

District Council of Robe

Lake Butler Marina Review



February 2021

Innovision Enterprises Pty Ltd

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1 EXECUTIVE SUMMARY

District Council of Robe (Robe) have commissioned Innovision Enterprise Pty Ltd (Innovision) to undertake a review of the Robe Marina (the Review). The Review is to consolidate prior reviews and various information to provide a baseline position and series of recommendations.

The Review was undertaken as part of the consultancy services provided during 2020 with the majority of work being undertaken later in 2020 once the internal resources were appointed as part of Robe's Capacity and Capability Review.

This report provides the outcomes of the Review including a revised 'whole of life' baseline financial model (85 years remaining). Consistent with the scope and agreed principles, we have not reconstructed the prior 14 years. The Review is forward looking and seeks to ensure all stakeholders are on a common understanding with regards to the current issues, status and assumptions going forward.

Overview

The Lake Butler Marina has a long history and is an intrinsic component of the Robe's history and identity. It is an important component of Robe that is highly valued by residents, industry, and visitors providing significant amenity to the district and region. The inherent community value of the Marina is greater than just the direct services it provides as a working port.

Originally utilised primarily by the local fishing industry, Lake Butler was a safe haven for boats with the original slipway bringing boats over the dunes and into the lake during the off season. Subsequently, the channel was opened in 1964 providing direct on water access. The breakwater was constructed to provide safe entrance with additional facilities built over subsequent years including wharfs, hardstand, washdown, staddle jetties and eventually in 2006/07, the Marina berth facilities.

The Marina as it operates now, supports both the local fishing industry and recreational vessels. Services include Marina berths (with associated utilities and facilities), wharf and fueling facilities, straddle lift, hardstand storage/maintenance area and washdown facilities. It is a working port and has recently had its accreditation renewed as a 'Gold Anchor' marina.

The Marina represents a considerable investment of public funds from both State and Local Government and the facilities are situated on public land. The more recent investment in Marina berths was primarily funded by Council and constructed under a 99-lease arrangement (for on water assets) with the State Government to 2105.

At the time of writing this report, there are 70 Marina Berths under lease with 66 of those being for greater than one year and 59 being for the maximum remaining term of 85 years. A further two have been decommissioned (due to access issues at this time) and seven of the original berths (B1-7) were not commissioned. There are a remaining 69 that are not leased providing opportunity to more fully utilise the Marina berth facilities for both long term leases as well as seasonal/casual users.

Scope

The Review included developing a simplified whole of life financial model that takes into account all known operating and capital cash flows. In addition, it included consideration of business models, future opportunities and potential for maximising community, economic and commercial value.

Base principles were agreed for the project to ensure it maintained a forward-looking focus and focused on opportunities for improvement. The review is not a forensic review and sought to use existing and available information rather than seek additional technical or specialist input at this early stage.

Key deliverables are a baseline whole of life Funding Model and related Marina Review Report with associated Recommendations.

Process

To undertake the review required an understanding of the history of the project and early operations of the Marina. There have been a number of independent reviews, assessments and reports on the Marina over the last 14 years. In addition, the Marina has been operating since 2008 providing significant learnings.

Our project methodology included:

- **Review** - information gathering, review of key documentation, prior reviews/reports, key stakeholder and officer engagement,
- **Investigation and Analysis** - investigation of key issues and develop options (existing/known)
- **Modelling** - develop a baseline 'whole of life' Financial Model, assess feasibility and identify options
- **Recommend** - develop recommendations and identified opportunities

Outcomes

A large number of documents were provided with 26 key documents identified through the information gathering stage and nine documents being analysed to a much greater detail relating to:

- Initial concept and masterplan documents
- Prudential Report and financial viability reviews (various)
- Marina Review and status and options reporting
- Financial Modelling Reports (various).

The last of these reports was completed in 2010 (ie over a decade ago) and while some of the base information is pertinent to this Review, further investigations are required to ensure estimates and approaches are contemporised.

The baseline funding model has been developed as a tool that provides a starting point for Council to continue to refine as each of the considerations and investigations are addressed. It is based on the best information made available throughout the review and identifies a number of variables that can be included or excluded to assess their impact. It includes three different scenarios:

- No Growth – status quo - business as usual assuming no new sales other than casual use.
- Growth Models - Marina leases grown over 10-year period to full potential (95%) using:
 - Annualised method
 - Projected sales method.

The Annualised method provides an averaging approach while the Projected sales method should be modified continually as Council develops a greater understanding of its service offerings, marketing approach and sales pipelines.

Our modelling is based on a simplified approach that seeks to illustrate the forecast position in current values (ie not including indexation and discounting). It is based on the whole of life cash flows for the remaining 85 years of the underlying Head Lease. At the end of the period, it is assumed all leases expire and there is no value in the remaining assets.

While we recognise this is a simplistic approach, it is considered a pragmatic approach. Given other potential impacts and unknowns across an 85-year timeline, finessing the end of life/future-state assumptions is of limited value at this stage of Council's considerations.

Summary

In undertaking this review, we have ensured it is forward looking and is based on the assumption of an ongoing Council enterprise. As a result, our discussions with Council and stakeholders has sought to work through the critical considerations of:

- Value proposition across various stakeholder groups
- Financial Objectives of Council and the Community
- Funding - 'who pays' and 'how'.

The feedback across various stakeholder representatives and Council identified that the main value of the Marina was to commercial and direct recreational users with some further economic benefit to the wider business community. However, feedback also identified the significant value it represented for the wider community and region (amenity, recreation, economic and environmental).

Feedback also indicated that, in principle, the Marina should be run at no cost to Council and the community and that service fees should seek to generate a margin or, as a minimum, be on a cost recovery basis.

The baseline funding model indicates across all three scenarios that:

- cash surpluses will be generated from operating the Marina
- these operating cash surpluses are required to meet future funding requirements
- financial contributions (over and above operating cash surpluses) will be required to meet the asset renewal requirements, identified significant maintenance projects and cost of borrowings.
- sensitivity analysis illustrates that financial contributions (over and above operating cash surpluses) can be reduced or potentially fully offset subject to the ability to increase prices (Lease Premiums and Administration Fees) and/or reduce capital outlays.

** It should be noted that this is based on current revenue and cost assumptions and most specifically, those relating to Marina Lease pricing and asset maintenance and renewal requirements that require further investigations.*

There are a number of potential opportunities for Council to investigate that could result in revised business and commercial models that will assist in minimising the impacts or potentially providing a return to Council and the community.

In considering the preferred business and commercial models, Council needs to consider how much general ratepayers should contribute to the Marina given its value to the wider community and how can Council best manage the impacts of the Marina on its cash flows and long-term financial planning.

Considering the prior involvement of the State Government in constructing the original channel and breakwater assets, Council should identify those areas where it is appropriate to seek further support for future renewal and significant maintenance requirements. This could potentially assist in reducing significant future capital funding requirements.

While there is no 'silver bullet' to resolve the current situation, Council is well placed to develop a strategic approach to the Lake Butler Marina. Should the Marina opportunity be developed to its full potential and alternate commercial models explored, it could result in a significantly improved outcome for Council and the community over time.

Some commercial opportunities have been identified through the engagement and review process as outlined in this report. Any proposed change should be considered against the existing Headlease and appropriate engagement and approvals sought from the Minister.

This Review has resulted in a series of recommendations, identified opportunities and a whole of life baseline funding model for Council consideration.

A Recommendation Summary is provided at Attachment 1.

2 PROJECT OUTLINE

2.1 Introduction

Council engaged Innovision Enterprises Pty Ltd to undertake a review of the Lake Butler Marina (the Review). The objectives of the review were to provide a simplified baseline financial model and an understanding of the status, options, future feasibility and opportunities for the Marina as a going concern. Key outcomes include developing a baseline funding model and identifying requirements, opportunities and recommendations to support the council in its decisions and longer-term planning.

The Review will assist in contemporising the understanding and longer-term projections for the Marina and related commercial or operating decisions.

2.2 Scope

The initial scope of the Review included:

- To develop a simplified baseline funding model incorporating:
 - understanding of various components of the marina
 - understanding of cost and revenue drivers
 - using an ongoing model that is based on a funding approach including all known income, expenditure and capital outlays as they occur over the life of the model
 - a 'whole of life' approach (ie 85 years remaining life based on head lease and berth leases)
- To identify considerations in relation to:
 - Business Model – viability and options
 - Future opportunities – governance and commercial
 - Maximising value – community, economic and commercial

The following items were identified as out of scope:

- revisiting historic issues / disputes
- jetty and surrounds
- Karatta House and surrounds
- Ociana Seafoods Site (except as it presents opportunities for the future of the Marina).

2.3 Principles

The following principles were identified early in the project definition and agreed with Robe at the initial workshop:

- looking forward (consider all else sunk)
- recognition of the history
- treat as a going concern
- seeking to identify items that impact the ongoing business model and viability
- focus on opportunities for improvement
- not a forensic approach
- agile and pragmatic
- utilise existing information as provided and not seek additional technical or specialist input at this early stage.

2.4 Deliverables

Deliverables include:

- Marina Review Report incorporating:
 - modelling outcomes
 - identification of key impacts, assumptions and variables
 - list of identified opportunities for improvement
 - options / discussion
 - key recommendations
- baseline Funding Model based on:
 - 'whole of life' – remaining 85 years to 2105
 - cash flow analysis including operations and capital activities
 - baseline position based on current utilisation and projections
 - income modelling for differing scenarios (high, medium, low)

2.5 Methodology

In developing the project scope, it was identified that a pragmatic approach would be undertaken that utilised as much existing materials and information as possible recognising the volume and complexity of information already available. The review seeks to:

- utilise existing knowledge and information where available
- utilise past reviews and reports where relevant
- identify further information, assessments and independent expertise requirements to support ongoing strategic and operational planning.

Our methodology included:

- **Review –**
 - project initiation and information gathering
 - review of key documentation and prior reviews/reports
 - targeted stakeholder engagement
 - seeking relevant officer's knowledge, expertise and input
- **Investigation and Analysis**
 - investigate key issues and develop options (existing/known) including:
 - components and their contribution
 - assets
 - key variables, assumptions
 - identified gaps
 - identifying areas for further investigation
- **Modelling**
 - develop a baseline 'whole of life' Financial Model
 - assess feasibility and
 - identify options
- **Recommend**
 - develop recommendations and identified opportunities
 - outcomes reporting

Some items initially identified for possible investigation early in the project definition included:

- requirement and implications of a sinking fund
- component based assessment
- commercial opportunities
- alternate revenue models / streams

- governance model
- Community land and land held in trust
- Structure / Business Model
 - Sec 41 Committee – Council retains Marina/control
 - Sec 41 Committee – Council retains Marina/control – potential subcontract/lease/sell components of business.
- Commercialisation of some or all the Marina
- Business development
 - Regional context
 - Competitive assessment
 - Assessment of current and future markets
 - Attraction
 - Marketing and sales approaches

3 OUTCOMES

Overview

The Marina as it operates now, supports both the local fishing industry and recreational vessels. Services include Marina berths (with associated utilities and facilities), wharf and fueling facilities, straddle lift, hardstand storage/maintenance area and washdown facilities. It is a working port and has recently had its accreditation renewed as a 'Gold Anchor' marina.

At the time of writing this report, there are 70 Marina Berths under lease with 66 of those being for greater than one year and 59 being for the maximum remaining term of 85 years. A further two have been decommissioned (due to access issues) at this time and seven of the original berths (B1-7) were not commissioned. There are a remaining 69 that are not leased providing opportunity to more fully utilise the Marina berth facilities for both long term leases as well as seasonal/casual users.

These numbers were based on information provided at the time of forming this report. Some variations may occur based on the refining the information provided or subsequent lease movements.

Key issues identified

Throughout the early stages of the Review key issues were identified including:

- Breakwater - Walkway deterioration, poor condition of lighting, markers and minor structures.
- Channel - dredging issues, poor condition of markers.
- Sheet piling - poor condition and need to replace/remediate.
- Marina dredging - requirement to dredge the Marina in various locations including Butler arm, Waterhouse arm, main basin and the channel.
- Marina assets - overall Marina assets will require significant maintenance and renewal over the Marina life. Minimal provision for maintenance and no existing renewal plan for Marina Assets and facilities.
- Sheds - existing sheds are leased to third party business, with the lease ending in 2020. Potential opportunity to remove the sheds and expand the footprint of the Marina facilities.
- Straddle - asset is aging, currently fit for purpose but requires a programmed maintenance regime to ensure longevity. Future replacement and/or significant refurbishment will be required.
- Toilets/ facilities - current facilities are not optimal. Related project being undertaken in 2020/21 to improve these facilities and remove the ongoing pumping requirement.

