



JOINT USE PROJECTS - PRELIMINARY OPERATING MODELS

DRAFT REPORT

NOVEMBER 2017



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Document History

Document Version	Date	Checked	Distribution	Recipient
	29-11-17	S Haire		G Thomas



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1. Introduction and Overview

This report presents preliminary operating models for a range of potential joint use projects (JUP's) proposed by the Department of Education (DoE) and Ku-ring-gai Municipal Council (KMC).

KMC would like to develop a business case/project evaluation for three potential joint use projects with the Department of Education. These are:

- Lindfield Learning Centre - sharing of existing indoor and outdoor facilities
- Ku-ring-gai High School - leasing and operation of a synthetic hockey field on school land
- St Ives High School - joint use of proposed four court indoor sports centre and synthetic sportsfield

Key elements to developing the business case or 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

KMC has been working with DoE on the first three points and now needs to consider likely operating outcomes for each project. This will help to progress negotiations and provide further information to evaluate the projects. Developing preliminary operating models for each project is the focus of this report.

These models attempt to demonstrate a 'total result' including allowances for community and school use. This should enable further discussion and negotiation with DoE. Allowances for asset renewal, depreciation and debt servicing are not included at this stage.

1.1 Methodology

The methodology for each project is outlined below:

1. Meet with Council officers to
 - a. confirm parameters and outcomes
 - b. collect project information
 - c. discuss initial operating parameters
 - d. discuss likely utilisation and revenue assumptions
2. Develop operating cost base using available project information and operational information from other OPG projects
 - a. Liaise with DoE to understand likely school use impacts
 - b. Review draft JUP agreements
3. Develop operating use and revenue model
 - a. Liaise with key sport stakeholders to inform usage schedules
 - b. Review available operating information from similar facilities
 - c. Develop assumed fees and charges schedule
4. Prepare initial business and 10-year financial model
5. Review and discuss the models with Council staff and make necessary amendments
6. Prepare a brief report to document key project assumptions and model outputs



2. Lindfield Learning Centre

The JUP proposal at the Lindfield Learning Centre includes the proposed use of an existing KMC owned synthetic sportsfield (Charles Bean) by school students during school hours and the use of an upgraded DoE owned indoor sports court by KMC for after hours use.

2.1 Synthetic Sportsfield (Charles Bean)

The Charles Bean facility is an existing synthetic sportsfield managed by Council and hired to community users. The main current user is Northern Suburbs Football Association. The proposal is for students at the Lindfield Learning Centre to utilise the field during school hours for break times and school sport activities.

For this model, a ‘base case’ using current operational information was developed and then compared to a ‘school use case’ to quantify the impact of school use. This mainly effects the maintenance surface renewal and cleaning associated with the facility. The increase of school use is approximately 75% above the current levels and the impact of flat soled shoes and added foreign matter and debris (e.g. rubbish) mean the proposed school use will effectively double current use.

Table 1: Operating Business Assumptions

Item	Assumption	Source/Basis/Rationale
Management and staffing	<ul style="list-style-type: none"> o Council managed through existing booking systems and resources 	<ul style="list-style-type: none"> o Based on current approach
Operating Hours	<ul style="list-style-type: none"> o Mon-Fri - 8am - 9.30pm o Sat - 8am - 8.30pm o Sun - 9am - 6pm 	<ul style="list-style-type: none"> o Based on weekly schedule
Fees	<ul style="list-style-type: none"> o Casual Synthetic Field per hour \$75.00 o Seasonal Weekday Training per hour \$43.00 o Seasonal Weekend Competition per hour \$43.00 o School bookings (School Hours only) per hour \$22.00 o Personal training non-exclusive use - Low intensity, per week (maximum 15 hours per week) \$43.00 o Personal training non-exclusive use - Low intensity, per week (maximum 8 hours per week) \$31.00 	<ul style="list-style-type: none"> o Based on current KMC fees
Lighting costs	<ul style="list-style-type: none"> o Direct charge to user based on actual power costs and maintenance levy 	<ul style="list-style-type: none"> o Not included in financial model as costs will be on actual cost recovery basis
Seasonal utilisation patterns	<ul style="list-style-type: none"> o Winter Season - April - August o Summer Season - September - March 	<ul style="list-style-type: none"> o Based on NSFA seasons (as primary user)
Utilisation	<ul style="list-style-type: none"> o NSFA <ul style="list-style-type: none"> ▪ 42 hours per week in summer ▪ 48 hours per week in winter o DoE <ul style="list-style-type: none"> ▪ Average of 1 hour per day for 1,000 students (after three years) 	<ul style="list-style-type: none"> o Based on current booking information o Based on DoE advice
Surface maintenance and renewal	<ul style="list-style-type: none"> o 10 year replacement without school use, 5 year replacement with school use o Increase maintenance and cleaning by 100% 	<ul style="list-style-type: none"> o Based on stated life of 7 - 10 years

Table 2: General Business Assumptions

Item	Assumption	Source/Basis/Rationale
CPI Increases	<ul style="list-style-type: none"> o Assumes average 2.0% yr. 2 to 10. 	<ul style="list-style-type: none"> o Consumer price index
Business Growth	<ul style="list-style-type: none"> o Assumes 100% and yr. 1-3 o Business growth yr. 4 101%, yr. 5 102%, yr. 6 103%, yr. 7 104%, yr. 8 105%, yr. 9 105% and yr. 10 105% 	<ul style="list-style-type: none"> o Allows for business growth for community use
Real Price Growth	<ul style="list-style-type: none"> o No price growth allowed for above CPI 	
Expenditure Increases	<ul style="list-style-type: none"> o Assumes annual expenditure increase of CPI as indicated. 	
Recurrent Operating Expenditure	<ul style="list-style-type: none"> o Recurrent operating expenditure including grooming, cleaning and surface replacement 	<ul style="list-style-type: none"> o Based on current KMC allowances
Asset Management and Replacement Allowances	<ul style="list-style-type: none"> o No allowances for asset management and renewals in the 10 year operating budgets in the models at this stage as they are operating budget models 	
Depreciation or Loan Repayments	<ul style="list-style-type: none"> o No allowances for annual depreciation or any loan repayments as they are operating budget models 	



