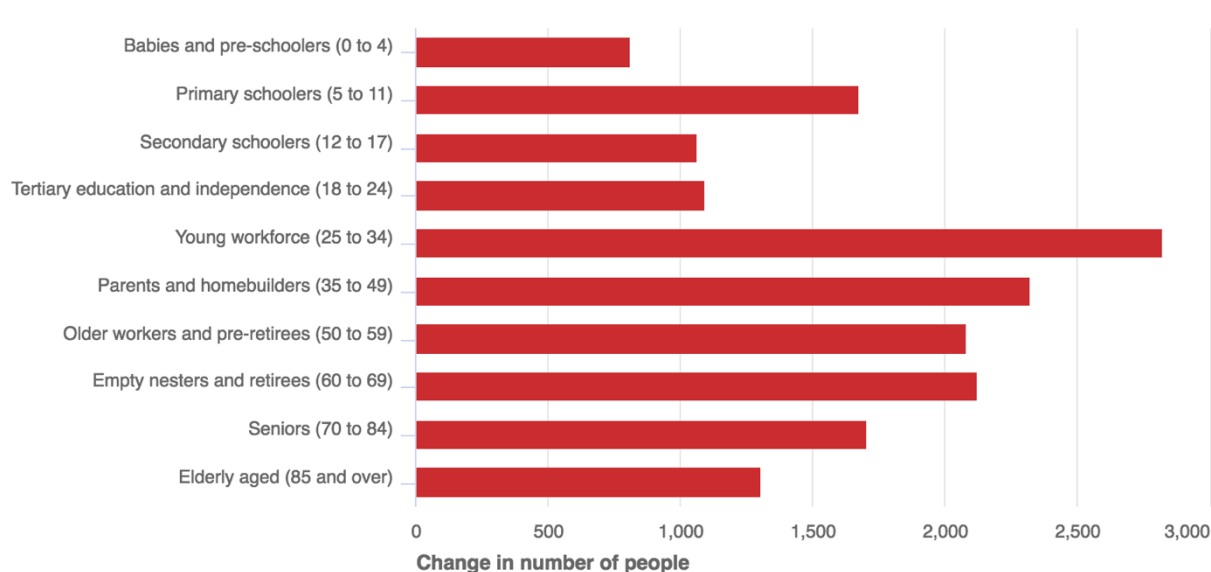
Figure 3 - Age Structure - Service Age Groups



Source: Australian Bureau of Statistics, Census of Population and Housing, 2016 (Usual residence data). Compiled and presented in profile.id by .id, the population experts.



Figure 4 - Change in Age Structure 2006-2016



Source: Australian Bureau of Statistics, Census of Population and Housing, 2006 and 2016 (Usual residence data). Compiled and presented in profile.id by .id, the population experts.





Dominant Groups

Analysis of the service age groups of Ku-ring-gai Council area in 2016 compared to Greater Sydney shows that there was a higher proportion of people in the younger age groups (0 to 17 years) as well as a higher proportion of people in the older age groups (60+ years).

Overall, 25.3% of the population was aged between 0 and 17, and 23.3% were aged 60 years and over, compared with 22.2% and 19.0% respectively for Greater Sydney. The major differences between the age structure of Ku-ring-gai Council area and Greater Sydney were:

- A *larger* percentage of 'Secondary schoolers (12 to 17)' (9.8% compared to 6.9%)
- A *larger* percentage of 'Seniors (70 to 84)' (9.9% compared to 7.5%)
- A *larger* percentage of 'Older workers and pre-retirees (50 to 59)' (13.9% compared to 12.2%)
- A *smaller* percentage of 'Young workforce (25 to 34)' (8.2% compared to 16.1%)

Emerging Groups

From 2006 to 2016, Ku-ring-gai Council area's population increased by 17,005 people (16.8%). This represents an average annual population change of 1.57% per year over the period. The largest changes in the age structure in this area between 2006 and 2016 were in the age groups:

- Young workforce (25 to 34) (+2,823 people)
- Parents and homebuilders (35 to 49) (+2,322 people)
- Empty nesters and retirees (60 to 69) (+2,124 people)
- Older workers and pre-retirees (50 to 59) (+2,083 people)

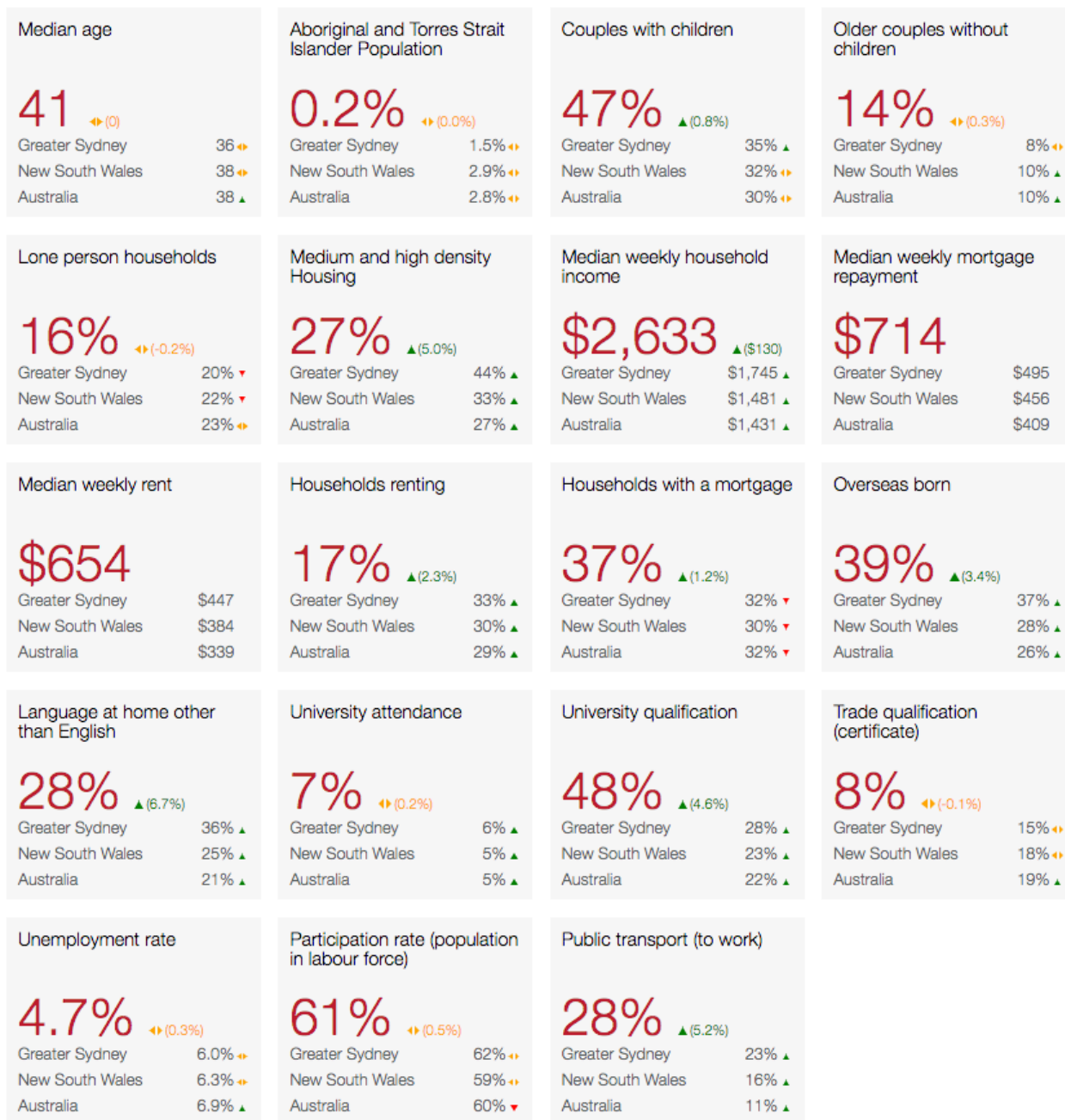
A range of general demographic statistics from the 2016 Census are shown in the figure on the following page.