- Safety / fencing - Unsecured site represents risk to safety and security. Related project being undertaken in 2020-21 to establish secure fencing and improved access/security.
- Fuel Tank – replacement and relocation.
- Best Ociana site - related project being undertaken in 2020-21 to demolish the building and remediate the site.
- EPA – sedimentation within the Marina basin and impact on dredging. Washdown facility.

These issues discussed in the relevant sections below.

3.1 Documentation

The Review included sourcing key documentation and prior reviews/reports, seeking materials from stakeholders and seeking relevant officer’s knowledge, expertise and input. Information was sourced from the internal records management system, manual files and direct staff enquiries.

A considerable number of documents were identified covering the last 18 years from inception. These were critically analysed to identify those that were relevant to the scope and principles of the Review brief.

We identified 26 significant documents, with some early documents were not able to be located. The following lists the key documents identified through the process.

Document	Date	Author
Preliminary Feasibility Study	July 2002	Maunsell
Master Plan	Sept 2003	Maunsell
Prudential Report	Feb 2004	Deloittes
Financial Viability Review	Nov 2006	Galpins
Review of Galpins Report	Dec 2006	UHY Haines Norton
Marina Review	Apr 2007	Dean Newberry and Partners
Marina Status Options and Actions Report	Feb 2008	Judith Jones
Financial Modelling	Apr 2008	Edwards Marshall
Marina Financial Modelling Report	April 2010	Geoff Wells Management Consultant

Were relevant the assumptions and learnings from these documents and prior investigations were used in the Review. Key assumptions were tested and consideration was given on how best to incorporate assumptions given the elapsed time and changing circumstance.

The assumptions used in developing the funding model are detailed in full below. There was limited capacity to re-validate these assumptions. As such some reasonableness testing was applied along with an overlay of current understanding/expectations. Recommendations provided in relevant sections below.

3.2 Engagement

Stakeholder engagement has been undertaken with Elected Members, Council officers and the Lake Butler Marina Advisory Group. Some adhoc discussions have occurred with fishermen and lease owners. Further advice has been sought from Council's legal advisors and technical experts where required. These include:

Council

- Mayor
- Chief Executive Officer (CEO)
- Director Infrastructure
- Manager Corporate Services and Finance
- Development Officer
- Harbour Master
- Contract Accountant

Marina Advisory Group incorporating

- Professional Fishers berth holders
- Recreational berth holders
- Community representatives

External

- Robe Professional Fishers Association President
- Legal Services Provider
- External Auditor

The engagement sought to understand and seek input on:

- Roles and objectives of the Marina
- What service are provided
- How those services are provided (ie what assets, infrastructure etc)

- Financial considerations (cost drivers and revenue drivers)
- Funding principles (who should pay and on what basis)
- Opportunities (current situation, future state and opportunities and blue-sky aspirations)

Outcomes from the engagement are discussed in relevant sections below.

3.3 Guiding principles

The initial engagement has been undertaken with Council and key stakeholders to derive base principles in relation to:

- Who uses the Marina and who benefits?
- Council's financial objectives going forward?
- Who should pay and on what basis?

This assists in developing an understanding of the value proposition and principles in relation to the Marina's role and who should contribute.

Who uses the Marina and who benefits?

In this process, we looked to understand who were the principal users of the Marina and subjectively assess who derives value.

The commercial / industry stakeholders were clearly identified as the greatest users of the Marina (55%). This reflects the current scenario where considerable industry value is derived by the Fishing industry and they represent the greatest users of both the port and berth facilities.

The other identified stakeholder groups were Recreational (20%), Community (12%) and Economic (9%). This reflects the value provided to not only recreational berth holders but also to the wider community (such as fishing, walking, sightseeing, general amenity, brand, identify etc). It also reflects the wider benefits these activities and the Marina bring to Robe and the region in both tourism and economic impacts over and above the direct commercial use.

Council's financial objectives going forward?

This process sought to define what the financial objective for Council should be in operating the Marina, namely:

- 'at a cost' to Council and Community ie the wider community contribute financially through Council
- 'at no cost' to Council and Community ie the Marina at least breaks even financially
- to 'provide a financial return' to Council and Community ie to operate at a surplus

The feedback favoured operating 'at no cost' to Council and the Community. Some comments were made in relation to operating 'at a cost' to council in the short term but aiming to provide a 'financial return' over the longer term.

During discussions, a distinction was raised in relation to considering aspects of the Marina legacy assets (ie the channel, wharfs and breakwater) as being existing Marina/community assets and should be funded through Council or State Government opposed to the Marina Berth assets funded through the Marina users.

Who should pay and on what basis?

This process sought to gain and a high-level perception of how we fund the Marina and where fees are to be charged, are they priced for cost recovery, to derive a margin (profit) or discounted (subsidised).

The general consensus was that the 'user' should pay for the services. While there was a reasonable response across all services that they should be charged on a cost recovery basis, the primary response was to price fees to derive a margin on those services. The exception to this was the Wharf and Washdown facilities where the response was evenly split between cost recovery or deriving a margin.

Guiding Principles used in Financial Modelling

Based on the above, the leading principles are:

- to operate the Marina 'at no cost' to council or to ultimately provide a 'financial return'
- users paying for services with fees set to recover costs as a minimum but rather to derive a margin on services provided
- subject to the financial capacity of the Marina, council may need to consider a contribution reflecting the benefits and amenity provided to the wider community and business economy.

These principles have been used to developing the baseline funding model (below) in assessing variables and options for setting prices/fees and asset assumptions.

In considering its preferred business or commercial model, Council needs to balance community expectations and requirements with commercial thinking across its services.

Aligned with this is how much general ratepayers should contribute to the Marina given its value to the wider community. Further work could be undertaken in modelling the business uplift and other economic factors however, ultimately the amount Ratepayers will be required to contribute will be based on the viability of the Marina business model and its ability to deliver adequate financial outcomes.

Recommendation PS1 – *Council formally adopts guiding principles for the ongoing role, objectives, governance and management of the Marina.*

Recommendation PS2 – *Given the potential impact and strategic opportunities associated with the Marina, the proposed guiding principles be tested with the community as part of developing Council’s long-term strategies and plans. Consideration be given to including in future ‘Robe 2050’ planning and engagement processes.*

Council must also consider the restrictions and constraints of operating these services from a Local Government perspective.

Recommendation PS3 – *Council ensure going forward that all service fees are set appropriately and in compliance with the relevant sections of the Act (Section 88).*

Recommendation PS4 – *Council ensure it understands its obligations under the relevant legislation and specifically the State Government Competitive Neutrality requirements.*

3.4 Services

The following services are provided as part of the Marina:

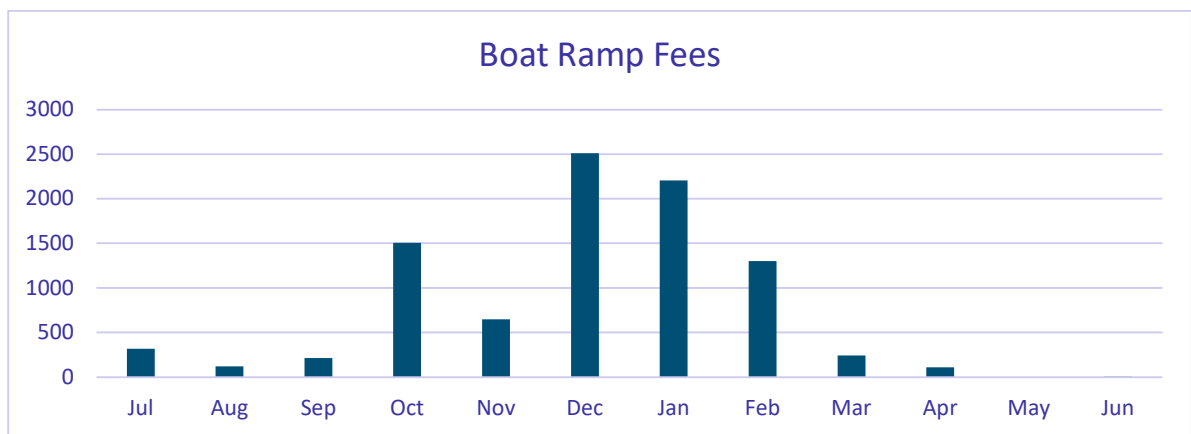
- Marina berth facilities (including utilities)
- Wharf Facilities (including oil store, fuel, parking etc)
- Safe harbour including breakwater, navigation aids and Marina basin
- Straddle lift
- Washdown facilities
- Boat Storage facilities
- Boat launching facilities.

The following fee information was provided by Council and has been used as the baseline position for the financial modelling.

Item	Qty	2019/20 Value	Details
Boat Lifts	58 lifts	\$27,474	Avg boat length 12.45m, Averaging approximately \$470 per lift.
Boat Storage	29 boats	\$26,957	2 stored whole year 4 stored < 10 days 23 stored seasonally, 115 days average.
Moorings fees		\$86,201	Casual \$15,828 Short term \$41,491 Annual \$28,882

Item	Qty	2019/20 Value	Details
Boat Ramp	300 tickets	\$9,153	75% annual tickets (pro-rata) 15% weekly tickets 10% day tickets

The following identifies the relevant sales period for launch tickets.



The above table excludes details for the leased berths, events, rates and other income. Other income relates to items that are not necessarily recurring eg Ground leases. Rates levied on Berths is discussed below.

The 2019-20 figures, as provided, have been used as a starting point for the baseline model.

In considering the future business and commercial models investigation should be undertaken into additional and associated services that may be able to be incorporated into the Marina offering.

Early discussions with the fishing industry identified that there is potential to increase service fees based on an improved service offering, specifically relating to boat storage and associated shipwright services.

Recommendation M1 – Council investigate opportunities for expansion and additional value-added services that may be able to be incorporated into the Marina service offering and commercial model.

Recommendation M2 – As part of its competitive analysis and business planning, Council review the service fees and the level of service provided with a view to market competition, increased sales and/or increased fee revenue.

3.5 Assets

A review of Council's assets registers were undertaken to identify infrastructure and operating assets, values and estimated remaining useful lives. The following were extracted from Council AMPs.

Asset	Useful Life	Depn Rate	Location	Valuation	Depn Amount	Written Down Value	Remain Useful Life
Breakwater	100	1.0%	Karatta Road	311,000	130,620	180,380	58%
Fisherman's Wharf	60	2.0%	Lake Butler	443,956	59,195	384,761	87%
Straddle Jetty & Walkway	50	4.0%	Lake Butler	49,958	3,730	46,227	93%
Marina - Pontoons and structures	40	2.5%	Lake Butler	3,035,178	454,824	2,580,354	85%
Pontoons	30	3.3%	Lake Butler	16,400	4,373	12,027	73%
Lighting	25	4.0%	Lake Butler	33,300	9,324	23,976	72%
Vehicle Washdown	30	3.3%	Lake Butler	24,400	8,947	15,453	63%
Straddle Lift			Boat Yard	200,000	200,000	0	0%
Shed	40	2.5%	Lake Butler	27,300	6,825	20,475	75%
Car Park	30	3.3%	Lake Butler	206,000	54,933	151,067	73%
Marina - Entrance	50	2.0%	Lake Butler	296,309	41,483	254,826	86%
Fisherman's Monument	80	1.3%	Lake Butler Car Park / Boat Yard	20,100	6,533	13,568	68%
Boat Ramp	40	2.5%	Lake Butler	37,500	9,375	28,125	75%
Toilet Block	50	2.0%	Karatta Road	20,200	14,948	5,252	26%
Toilet Block	50	2.0%	Lake Butler	11,100	8,214	2,886	26%
Total Assets				\$4,732,701	\$813,324	\$3,719,377	

Councils has multiple AMPs for Buildings and Structures, Infrastructure and Plant and Equipment. The above table includes assets from across these AMPs.

Based on our observations, the above register potentially excludes and/or undervalues some assets. Specific observations include:

- Breakwater - appears to only include the recent remedial works undertaken. We would anticipate the full value of the breakwater to be considerably greater.