Table 3: Charles Bean Synthetic Sportsfield - Base Case

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income										
Football - Winter	\$51,600	\$52,632	\$53,685	\$55,306	\$56,971	\$58,680	\$60,434	\$62,236	\$63,481	\$64,750
Football - Summer	\$36,120	\$36,842	\$37,579	\$38,714	\$39,879	\$41,076	\$42,304	\$43,565	\$44,436	\$45,325
Other	\$7,777	\$7,932	\$8,091	\$8,335	\$8,586	\$8,843	\$9,108	\$9,379	\$9,567	\$9,758
Total Income	\$95,497	\$97,406	\$99,355	\$102,355	\$105,436	\$108,599	\$111,846	\$115,180	\$117,484	\$119,834
Expenditure										
Routine surface maintenance and grooming	\$20,000	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523	\$22,974	\$23,433	\$23,902
Annual surface renewal allocation	\$30,500	\$31,110	\$31,732	\$32,367	\$33,014	\$33,674	\$34,348	\$35,035	\$35,736	\$36,450
Other Maintenance and Cleaning	\$19,200	\$19,584	\$19,976	\$20,375	\$20,783	\$21,198	\$21,622	\$22,055	\$22,496	\$22,946
Total Expenditure	\$69,700	\$71,094	\$72,516	\$73,966	\$75,446	\$76,954	\$78,494	\$80,063	\$81,665	\$83,298
Operating Result	\$25,797	\$26,312	\$26,839	\$28,389	\$29,990	\$31,644	\$33,353	\$35,117	\$35,819	\$36,536

Table 4: Charles Bean Synthetic Sportsfield - School Use Case

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income										
Football - Winter	\$51,600	\$52,632	\$53,685	\$55,306	\$56,971	\$58,680	\$60,434	\$62,236	\$63,481	\$64,750
Football - Summer	\$36,120	\$36,842	\$37,579	\$38,714	\$39,879	\$41,076	\$42,304	\$43,565	\$44,436	\$45,325
Other	\$7,777	\$7,932	\$8,091	\$8,335	\$8,586	\$8,843	\$9,108	\$9,379	\$9,567	\$9,758
Total Income	\$95,497	\$97,406	\$99,355	\$102,355	\$105,436	\$108,599	\$111,846	\$115,180	\$117,484	\$119,834
Expenditure										
Routine surface maintenance and grooming	\$40,000	\$40,800	\$41,616	\$42,448	\$43,297	\$44,163	\$45,046	\$45,947	\$46,866	\$47,804
Annual surface renewal allocation	\$61,000	\$62,220	\$63,464	\$64,734	\$66,028	\$67,349	\$68,696	\$70,070	\$71,471	\$72,901
Other Maintenance and Cleaning	\$38,400	\$39,168	\$39,951	\$40,750	\$41,565	\$42,397	\$43,245	\$44,110	\$44,992	\$45,892
Total Expenditure	\$139,400	\$142,188	\$145,032	\$147,932	\$150,891	\$153,909	\$156,987	\$160,127	\$163,329	\$166,596
Operating Result	(\$43,904)	(\$44,782)	(\$45,677)	(\$45,577)	(\$45,455)	(\$45,310)	(\$45,141)	(\$44,947)	(\$45,845)	(\$46,762)

The 10-year projections indicate that initially a \$70,000 difference between the base case and school use case growing to over \$80,000 by year 10.



2.2 Indoor Sports Court

DoE propose to upgrade an existing indoor court for use by the school during school hours and allow council to manage after school use (weekdays 6pm onwards and weekends). A single court limits the potential for competition use and is likely to attract only small competitions, training or other active recreation and/or community uses.

Table 5: Operating Business Assumptions

Item	Assumption	Source/Basis/Rationale
Management and staffing	<ul style="list-style-type: none"> o Managed and staffed by 0.3 EFT position o 30% oncosts 	<ul style="list-style-type: none"> o Based on estimated allowance
Management Overheads	<ul style="list-style-type: none"> o N/A 	<ul style="list-style-type: none"> o Management overheads to be absorbed by existing structure
Operating Hours	<ul style="list-style-type: none"> o Mon-Fri - 9am - 11pm <ul style="list-style-type: none"> ▪ KMC access from 6pm o Sat & Sun- as required (8am - 11pm) 	<ul style="list-style-type: none"> o Based on weekly schedule
Fees	<ul style="list-style-type: none"> o Peak hour rate - \$45 o Off peak rate - \$30 o Community group - off-peak \$30.00 	<ul style="list-style-type: none"> o Entry charges are based on similar charges to indoor sporting facilities and exclude GST
Utilisation	<ul style="list-style-type: none"> o Main usage based on mainly training use <ul style="list-style-type: none"> ▪ 22 court hours per week o DoE <ul style="list-style-type: none"> ▪ Use of the court for 6-8 hours per day 	<ul style="list-style-type: none"> o Based on information from HKBA o Based on DoE advice and draft JUP proposal