These compare Ku-ring-gai statistics with Greater Sydney, NSW and Australian figures.



Figure 5 - Other Demographic Statistics

◀ No significant change since previous Census (less than ±0.5%) ▲ Increased since previous Census ▼ Decreased since previous Census



Across all statistics the review indicates there was no significant change from the 2011 Census. Other observations compared to Greater Sydney include:

- Higher median aged
- Higher rate of couples with children
- Lower unemployment rate



1.4 Project Location

The location of the proposed project is in St Ives at the St Ives High School Site as shown in the figures below.

Figure 6 - Project Location



Figure 7 - Project Site - St Ives High School





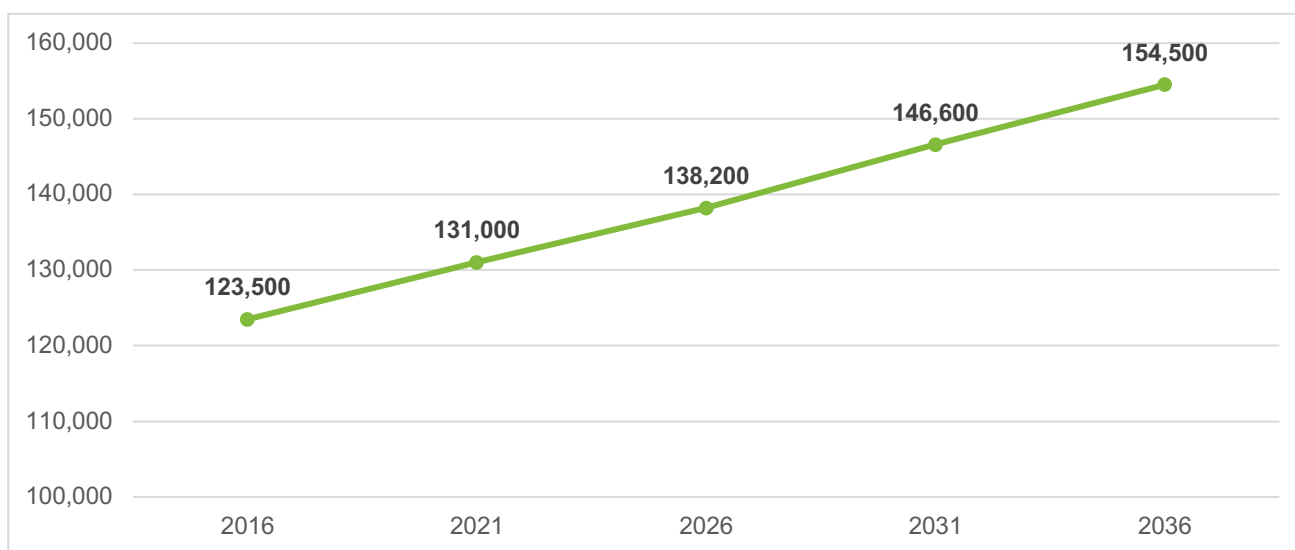
2. Indoor Sport and Recreation Centre Market and Industry Review

This section sets out key information relating to the supply and demand for indoor sports and recreation facilities. These factors influence the demand for additional courts and their operational viability.

2.1 Population Forecasts

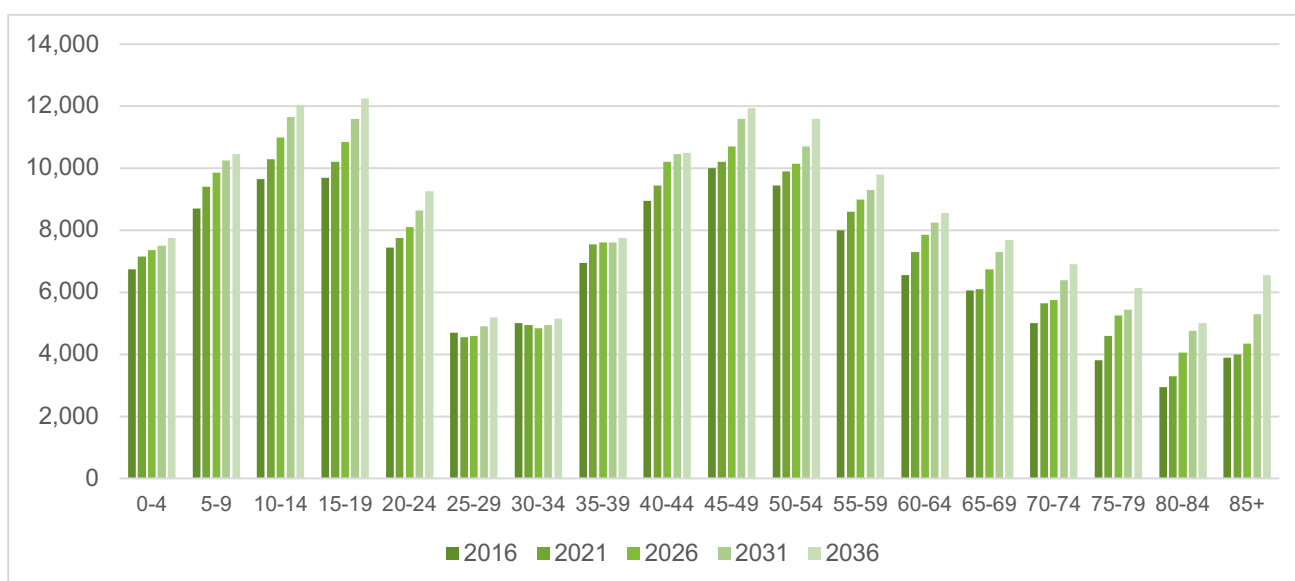
Based on Department of Planning data², the Ku-ring-gai LGA population will increase from 123,500 in 2016 to 154,500 in 2036, an increase of 31,000 (25%).

Figure 8 - Projected Population Growth (2016 - 2036)



Over this period, the age structure is likely to change as illustrated by the figure below.

Figure 9 - Age Structure Change (2016 - 2036)



This shows an increase in all age groups, including a significant increase in highly active age groups likely to participate in sport:

² NSW Department of Planning - 2016 New South Wales State and Local Government Area Population and Household Projections



- From 2016 to 2036 the population of people aged 5 to 19 will increase by 6,700 (24%)
- From 2016 to 2036 the population of people aged 20 to 54 will increase by 8,900 (17%)

2.2 Stakeholders and Potential Users

As part of research for this study, several key stakeholders were interviewed to provide input into the process and/or to outline and validate the need/demand for indoor facilities. Groups contacted included:

- Basketball NSW
- Hornsby Ku-ring-gai Basketball
- Football NSW (Futsal)
- Sydney North Volleyball

The table below presents a summary of key stakeholder consultation and key issues raised.

Table 2: Summary of Stakeholder Consultation

Organisation	Key Points and Information
Basketball NSW	<ul style="list-style-type: none"> • Highest participation for basketball in NSW is in the North District (twice the state average), but have a shortage of courts to meet demand (minimum of 6 required by 2026) • Potential loss of some existing courts that may be offset to some degree by proposed new facilities, however, the net result will still mean a gap in supply • Lack of facilities between lower North Shore and Hornsby
Hornsby Ku-ring-gai Basketball	<ul style="list-style-type: none"> • Currently have issues with accessing to enough courts and operate an inefficient structure across 4-6 venues • Could utilise up to 170 court hours per week in a new four court facility
Football NSW (Futsal)	<ul style="list-style-type: none"> • Expanding roll-out of futsal associated with Football NSW (noted that other providers exist) • Lack of facilities in North Shore area • A new entity could be established in St Ives to service a current gap for local and representative futsal competitions
Sydney North Volleyball	<ul style="list-style-type: none"> • Single biggest thing stopping volleyball from growing as a sport is the lack of available courts. If no additional courts become available, we will have no additional players as we are maxed out! We also run • Turn away both junior and adult representative players because there are not enough courts for them to train. Send some as far away as Valentine Sports Park in Glenwood. • Olympic Park social training has a waitlist every week, but we can't accept more players due to a lack of court space. • Would need access to an additional 80 court hours by 2026

Consultation with key stakeholders shows strong support and potential for a new or expanded facility to deliver a multi-purpose indoor sports centre and opportunities to connect with and support other strategic outcomes.