- Fisherman's Wharf – we have not sought to revalue the assets however, this valuation appears low if it is to reflect the full costs of establishing the Wharf. This may reflect issues relating to brown field versus greenfield valuation.
- Marina pontoons and structures – Council may wish to reassess based on estimated replacement cost as used in the baseline modelling (below). It is also our understanding that there are considerable differences in the useful lives of components of this asset. Given the valuation and significant renewal requirements over the life of the asset it may be more appropriate to disaggregate asset and explicitly manage the components and their specific renewal.
- Straddle Jetty and Walkway - appears to be undervalued and/or does not reflect the renewal in more recent years.
- Shed – based on observations the current estimated remaining useful life is greater than we would anticipate, these assets could also be reviewed for impairment as they may be decommissioned on cessation of the current lease arrangements.
- Carpark – based on observations, the carpark will most likely require intervention prior to the remaining 20-year life. This may however, only require resealing/maintenance as opposed to reconstruction within that timeline given the recent entrance works.
- Boat Ramp – is potentially undervalued, we would envisage it include the concrete ramps, pontoons, carpark and ancillary works for lighting, signage, safety etc.
- Toilet Blocks – while these two toilets have been included in the above register, for the purposes of the modelling, they have been considered as general community assets.
- Channel – it is also noted that there is no asset information relating to the Channel and related sheet piling.

We also note the Asset and Project Management Review project outcomes in relation to Asset Management issues and recommendations. Specific attention is drawn to the following commentary:

The Marina (subject of a separate review) also presents unique risk, infrastructure and management considerations. In addition, the Marina is a specific and separable component of Council's operations and requires different prudential and commercial considerations. Consistent with the Marina review it would be relevant to separate this from the general infrastructure planning.

Recommendation AMF3: *That the infrastructure AMP be restructured as follows:....*

- *...The Marina have its own separate AMP to address the unique risk, infrastructure, operational, prudential and commercial considerations.....*

Recommendation AMF4 - *Implement the following changes to the asset management framework in the short term:*

- *...Implement separate class AMPs for the following:*
 - *...Marina (new)...*
- *Implement a rolling AMP review program that updates one or two plans per year ensuring all plans are reviewed within any given four-year period as required under the Act.*

A review of the Marina assets is required to help Council develop a full understanding of the asset management requirements. The implementation of a separate AMP for the Marina will facilitate a greater focus and more complete understanding of lifecycles to forecast operating, maintenance and renewal requirements.

We have developed baseline assumptions using best endeavours based on the information available however, further technical and engineering based assessments are required to inform Council and the modelling going forward.

Recommendation M3 – *Council undertakes, as part of developing the Asset Management plan, technical and engineering assessments for the Marina assets, develop a detailed and complete asset inventory and develop operating, maintenance and renewal plans reflecting whole of life asset management principles.*

3.6 Land, Tenure and Leases

Attachment 3 provides a Map of the Lake Butler Marina and Attachment 4 provides an overview of the land parcels related to the Lake Butler Marina, operating facilities and surrounding land.

3.6.1 Marina Land

The marina entrance, carpark and operating facilities (including the former Best Ociana site) are contained on a single parcel Lot 1 Deposited Plan D33446 (assessment A1772). This was initially Crown Land under the care and control of Council. In 2002 a certificate of title to the land was provided by land grant in fee simple “in trust to permit and suffer the said piece of land to be used at all times as a reserve for boat yard and commercial purposes”. The current title for the Land is Certificate of Title Volume 6135 Folio 498 and this title remains subject to the trust condition described above. Through legislative changes the trust condition is now considered a Crown condition agreement and the Minister is responsible for monitoring any conditions of land that are the subject of a Crown condition agreement.

Legal advice has been provided by Norman Waterhouse Lawyers to assist in interpreting the trust condition and understanding the requirements should Council consider other commercial uses on the land (given there is potential for various interpretations of the trust condition “boat yard and commercial purposes”). In summary the legal advice includes:

....given the ambiguity in interpretation of the dedication and the Crown condition agreement that apply to the Land, we recommend that in relation to any non-boat yard, commercial

purposes use of the Land that is proposed by the Council, the Council seeks the Minister's consent to such use...

Under the Planning and Design Code, the Marina land is zoned as Infrastructure (Ferry and Marina Facilities) with further Associated Overlays of Coastal Areas, Heritage Adjacency and Marine parks (Managed Use). The Desired Outcome is to accommodate on-water development associated with the function of marina and passenger ferry services together with a range of complementary waterfront-oriented recreational and tourist development activities.

Recommendation M4 – *Council formally seek in-principle support from the Minister to explore opportunities for the Marina land that incorporate commercial purposes other than that of a boat yard.*

It is understood that Council is progressing with this approach at the time of writing this report.

3.6.2 Lake Butler Marina

Lake Butler is a separate allotment, Lot 572 in the Hundred of Waterhouse H44180D (Assessment A1771) being Crown Land registered to the Minister for Transport. It has been leased to Council by the Minister under a headlease dated 1 February 2006 and expiring on 31 January 2105. This is a 'ground' lease with the ownership and responsibility for the Marina construction being with Council for the term of the Headlease.

The Headlease enables Council to grant underleases and licenses for marina berths to commercial fishing vessels and licenses for recreational vessels under certain conditions and in a form approved by the Minister.

Under the Planning and Design Code, the Lot 572 is zoned as Infrastructure (Ferry and Marina Facilities) with further Associated Overlays of Coastal Areas, Heritage Adjacency and Marine parks (Managed Use). The Desired Outcome is to accommodate on-water development associated with the function of marinas and passenger ferry services together with a range of complementary waterfront-oriented recreational and tourist development activities.

3.6.3 Marina Berths

The Marina Berths have been included in the Council assessment and land databases as Tenancies (Lots 1 to 142). In undertaking the review, we sought to identify the Lease occupancies, leases, tenure and reconcile to various records. At the time of writing a few queries have been identified with Council. The following is our current understanding as used throughout the modelling.

The original build included 144 proposed berths. Seven berths on the Butler arm (BT1-7) are not in use. In addition, our calculations have included the Old Wharf (OW1-2) and Commercial Berths A0 and A01 (noting there are no assessments for these four berths).

Further to this berths BT1 and BT55 are not in service. We have not factored in the swing moorings at this time.

The following table provides an overview of the berths and their status.

Location	Count	Leased	Not in use	Vacant
Commercial A0	2	0		2
Commercial A	16	13		3
Commercial B	22	15	1	6
Butler North	24	6	3	15
Butler South	28	3	5	20
Karatta	18	10		8
Waterhouse	36	22		14
Old Wharf	2	1		1
Total	148	70	9	69

The leased berths take into account the Shark Boat on the old wharf (OW1) and omits one berth that does not have a current debtor record.

Of the leased berths, there are 66 that are long term leases and four annual leases. The longer-term leases provide for the initial premium (purchase price) plus an annual administration fee that is indexed by CPI. Annual leases/licenses are accounted separately. The following table provides an overview of the leases and associated revenue.

Lease Term	Count	Admin fees 20/21	Lease / license fees 20/21
99 Years	59	108,200	-
21 Years	3	7,503	-
30 Years	1	2,164	-
5 Years	2	-	-
3 Years	1	2,497	-
1 Year	4	-	25,731
Total	70	120,364	25,731

All 99-year underleases terminate on 29 January 2105. Other underleases have various expiry dates depending on term and when the lease was initiated.

3.6.4 Marina Berth Underleases

In undertaking this Review, it was noted that Marina berth and underlease information is held in a number of disparate data sources and locations. It was difficult to identify a single complete dataset and an understanding of the existing leases, available berths, useability of berths, fees, charges and tenure. A register was developed to assist in the Financial Modelling and is provided with the working model. This was our best understanding at the time of writing however, there will be further refinements to be included as Council continues to review the Lease Register.

Recommendation M5 – *Council develop a centralised system for the recording and management of Marina underleases/licenses incorporating:*

- *A central electronic register (single point of truth) for all aspects of each berth and associated lease/license details and administration (including billing)*
- *Integrated mapping to provide clear understanding of tenancy and availability*
- *Integrated financials.*

Ensuring all officers are utilising a single and comprehensive database will assist greatly in ensuring currency, completeness, accuracy and shared understanding.

Council has previously identified that some of the terms and conditions vary across underleases.

Recommendation M6 – *Council undertake a detailed review of all existing Marina underleases and identify any inconsistencies (currency, completeness and accuracy), compliance with the Headlease and approaches to address identified anomalies.*

It is understood that Council has commenced reviewing aspects of the underleases.

Recommendation M7 – *Council develop standard templates for any new underleases or licenses for commercial fishing and recreational vessels that are approved by the Minister for all future berth sales.*

Legal advice has been provided by Norman Waterhouse Lawyers in relation to specific aspects of the Marina Berth underleases as requested by Council. This was based on reviewing an example underlease for a specific commercial berth.

In assessing options available to Council to explore alternate models for the ongoing operations of the Marina, there is limited ability to review and amend the underleases except by mutual agreement between the Council and the underlessee. If this were to occur, Council would need to seek the Ministers approval to change the underlease.

As such, an open dialogue is required with stakeholders to assist in forming, understanding and assessing opportunities and impacts.

Recommendation M8 - *Consideration be given to any strategic or commercial opportunity to be pursued by Council and the likely impacts it may have on existing lease holders or the requirement to seek consent from underlessees (and subsequently the Minister) should a viable opportunity or commercial proposal be progressed.*

Recommendation M9 – *Council establish, an engagement strategy to ensure communication with the underlessees to assist in forming potential outcomes, assessing and understanding commercial opportunities and potential impacts.*

The underleases also limit the charging of additional fees and charges and specifically identify that the Administration Fee is intended to cover the costs for managing, administering and maintaining the Marina, where there is a shortfall it is the responsibility of Council. As such, any additional fees would need to be for services/supplies outside the scope of the underlease and incurred and charged by agreement.

Any other changes to the underlease would need to be by agreement and approval of the Minister (refer above). Norman Waterhouse also identified the potential for further statutory mechanisms that may be available but will require further investigation.

In considering the term ‘managing, administering and maintaining the Marina’, consideration could be given to further explore the scope of this term and how it applies to a complete replacement and/or redevelopment of the Marina

Furthermore, where existing underleases are sold privately, there may be an option for Council to review the Administration fee to reflect the fee associated with new berth leases at that time.

Council may also consider options to purchase berth leases that are offered for private sale. This would need to be assessed at the time based on current occupancy, sales, projections and the sale price. Buying back leases with extended terms will offer an opportunity to reset the term of a lease and all associated fees.

These considerations would require further specific legal advice.

Sinking Fund

The Underlease details the intent to create a sinking fund to fund provision for recurrent or major items of repair or maintenance to the Marina. This is to ensure that the ‘contingent maintenance liabilities, based on acceptable engineering practice’, will be funded by monies in the sinking fund.

In considering the term ‘contingent maintenance liabilities’ consideration could be given to further explore the scope of this term and how it applies to a complete replacement and/or redevelopment of the Marina. This would require further specific legal advice.

The contributions to the sinking fund are to be made from the Administration Fee and other fees collected by the Council based on other underleases and licences granted in relation to

the Marina. The amounts to be deposited into the sinking fund are to be at Council's absolute discretion.

A sinking fund can be considered a way of sequestering funds or saving for a future requirement. They are used to place funds into an account to ensure a future obligation, liability or significant financial requirement can be met. There are various definitions of sinking funds depending on the specific application eg Strata Corporations, large capital-intensive companies, loan and debenture commitments etc.

Further discussion is provided below based on the Baseline Funding Model outcomes and potential cash flow requirements for Council.

3.6.5 Karratta Road

Karratta Road is a separate allotment Section 391 H441800 (Assessment A1813), being Crown Land registered to the Minister for Environment and Heritage. The aligns the northern side of Lake Butler from Lake Road round to the channel and on to the breakwater and Karratta Beach. It contains a carpark, public toilet and the Robe Yacht Clubroom (Lease). It abuts the Channel and Marina and provides access to the Karratta Arm Marina berths.

For the purposes of this review the road and other assets are considered to be community (Council) assets with the exception of the Berth infrastructure.

Under the Planning and Design Code, the land is zoned as Infrastructure (Ferry and Marina Facilities) with further Associated Overlays of Coastal Areas, Heritage Adjacency and Marine parks (Managed Use).

3.6.6 Boat Ramp and facilities (Lake Road)

The Boat Ramp and carparking facilities are across two separate assessments, Lot 543 H441800 (Assessment A1814) and Allotments 92 and 93 F200392 (Assessment A1815), being Crown Land registered to the Minister for Environment and Heritage. This aligns Lake Road and abuts the western side of Lake Butler. It contains the Boat Ramp facilities, recreational carpark, Yacht club shed and public toilet.