Table 6: General Business Assumptions

Item	Assumption	Source/Basis/Rationale
CPI Increases	<ul style="list-style-type: none"> o Assumes average 2.0% yr. 2 to 10. 	<ul style="list-style-type: none"> o Consumer price index
Business Growth	<ul style="list-style-type: none"> o 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. o Business growth yr. 4 101%, yr. 5 102%, yr. 6 103%, yr. 7 104%, yr. 8 105%, yr. 9 105% and yr. 10 105% 	<ul style="list-style-type: none"> o Allows for business establishment period
Real Price Growth	<ul style="list-style-type: none"> o No price growth allowed for above CPI 	
Expenditure Increases	<ul style="list-style-type: none"> o Assumes annual expenditure increase of CPI as indicated. 	
Pre-Opening Expenses	<ul style="list-style-type: none"> o Not included at this stage 	<ul style="list-style-type: none"> o Unknown start date
Recurrent Operating Expenditure	<ul style="list-style-type: none"> o Recurrent operating expenditure including utilities, administration, marketing, maintenance, floor resurfacing and cleaning 	<ul style="list-style-type: none"> o Industry benchmarks for similar facilities
Annual Salary Increases	<ul style="list-style-type: none"> o Allows for annual increases of 1.5% above CPI 	
Alternative Expense Adjustment	<ul style="list-style-type: none"> o Assumes energy costs and maintenance increase by the same as CPI. 	
Asset Management and Replacement Allowances	<ul style="list-style-type: none"> o No allowances for asset management and renewals in the 10 year operating budgets in the models at this stage as they are operating budget models 	
Depreciation or Loan Repayments	<ul style="list-style-type: none"> o No allowances for annual depreciation or any loan repayments as they are operating budget models 	



Table 7: LLC Court - Financial Operating Model

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income										
Court Hire	\$30,240	\$32,558	\$34,957	\$36,013	\$37,097	\$38,210	\$39,353	\$40,526	\$41,336	\$42,163
Total Income	\$30,240	\$32,558	\$34,957	\$36,013	\$37,097	\$38,210	\$39,353	\$40,526	\$41,336	\$42,163
Expenditure										
Salary and Wages	\$13,500	\$13,770	\$14,045	\$14,326	\$14,613	\$14,905	\$15,203	\$15,507	\$15,817	\$16,134
Oncosts	\$4,050	\$4,131	\$4,214	\$4,298	\$4,384	\$4,472	\$4,561	\$4,652	\$4,745	\$4,840
Power	\$8,000	\$8,160	\$8,323	\$8,490	\$8,659	\$8,833	\$9,009	\$9,189	\$9,373	\$9,561
Insurance	\$2,000	\$2,040	\$2,081	\$2,122	\$2,165	\$2,208	\$2,252	\$2,297	\$2,343	\$2,390
Repairs and Maint	\$5,000	\$5,100	\$5,202	\$5,306	\$5,412	\$5,520	\$5,631	\$5,743	\$5,858	\$5,975
Admin/Mgt Costs	\$2,000	\$2,040	\$2,081	\$2,122	\$2,165	\$2,208	\$2,252	\$2,297	\$2,343	\$2,390
Cleaning	\$10,000	\$10,200	\$10,404	\$10,612	\$10,824	\$11,041	\$11,262	\$11,487	\$11,717	\$11,951
Security/waste removal	\$5,000	\$5,100	\$5,202	\$5,306	\$5,412	\$5,520	\$5,631	\$5,743	\$5,858	\$5,975
Promotion	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Annual Court Maintenance	\$7,500	\$7,650	\$7,803	\$7,959	\$8,118	\$8,281	\$8,446	\$8,615	\$8,787	\$8,963
Sundry	\$2,500	\$2,550	\$2,601	\$2,653	\$2,706	\$2,760	\$2,815	\$2,872	\$2,929	\$2,988
Total Expenditure	\$59,550	\$60,741	\$61,956	\$63,195	\$64,459	\$65,748	\$67,063	\$68,404	\$69,772	\$71,168
Operating Result	(\$29,310)	(\$28,183)	(\$26,998)	(\$27,182)	(\$27,362)	(\$27,538)	(\$27,710)	(\$27,879)	(\$28,436)	(\$29,005)

The 10-year projections indicate:

- Revenue is expected to increase annually ranging from \$30,240 in year 1 to \$42,163 in year 10.
- Expenditure is expected to increase annually ranging from \$59,550 in year 1 to \$71,178 in year 10.
- The Centre is expected to operate at an annual operating deficit ranging between \$29,310 in year 1 to \$29,005 in year 10.



3. St Ives High School

The JUP proposal at St Ives High School includes a proposed four court indoor sports centre and synthetic sportsfield on a DoE site, with after hours access to be generally managed by KMC.

3.1 Indoor Sports Centre

It is proposed that a new four court indoor sports centre be built on the St Ives High site with two courts being managed by KMC at all times and two used by the school during school hours and managed by KMC after hours. The tables below outlined assumptions for the ten year financial model.

Table 8: Operating Business Assumptions

Item	Assumption	Source/Basis/Rationale
Management and staffing	<ul style="list-style-type: none"> o Managed and staffed by 2 EFT positions o 30% oncosts 	<ul style="list-style-type: none"> o Based on estimated allowance
Management Overheads	<ul style="list-style-type: none"> o N/A 	<ul style="list-style-type: none"> o Management overheads to be absorbed by existing structure
Operating Hours	<ul style="list-style-type: none"> o Mon-Fri - 9am - 11pm o Sat & Sun- as required (8am - 11pm) 	<ul style="list-style-type: none"> o Based on weekly schedule
Fees	<ul style="list-style-type: none"> o Peak hour rate - \$52 o Off peak rate - \$44 o Community group - off-peak \$30.00 	<ul style="list-style-type: none"> o Entry charges are based on similar charges to indoor sporting facilities and exclude GST
Utilisation	<ul style="list-style-type: none"> o Main usage based on basketball <ul style="list-style-type: none"> ▪ 170 court hours per week o DoE <ul style="list-style-type: none"> ▪ Use of two courts for 6 hours per day 	<ul style="list-style-type: none"> o Based on information from HKBA o Based on DoE advice
Cafe	<ul style="list-style-type: none"> o Kiosk /café - \$1.00 per spend with a 30% penetration and 20% margin on sales 	<ul style="list-style-type: none"> o Based on industry standards