2.3 Industry Trends

Through its work on similar and related projects, Otium Planning Group has developed a range of pertinent information. This is outlined and applied to this project (where applicable) as follows.



2.3.1 General Recreation and Sport Trends

The study's key findings combined with the consultant team's previous leisure research experience, current industry trends and latest research findings; indicate the following trends may impact upon the Study area.

Factors Affecting Recreation Participation and Facility Provision

Current trends that affect the sport and recreation industry are being driven by several wider trends in Australian society being:

- A gradual ageing of the population as life expectancy increases, birth rates stay low and the baby boomers grow older. Therefore, an increase in masters/seniors programs is being experienced by a number of sports.
- Broad mix of different times when people participate in leisure, as demands on people's time continues to increase and work practices change.
- Increased variety of leisure options means change in traditional participation.
- Constraints on Government spending together with a new degree of entrepreneurs in the Australian economy.

Participation

- There is a slow reduction in participation in competitive and traditional sports, with people becoming increasingly unwilling to commit themselves to play 'for a whole season' or available to play and train a number of days a week.
- Due to daily time constraints, people are cutting back their leisure and recreation activities and are more demanding about those that remain. To remain viable, the quality of facilities and services will have to continually improve.
- There will be a greater demand in the future for indoor facilities (available all year/every day) and higher quality outdoor playing surfaces.
- With increased age longevity and larger numbers of fit, healthy older people, the demand for exercise, and for conveniently located facilities, is expected to increase.
- Because of their reliance on young players, many sports will grow more slowly than the adult population.
- With new technologies and commercial interests investing in leisure, a wide range of activities, particularly those targeting teenagers, will continue to undergo cyclic popularity.
- Sports clubs dependent on voluntary labour and support will be required to provide greater incentives and better management to attract volunteers. The cost to sports clubs of equipping, insuring and managing players and administering games is expected to continue to increase.

2.3.2 Indoor Sports and Recreation Centre Trends

The following provides a review of the key indoor sports and recreation facilities and participation trends that will impact on future provision of indoor courts in the area. Implications from these trends have been considered in completing the overall demand assessment and facility development requirements presented later in this report.

Indoor Recreation Facility Management Trends

Several common indoor facility management trends have been observed in recent times, including:

- A general shift (back) to in house Council management.
- Limited choice in professional non-government indoor facility management service providers.
- Incorporation of commercial facility components into the overall service mix, e.g. retail outlets, health services and café facilities.



- Establishment of community Boards of Management/Committees to oversee the operation of indoor facilities.
- Pursuit of non-sporting uses for indoor facilities: e.g. events, displays, functions etc.

Financial Performance of Indoor Sports Facilities

The following relevant trends in the financial performance of indoor sporting facilities:

- Generally, stadiums with less than three to four courts have a lower income generating capacity and lower likelihood of being financially viable.
- Facilities that are designed and operated to be “multi-use” are generally operated at higher levels of usage capacity and financial performance than single sport/specialist facilities.
- Large regional facilities with four or more courts that are centrally located in large catchment areas, with a low level of external competition, in prominent positions have a greater chance of being financially viable.
- Larger centralised facilities are more efficient in terms of both competition coordination and financial sustainability.
- Successful indoor sporting associations have access to a larger multi court facility (4 or more courts) for competition and a range of smaller facilities (i.e. schools) for training.

2.4 Demand and Supply Review

This section provides an overview of potential indoor sport and recreation court demand and supply factors.

2.4.1 Current Indoor Sport and Recreation Facilities

Current indoor sport and recreation facilities identified in the ‘North District’ are shown in the table below.

Table 3: Current Indoor Courts, North District

Facility Name	Facility Address	Courts
Abbotsleigh School	1666 Pacific Highway. Wahroonga	2
Barker College	91 Pacific Highway, Hornsby	1
Brickpit Sports Stadium	1A Dartford Road, Thornleigh	4
Knox Grammar	2 Borambil St, Wahroonga NSW 2074	4
Loreto Normanhurst	91-93 Pennant Hills Rd, Normanhurst NSW 2076	2
St Leo's College	16 Woolcott Avenue, Wahroonga	2
PCYC Hornsby	1 Park Ln, Waitara NSW 2077	2
Ku-ring-gai High School	403 Bobbin Head Rd, North Turramurra NSW 2074	1
Linfield Learning Centre	101 Eton Rd, Lindfield NSW 2070	1
Pymble Ladies College	Avon Rd, Pymble NSW 2073	1
Brigidine College	325 Mona Vale Rd, St. Ives NSW 2075	1
Roseville College	27 Bancroft Ave, Roseville NSW 2069	1
Saint Ignatius College	Tambourine Bay Rd, Lane Cove NSW 2066	2
NSBA Stadium	Level 5, 36 Hume St, Crows Nest NSW 2065	4
North Sydney Boys High	170 Falcon St, Crows Nest NSW 2060	1
Shore	Blue St, North Sydney NSW 2060	2
Cromer Primary School	Caroola Rd, Cromer NSW 2099	1



Facility Name	Facility Address	Courts
Narrabeen Sports HS	10 Namona St, North Narrabeen NSW 2101	1
Northern Beaches ISC	Jacksons Rd, Warriewood NSW 2102	6
Sydney Academy	Wakehurst Pkwy, North Narrabeen NSW 2101	2
PCYC Northern Beaches	40 Kingsway, Dee Why NSW 2099	2
YMCA Epping	15 Ward St, Epping NSW 2121	1
RALC	504 Victoria Rd, Ryde NSW 2112	2
Ryde Ex Services	728 Victoria Rd, Ryde NSW 2112	1
Ryde Community SC	ELS Hall Park, 109 Kent Road, North Ryde NSW 2113	2
Ryde Secondary College	5 Malvina St, Ryde NSW 2112	1
North Ryde RSL	27-41 Magdala Rd, North Ryde NSW 2113	1
Macquarie University	10 Gymnasium Rd, North Ryde NSW 2113	1
Epping Boys High School	213 Vimiera Rd	1
Willoughby GHS	151 Mowbray Rd, Willoughby NSW 2068	1
Willoughby Leisure Centre	2 Small St, Willoughby NSW 2068	2