For the purposes of this review the Marina assets are considered to be the Boat Ramp facilities and carpark. The others are considered general community assets.

Under the Planning and Design Code, this land is zoned as Infrastructure (Ferry and Marina Facilities) with further Associated Overlays of Coastal Areas, Heritage Adjacency and Native Vegetation.

3.6.7 Lipson Park

Lipson park abuts the South Eastern side of Lake Butler. The parcel adjacent to Lake Butler is Allotment 202 F205548 (Assessment A1782), being Crown Land registered to the Minister for Environment and Heritage. It contains BBQs, board walk and public toilets, for the purposes of this review these are considered general community assets.

Under the Planning and Design Code, this land is zoned as Infrastructure (Ferry and Marina Facilities) with further Associated Overlays of Historic Area (R01), Heritage Adjacency and Native Vegetation.

3.7 Governance

Council established the Robe Marina Corporation as a S42 subsidiary under the Act effective from July 2004 to, amongst other matters, manage the Marina development and manage and operate the Marina facilities. The subsidiary was later dissolved with Ministerial consent in January 2008 with responsibility for the Marina development, management and operations returning to Council in its own right.

A single Council subsidiary under Section 42 of the Act provides some benefits to Council in delegating or outsourcing the management of the function. This is particularly beneficial when the service, or facility is outside what is considered normal council functions. Benefits range from leveraging expertise, agility, independent decision making (subject to the Charter and Council directives), perceptions, political distance, community integration etc. A subsidiary is required to operate as defined under the Act and its Charter (as adopted by Council and approved by the Minister). This incurs considerable Administrative, compliance and bureaucratic overheads that require resourcing. Ultimately however, the risk, liabilities and financial outcomes of the subsidiary are inherited by Council. S42 subsidiaries are integrated in the Annual Report and Financial Statements of a Council.

Given the current situation, it is suggested that Council retain direct management, control and oversight as the business model and financial performance are addressed and other commercial or business model opportunities are explored. This will provide Council with ultimate flexibility should any changes be required. In addition, this will reduce the compliance and legislative overheads associated with the S42 subsidiary model.

The current model provides clarity around accountability, roles, responsibilities and delegations.

Council has formed the Robe Marina Advisory Group (RMAG) to provide advice to Council and the Marina Manager on matters that relate to the operation of the marina facility including promotion of the marina, works to enhance the marina and surrounds, identify funding opportunities, maintenance of the marina facilities, berth pricing and sales and any other relevant issues.

The RMAG membership outlined in the Terms of Reference includes:

- Two - Elected Members of Council
- Two – Community Representatives
- One – Representative of the professional fishers berth holders
- One – Representative of the recreational fishers berth holders.

RMAG provides an excellent engagement and advisory role for Council. Given recent workshops, the value of this group was clearly demonstrated (diverse knowledge, expertise, interests and perspectives). Given the amenity and benefits to the wider community identified during the Review, Council could consider further expanding the membership of this group or alternatively developing a plan for engaging other stakeholder groups at key decision points.

Recommendation G1 – *Council retains the current Governance model with Council having direct management, control and oversight of the Marina with this to be reassessed in the future having reviewed the performance and commercial opportunities for the Marina.*

Recommendation G2 – *Council retains the current Robe Marina Advisory Group and utilise this group to a greater extent in assessing future directions, engaging key stakeholder groups and providing advice on the operations of the Marina.*

Recommendation G3 – *Council considers increasing the Robe Marina Advisory Group membership to provide a wider stakeholder representation or otherwise ensures other stakeholder groups are engaged during key decision points.*

3.8 Financial information

Council provided information on the current operations and performance of the Marina. This information included financial operating reports, asset registers and information on the services provided where available.

Asset and Service information (including financials) is discussed above in Sections 3.4 and 3.5.

The financial operating reports were provided including income and expenditure for the last five years on both a time series view (5-year view) and annual view for each year broken into business units.

Attachment 5 provides financial operating reports for 2015/16 – 2019/20.

In viewing the operating reports, the following should be noted:

- Income
 - annual amortisation of the lease premiums is excluded in the Funding Model approach
 - Mooring Fees – include some annual leases/licenses that are classified as leases in the Funding Model approach
 - Other income - there was extraordinary income received in 2019-20 related to the Best Ociana lease and site remediation.
- Expenditure
 - asset depreciation is excluded in the Funding Model approach used below

- equipment includes an extraordinary amount in 2019/20 for the straddle lift proof load testing
- business unit breakdown does not separate the wages and salaries and other operating and maintenance costs to the business units
- direct wages and associated overheads are costed to the Marina with some allocation of Council administrative resources however, indirect administrative costs and other overheads are not included.
- Net Position
 - Shows an annual net income over the last five years of approximately \$100,000
 - After removing the Lease premiums and depreciation the net funding surplus would be approximately \$150,000 (less any indirect expenses not accounted for).

This information and current activity levels have been used as the starting point for the funding model.

3.8.1 Financial Accounting

The initial intent was to break down the revenues, costs and non-financial information to enable an analysis of cost and revenue drivers and understand the financial performance of the Marina. The current information provides some insights however, further breakdown would require additional time and effort and was considered unnecessary at this time. The preferred approach would be to redesign the chart of accounts and recording processes to enable adequate breakdown of revenues and expenses in future years.

Council can seek to allocate other overhead and administrative costs to the Marina however, this should be influenced by the existing processes and systems capability to ensure it is an effective use of resources. Alternatively, Council can establish reporting regimes that can apportion overheads and administrative costs when specifically required.

Consideration should also be given to pricing and Competitive Neutrality requirements when designing the chart and costing methodologies. These require the ability to assess the full cost of services and in the case of Competitive Neutrality, include other considerations to ensure the costs are reflective of a private enterprise providing the same service.

Recommendation F1 – *Council implement the following improvements to assist with the financial accounting and performance management of the Marina:*

- *Create a new chart of accounts for the Marina to enable revenues and expenses to be recorded against relevant activities (activity-based costing)*
- *Establish processes for the recoding of revenues and expenses to ensure they are appropriately costed to the new chart of accounts. Of note is the need to*

record wages, plant and costs to the relevant activity enabling service costs and maintenance costs to be appropriately classified.

- *Identify any further financial transactions that can be directly related or reasonably attributed to the Marina and ensure appropriate allocation. Of note are those staff resources that can be reasonably attributable to the management of the Marina.*
- *Establish processes and an integrated system for collection of non-financial information (eg number of lifts) aligning with the new chart of accounts to enable easy and regular performance analysis of services, costs, drivers and fees.*

Recommendation F2 – *Council ensures it is informed of its obligations and expectations in relation to Competitive Neutrality as detailed under the South Australian Government’s Competitive Neutrality Policy.*

Recommendation F3 – *Council establish allocation and reporting processes to provide a view of the full costs and subsequent pricing of Marina services.*

3.8.2 Council Rates

Council is undertaking a formal review of its Rating Structure during 2020/21. This Review does not seek to repeat that work however, the following is included to provide context for a wider discussion on equity and application of the rates collected from Marina Berths.

Rating of Marina berths has specific provisions under the Act such that Council can differentiate based on the use of the land as a Marina however,

- a minimum rate cannot be levied
- a fixed charge cannot be applied
- The rate in the dollar must not exceed the rate that would have been imposed were the land being used for commercial purposes.

Council can also establish a Separate Rate under the Act within a part of the area of the council for the purpose of planning, carrying out, making available, supporting, maintaining or improving an activity that is, or is intended to be, of particular benefit to the land, or the occupiers of the land, within that part of the area, or to visitors to that part of the area.

There are specific requirements relating to Separate Rates such that Council must identify:

- the land to which it applies
- the purpose or purposes for which the rate is declared
- the basis on which the rate is declared
- the amount payable for the particular financial year
- the period for which the rate will apply.

The rates must be used for the purposes they are raised or if surplus the Act provides other mechanisms for application of the funds.

Council's Annual Business Plan 2020-21 identifies that Council will levy a single general rate in the dollar across all sectors of 0.30583 cents in the dollar. This is also applied to Marina Leased Berths (occupancies). In addition, the Marina occupancies are also required to pay the Regional Landscape Levy through a differential separate rate. Council has not declared a separate rate for Marina occupancies.

The issue of levying Council rates on Marina Occupancies was raised through the engagement process and discussions with Council in considering the guiding principles (Section 3.3). (Ie Who uses the Marina and who benefits? Council's financial objectives going forward? Who should pay and on what basis?).

Consistent with the general principles of rating under the Act, Council rates are a system of taxation for local government. They are not a user pays or fee for service. In considering the principle of taxation equity, any tax should ensure that the burden is fairly distributed across the population (ratepayers). As such, in considering the general rates on Marina occupancies, Council services and community infrastructure is provided to those occupancies consistent with others within the district.

The rates currently levied are general rates and form part of the general revenue of Council to be applied across the entire district consistent with the normal Annual Business Planning and Budget. It is suggested that these general rates are not specifically allocated to the financial modelling for the Marina but form part of Council's general rate revenue.

Recommendation PS5 – *Council identifies within its Rating Policy the policy principles for rating Marina occupancies.*

Recommendation PS6 – *Rates from the Marina occupancies are applied as general rates and are not specifically or directly allocated to the Marina or considered as part of the Marina revenues for accounting or modelling purposes.*

Recommendation PS7 – *Council undertakes a review on the appropriateness of separate rates for the Marina precinct. This review be undertaken once the Marina business planning, model and funding model are developed.*

In developing the Funding Model, we have provided the option to include or exclude both rates and the Regional Landscape Levy.

3.8.3 Event

The annual Robe Boat, Fishing and Leisure Show is currently included in Marina financials. This event runs at a deficit of approximately \$5-10,000 based on 2019-20 results.

It is suggested that events of this nature provide considerable benefit (economic development) to the wider district and would be better considered a part of Council's activities. Where events are undertaken that directly relate to the business development activities of the Marina, these should be identified as such and consideration given to the appropriate treatment.

Recommendation F4 – *Council consider the drivers and merits of events and activities such that:*

- *general events and activities should be undertaken by Council and accounted for as a Council led economic and tourism development opportunities*
- *specific Marina business development activities should be treated as a Marina activity and form part of the financial operating costs of the Marina.*

In developing the Funding Model, we have provided the option to include or exclude events.

4 FUNDING MODEL AND FINANCIAL CONSIDERATIONS

4.1 Funding Model scope and limitations

The Funding Model has been developed as a tool that provides a starting point for Council to continue to refine as each of the considerations and investigations are addressed. It is based on the best information made available throughout the review and identifies a number of variables that can be included or excluded to assess their impact. It includes three different scenarios:

- No Growth – status quo - business as usual assuming no new sales other than casual use.
- Growth Models - Marina leases grown over 10-year period to full potential (95%) using:
 - Annualised method
 - Projected sales method.

The Annualised method provides an averaging approach while the Projected sales method should be modified continually as Council develops a greater understanding of its service offerings, marketing approach and sales pipelines.

The modelling is based on a simplified approach that seeks to illustrate the forecast position in current values (ie not including indexation and discounting). It is based on the whole of life cash flows for the remaining 85 years of the underlying Head Lease. At the end of the period, it is assumed all leases expire and there is no value in the remaining assets.

While we recognise this is a simplified approach, it is also pragmatic given other potential impacts and unknowns across an 85-year timeline. Over finessing the end of life/future-state assumptions is of limited value at this stage of Council's considerations.

This approach will also facilitate integrating the Financial Model into Council's LTFP.

In undertaking this review, we have ensured it is forward looking and is based on the assumption of an ongoing Council enterprise.