Table 9: General Business Assumptions

Item	Assumption	Source/Basis/Rationale
CPI Increases	<ul style="list-style-type: none"> o Assumes average 2.0% yr. 2 to 10. 	<ul style="list-style-type: none"> o Consumer price index
Business Growth	<ul style="list-style-type: none"> o 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. o Business growth yr. 4 101%, yr. 5 102%, yr. 6 103%, yr. 7 104%, yr. 8 105%, yr. 9 106% and yr. 10 107% 	<ul style="list-style-type: none"> o Allows for business establishment period
Real Price Growth	<ul style="list-style-type: none"> o No price growth allowed for above CPI 	
Expenditure Increases	<ul style="list-style-type: none"> o Assumes annual expenditure increase of CPI as indicated. 	
Pre-Opening Expenses	<ul style="list-style-type: none"> o Not included at this stage 	<ul style="list-style-type: none"> o Unknown start date
Recurrent Operating Expenditure	<ul style="list-style-type: none"> o Recurrent operating expenditure including utilities, administration, marketing, maintenance, floor resurfacing and cleaning 	<ul style="list-style-type: none"> o Industry benchmarks for similar facilities
Annual Salary Increases	<ul style="list-style-type: none"> o Allows for annual increases of 1.5% above CPI 	
Alternative Expense Adjustment	<ul style="list-style-type: none"> o Assumes energy costs and maintenance increase by the same as CPI. 	
Asset Management and Replacement Allowances	<ul style="list-style-type: none"> o No allowances for asset management and renewals in the 10 year operating budgets in the models at this stage as they are operating budget models 	
Depreciation or Loan Repayments	<ul style="list-style-type: none"> o No allowances for annual depreciation or any loan repayments as they are operating budget models 	



Table 10: St Ives Indoor Sports Centre - Financial Operating Model

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income										
Court Hire	\$327,024	\$352,096	\$378,040	\$389,457	\$401,179	\$413,214	\$425,570	\$438,256	\$451,278	\$460,304
Stadium Hire	\$4,950	\$5,330	\$5,722	\$5,895	\$6,072	\$6,255	\$6,442	\$6,634	\$6,831	\$6,967
Canteen	\$32,594	\$35,093	\$37,679	\$38,817	\$39,985	\$41,185	\$42,417	\$43,681	\$44,979	\$45,878
Total Income	\$364,568	\$392,519	\$421,441	\$434,169	\$447,237	\$460,654	\$474,429	\$488,570	\$503,088	\$513,150
Expenditure										
Salary and Wages	\$120,000	\$122,400	\$124,848	\$127,345	\$129,892	\$132,490	\$135,139	\$137,842	\$140,599	\$143,411
Oncosts	\$36,000	\$36,720	\$37,454	\$38,203	\$38,968	\$39,747	\$40,542	\$41,353	\$42,180	\$43,023
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 Maint	\$25,000	\$25,500	\$26,010	\$26,530	\$27,061	\$27,602	\$28,154	\$28,717	\$29,291	\$29,877
Admin/Mgt Costs	\$10,000	\$10,200	\$10,404	\$10,612	\$10,824	\$11,041	\$11,262	\$11,487	\$11,717	\$11,951
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	\$30,000	\$30,600	\$31,212	\$31,836	\$32,473	\$33,122	\$33,785	\$34,461	\$35,150	\$35,853
Sundry	\$10,000	\$10,200	\$10,404	\$10,612	\$10,824	\$11,041	\$11,262	\$11,487	\$11,717	\$11,951
Canteen Costs	\$26,076	\$28,075	\$30,143	\$31,054	\$31,988	\$32,948	\$33,933	\$34,945	\$35,983	\$36,703
Total Expenditure	\$372,076	\$380,995	\$390,122	\$398,232	\$406,510	\$414,960	\$423,585	\$432,390	\$441,377	\$450,205
Operating Result	(\$7,507)	\$11,524	\$31,319	\$35,937	\$40,727	\$45,694	\$50,843	\$56,180	\$61,711	\$62,945

The 10-year base case business projections indicate:

- Revenue is expected to increase annually ranging from \$364,568 in year 1 to \$513,150 in year 10.
- Expenditure is expected to increase annually ranging from \$372,076 in year 1 to \$450,205 in year 10.
- The Centre is expected to initially operate at a small deficit and then operate at an annual operating surplus ranging between \$11,524 in year 2 to \$62,945 in year 10.

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.



3.2 Synthetic Sportsfield

It has been proposed to develop a synthetic sportsfield on the St Ives High School site with school use during school hours and KMC managing the facility including after hours use. This model is based on the Charles Bean facility operated by Council. The assumptions for the financial operating model are presented below.

Table 11: Operating Business Assumptions

Item	Assumption	Source/Basis/Rationale
Management and staffing	<ul style="list-style-type: none"> o Council managed through existing booking systems and resources 	<ul style="list-style-type: none"> o Based on current approach
Operating Hours	<ul style="list-style-type: none"> o Mon-Fri - 8am - 9.30pm o Sat - 8am - 8.30pm o Sun - 9am - 6pm 	<ul style="list-style-type: none"> o Based on weekly schedule
Fees	<ul style="list-style-type: none"> o Casual Synthetic Field per hour \$75.00 o Seasonal Weekday Training per hour \$43.00 o Seasonal Weekend Competition per hour \$43.00 o School bookings (School Hours only) per hour \$22.00 o Personal training non-exclusive use - Low intensity, per week (maximum 15 hours per week) \$43.00 o Personal training non-exclusive use - Low intensity, per week (maximum 8 hours per week) \$31.00 	<ul style="list-style-type: none"> o Based on current KMC fees
Lighting costs	<ul style="list-style-type: none"> o Direct charge to user based on actual power costs and maintenance levy 	<ul style="list-style-type: none"> o Not included in financial model as costs will be on actual cost recovery basis
Seasonal utilisation patterns	<ul style="list-style-type: none"> o Winter Season - April - August o Summer Season - September - March 	<ul style="list-style-type: none"> o Based on NSFA seasons (as primary user)
Utilisation	<ul style="list-style-type: none"> o NSFA <ul style="list-style-type: none"> ▪ 42 hours per week in summer ▪ 48 hours per week in winter o DoE <ul style="list-style-type: none"> ▪ Average of 1 hour per day for 1,000 students (after three years) 	<ul style="list-style-type: none"> o Based on current booking information o Based on DoE advice
Surface maintenance and renewal	<ul style="list-style-type: none"> o 5-year replacement with school use o Increase maintenance and cleaning by 100% compared to current Charles Bean field 	<ul style="list-style-type: none"> o Based on stated life of 7 - 10 years