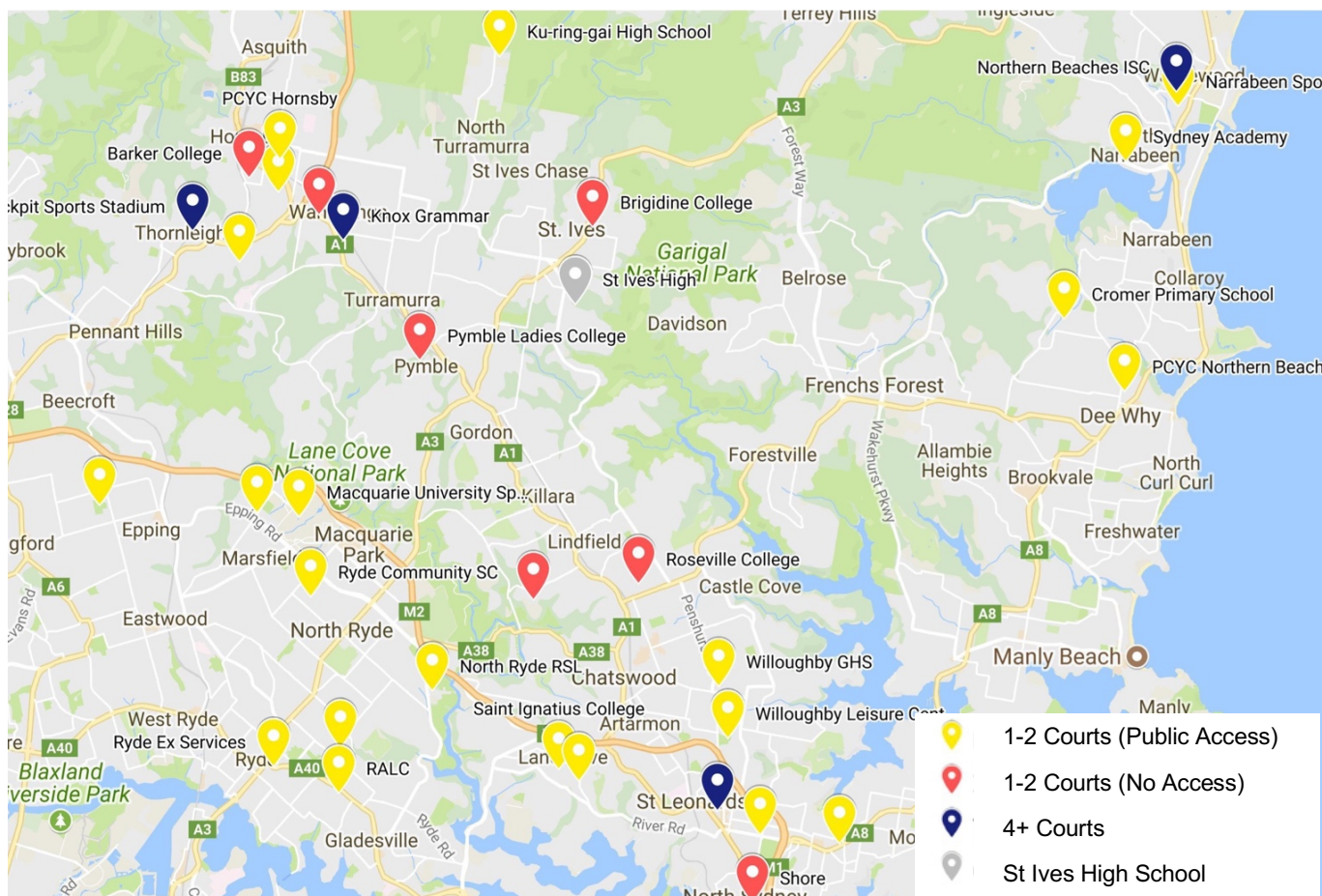
The indoor sport and recreation court review shows a prevalence of small 1 and 2 court facilities in the area with only four facilities incorporating 4 or more courts being The Brick Pitt, Knox Grammar, Northern Beaches ISC and Norths BA Stadium. Of the 34 facilities identified:

- The majority (22 facilities) are school/education sites
- A total of 9 or just over 25% of facilities are operated by Council or community entities
- At least six sites are not used or accessed by the public

The location of these facilities is presented in the figure on the next page along with the St Ives High School site.



Figure 10 - Indoor Court Provision, North District



From a spatial perspective, this shows a large gap in publicly accessible facility provision along the Pacific Highway corridor between Wahroonga and Willoughby.

The distribution of 4+ court ‘community facilities’ is also relatively limited and dispersed (noting that Knox Grammar is a school site with limited access).

2.4.2 Key User Interviews

There are numerous uses of these facilities covering a range of indoor sports including basketball, table tennis, volleyball, badminton, futsal and netball. Where available information on current venue use was collected, and is presented below.

Basketball

There are four basketball associations affiliated with NSW Basketball covering the ‘North District’. Key facilities used by each association are shown below. Other venues are used for training and clinics.

Table 4: Current Basketball Venues, North District

Hornsby Ku-ring-gai Association	North Sydney Association	Ryde Association	Manly Association
Brickpit Sports Stadium	North Sydney ISC	RALC	Northern Beaches Indoor Sports Centre
Knox Grammar (limited to training)	Mosman Sports Centre	Ryde Ex Services	
Loreto Normanhurst	St Michael’s Catholic Primary School		
St Leo’s College	Willoughby Leisure Centre		



The Hornsby Ku-ring-gai Association is the most relevant to this study and is likely to be the primary user of any facility at St Ives High School.

Futsal

Futsal is operated by several different organisations in the North District across indoor and outdoor venues. Many of these are outdoor competitions focused in the Northern Beaches LGA. Indoor competitions ‘close’ to St Ives include:

- North Ryde Futsal Club - North Ryde RSL Youth Club (10km)
- Epping YMCA - Ward Street Epping (11km)
- Indoor 5’s - Ryde Aquatic Centre (12km)

Volleyball

The two key volleyball organisations in the North District are Sydney North Volleyball and Manly Volleyball. Manly operate out of the Northern beaches ISC, whilst Sydney North Volleyball use three facilities within 10km of St Ives:

- Willoughby Leisure Centre (10km)
- North Ryde RSL (12km)
- Brickpit Sports Stadium (11km)
 - 1 court only

2.4.3 Potential Future Demand and Supply

Key sporting bodies already report a shortage in available courts and this is supported by available utilisation information of facilities in the area. This indicates a current gap in supply and demand. This will only be increased by future population growth forecast for the North District.

This growth will boost sport participant numbers through existing and/or potential participation rates. Precise rates of participation for all relevant sports in the area are not available. However, the table below presents relevant data from the Ausplay Survey. These figures relate to participation in organised activities.

Table 5: Sport Participation - Ausplay Survey

Sport	National 5-14 Years ³	National 15 Years+ ⁴	NSW 5-14 Years ⁵	NSW 15 Years+ ⁶
Basketball	6.90%	2.50%	4.30%	1.90%
Volleyball	0.30%	0.70%	N/A	N/A
Badminton	0.10%	0.50%	N/A	N/A
Table Tennis	0.20%	0.30%	N/A	N/A

As noted, it is not possible to directly compare these data sets to local figures, however, national and state figures would suggest some potential for additional participation in many of the selected sports in the area. This is supported by feedback from the key sports consulted for this study with official participation rates typically lower than those identified above.

Whilst there is no universally accepted facility provision standard for indoor courts, there are several planning documents that identify ‘standards’ as guides. These range from 1 court per 7,500 population up to 1 court per 15,000 of population with a ‘rule of thumb’ approach being 1 court per 10,000 population.

Regarding potential future supply, OPG is aware that there are two potential new facilities planned by neighbouring LGA’s, however, they are located more than 15km from the St Ives High School site. These are:

³ Ausplay Survey, ‘Organised participation by activity (children)’, National Tables November 2017

⁴ Ausplay Survey, ‘Organisation/venue use by activity (adults)’, National Tables November 2017

⁵ Ausplay Survey, ‘Organised participation by activity (children)’, NSW Tables November 2017

⁶ Ausplay Survey, ‘Organisation/venue use by activity (adults)’, NSW Tables November 2017



- Northern Beaches Council - Warringah Aquatic Centre - potentially a new 3 court facility
- Willoughby City Council - Gore Hill - potentially a new 6 court facility (which would replace 2 courts at the Willoughby Leisure Centre)

Given the distance of these two facilities from the St Ives site, they are unlikely to influence demand in the immediate catchment.

2.4.4 Key Findings Summary

Current facility usage/access and existing and potential participation in indoor sport suggest a substantial gap in facility provision. Given the current distribution and operation of indoor sports courts identified above, the catchment for a facility at the St Ives School site is essentially most the Ku-ring-gai LGA and potentially part of the Northern Beaches LGA (Terrey Hills). The current and future population in this area could justify the demand for approximately 12 indoor courts.