4.2 Key assumptions

There are a number of key assumptions and variables that have been included in the Funding Model as a result of the Review Outcomes (as discussed above). These are outlined in Attachment 6 (Baseline Funding Model - Key Assumptions) and cover key areas of:

- Revenues – sales projections, fees, prices, lease terms, occupancy, turnover etc
- Expenses - forecasts based on current costs, growth and resource requirements
- Asset Management – Forecasting Asset renewal and significant maintenance requirements

4.3 Baseline Funding Model Outcomes

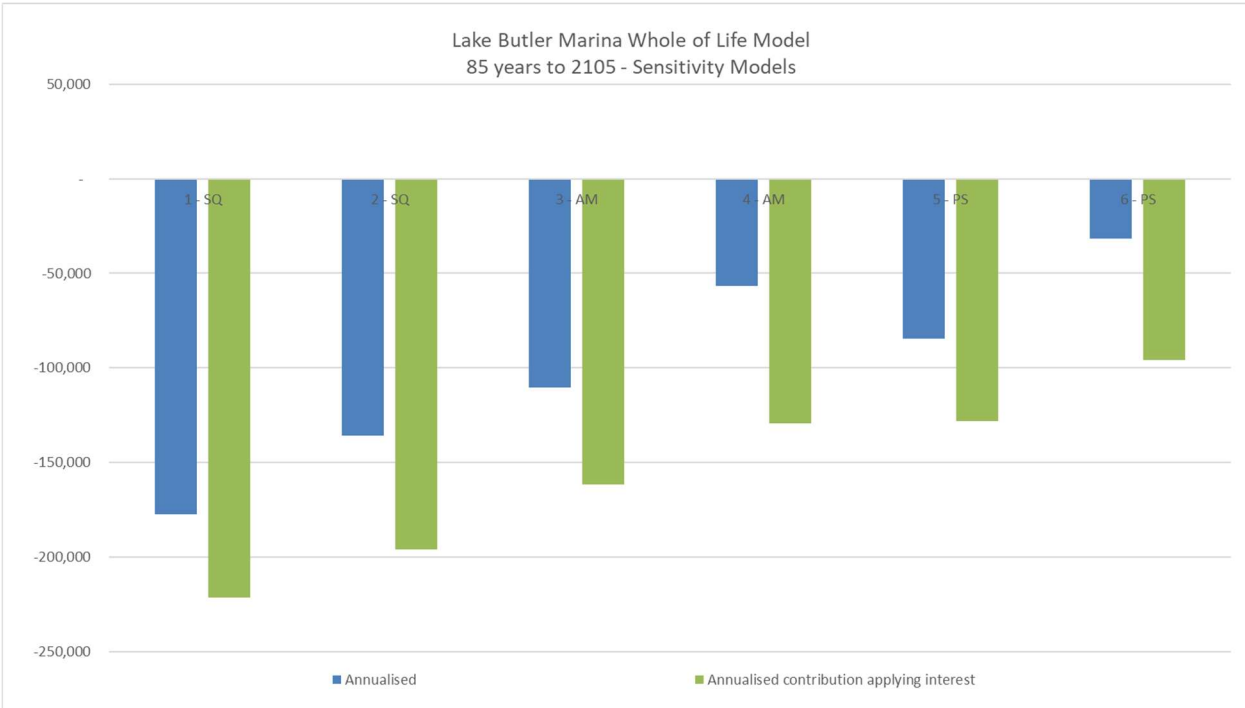
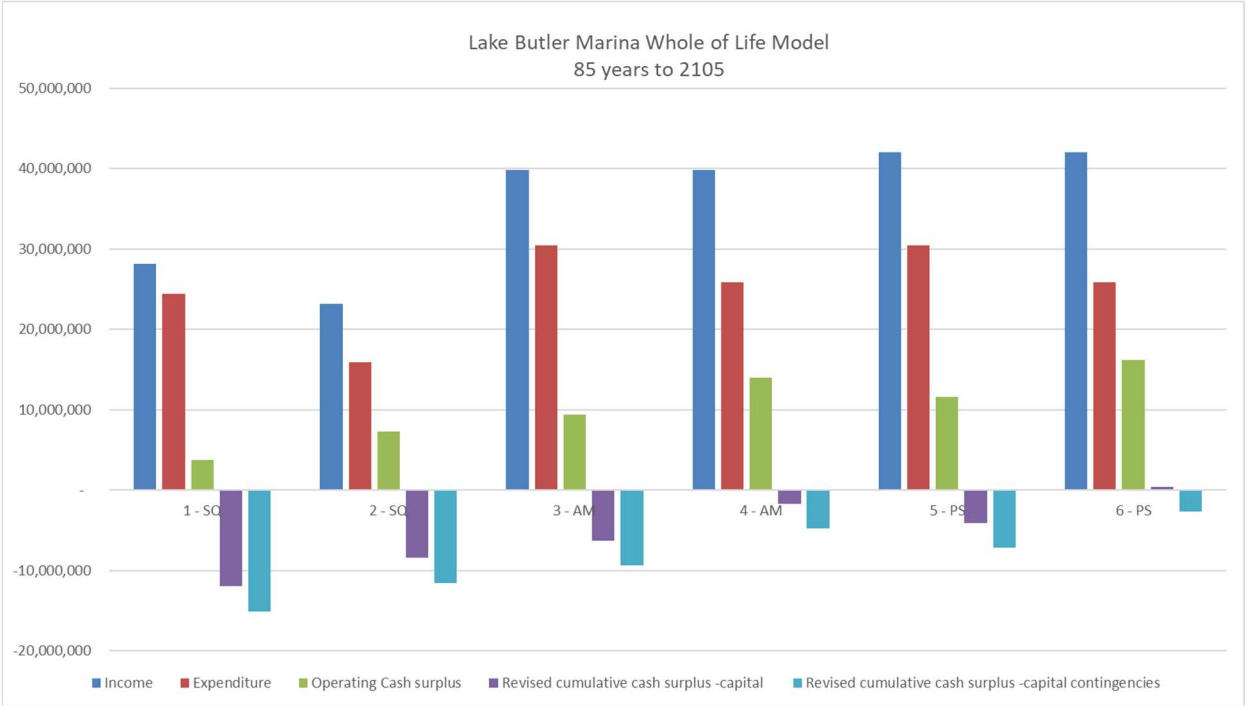
4.3.1 Scenarios

The following provides an overview of the outcomes across the various scenarios with variables detailed in the table. These include:

- ‘No growth’ – Status Quo scenarios 1 and 2
- Growth Models
 - Annualised - scenarios 3 and 4
 - Projected Sales – scenarios 5 and 6.

Scenarios 1,3 and 5 include a ‘General Maintenance Inflatior for aged assets’. Scenarios 2,4 and 6 do not include the inflator.

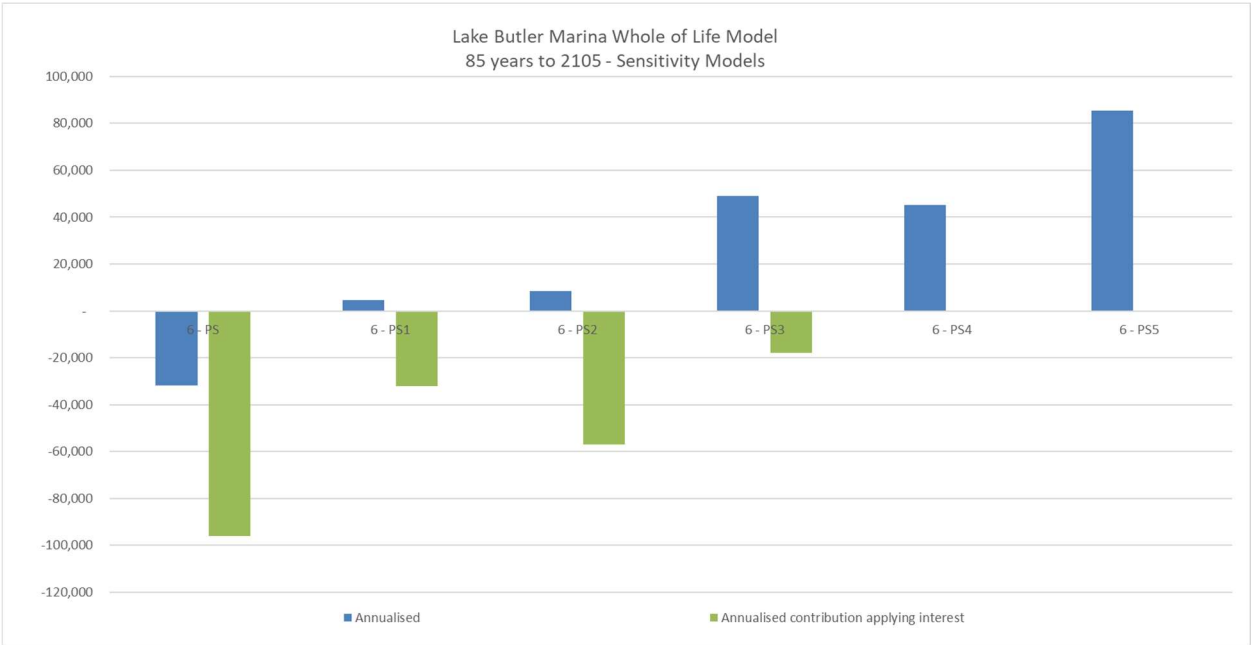
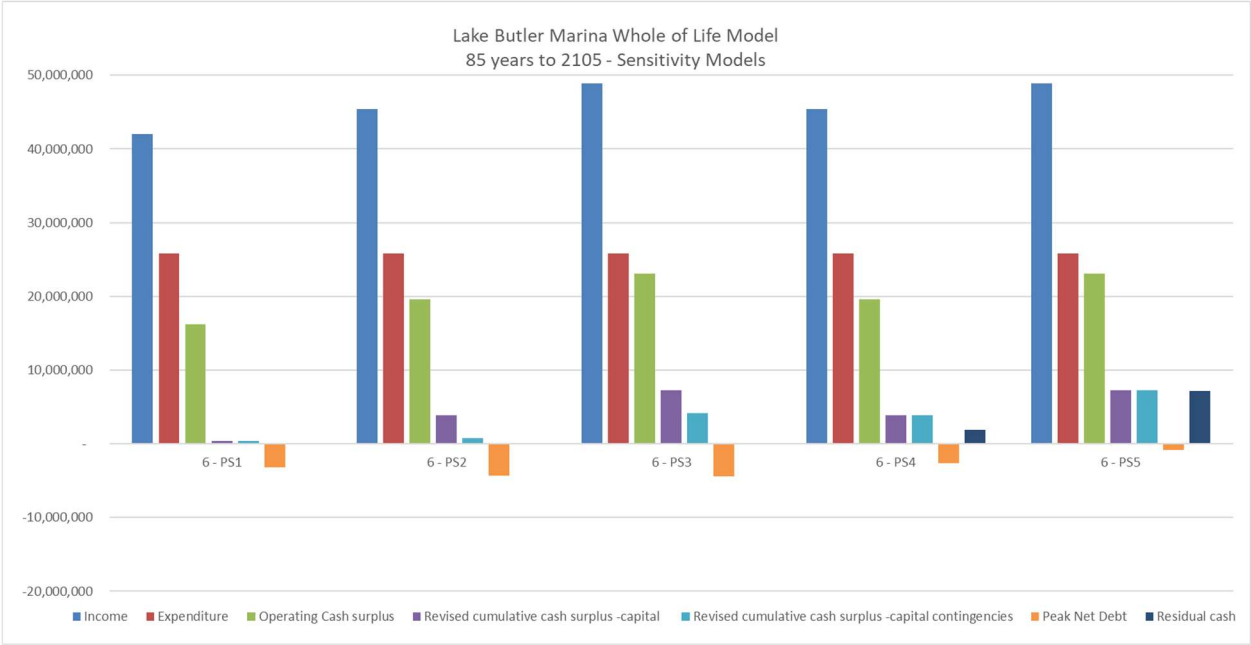
Whole of life – 85 Years	No Growth - Status quo		Growth Scenarios			
			Annualised		Projected Sales	
	1	2	3	4	5	6
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Income	28,110	23,167	39,828	39,828	42,010	42,010
Expenditure	24,389	15,900	30,406	25,836	30,406	25,836
Operating Cash surplus	3,721	7,267	9,422	13,992	11,605	16,174
Revised cumulative cash surplus after capital	-11,979	-8,433	-6,278	-1,708	-4,095	394
cumulative cash surplus after capital contingencies	-15,079	-11,533	-9,378	-4,808	-7,195	-2,706
Annualised contribution	-177.4	-135.7	-110.3	-56.5	-84.6	-31.8
Annualised contribution applying interest	-221.5	-196	-161.5	-129.5	-128	-96
Variables (Y = Yes, N = No)						
Boat Ramp Fees	Y		Y		Y	
Event	Y	N	N		N	
Straddle Growth	N		Y		Y	
Storage Growth	N		Y		Y	
Rates	Y	N	N		N	
Reg Land	Y	N	N		N	
Rates Growth	N		N		N	
Reg Land Growth	N		N		N	
Operational Costs Growth	N		Y		Y	
Maintenance Costs Growth	N		Y		Y	
Gen Maint Inflatior for aged assets	1%	0%	1%	0%	1%	0%
Marketing	N		Y		Y	



4.3.2 Sensitivity Analysis

The following provides an overview of sensitivity analysis undertaken based on the preferred Scenario 6. This includes adjusting for price increases of 10% and 20%, removal of contingent capital works (sheet piling \$3m) and combinations of these.