Table 12: General Business Assumptions

Item	Assumption	Source/Basis/Rationale
CPI Increases	<ul style="list-style-type: none"> o Assumes average 2.0% yr. 2 to 10. 	<ul style="list-style-type: none"> o Consumer price index
Business Growth	<ul style="list-style-type: none"> o 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. o Business growth yr. 4 101%, yr. 5 102%, yr. 6 103%, yr. 7 104%, yr. 8 105%, yr. 9 105% and yr. 10 105% 	<ul style="list-style-type: none"> o Allows for business growth for community use
Real Price Growth	<ul style="list-style-type: none"> o No price growth allowed for above CPI 	
Expenditure Increases	<ul style="list-style-type: none"> o Assumes annual expenditure increase of CPI as indicated. 	
Recurrent Operating Expenditure	<ul style="list-style-type: none"> o Recurrent operating expenditure including grooming, cleaning and surface replacement 	<ul style="list-style-type: none"> o Based on current KMC allowances
Asset Management and Replacement Allowances	<ul style="list-style-type: none"> o No allowances for asset management and renewals in the 10 year operating budgets in the models at this stage as they are operating budget models 	
Depreciation or Loan Repayments	<ul style="list-style-type: none"> o No allowances for annual depreciation or any loan repayments as they are operating budget models 	



Table 13: St Ives Synthetic Sportsfield - Financial Operating Model

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income										
Football - Winter	\$46,440	\$50,000	\$53,685	\$55,306	\$56,971	\$58,680	\$60,434	\$62,236	\$63,481	\$64,750
Football - Summer	\$32,508	\$35,000	\$37,579	\$38,714	\$39,879	\$41,076	\$42,304	\$43,565	\$44,436	\$45,325
Other	\$6,999	\$7,535	\$8,091	\$8,335	\$8,586	\$8,843	\$9,108	\$9,379	\$9,567	\$9,758
Total Income	\$85,947	\$92,536	\$99,355	\$102,355	\$105,436	\$108,599	\$111,846	\$115,180	\$117,484	\$119,834
Expenditure										
Routine surface maintenance and grooming	\$40,000	\$40,800	\$41,616	\$42,448	\$43,297	\$44,163	\$45,046	\$45,947	\$46,866	\$47,804
Annual surface renewal allocation	\$61,000	\$62,220	\$63,464	\$64,734	\$66,028	\$67,349	\$68,696	\$70,070	\$71,471	\$72,901
Other Maintenance and Cleaning	\$38,400	\$39,168	\$39,951	\$40,750	\$41,565	\$42,397	\$43,245	\$44,110	\$44,992	\$45,892
Total Expenditure	\$139,400	\$142,188	\$145,032	\$147,932	\$150,891	\$153,909	\$156,987	\$160,127	\$163,329	\$166,596
Operating Result	(\$53,453)	(\$49,652)	(\$45,677)	(\$45,577)	(\$45,455)	(\$45,310)	(\$45,141)	(\$44,947)	(\$45,845)	(\$46,762)

The 10-year projections indicate:

- Revenue is expected to increase annually ranging from \$85,947 in year 1 to \$119,834 in year 10.
- Expenditure is expected to increase annually ranging from \$139,400 in year 1 to \$166,596 in year 10.
- The facility is expected to operate at an annual operating deficit ranging between \$53,453 in year 1 to \$46,762 in year 10.



4. Ku-ring-Gai High School

The JUP proposal at Ku-ring-gai High School includes a proposed two court indoor sports centre and a synthetic sportsfield on a DoE site, with after hours access to be generally managed by KMC. In addition, DoE currently provides a lease to the hockey association over a sand based field at Ku-ring-gai High School. DoE would like KMC to have primary responsibility for the facility through a lease.

4.1 Indoor Sports Centre

It is proposed that a new two court indoor sports centre be built on the Ku-ring-gai High site with school use until 5pm (potentially 6pm with an OOSH) and KMC management after this time and over the weekend. The tables below outlined assumptions for the ten year financial model.

Table 14: Operating Business Assumptions

Item	Assumption	Source/Basis/Rationale
Management and staffing	<ul style="list-style-type: none"> o Managed and staffed by 0.6 EFT positions o 30% oncosts 	<ul style="list-style-type: none"> o Based on estimated allowance
Management Overheads	<ul style="list-style-type: none"> o N/A 	<ul style="list-style-type: none"> o Management overheads to be absorbed by existing structure
Operating Hours	<ul style="list-style-type: none"> o Mon-Fri - 9am - 11pm <ul style="list-style-type: none"> ▪ KMC access from 5pm o Sat & Sun- as required (8am - 11pm) 	<ul style="list-style-type: none"> o Based on weekly schedule
Fees	<ul style="list-style-type: none"> o Peak hour rate - \$52 o Off peak rate - \$44 o Community group - off-peak \$30.00 	<ul style="list-style-type: none"> o Entry charges are based on similar charges to indoor sporting facilities and exclude GST
Utilisation	<ul style="list-style-type: none"> o Main usage based on basketball <ul style="list-style-type: none"> ▪ 56 court hours per week o DoE <ul style="list-style-type: none"> ▪ Use of two courts for 6-8 hours per day 	<ul style="list-style-type: none"> o Based on estimate of sport use o Based on DoE advice and draft JUP proposal
Cafe	<ul style="list-style-type: none"> o Kiosk /café - \$1.00 per spend with a 30% penetration and 20% margin on sales 	<ul style="list-style-type: none"> o Based on industry standards