Industry trends indicate a growing demand for indoor facilities and an emphasis on sustainability through the provision of large multi-court facilities centrally located to a sizeable primary catchment.

Large multi-court facilities are more efficient from a venue operation and competition administration perspective. These venues also provide greater opportunity to accommodate events and alternative community activities.

2.5 Similar Facilities Review

Information on three similar facilities has been collected to provide some comparative data and to inform business models developed later in this report. A summary of key points is provided in the table below.

Table 6: Similar Facilities Case Study Summary

Item	The Brickpit Stadium	Minto Indoor Sports Centre	North Sydney ISC
Facilities	<ul style="list-style-type: none"> • 4 standard basketball courts with markings for other sports • Amenities and change rooms • Kiosk • Meeting rooms • 130 car spaces 	<ul style="list-style-type: none"> • 4 standard basketball courts with markings for other sports • Amenities and change rooms • Kiosk • Crèche • Meeting rooms • 200 car spaces 	<ul style="list-style-type: none"> • 4 standard basketball courts with markings for other sports • Amenities and change rooms • Kiosk • Meeting rooms • Grandstand (340) • 300 car spaces
Management	<ul style="list-style-type: none"> • Council - in-house management 	<ul style="list-style-type: none"> • Management Company 	<ul style="list-style-type: none"> • Leased - NSBA
Hourly Court Hire (regular user)	<ul style="list-style-type: none"> • \$51.50 	<ul style="list-style-type: none"> • \$54.00 	<ul style="list-style-type: none"> • \$70.00
Peak Hour Court Occupation	<ul style="list-style-type: none"> • Weekday: 96% • Weekend: 95% 	<ul style="list-style-type: none"> • Weekday: 73% • Weekend: 30% 	<ul style="list-style-type: none"> • Weekday: 98% • Weekend: 95%
Main Users	<ul style="list-style-type: none"> • Basketball: 65% • Badminton: 23% 	<ul style="list-style-type: none"> • Basketball: 46% • Community: 20% 	<ul style="list-style-type: none"> • Basketball 78% • Badminton 12% • Futsal 6%
Financials (Operating)	<ul style="list-style-type: none"> • Revenue: \$750,000 • Expenditure: \$523,000 • Result: \$227,000 	<ul style="list-style-type: none"> • Revenue: \$510,000 • Expenditure: \$449,000 • Result: \$61,000 	<ul style="list-style-type: none"> • N/A

This shows that the selected centres are multi-court venues experiencing high use and demonstrating a sustainable business model.



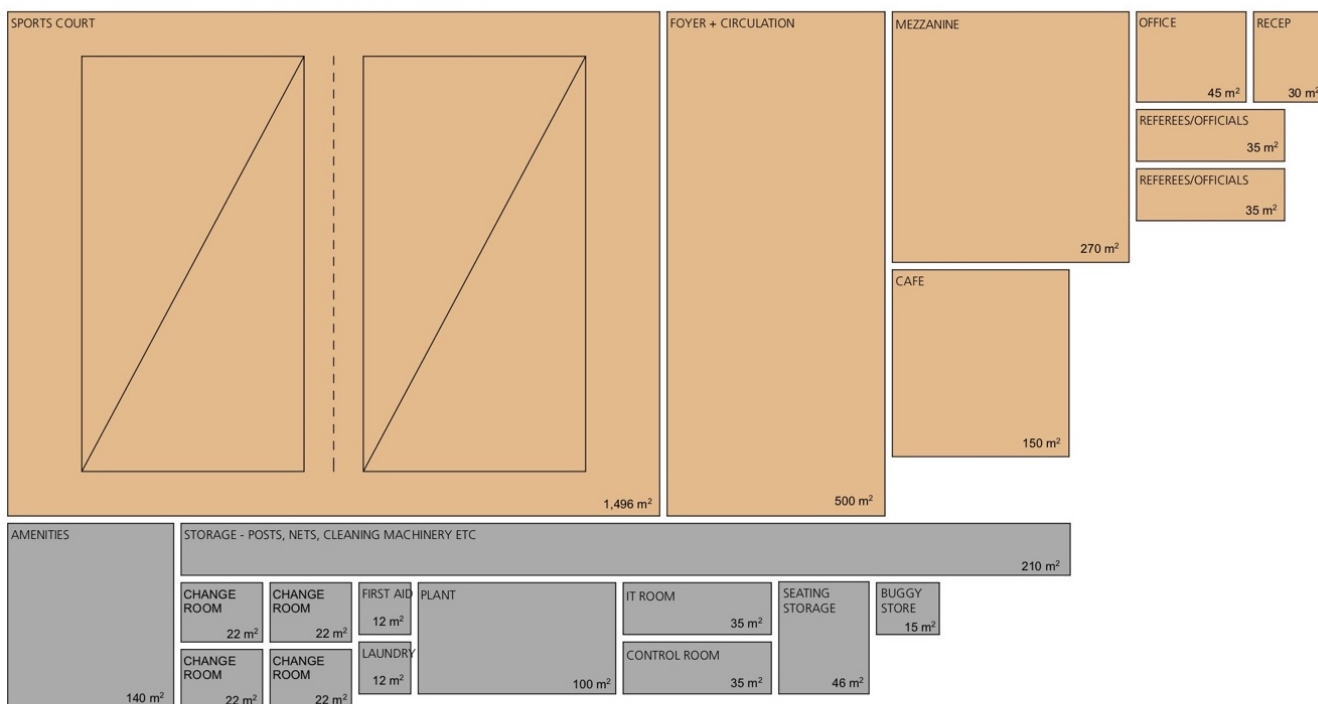
3. Proposed Facility Concept and Costs

This section outlines project facility concepts and the associated indicative capital costs developed by DoE with KMC input.

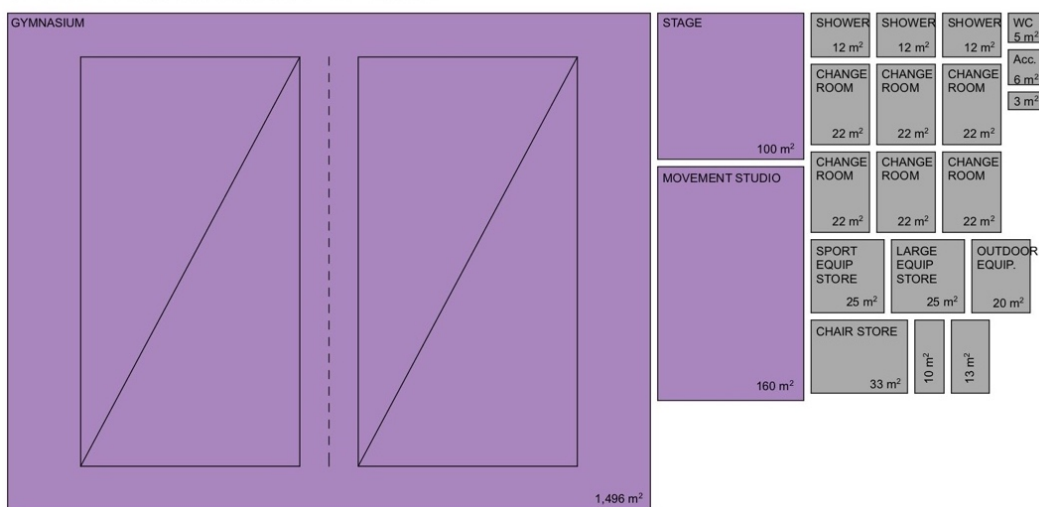
3.1 Facility Component Schedule

A schematic layout diagram of the key project components is as shown below. These are separated into 'Council' and 'St Ives High School' from both a functional design and indicative cost perspective.