Whole of life – 85 Years	Baseline	Sensitivity Analysis				
	6 - PS	6 - PS1	6 - PS2	6 - PS3	6 - PS4	6 - PS5
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Income	42,010	42,010	45,442	48,874	45,442	48,874
Expenditure	25,836	25,836	25,836	25,836	25,836	25,836
Operating Cash surplus	16,174	16,174	19,606	23,038	19,606	23,038
Revised cumulative cash surplus -capital	394	394	3,826	7,258	3,826	7,258
Revised cumulative cash surplus after capital contingencies	-2,706	394	726	4,158	3,826	7,258
Annualised	-31.8	4.6	8.5	49	45	85
Annualised contribution applying interest	-96	-32	-57	-18	-	-
Peak Net Debt	-4,300	-3,200	-4,300	-4,400	-2,600	-800
Residual cash	-	-	-	-	1,865	7,135
Assumptions (Y = Yes, N = No)						
Remove Contingent items		Y			Y	Y
10% Price increase			Y		Y	
20% Price increase				Y		Y



4.3.3 Discussion

The Baseline Funding Model indicates across all scenarios that:

- cash surpluses will be generated from operating the Marina
- these operating cash surpluses are required to meet future funding requirements
- all scenarios require borrowings to meet forecast asset renewals
- financial contributions (over and above operating cash surpluses) will be required to meet the asset renewal requirements, identified significant maintenance projects and cost of borrowings
- sensitivity analysis illustrates that financial contributions (over and above operating cash surpluses) can be reduced or potentially fully offset subject to the ability to increase prices (Lease Premiums and Administration Fees) and/or reduce capital outlays.

** It should be noted that this is based on current revenue and cost assumptions and most specifically, those relating to Marina Lease pricing and asset maintenance and renewal requirements that require further investigations.*

Scenario 6 is considered the preferred scenario incorporating the following:

- projected Sales modelling - escalating Berth sales over first ten years to 95% lease hold and minimal short term mooring fees
- proportionate increases in revenue from other services (eg Boat Lifts and storage)
- pricing based on current Council resolution (these are considered conservative for whole of life modelling)
- Boat launching fees and associated asset costs included
- Council Rates and Regional Landscaping Levy excluded
- Event revenues and expenses excluded
- Fuel commission not included
- Growth applied to operating and maintenance costs – (no additional indexation based on asset deterioration)
- Additional marketing resources included
- Real interest estimated at 3% per annum based on prior year cumulative cash position
- Capital expenditure, significant projects and capital contingencies as outlined in the assumptions at Attachment 6.

Attachment 7 - Baseline Funding Model Growth Scenario 6 provides a summary of Scenario 6 years one to ten and the total whole of life values.

The model is most heavily impacted by projected Sales and Asset related Capital renewals and significant works.

Modeled sales for Marina Berths are high compared to recent years however, the model assumes further resourcing placed into the Marketing and Sales effort and the growth is extended over a ten-year period. This will be further informed by undertaking a competitive analysis and developing a marketing strategy.

The sensitivity analysis clearly illustrates the impact of increasing prices and Model 6-PS4 illustrates the impact of increasing prices combined with finding alternative means of funding contingent capital items.

Recommendation M10 – *Council undertake a Competitive Analysis that reviews the service offering and pricing compared to the other Marinas across the state and identifies options for further Marina development and/or pricing and marketing strategies.*

Recommendation M11 – *Council as a priority increases marketing and sales resources to assist with the Competitive Analysis and develop a marketing strategy for the Marina.*

The Asset renewals and significant works are based on best estimates and current understanding. These are primarily based on prior reports/estimates and updated where considered reasonable. It is anticipated that these estimates will be progressively updated as the Asset Management Planning is refined and further reviews and assessments are undertaken.

Annualised contribution

The annualised contribution modelled for each scenario is based on the amount required to be contributed by Council to the Marina to ensure it is cash neutral over the term of its remaining life. This varies from \$136,000 for continuing with the Status Quo (no growth) through to \$32,000 for scenario 6 (Projected Sales). When a 3% real cost of borrowings is applied this increases to \$196,000 and \$96,000, respectively. Scenario 6 is then further improved through potential price increases and reductions in funding requirement for capital works with Scenario 6-PS4 (10% price increase and removal of contingent capital) resulting in no annualised contribution required from Council.

Borrowings and peak debt

The cumulative cash position each year has been used to estimate debt and peak debt over the life of the model. As illustrated in the above tables, this improves across various scenarios from \$4.3m for Scenario 6 down to \$2.6m for scenario 6-PS4. In the growth scenarios the first ten years are close to breakeven excepting for the contingent capital.

Sinking Fund

The requirement to implement a sinking fund is discussed in Section 3.6.4 above. A sinking fund can be considered a way of sequestering funds or saving for a future requirement. They are used to place funds into an account to ensure a future obligation, liability or significant financial requirement can be met.

In discussions with Local Government external audit providers, there is potential for Council to meet its sinking fund requirements through opening a CAD, or similar borrowing facility, that enables funds to be deposited as required and drawing down on this facility as required. Given the cash flow as modelled, the facility will be overdrawn at various stages up to an amount equating to the peak debt (cumulative cash flow position). This would need to align to Council's Treasury Policy, have a high degree of rigour and be well evidenced to satisfy any external assessment.

Recommendation F5 – *Council commence discussions with the Local Government Finance Authority and External Auditor to understand options for managing a sinking fund through a CAD or similar facility.*

Financial considerations

The financial impacts of Council's preferred approach to the Marina will need to be modelled into the LTFP and Budget to ensure Council's Key Financial Indicators are managed and within required targets. It should be noted, the modelling assumes the Marina operating cash surpluses are used to meet future funding requirements along with any annualised contribution from Council. In essence this will impact Council's current financial planning by both the net cash contribution currently received from the Marina operations and the annualised funding requirement.

Recommendation F6 – *Council integrate the financial impacts of its preferred approach to the Marina into the LTFP and Budget.*

4.4 Direction from here

Council should identify a preferred approach based on current understanding and whether to further invest in a growth model or continue with the status quo and seek other potential opportunities.

It should be noted that a 'No Growth' model is the least favourable scenario over the whole of life modelling. As a short-term strategy, without Council contributions and only reinvesting the Marina surpluses the model has cash deficits from year 1 increasing to \$2m by year 10 (including capital works but not including the capital contingencies). If Council contributes approximately \$170,000 per annum in addition to the Marina surpluses, the cumulative cash position by year 10 is breakeven excluding the capital contingencies.

Given the financial implications, it is suggested that Council pursue a growth model while concurrently seeks to leverage other potential opportunities. In taking this approach Council should ensure that decisions do not preclude future potential opportunities.

In addition, any improvements made to the operations and financial performance will enhance commercial opportunities should they be explored.

5 FUTURE OPPORTUNITIES

The Lake Butler Marina site represents a significant opportunity for Council and the community. As a working port and gold anchor marina it has an intrinsic and unique value proposition. The Marina site has significant value as site for an appropriate development opportunity that would need to meet community expectations as well as relevant legislative, planning, environmental, financial and social requirements.

These opportunities could include other commercial users within the site through to iconic developments such as conference facilities and related services. These could result in revised business and commercial models that will assist in minimising the impacts or potentially providing a return to Council and the community.

A suitable development at the Marina will directly deliver economic and social outcomes for the district and region. This aligns with Council's current narrative relating to a fourth industry that supports off season employment and economic development.

It is suggested that Council commence community engagement at an idea or concept level with the community as part of its Robe 2050 process. This will enable Council to test market with an understanding of the community expectations for the site. Council's Market Engagement and Innovation Policy provides an alternate mechanism for testing market when appropriate.

Recommendation PS8 – *Council incorporate the Marina site and potential opportunities as part of its community engagement and development of Robe 2050.*

In addition, considering the prior involvement of the State Government in constructing the original channel and breakwater assets, Council should identify those areas where it is appropriate to seek further support for future renewal and significant maintenance requirements. This will assist in potentially reducing significant capital outlays.

Recommendation PS9 – *Council should identify opportunities for seeking funding from the State Government in relation to legacy assets previously built by the State Government that are now vested in Council's care and control.*

6 DEFINITIONS

	Definition
AMF	Councils Asset Management Framework
AMP(s)	Various Asset Management Plan(s) adopted by Council from time to time
CEO	Chief Executive Officer of Council
Council	District Council of Robe
CLMA	Community Land Management Plan
LGA	Australian Local Government Association
LGASA	Local Government Association of South Australia
LTFP	Council's Long Term Financial Plan as amended from time to time
Marina	The Lake Butler Marina including all on and off water services, infrastructure and facilities
RMAG	Robe Marina Advisory Group
The Act	South Australian Local Government Act 1999 and associated regulations

7 ATTACHMENTS

Attachment 1 – Recommendation Summary

Attachment 2 – Document Summary

Attachment 3 - Lake Butler Marina Map

Attachment 4 – Lake Butler Marina Land Overview

Attachment 5 – Financial Information 2015/16 – 2019/20

Attachment 6 – Baseline Funding Model – Key Assumptions

Attachment 7 – Lake Butler Marina Baseline Funding Model - Growth Scenario 6

District Council of Robe

Lake Butler Marina Review

Recommendation Summary

1 RECOMMENDATION SUMMARY

The following provides recommendations resulting from the Lake Butler Marina Review and additional recommendations identified throughout the consultancy services provided by Innovision Enterprises Pty Ltd to District Council Robe during 2020.

There are 29 Recommendations grouped into source/theme:

- Policy and Strategy – 9 Recommendations
- Marina General – 11 Recommendations
- Governance – 3 Recommendations
- Financial – 6 Recommendations

The following priority codes have been utilised:

Priority	Description
H	High priority
M	Medium priority
L	Low priority

Source	ID	Recommendations	Priority	Responsible	Due date	Status
Marina Review – Policy and Strategy	PS1	Council formally adopts guiding principles for the ongoing role, objectives, governance and management of the Marina.	H	Council		
	PS2	Given the potential impact and strategic opportunities associated with the Marina, the proposed guiding principles be tested with the community as part of developing Council's long-term strategies and plans. Consideration be given to including in future 'Robe 2040' planning and engagement processes.	H	Director Infrastructure (DI)		
	PS3	Council ensure going forward that all service fees are set appropriately and in compliance with the relevant sections of the Act (Section 88).	L	Manager Corporate Service and Finance (MCSF)		
	PS4	Council ensure it has an understanding of its obligations under the relevant legislation and specifically the State Government Competitive Neutrality requirements.	L	Chief Executive Officer (CEO)		
	PS5	Council identifies within its Rating Policy the policy principles for rating Marina occupancies.	H	MCSF		
	PS6	Rates from the Marina occupancies are applied as general rates and are not specifically or directly allocated to the Marina or considered as part of the Marina revenues for accounting or modelling purposes.	H	MCSF		
	PS7	Council undertakes a review on the appropriateness of separate rates for the Marina precinct. This review be undertaken once the Marina business planning, model and funding model are developed.	L	MCSF		
	PS8	Council incorporate the Marina site and potential opportunities as part of its community engagement and development of Robe 2040.	H	DI		
	PS9	Council identify opportunities for seeking funding from the State Government in relation to legacy assets previously built by the State Government that are now vested in Council's care and control.	H	CEO		

Source	ID	Recommendations	Priority	Responsible	Due date	Status
Marina Review – Marina General	M1	Council investigate opportunities for expansion and additional value-added services that may be able to be incorporated into the Marina service offering and commercial model.	H	DI		
	M2	As part of its competitive analysis and business planning, Council review the service fees and the level of service provided with a view to market competition, increased sales and/or increased fee revenue.	H	MCSF		
	M3	Council undertakes, as part of developing the Asset Management plan, technical and engineering assessments for the Marina assets, develop a detailed and complete asset inventory and develop operating, maintenance and renewal plans reflecting whole of life asset management principles.	H	DI		
	M4	Council formally seek in-principle support from the Minister to explore opportunities for the Marina land that incorporate commercial purposes other than that of a boat yard.	H	CEO		
	M5	Council develop a centralised system for the recording and management of Marina underleases/licenses incorporating: <ul style="list-style-type: none"> • A central electronic register (single point of truth) for all aspects of each berth and associated lease/license details and administration (including billing) • Integrated mapping to provide clear understanding of tenancy and availability. 	H	MCSF		
	M6	Council undertake a detailed review of all existing Marina underleases and identify any inconsistencies (currency, completeness and accuracy), compliance with the Headlease and approaches to address identified anomalies.	H	MCSF		