Table 15: General Business Assumptions

Item	Assumption	Source/Basis/Rationale
CPI Increases	<ul style="list-style-type: none"> o Assumes average 2.0% yr. 2 to 10. 	<ul style="list-style-type: none"> o Consumer price index
Business Growth	<ul style="list-style-type: none"> o 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. o Business growth yr. 4 101%, yr. 5 102%, yr. 6 103%, yr. 7 104%, yr. 8 105%, yr. 9 106% and yr. 10 107% 	<ul style="list-style-type: none"> o Allows for business establishment period
Real Price Growth	<ul style="list-style-type: none"> o No price growth allowed for above CPI 	
Expenditure Increases	<ul style="list-style-type: none"> o Assumes annual expenditure increase of CPI as indicated. 	
Pre-Opening Expenses	<ul style="list-style-type: none"> o Not included at this stage 	<ul style="list-style-type: none"> o Unknown start date
Recurrent Operating Expenditure	<ul style="list-style-type: none"> o Recurrent operating expenditure including utilities, administration, marketing, maintenance, floor resurfacing and cleaning 	<ul style="list-style-type: none"> o Industry benchmarks for similar facilities
Annual Salary Increases	<ul style="list-style-type: none"> o Allows for annual increases of 1.5% above CPI 	
Alternative Expense Adjustment	<ul style="list-style-type: none"> o Assumes energy costs and maintenance increase by the same as CPI. 	
Asset Management and Replacement Allowances	<ul style="list-style-type: none"> o No allowances for asset management and renewals in the 10 year operating budgets in the models at this stage as they are operating budget models 	
Depreciation or Loan Repayments	<ul style="list-style-type: none"> o No allowances for annual depreciation or any loan repayments as they are operating budget models 	



Table 16: Ku-ring-gai Indoor Sports Centre - Financial Operating Model

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income										
Court Hire	\$101,952	\$109,768	\$117,857	\$121,416	\$125,070	\$128,822	\$132,675	\$136,629	\$139,362	\$142,149
Canteen	\$9,677	\$10,419	\$11,186	\$11,524	\$11,871	\$12,227	\$12,593	\$12,968	\$13,228	\$13,492
Total Income	\$111,629	\$120,187	\$129,043	\$132,940	\$136,941	\$141,050	\$145,267	\$149,597	\$152,589	\$155,641
Expenditure										
Salary and Wages	\$32,000	\$32,640	\$33,293	\$33,959	\$34,638	\$35,331	\$36,037	\$36,758	\$37,493	\$38,243
Oncosts	\$9,600	\$9,792	\$9,988	\$10,188	\$10,391	\$10,599	\$10,811	\$11,027	\$11,248	\$11,473
Power	\$20,000	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523	\$22,974	\$23,433	\$23,902
Insurance	\$4,000	\$4,080	\$4,162	\$4,245	\$4,330	\$4,416	\$4,505	\$4,595	\$4,687	\$4,780
Repairs and Maint	\$12,000	\$12,240	\$12,485	\$12,734	\$12,989	\$13,249	\$13,514	\$13,784	\$14,060	\$14,341
Admin/Mgt Costs	\$5,000	\$5,100	\$5,202	\$5,306	\$5,412	\$5,520	\$5,631	\$5,743	\$5,858	\$5,975
Cleaning	\$20,000	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523	\$22,974	\$23,433	\$23,902
Security/waste removal	\$10,000	\$10,200	\$10,404	\$10,612	\$10,824	\$11,041	\$11,262	\$11,487	\$11,717	\$11,951
Promotion	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082	\$1,104	\$1,126	\$1,149	\$1,172	\$1,195
Annual Court Maintenance	\$15,000	\$15,300	\$15,606	\$15,918	\$16,236	\$16,561	\$16,892	\$17,230	\$17,575	\$17,926
Sundry	\$5,000	\$5,100	\$5,202	\$5,306	\$5,412	\$5,520	\$5,631	\$5,743	\$5,858	\$5,975
Canteen Costs	\$20,000	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523	\$22,974	\$23,433	\$23,902
Total Expenditure	\$141,341	\$144,607	\$147,947	\$150,997	\$154,110	\$157,287	\$160,530	\$163,839	\$167,116	\$170,458
Operating Result	(\$29,713)	(\$24,420)	(\$18,904)	(\$18,057)	(\$17,168)	(\$16,237)	(\$15,262)	(\$14,241)	(\$14,526)	(\$14,817)

The 10-year base case business projections indicate:

- Revenue is expected to increase annually ranging from \$111,629 in year 1 to \$155,641 in year 10.
- Expenditure is expected to increase annually ranging from \$141,341 in year 1 to \$170,458 in year 10.
- The Centre is expected to initially operate at a deficit ranging between \$29,713 in year 1 to \$14,817 in year 10.

Should access to KMC be limited to 6pm through operation of an OOSH then revenue will reduce further.



4.2 Synthetic Sportsfield

It has been proposed to develop a synthetic sportsfield on the Ku-ring-gai High School site with school use during school hours and KMC managing the facility including after hours use. This model is based on the Charles Bean facility operated by Council. The assumptions for the financial operating model are presented below.