COUNCIL SPORTS CENTRE COMPONENT - 3,318 m²



ST IVES HIGH SCHOOL COMPONENT - 2,052 m²



In general, the provision of facilities outlined above would assist in meeting the identified demand and address general functional requirements of key users. However, further development of the concept design could refine details of areas with potential for use as meeting rooms, function/performance spaces, retail and/or lettable areas which may enhance the utilisation and viability of the centre.



3.2 Concept Design

Several schematic concept designs were prepared based on the component schedules on the previous page. A selected option (for illustrative purposes only) is shown in the figures below.

Figure 11 - Project Site Plan Schematic



Figure 12 - Project Concept Axonometric View





3.3 Indicative Project Costs and Funding

The Department of Education has had a preliminary indicative cost plan prepared for the project which also includes a range of school works and a proposed synthetic sports field (see Appendix 1). Using the assumed figures in the cost plan and applying them only to the sports centre components, the following costs have been estimated:

- 'Council Sports Centre Components' - \$22,948,473
- 'High School Sports Centre Components' - \$16,139,352
- Total cost of the project - \$39,087,825

Whilst OPG consultants are not quantity surveyors, this appears to be a relatively high estimate compared to similar projects OPG has been involved with recently in Sydney and NSW. It is noted and understood that a large contingency allowance of 20% has been utilised given:

- Current market dynamics (high construction costs in Sydney)
- The nature of the current design is very conceptual
- The cost plan is only a preliminary indicative estimate

However, in reviewing the estimate, it also appears that a relatively high rate has been allowed for in actual construction (labelled as 'Sports Complex' on the cost plan). Based on the area schedules and costs, this equates to a square metre rate of around \$4,500 to over \$5,000/m². OPG has recently been involved with a range of indoor sport stadium estimates where the average \$/m² rate was between \$1,600/m² and \$3,200/m²

The high \$/m² rate is then compounded by proportional allowances for fees, levies, escalation and contingency calculated in the cost plan model, so it is critical to future project cost benefit analysis that the current cost rates are reviewed. In our opinion, the Quantity Surveyors should provide information on the sample of facilities under construction used to calculate these rates and market analysis for the rates used. If these rates can be justified then the option to tighten up costs will require the plans be taken to the next level of design, finishes, fittings and equipment so that the construction cost rates can be further market tested similar facilities currently under construction.

Greater detail of the design and finishes will also allow the contingency rates to be reduced to a lower level and this will have a significant reduction on the overall project cost. This is important because at the feasibility stage, the estimated capital cost related to the 'Council Components' will have a strong bearing on the cost benefit and viability of the project. The higher Council's contribution at this planning stage is, the less likely it is that Council will be able to fund the project from internal funding sources. This will increase the reliance on attracting other external funding to make the project viable.

However, it is noted that because the project is not 'regional' in nature, it is unlikely to be eligible for pertinent formal state and federal funding programs that could potentially contribute the level of funding that is anticipated to be required. Whilst Council may be able to secure funding through other avenues, the more realistic the capital cost is, the more likely it is that cost benefit analysis and approval may be secured.

As indicated above, OPG has been involved with similar projects where comparable construction cost figures range from as low as \$1,600 up to \$3,200/m². To illustrate the impact of the adopted rate, OPG have prepared an alternative cost model. In this model, if a figure of say \$3,000/m² was used as an alternative in the cost plan (whilst maintaining other costs and proportional rates), then indicative costs would be as follows:

- 'Council Sports Centre Components' - \$15,946,813
- 'High School Sports Centre Components' - \$10,135,863
- Total cost of the project - \$26,082,677

This demonstrates a potentially significant difference in project costs to Council. In fact, the cost of 'Council Components' under the current cost plan are only approximately \$3m less than the total project cost generated by the alternative model. Given that these issues have such a substantial influence on the project, it is an area that should be reviewed by DoE and/or Council quantity surveyors to assist with establishing project feasibility.



4. Business and Financial Models

This section sets out assumptions and models for management, business and operating results for the proposed facility.

4.1 Management and Operation

It is understood that KMC will lease the full four court facility from DoE with sub-licence for DoE to access the two 'school courts' during school hours. This would mean that Council has access to two courts at all times and the two 'school courts' outside of school hours (after 4pm school days and all times on other days).

4.1.1 Management Options for New Facility

Five primary management models have been identified (although each model can have multiple variations) to assist the process of establishing a preferred approach for the centre. These management models fit into two categories outlined below.

1. Management by Council (Internal)

- **Direct management by council staff**
 - Involves employing staff to manage the facility. Council is responsible for all aspects of the facility's operation including operating policies, financial performance and asset management. In some cases, a management committee may be established to help with policy development and to ensure community involvement in management decisions.
- **Management by a committee of management or subsidiary company of council**
 - An extension of the direct management model is a formally constituted Committee of Management under Section 355 of the Local Government Act. A Council may establish committees to assist in the performance of its functions, for example to manage or administer property, facilities or activities on its behalf.
 - Alternatively, a Council can establish a company limited by guarantee under Section 358 of the Local Government Act to manage facilities and/or services on behalf of Council.
- **Licence or season permit to use a recreation facility**
 - A licence agreement exists where Council enters a licence detailing the rights and responsibilities of Council and the licensee. Council receives an agreed rental or income (or a percentage of the net surplus) but has no direct control over the day to day management.
 - A licence is used where the licensee has management rights only of grounds and or a facility. A licence does not convey or create an interest in a building or the land to a party and is typically utilised for shared use arrangements by sporting associations.
 - Whilst the contract management model (below) may be based on a licence agreement, this management model relates mainly to sporting clubs or associations which use a building or sports facility on a seasonal or other short term, periodic basis.

2. Management by a Non-Local Government Organisation (External)

- **Contract management**
 - Contract management exists where Council contracts out the management of the centre to an individual manager, a community based organisation or a facility management company.
 - Responsibilities of the owner and contractor are set out in a formal contract for a fixed period, which may be a Licence, Lease or Management Agreement.
- **Lease**
 - A lease agreement exists where Council enters a lease detailing the rights and responsibilities of Council and the lessee. Council receives an agreed rental or income (or a percentage of the net surplus) but has no direct control over the day-to-day management.
 - The lessee has full property rights and is responsible for financial performance, asset maintenance and operational policies. A lease is used where the group has exclusive possession of the premises for a fixed period.



For each model outlined above a unique solution must be designed to meet the specific needs of Council and its community. There is no single best solution or approach. In simple terms, there are good and bad examples of in-house managed recreation facilities and good and bad examples of externally managed recreation facilities.

A key point to note is that both ‘in-house’ and ‘external’ management of recreation facilities will achieve policy outcomes desired by Council if the management model is correctly structured. Given this caveat, in practice the relative importance of a small number of criteria will suggest whether in-house or external management is most appropriate. This can be summarised as follows:

- **Management by Council is not best suited to situations where:**
 - The core purpose of a facility is to provide a commercial return on the investment.
 - Council does not have senior and/or executive staff with skills and experience in managing, operating and/ or maintaining the type of recreation facility under consideration.
- **Management by Council is best suited to situations where:**
 - Council wishes to exert a high level of control over the day-to-day operation of the facility, including elected members making operational decisions on an ad hoc basis.
 - Council wants to ensure that the facility is maintained to a high standard and has the capacity to provide adequate funds for all categories of asset management including cyclical and structural maintenance.
 - Council wants to directly manage its potential risk exposure.
- **External management is best suited to situations where:**
 - Council wishes to minimise the cost of operating the facility.
 - Council wants to attract a substantial capital investment in the facility or plant and equipment.
 - Council wants a fixed budget to operate a recreation facility.
 - The facility competes in a dynamic market, requiring rapid response to changing market conditions.

4.1.2 Potential Management Model for St Ives High School Centre

Given Council’s current approach to management of other leisure facilities, it has been assumed that a management company would be engaged to operate the facility under an appropriate contract.

4.2 Business Model

Assumptions for the business model and centre utilisation are outlined below.