Source	ID	Recommendations	Priority	Responsible	Due date	Status
	M7	Council develop standard templates for any new underleases or licenses for commercial fishing and recreational vessels that are approved by the Minister for all future berth sales.	H	MCSF		
	M8	Consideration be given to any strategic or commercial opportunity to be pursued by Council and the likely impacts it may have on existing lease holders or the requirement to seek consent from underlessees (and subsequently the Minister) should a viable opportunity or commercial proposal be progressed.	L	CEO		
	M9	Council establish, an engagement strategy to ensure communication with the underlessees to assist in forming potential outcomes, assessing and understanding commercial opportunities and potential impacts.	L	CEO		
	M10	Council undertake a Competitive Analysis that reviews the service offering and pricing compared to the other Marinas across the state and identifies options for further Marina development and/or pricing and marketing strategies.	H	CEO		
	M11	Council as a priority increases marketing and sales resources to assist with the Competitive Analysis and develop a marketing strategy for the Marina.	H	CEO		
Marina Review - Governance	G1	Council retains the current Governance model with Council having direct management, control and oversight of the Marina with this to be reassessed in the future having reviewed the performance and commercial opportunities for the Marina.	L	Council		
	G2	Council retains the current Robe Marina Advisory Group and utilise this group to a greater extent in assessing future directions, engaging key stakeholder groups and providing advice on the operations of the Marina.	L	Council		
	G3	Council considers increasing the Robe Marina Advisory Group membership to provide a wider stakeholder representation or otherwise ensures other stakeholder groups are engaged during key decision points.	L	Council		

Source	ID	Recommendations	Priority	Responsible	Due date	Status
Marina Review - Financial	F1	<p>Council implement the following improvements to assist with the financial accounting and performance management of the Marina:</p> <ul style="list-style-type: none"> • Create a new chart of accounts for the Marina to enable revenues and expenses to be recorded against relevant activities (activity-based costing) • Establish processes for the recoding of revenues and expenses to ensure they are appropriately costed to the new chart of accounts. Of note is the need to record wages, plant and costs to the relevant activity enabling service costs and maintenance costs to be appropriately classified. • Identify any further financial transactions that can be directly related or reasonably attributed to the Marina and ensure appropriate allocation. Of note are those staff resources that can be reasonably attributable to the management of the Marina. • Establish processes and an integrated system for collection of non-financial information (eg number of lifts) aligning with the new chart of accounts to enable easy and regular performance analysis of services, costs, drivers and fees. 	H H M M	MCSF		
	F2	Council ensures it is informed of its obligations and expectations in relation to Competitive Neutrality as detailed under the South Australian Government's Competitive Neutrality Policy.	L	CEO		
	F3	Council establish allocation and reporting processes to provide a view of the full costs and subsequent pricing of Marina services	M	MCSF		

Source	ID	Recommendations	Priority	Responsible	Due date	Status
	F4	<p>Council consider the drivers and merits of events and activities such that:</p> <ul style="list-style-type: none"> • general events and activities should be undertaken by Council and accounted for as a Council led economic and tourism development opportunities • specific Marina business development activities should be treated as a Marina activity and form part of the financial operating costs of the Marina. 	L	Manager Tourism and Events (MTE)		
	F5	Council commence discussions with the Local Government Finance Authority and External Auditor to understand options for managing a sinking fund through a CAD or similar facility.	H	MCSF		
	F6	Council integrate the financial impacts of its preferred approach to the Marina into the LTFP and Budge	H	MCSF		

District Council of Robe

Lake Butler Marina Review

Document Summary

1 DOCUMENT SUMMARY

The Review included sourcing key documentation and prior reviews/reports, seeking materials from stakeholders and seeking relevant officer's knowledge, expertise and input. Information was sourced from the internal records management system, manual files and direct staff enquiries.

A considerable number of documents were identified covering the last 18 years from inception. These were critically analysed to identify those that were relevant to the scope and principles of the Review brief.

We identified 26 significant documents, with some early documents were not able to be located. The following lists the documents identified through the process.

**District Council of Robe
Lake Butler Marina Review**

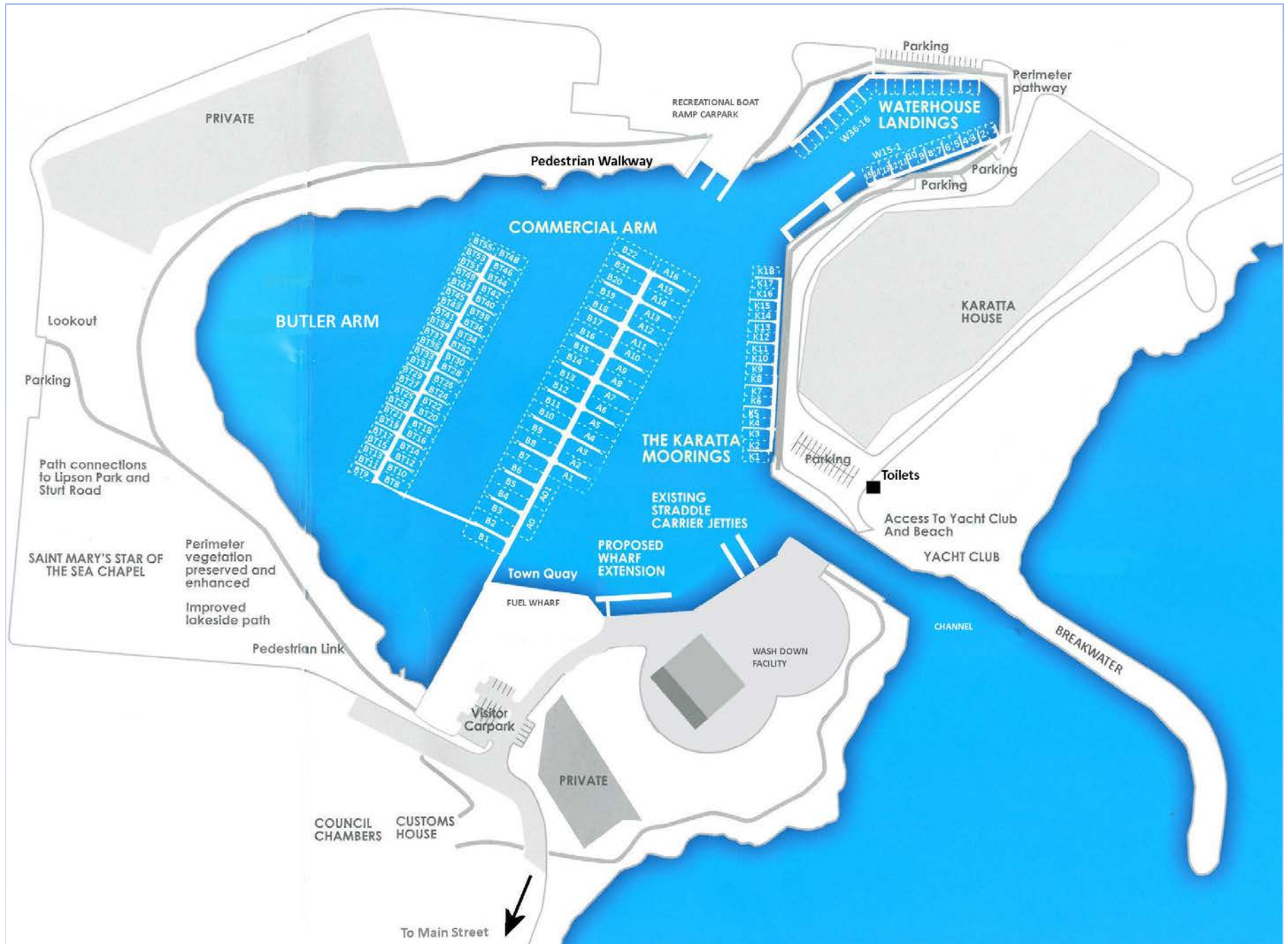
Document	Date	Author	Category	Source/Location	Comments
Preliminary Feasibility Study	July 2002	Maunsell	Concept	Records	Sighted Feasibility modelling – positive return over 99 year life
Master Plan – tender response	Dec 2002	Maunsell	Concept	Records	Sighted Response to RFT
Master Plan	Sept 2003	Maunsell	Concept	Records	Sighted Identified \$6m construction
Site History Investigation	Nov 2003	Maunsell	Concept	Records	Sighted Site History and issues
Channel Sedimentation Investigation	Nov 2003	Maunsell	Concept	Records	Sighted Proposed breakwater rectification
Lake Deepening Investigation	Dec 2003	Maunsell	Concept	Records	Sighted Review and process
Commercial Facilities Prelim Design	Dec 2003	Maunsell	Concept	Records	Sighted Design overview
Marina Development Final Report	Feb 2004	Robe – F Ritchie	Report	Records	Sighted Report to DOTARS on final development
Prudential Report	Feb 2004	Deloittes	Financial	Records	Sighted Prudential report identifying favourable outcomes
Marina Sedimentation Investigation	Feb 2004	Maunsell	Concept	Records	Sighted Soil Testing for dredging
Dredging and Soil Management Report	July 2005	CSIRO	Dredging	Records	Sighted Soil management following testing results
RMC Business Plan – updated	Dec 2005	RMC	Financials	Records	Sighted Revised ABP
Gazettal – Robe Marina Corporation	Mar 2006	NA	Admin	Records	Sighted
Pilot Survey for deepening Marina	May 2006	Natural Resources Services	Concept	Records	Sighted Impacts of deepening on flora and fauna
Lake and Channel Dredging – various documents	2006	Maritime Construction	Dredging	Records	Sighted Various documents regarding the dredging works
Financial Viability Review	Nov 2006	Galpins	Financial	Records	Sighted Issues with RMC Review

**District Council of Robe
Lake Butler Marina Review**

Document	Date	Author	Category	Source/Location	Comments
Review of Galpins Report	Dec 2006	UHY Haines Norton	Financial	Records	Sighted Rebuts prior report
Marina Review	Apr 2007	Dean Newberry and Partners	Financial	Records	Sighted Range of issues and options explored
Operational Environmental Management Plan	July 2007	Robe	Operatin g	Records	Sighted OEMP - draft
Marina Status Options and Actions Report	Feb 2008	Judith Jones	Financial	Records	Sighted Feasibility, options and actions
Financial Modelling	Apr 2008	Edwards Marshall - Geoff Wells	Financial	Records	Sighted NPV modelling to support Judith Jones report
Land use report – eastern precinct	Jan 2009	Chapman Herbert	Concept	Records	Sighted Concept for eastern precinct
Marina Financial Modelling Report	April 2010	Geoff Wells Management Consultant	Financial	Council web page – Advisory Committee Agenda item 1 March 2011. https://www.robe.sa.gov.au/_data/assets/pdf_file/0030/419277/Marina_model_summary_report-1.pdf	Sighted Estimates for renewal, maintenance and operating costs and timing
Response to Marina Finance Assertions	Apr 2015	Galpins	Financial	Records	Sighted Response to assertions in relation to Marina finances
Lake Butler Straddle Carrier Jetty Concept Design Report	March 2016	GHD	Asset	Council web page – Advisory Committee Agenda item 5 April 2016. https://www.robe.sa.gov.au/_data/assets/pdf_file/0029/419735/Lake-Butler-Straddle-Carrier-Jetty-Concept-Design-Report.pdf	Sighted. Provides asset life expectations.
Breakwater Condition Report	Jan 2020	??	Asset	Council web page – Advisory Committee Agenda item 24 June 2020. https://www.robe.sa.gov.au/_data/assets/pdf_file/0037/704998/Robe-Marina-Advisory-Group-Agenda-24-June-2020.pdf	Sighted. Provides asset issues for breakwater and marina including expected useful lives and capital costs.