Table 17: Operating Business Assumptions

Item	Assumption	Source/Basis/Rationale
Management and staffing	<ul style="list-style-type: none"> o Council managed through existing booking systems and resources 	<ul style="list-style-type: none"> o Based on current approach
Operating Hours	<ul style="list-style-type: none"> o Mon-Fri - 8am - 9.30pm o Sat - 8am - 8.30pm o Sun - 9am - 6pm 	<ul style="list-style-type: none"> o Based on weekly schedule
Fees	<ul style="list-style-type: none"> o Casual Synthetic Field per hour \$75.00 o Seasonal Weekday Training per hour \$43.00 o Seasonal Weekend Competition per hour \$43.00 o School bookings (School Hours only) per hour \$22.00 o Personal training non-exclusive use - Low intensity, per week (maximum 15 hours per week) \$43.00 o Personal training non-exclusive use - Low intensity, per week (maximum 8 hours per week) \$31.00 	<ul style="list-style-type: none"> o Based on current KMC fees
Lighting costs	<ul style="list-style-type: none"> o Direct charge to user based on actual power costs and maintenance levy 	<ul style="list-style-type: none"> o Not included in financial model as costs will be on actual cost recovery basis
Seasonal utilisation patterns	<ul style="list-style-type: none"> o Winter Season - April - August o Summer Season - September - March 	<ul style="list-style-type: none"> o Based on NSBHA seasons (as primary user)
Utilisation	<ul style="list-style-type: none"> o NSFA <ul style="list-style-type: none"> ▪ 42 hours per week in summer ▪ 48 hours per week in winter o DoE <ul style="list-style-type: none"> ▪ Average of 1 hour per day for 1,000 students (after three years) 	<ul style="list-style-type: none"> o Based on current booking information o Based on DoE advice
Surface maintenance and renewal	<ul style="list-style-type: none"> o 5-year replacement with school use o Increase maintenance and cleaning by 100% compared to current Charles Bean field 	<ul style="list-style-type: none"> o Based on stated life of 7 - 10 years

Table 18: General Business Assumptions

Item	Assumption	Source/Basis/Rationale
CPI Increases	<ul style="list-style-type: none"> o Assumes average 2.0% yr. 2 to 10. 	<ul style="list-style-type: none"> o Consumer price index
Business Growth	<ul style="list-style-type: none"> o 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. o Business growth yr. 4 101%, yr. 5 102%, yr. 6 103%, yr. 7 104%, yr. 8 105%, yr. 9 105% and yr. 10 105% 	<ul style="list-style-type: none"> o Allows for business growth for community use
Real Price Growth	<ul style="list-style-type: none"> o No price growth allowed for above CPI 	
Expenditure Increases	<ul style="list-style-type: none"> o Assumes annual expenditure increase of CPI as indicated. 	
Recurrent Operating Expenditure	<ul style="list-style-type: none"> o Recurrent operating expenditure including grooming, cleaning and surface replacement 	<ul style="list-style-type: none"> o Based on current KMC allowances
Asset Management and Replacement Allowances	<ul style="list-style-type: none"> o No allowances for asset management and renewals in the 10 year operating budgets in the models at this stage as they are operating budget models 	
Depreciation or Loan Repayments	<ul style="list-style-type: none"> o No allowances for annual depreciation or any loan repayments as they are operating budget models 	



Table 19: Ku-ring-gai Synthetic Sportsfield - Financial Operating Model

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income										
Football - Winter	\$46,440	\$50,000	\$53,685	\$55,306	\$56,971	\$58,680	\$60,434	\$62,236	\$63,481	\$64,750
Football - Summer	\$32,508	\$35,000	\$37,579	\$38,714	\$39,879	\$41,076	\$42,304	\$43,565	\$44,436	\$45,325
Other	\$6,999	\$7,535	\$8,091	\$8,335	\$8,586	\$8,843	\$9,108	\$9,379	\$9,567	\$9,758
Total Income	\$85,947	\$92,536	\$99,355	\$102,355	\$105,436	\$108,599	\$111,846	\$115,180	\$117,484	\$119,834
Expenditure										
Routine surface maintenance and grooming	\$40,000	\$40,800	\$41,616	\$42,448	\$43,297	\$44,163	\$45,046	\$45,947	\$46,866	\$47,804
Annual surface renewal allocation	\$61,000	\$62,220	\$63,464	\$64,734	\$66,028	\$67,349	\$68,696	\$70,070	\$71,471	\$72,901
Other Maintenance and Cleaning	\$38,400	\$39,168	\$39,951	\$40,750	\$41,565	\$42,397	\$43,245	\$44,110	\$44,992	\$45,892
Total Expenditure	\$139,400	\$142,188	\$145,032	\$147,932	\$150,891	\$153,909	\$156,987	\$160,127	\$163,329	\$166,596
Operating Result	(\$53,453)	(\$49,652)	(\$45,677)	(\$45,577)	(\$45,455)	(\$45,310)	(\$45,141)	(\$44,947)	(\$45,845)	(\$46,762)

The 10-year projections indicate:

- Revenue is expected to increase annually ranging from \$85,947 in year 1 to \$119,834 in year 10.
- Expenditure is expected to increase annually ranging from \$139,400 in year 1 to \$166,596 in year 10.
- The facility is expected to operate at an annual operating deficit ranging between \$53,453 in year 1 to \$46,762 in year 10.



4.3 Synthetic Hockey Field

DoE currently provides a lease to the hockey association over a sand based field at Ku-ring-gai High School. The facility requires renewal and needs to be brought up to ‘standard’ which chiefly involves the conversion to a ‘water based’ surface.

DoE would like KMC to have primary responsibility for the facility through a lease. KMC could then manage the facility or sub-let it to the hockey association. DoE does not propose to use the facility for school use, so the lease would facilitate exclusive use. This model is based on Council managing sport/community use.