4.2.1 Business Model Assumptions

The following tables outline key assumptions for the financial models presented in section 4.3.

Table 7: Operating Business Assumptions

Item	Assumption	Source/Basis/Rationale
Management and staffing	<ul style="list-style-type: none"> ○ Managed and staffed by 2 EFT positions ○ 20% on-costs ○ Management costs and fees based on 20% of court revenue 	<ul style="list-style-type: none"> ○ Based on estimated allowance
Operating Hours	<ul style="list-style-type: none"> ○ Mon-Fri - 9am - 11pm <ul style="list-style-type: none"> ▪ School courts from 4pm school days ○ Sat & Sun- as required (8am - 11pm) 	<ul style="list-style-type: none"> ○ Based on weekly schedule
Fees	<ul style="list-style-type: none"> ○ Peak hour rate - \$52 ○ Off peak rate - \$44 ○ Community group - off-peak \$30.00 	<ul style="list-style-type: none"> ○ Entry charges are based on similar charges to indoor sporting facilities and exclude GST
Utilisation	<ul style="list-style-type: none"> ○ Main usage <ul style="list-style-type: none"> ▪ Basketball up to 170 court hours per week ▪ Futsal 20 courts hours, volleyball 20 court hours 	<ul style="list-style-type: none"> ○ Based on information from HKBA



Item	Assumption	Source/Basis/Rationale
	<ul style="list-style-type: none"> ○ DoE <ul style="list-style-type: none"> ▪ Use of two courts for 6 hours per day ○ Events <ul style="list-style-type: none"> ▪ Allowance made for 7 event days 	<ul style="list-style-type: none"> ○ Based on DoE advice
Cafe	<ul style="list-style-type: none"> ○ Kiosk /café - \$3.00 per spend with a 30% penetration and 20% margin on sales 	<ul style="list-style-type: none"> ○ Based on industry standards
Other Spaces	<ul style="list-style-type: none"> ○ The concept design includes other areas such as a 'stage', 'mezzanine' and 'foyer' which may be able to generate additional revenue streams, which have not been included in the business model 	<ul style="list-style-type: none"> ○ These areas need further design and operational definition to establish revenue opportunities

Table 8: General Business Assumptions

Item	Assumption	Source/Basis/Rationale
CPI Increases	<ul style="list-style-type: none"> • Assumes average 2.0% yr. 2 to 10. 	<ul style="list-style-type: none"> • Consumer price index
Business Growth	<ul style="list-style-type: none"> • Assumes yr. 3 is base year at 100% and yr. 2 is discounted by 5% to 95% of yr. 3 and yr. 1 is discounted by 10% to 90% of yr. 3. • Business growth yr. 4 101%, yr. 5 102%, yr. 6 103%, yr. 7 104%, yr. 8 105%, yr. 9 106% and yr. 10 106% 	<ul style="list-style-type: none"> • Allows for business establishment period
Real Price Growth	<ul style="list-style-type: none"> • No price growth allowed for above CPI 	
Expenditure Increases	<ul style="list-style-type: none"> • Assumes annual expenditure increase of CPI as indicated. 	
Pre-Opening Expenses	<ul style="list-style-type: none"> • Not included at this stage 	<ul style="list-style-type: none"> • Unknown start date
Recurrent Operating Expenditure	<ul style="list-style-type: none"> • Recurrent operating expenditure including utilities, administration, marketing, maintenance, floor resurfacing and cleaning 	<ul style="list-style-type: none"> • Industry benchmarks for similar facilities
Annual Salary Increases	<ul style="list-style-type: none"> • Allows for annual increases of 1.5% above CPI 	
Alternative Expense Adjustment	<ul style="list-style-type: none"> • Assumes energy costs and maintenance increase by the same as CPI. 	
Asset Management and Replacement Allowances	<ul style="list-style-type: none"> • Assumed that DoE will fund asset renewal of the 'school components' and KMC will fund renewal of 'council components' • Allowance of \$50,000 from year 5 - 10 for 'council' renewals 	<ul style="list-style-type: none"> • Industry benchmarks for similar facilities
Depreciation or Loan Repayments	<ul style="list-style-type: none"> • No allowances for annual depreciation or any loan repayments as they are operating budget models • Potential for depreciation to be accounted for by DoE 	



4.3 Financial Models

The 10-year business performance summaries are detailed below. The following models are presented:

- Model 1 - Optimistic Case
 - Increase utilisation by 5%
 - Increase pricing by 10%
- Model 2 - Realistic Case
 - No adjustments to assumptions
- Model 3 - Conservative case
 - Decrease utilisation by 10%

The following models summarise revenue, expenditure and operating results based on the assumptions outlined in previous sections. Year 3 is identified as the ‘base year’ where recurrent demand is established.

Table 9: Optimistic Case - Operating Forecast

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating Income	\$590,474	\$635,743	\$682,588	\$703,202	\$724,368	\$746,099	\$768,409	\$791,314	\$814,827	\$831,123
Operating Expenditure	\$507,061	\$528,143	\$549,864	\$563,138	\$576,723	\$590,626	\$604,854	\$619,415	\$634,317	\$647,003
Result - surplus/(deficit)	\$83,413	\$107,601	\$132,723	\$140,064	\$147,645	\$155,473	\$163,555	\$171,899	\$180,510	\$184,120

Table 10: Realistic Case - Operating Forecast

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating Income	\$522,266	\$562,307	\$603,740	\$621,973	\$640,694	\$659,914	\$679,648	\$699,907	\$720,704	\$735,118
Operating Expenditure	\$489,980	\$509,751	\$530,118	\$542,795	\$555,768	\$569,042	\$582,625	\$596,523	\$610,745	\$622,960
Result - surplus/(deficit)	\$32,287	\$52,556	\$73,622	\$79,178	\$84,926	\$90,873	\$97,023	\$103,383	\$109,959	\$112,158

Table 11: Conservative Case - Operating Forecast

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating Income	\$470,040	\$506,076	\$543,366	\$559,776	\$576,624	\$593,923	\$611,683	\$629,916	\$648,633	\$661,606
Operating Expenditure	\$472,382	\$490,804	\$509,775	\$521,838	\$534,179	\$546,806	\$559,724	\$572,940	\$586,460	\$598,190
Result - surplus/(deficit)	(\$2,342)	\$15,272	\$33,591	\$37,938	\$42,445	\$47,117	\$51,959	\$56,976	\$62,173	\$63,417

These models show that, in year 3, forecast results range from around \$34,000 surplus (Conservative Case) up to a \$133,000 surplus (Optimistic Case). The realistic scenario shows an operating surplus of almost \$74,000 in year 3.



A detailed breakdown for the 'Realistic Case' is shown in the table below.

Table 12: St Ives Indoor Sports Centre - Financial Model - Realistic

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income										
Court Hire	\$394,416	\$424,655	\$455,945	\$469,714	\$483,852	\$498,368	\$513,271	\$528,570	\$544,276	\$555,162
Stadium Hire	\$6,480	\$6,977	\$7,491	\$7,717	\$7,949	\$8,188	\$8,433	\$8,684	\$8,942	\$9,121
Kiosk	\$121,370	\$130,675	\$140,304	\$144,541	\$148,892	\$153,359	\$157,945	\$162,653	\$167,486	\$170,835
Operating Income	\$522,266	\$562,307	\$603,740	\$621,973	\$640,694	\$659,914	\$679,648	\$699,907	\$720,704	\$735,118
Expenditure										
Salary and Wages	\$120,000	\$122,400	\$124,848	\$127,345	\$129,892	\$132,490	\$135,139	\$137,842	\$140,599	\$143,411
On-costs	\$24,000	\$24,480	\$24,970	\$25,469	\$25,978	\$26,498	\$27,028	\$27,568	\$28,120	\$28,682
Power	\$40,000	\$40,800	\$41,616	\$42,448	\$43,297	\$44,163	\$45,046	\$45,947	\$46,866	\$47,804
Insurance	\$8,000	\$8,160	\$8,323	\$8,490	\$8,659	\$8,833	\$9,009	\$9,189	\$9,373	\$9,561
Repairs and Maintenance	\$25,000	\$25,500	\$26,010	\$26,530	\$27,061	\$27,602	\$28,154	\$28,717	\$29,291	\$29,877
Management Costs and Fee	\$78,883	\$84,931	\$91,189	\$93,943	\$96,770	\$99,674	\$102,654	\$105,714	\$108,855	\$111,032
Cleaning	\$42,000	\$42,840	\$43,697	\$44,571	\$45,462	\$46,371	\$47,299	\$48,245	\$49,210	\$50,194
Security/waste removal	\$20,000	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523	\$22,974	\$23,433	\$23,902
Promotion	\$5,000	\$5,100	\$5,202	\$5,306	\$5,412	\$5,520	\$5,631	\$5,743	\$5,858	\$5,975
Annual Court Maintenance	\$20,000	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523	\$22,974	\$23,433	\$23,902
Sundry	\$10,000	\$10,200	\$10,404	\$10,612	\$10,824	\$11,041	\$11,262	\$11,487	\$11,717	\$11,951
Kiosk Costs	\$97,096	\$104,540	\$112,243	\$115,633	\$119,114	\$122,687	\$126,356	\$130,122	\$133,988	\$136,668
Operating Expenditure	\$489,980	\$509,751	\$530,118	\$542,795	\$555,768	\$569,042	\$582,625	\$596,523	\$610,745	\$622,960
Operating Result	\$32,287	\$52,556	\$73,622	\$79,178	\$84,926	\$90,873	\$97,023	\$103,383	\$109,959	\$112,158
Renewal Allowance	-	-	-	-	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Total Result	\$32,287	\$52,556	\$73,622	\$79,178	\$34,926	\$40,873	\$47,023	\$53,383	\$59,959	\$62,158

The 10-year realistic case business projections indicate:

- Operating income is expected to increase annually ranging from around \$522,000 in year 1 to around \$735,000 in year 10
- Operating Expenditure is expected to increase annually ranging from almost \$490,000 in year 1 to approximately \$623,000 in year 10
- The Centre is expected to provide an annual operating surplus ranging between approximately \$32,000 in year 1 to \$112,000 in year 10
- Once capital renewal allowance begins the total centre result will range from a surplus of approximately \$35,000 (year 5) to \$62,000 (year 10)



5. Summary and Conclusions

This study has identified a shortage of publically accessible indoor courts in the North District and that a large potential catchment exists for a facility located at St Ives High School. Based on strong demand, future population growth and a lack of competing facilities in the primary catchment, the operation of the facility is likely be operationally and financially sustainable with an average 10 -year total result likely to be a surplus of approximately \$53,500.

This model is consistent with industry trends which show that a four-court centre is typically operationally self-sufficient. In fact, this forecast likely to be conservative given the preliminary nature of the project. By way of comparison, the Brickpit in Thornleigh (4 court facility operated by Hornsby Council) is operating at an annual surplus of over \$200,000 per annum.

Therefore, the primary issue with the feasibility of this project is related to capital costs and funding. To progress the project further, the capital cost estimate needs to be reviewed and a subsequent funding strategy developed to identify Council's likely capital contribution (which will be based on assumptions of external funding). This will largely determine the viability and/or timing of the project and partnership with DoE. If this is established, then the concept design and operational details will need to be refined in conjunction with DoE.



Warranties and Disclaimers

The information contained in this report is provided in good faith. While Otium Planning Group has applied their own experience to the task, they have relied upon information supplied to them by other persons and organisations.

We have not conducted an audit of the information provided by others but have accepted it in good faith. Some of the information may have been provided 'commercial in confidence' and as such these venues or sources of information are not specifically identified. Readers should be aware that the preparation of this report may have necessitated projections of the future that are inherently uncertain and that our opinion is based on the underlying representations, assumptions and projections detailed in this report.

There will be differences between projected and actual results, because events and circumstances frequently do not occur as expected and those differences may be material. We do not express an opinion as to whether actual results will approximate projected results, nor can we confirm, underwrite or guarantee the achievability of the projections as it is not possible to substantiate assumptions which are based on future events.

Accordingly, neither Otium Planning Group, nor any member or employee of Otium Planning Group, undertakes responsibility arising in any way whatsoever to any persons other than client in respect of this report, for any errors or omissions herein, arising through negligence or otherwise however caused.



Appendix 1 - Indicative Cost Plan

RLB | Rider Levett Bucknall

NORTHERN SYDNEY SCHOOLS				
ST IVES HIGH SCHOOL - ORDER OF COST ESTIMATE BASED ON JDH OPTION 1A ISSUED 13/11/2017				
13/11/2017				
Description of Works	DoE Funding	Ku-Ring-Gai Council	Total	Comments
<u>St Ives High School Works</u>				
Demolition Works	\$ 315,000.00	\$ -	\$ 315,000.00	
Site Preparation Works	\$ 115,000.00	\$ -	\$ 115,000.00	
Refurbishment of existing TAS Facility (Block C)	\$ 2,320,000.00	\$ -	\$ 2,320,000.00	
Provision of Demountables whilst TAS Facility is refurbished	\$ 660,000.00	\$ -	\$ 660,000.00	
External Works	\$ 438,000.00	\$ -	\$ 438,000.00	
Sub-Total	\$ 3,848,000.00	\$ -	\$ 3,848,000.00	
<u>St Ives High School - Sport Complex</u>				
Demolition Works	\$ 97,000.00	\$ -	\$ 97,000.00	
Site Preparation Works	\$ 755,000.00	\$ -	\$ 755,000.00	
Sports Complex	\$ 10,680,000.00	\$ -	\$ 10,680,000.00	
External Works	\$ 630,000.00	\$ -	\$ 630,000.00	
Sub-Total	\$ 12,162,000.00	\$ -	\$ 12,162,000.00	
<u>Council Sports Complex</u>				
Demolition Works	\$ -	\$ 135,000.00	\$ 135,000.00	
Site Preparation Works	\$ -	\$ 990,000.00	\$ 990,000.00	
Sports Complex	\$ -	\$ 15,185,000.00	\$ 15,185,000.00	
External Works	\$ -	\$ 835,000.00	\$ 835,000.00	
Sub-Total	\$ -	\$ 17,145,000.00	\$ 17,145,000.00	
<u>New Synthetic Sports Field</u>				
Demolition Works	\$ -	\$ 320,000.00	\$ 320,000.00	
New Sports Field	\$ -	\$ 1,645,000.00	\$ 1,645,000.00	
Sub-Total	\$ -	\$ 1,965,000.00	\$ 1,965,000.00	
Total Estimated Construction Cost	\$ 16,010,000.00	\$ 19,110,000.00	\$ 35,120,000.00	
Consultant Fees	\$ 702,163.00	\$ 1,010,429.00	\$ 1,712,592.00	As per DoE T Reign Schedule
Authority Fees (1.5%)	\$ 250,683.00	\$ 301,807.00	\$ 552,490.00	
Long Service Leave Levy (0.35%)	\$ 59,370.00	\$ 71,478.00	\$ 130,848.00	
Escalation (Assumed start November 2018)	\$ 680,889.00	\$ 819,749.00	\$ 1,500,638.00	
PMO Fees	\$ 420,000.00	\$ -	\$ 420,000.00	Assumed 3% of Budget - as per Grey scoping document
Contingency (20%)	\$ 3,624,621.00	\$ 4,262,693.00	\$ 7,887,314.00	
Total Estimated Project Cost (Excl. GST)	\$ 21,747,726.00	\$ 25,576,156.00	\$ 47,323,882.00	

ISSUED FOR DISCUSSION