Table 20: Operating Business Assumptions

Item	Assumption	Source/Basis/Rationale
Management and staffing	<ul style="list-style-type: none"> o Council managed through existing booking systems and resources 	<ul style="list-style-type: none"> o Based on current approach
Operating Hours	<ul style="list-style-type: none"> o Mon-Fri - 8am - 9.30pm o Sat - 8am - 8.30pm o Sun - 9am - 6pm 	<ul style="list-style-type: none"> o Based on weekly schedule
Fees	<ul style="list-style-type: none"> o Seasonal seniors per hour \$75 o Seasonal juniors per hour \$55 o Summer season - \$52 per hour 	<ul style="list-style-type: none"> o Based on reduction of other facility rates directly managed by hockey
Lighting costs	<ul style="list-style-type: none"> o Direct charge to user based on actual power costs and maintenance levy 	<ul style="list-style-type: none"> o Not included in financial model as costs will be on actual cost recovery basis
Seasonal utilisation patterns	<ul style="list-style-type: none"> o Winter Season - April - August o Summer Season - September - March 	<ul style="list-style-type: none"> o Based on NSFA seasons (as primary user)
Utilisation	<ul style="list-style-type: none"> o Hockey Association <ul style="list-style-type: none"> ▪ 55 hours per week in winter ▪ 8 hours per week in summer o Other users <ul style="list-style-type: none"> ▪ 8 hours per week in summer 	<ul style="list-style-type: none"> o Based on current booking information o Estimate
Surface maintenance and renewal	<ul style="list-style-type: none"> o 10-year replacement 	<ul style="list-style-type: none"> o Based on stated life of 7 - 10 years

Table 21: General Business Assumptions

Item	Assumption	Source/Basis/Rationale
CPI Increases	<ul style="list-style-type: none"> o Assumes average 2.0% yr. 2 to 10. 	<ul style="list-style-type: none"> o Consumer price index
Business Growth	<ul style="list-style-type: none"> o 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. o Business growth yr. 4 101%, yr. 5 102%, yr. 6 103%, yr. 7 104%, yr. 8 105%, yr. 9 105% and yr. 10 105% 	<ul style="list-style-type: none"> o Allows for business growth for community use
Real Price Growth	<ul style="list-style-type: none"> o No price growth allowed for above CPI 	
Expenditure Increases	<ul style="list-style-type: none"> o Assumes annual expenditure increase of CPI as indicated. 	
Recurrent Operating Expenditure	<ul style="list-style-type: none"> o Recurrent operating expenditure including grooming, cleaning and surface replacement 	<ul style="list-style-type: none"> o Based on current KMC allowances
Asset Management and Replacement Allowances	<ul style="list-style-type: none"> o No allowances for asset management and renewals in the 10 year operating budgets in the models at this stage as they are operating budget models 	
Depreciation or Loan Repayments	<ul style="list-style-type: none"> o No allowances for annual depreciation or any loan repayments as they are operating budget models 	



Table 22: Ku-ring-gai Hockey Field - Financial Operating Model

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income										
Hockey - Winter	\$65,250	\$70,253	\$75,429	\$77,707	\$80,046	\$82,447	\$84,913	\$87,444	\$89,193	\$90,976
Hockey - Summer	\$4,493	\$4,837	\$5,194	\$5,351	\$5,512	\$5,677	\$5,847	\$6,021	\$6,141	\$6,264
Other	\$5,616	\$6,047	\$6,492	\$6,688	\$6,889	\$7,096	\$7,308	\$7,526	\$7,677	\$7,830
Total Income	\$75,359	\$81,136	\$87,115	\$89,746	\$92,447	\$95,220	\$98,068	\$100,991	\$103,011	\$105,071
Expenditure										
Routine surface maintenance and grooming	\$20,000	\$20,400	\$20,808	\$21,224	\$21,649	\$22,082	\$22,523	\$22,974	\$23,433	\$23,902
Annual surface renewal allocation	\$37,500	\$38,250	\$39,015	\$39,795	\$40,591	\$41,403	\$42,231	\$43,076	\$43,937	\$44,816
Water	\$5,000	\$5,100	\$5,202	\$5,306	\$5,412	\$5,520	\$5,631	\$5,743	\$5,858	\$5,975
Other Maintenance and Cleaning	\$19,200	\$19,584	\$19,976	\$20,375	\$20,783	\$21,198	\$21,622	\$22,055	\$22,496	\$22,946
Total Expenditure	\$81,700	\$83,334	\$85,001	\$86,701	\$88,435	\$90,203	\$92,007	\$93,848	\$95,725	\$97,639
Operating Result	(\$6,341)	(\$2,198)	\$2,114	\$3,045	\$4,012	\$5,017	\$6,060	\$7,143	\$7,286	\$7,432

The 10-year projections indicate:

- Revenue is expected to increase annually ranging from \$75,359 in year 1 to \$105,071 in year 10.
- Expenditure is expected to increase annually ranging from \$81,700 in year 1 to \$97,639 in year 10.
- The facility is expected to operate at an annual operating deficit for two years and then run at a small surplus ranging between \$2,114 in year 3 to \$7,432 in year 10.

The Northern Sydney and Beaches Hockey Association have developed their own financial model based on field hire rates between \$110 per hour and \$150 per hour (this is consistent with other associations in Sydney). The model potentially sees a \$50,000 surplus after operating and asset renewal expenses are considered, meaning there maybe the capacity to service facility debt as part of a capital funding model. This would require a sublease to the association.

5. Summary and Recommendations

This report has prepared preliminary operating models based on a range of assumptions and other preliminary planning information (draft JUP agreements and basic design and cost information). These models can be refined further by adjusting assumptions and updating project planning information. In addition, asset renewal costs need to be considered to help inform refinement of the JUP agreements. This should include agreeing on any operational and asset renewal cost contributions from DoE.

Some project specific suggestions are provided below:

- The indoor court at the Lindfield Learning Centre is limited by its capacity and accessible hours (6pm onwards) and therefore, it may be more appropriate for DoE to have overall management responsibility with agreed access for KMC/community after this time.
- In relation to the St Ives and Ku-ring-gai indoor sports centres, it may be possible to add additional facilities to increase potential revenue and expand the program to include other sports.
- The hours of access to the Ku-ring-gai indoor centre should be reviewed and confirmed as part of refining the operating model.
- For the upgraded hockey field at Ku-ring-gai High School, it is recommended that KMC consider a sub-lease to the hockey association. This may include setting a lease fee based on the value of agreed surface and other facility renewals and holding funds in an asset fund as well as agreeing on a funding model utilising potential surpluses to fund service a debit.

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.