Robe Marina

Lake Butler, Robe, South Australia





District Council of Robe

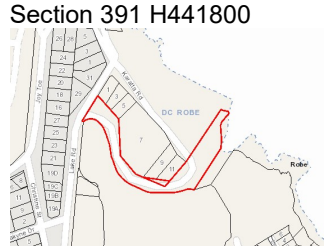

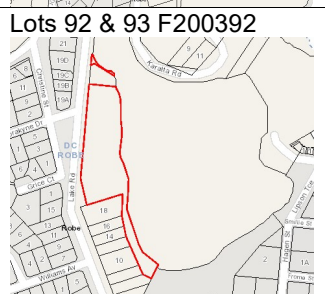

Lake Butler Marina Review

Land Overview

Lake Butler Marina Land Overview – 19 October 2020

Assess ment No.	VG Number	Land Parcel & area	Street Name	Current Land use	Land Classific ation	Ownership	Responsib ility	Planning & Design Code
A1772	8207012857	Allotment 1 D33446 – 1.63ha (approx.) 	Lipson Terrace	Hard stand, engineering business, Best Ociana Seafoods building & car park	Crown Land	Minister for Environment and Heritage	District Council of Robe	Zone – Infrastructure (Ferry and Marina Facilities) Associated Overlays – Coastal Areas, Heritage Adjacency, Marine parks (Managed Use), Desired Outcome A zone accommodating on-water development associated with the function of marinas and passenger ferry services together with a range of complementary waterfront-oriented recreational and tourist development activities.
A1771	8207012750	Lt 572 Hundred of Waterhouse H44180D 	Lipson Terrace	Lake Butler Marina – Marina berths Marina Berths 1-142	Crown Land	Minister for Environment and Heritage	District Council of Robe	Zone – Infrastructure (Ferry and Marina Facilities) Overlays – Coastal Areas, Local Heritage Place, Marine Parks (Managed Use)

Lake Butler Marina Land Overview – 19 October 2020

Assess ment No.	VG Number	Land Parcel & area	Street Name	Current Land use	Land Classific ation	Ownership	Responsib ility	Planning & Design Code
A1813	8207004558	Section 391 H441800 	Karatta Road	Car park, public toilets and Robe Yacht Clubroom (Lease)	Crown Land	Minister for Environment and Heritage	District Council of Robe	Zone – Infrastructure (Ferry and Marina Facilities) Subzone – Waterfront Overlays – Coastal Areas, Heritage Adjacency, Marine Parks (Managed Use)
A1814	8207004507	Lot 543, H441800 	Lake Road	Portion of recreational fishing car park	Crown	Minister for Environment and Heritage	District Council of Robe	Zone – Infrastructure (Ferry and Marina Facilities) Overlays – Coastal Areas, Heritage Adjacency Place
A1815	8207004451	Lots 92 & 93 F200392 	Lake Road	Recreational car park, Yacht club shed, public toilet and Native Vegetation	Crown	Minister for Environment and Heritage	District Council of Robe	Zone – Infrastructure (Ferry and Marina Facilities) Overlays – Coastal Areas, Heritage Adjacency Place, Native Vegetation
A1782	8207016751	Lot 129 T441801 	Sturt Street	Lipson Park including BBQ, board walk and public toilet	Crown	Minister for Environment and Heritage	District Council of Robe	Zone – Infrastructure (Ferry and Marina Facilities) Overlays – Historic Area (RO1), Heritage Adjacency Place, Native Vegetation

District Council of Robe

Lake Butler Marina Review

Financial Information

1 FINANCIAL INFORMATION

The following financial operating reports were provided by Council including Income and Expenditure for last 5 years on both a time series view (5 Year view) and annual view for each year broken into business units (2019-20 is provided below).

1.1 5 Year view (includes 2020/21 YTD for reference)

Account	15/16	16/17	17/18	18/19	19/20	YTD 20/21
Lease Admin Fees	121,095	110,981	117,629	118,121	117,250	122,532
Mooring Fees	109,836	103,169	100,064	129,521	86,201	9,922
Lease Premium	46,473	46,473	40,801	40,401	47,152	
Events	33,307	39,650	41,864	35,518	48,595	
Lift Fees	30,624	27,936	24,295	34,310	27,464	2,053
Storage Fees	16,389	20,652	22,928	20,089	26,957	914
Rates & Charges	11,165	13,363	13,550	13,046	12,890	12,558
Boat Ramp	14,913	12,585	8,481	9,693	9,153	340
Other Income	11,847	16,177	19,698	21,015	33,366	9,908
Total Income	395,649	390,986	389,309	421,714	409,029	158,228
Depreciation	93,501	95,319	108,829	94,409	104,980	
Wages & Salaries	58,675	60,767	54,693	52,963	65,673	3,691
Maintenance	12,704	22,310	17,311	24,859	28,865	596
Electricity Charges	16,058	15,160	22,616	23,120	20,741	3,222
Water Charges	15,347	9,539	11,576	14,368	10,760	
Equipment	2,744	1,000	3,333	8,675	28,656	
Event Expenses	46,798	45,142	43,871	38,188	54,466	6,672
Infrastructure	3,150	365	12,790	41,096		
Insurance	10,910	8,733	7,623	7,846	9,106	
Licences and Levies	4,785	3,333	3,422	4,203	3,541	1,135
Membership Fee	3,545	1,027	2,268	2,995	990	
Toilets		11,565	14,970	13,943	12,308	627
Freight	433	254	233	55	40	
Other Expenses	719	931	1,282	1,331	360	
Total Expenses	269,370	273,584	304,816	328,051	340,484	15,943
Net Position	126,279	117,403	84,492	93,662	68,545	142,285

1.2 Annual View 2019-20

Account	General	Boat Ramp	Boat Show	Hardstand	Marina Berth	Straddle Carrier	Total
Lease Administration Fees					117,250		117,250
Mooring Fees					86,201		86,201
Lease Premium					47,152		47,152
Events			48,595				48,595
Lift Fees						27,464	27,464
Storage Fees				26,957			26,957
Rates & Charges					12,890		12,890
Boat Ramp		9,153					9,153
Other Income	31,944		909		513		33,366
Total Income	31,944	9,153	49,505	26,957	264,007	27,464	409,029
Depreciation	103,366	1,614					104,980
Wages & Salaries	63,551	2,123					65,673
Maintenance	6,852	4			11,369	10,640	28,865
Electricity Charges	19,805	935					20,741
Water Usage & Charges	6,602	4,158					10,760
Equipment	3,392				3,314	21,950	28,656
Event Expenses			54,466				54,466
Insurance	8,783	323					9,106
Licences and Levies	3,541						3,541
Membership Fee	990						990
Toilets				12,308			12,308
Freight	28	11					40
Other Expenses	205	155					360
Total Expenses	217,115	9,323	54,466	12,308	14,683	32,590	340,484
Net Position	-185,171	-170	-4,961	14,650	249,324	5,126	68,545

District Council of Robe

Lake Butler Marina Review

Baseline Funding Model

Key Assumptions

1 FINANCIAL INFORMATION

In addition to the covering report, the following key assumptions have been used in forming the baseline Funding Model.

1.1 Income

Category	Assumption	Description																																																																								
Lease Revenue	Existing leases	Lease register provided by Council and reconciled. Used as the base starting information for current leases and lease revenue.																																																																								
	Fees	<p>Lease Fees provided by Council based on 2015 Council resolution highlighted in green). Extrapolated Fees (highlighted in yellow).</p> <table border="1"> <thead> <tr> <th>Location</th> <th>Admin Fee</th> <th>Admin 30 Year</th> <th>Lease 1 Year</th> <th>Lease 3 Year</th> <th>Lease 5 Year</th> <th>Lease 10 Year</th> <th>Lease 21 Year</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td>2,497</td> <td></td> <td>9,971</td> <td>15,000</td> <td>20,000</td> <td>30,000</td> <td>50,000</td> </tr> <tr> <td>Commercial</td> <td>2,497</td> <td></td> <td>9,971</td> <td>15,000</td> <td>20,000</td> <td>30,000</td> <td>50,000</td> </tr> <tr> <td>Commercial</td> <td>2,497</td> <td></td> <td>9,971</td> <td>15,000</td> <td>20,000</td> <td>30,000</td> <td>50,000</td> </tr> <tr> <td>Butler</td> <td>2,164</td> <td></td> <td>4,485</td> <td>5,000</td> <td>7,500</td> <td>14,000</td> <td>25,000</td> </tr> <tr> <td>Butler</td> <td>2,164</td> <td></td> <td>4,253</td> <td>5,000</td> <td>7,500</td> <td>14,000</td> <td>25,000</td> </tr> <tr> <td>Karatta</td> <td>2,164</td> <td>2,501</td> <td>4,720</td> <td>7,000</td> <td>12,000</td> <td>23,000</td> <td>37,000</td> </tr> <tr> <td>Waterhouse</td> <td>1,082</td> <td></td> <td>2,597</td> <td>3,000</td> <td>4,500</td> <td>8,000</td> <td>14,000</td> </tr> <tr> <td>Old Wharf</td> <td>2,164</td> <td></td> <td>6,789</td> <td>5,000</td> <td>7,500</td> <td>14,000</td> <td>25,000</td> </tr> </tbody> </table>	Location	Admin Fee	Admin 30 Year	Lease 1 Year	Lease 3 Year	Lease 5 Year	Lease 10 Year	Lease 21 Year	Commercial	2,497		9,971	15,000	20,000	30,000	50,000	Commercial	2,497		9,971	15,000	20,000	30,000	50,000	Commercial	2,497		9,971	15,000	20,000	30,000	50,000	Butler	2,164		4,485	5,000	7,500	14,000	25,000	Butler	2,164		4,253	5,000	7,500	14,000	25,000	Karatta	2,164	2,501	4,720	7,000	12,000	23,000	37,000	Waterhouse	1,082		2,597	3,000	4,500	8,000	14,000	Old Wharf	2,164		6,789	5,000	7,500	14,000	25,000
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Waterhouse	1,082		2,597	3,000	4,500	8,000	14,000																																																																			
Old Wharf	2,164		6,789	5,000	7,500	14,000	25,000																																																																			
	Lease Growth	<p>Assumes Berth Sales will increase to 95% occupancy over the first ten years. Split approximately evenly between lease terms.</p> <p>Once peak occupancy is reached the model assumes all Berths are resold at the end of their term.</p> <table border="1"> <thead> <tr> <th>Location</th> <th>Count</th> <th>Leased</th> <th>Not in use</th> <th>Vacant</th> </tr> </thead> <tbody> <tr> <td>Commercial A0</td> <td>2</td> <td>0</td> <td></td> <td></td> </tr> <tr> <td>Commercial A</td> <td>16</td> <td>13</td> <td></td> <td></td> </tr> <tr> <td>Commercial B</td> <td>22</td> <td>15</td> <td>1</td> <td></td> </tr> <tr> <td>Butler North</td> <td>24</td> <td>6</td> <td>3</td> <td></td> </tr> <tr> <td>Butler South</td> <td>28</td> <td>3</td> <td>5</td> <td></td> </tr> <tr> <td>Karatta</td> <td>18</td> <td>10</td> <td></td> <td></td> </tr> <tr> <td>Waterhouse</td> <td>36</td> <td>22</td> <td></td> <td></td> </tr> <tr> <td>Old Wharf</td> <td>2</td> <td>1</td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td>148</td> <td>70</td> <td>9</td> <td>69</td> </tr> </tbody> </table>	Location	Count	Leased	Not in use	Vacant	Commercial A0	2	0			Commercial A	16	13			Commercial B	22	15	1		Butler North	24	6	3		Butler South	28	3	5		Karatta	18	10			Waterhouse	36	22			Old Wharf	2	1			Total	148	70	9	69																						
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Casual Mooring	Mooring Fees	<p>Initially estimated at \$50,000 based on 2019/20 less annual leases/licenses. Assumes casual mooring reduces to \$5,000 by year 10 in line with increased occupancy..</p>																																																																								

Category	Assumption	Description
Straddle	Revenue	Starting Lifts 58, starting income per lift \$471, growth based on 25% of new Berth sales. Considered conservative.
Storage	Revenue	Starting Boats Stored 29, starting income per boat \$930, growth based on 25% of new Berth sales. Considered conservative.
Other Income	Miscellaneous leases	Annual figure of \$10,000
Boat Ramp	Launch Fees	Annual figure of \$10,000

1.2 Expenses

Category	Assumption	Description																								
Admin Overheads	Admin	Cost allocation provision for Executive Salaries based on current allocation \$20,000. Requires further refinement.																								
Operations	Various costs	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 1px solid black;">Harbour Master</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black; text-align: right;">29,000</td> <td></td> </tr> <tr> <td>Water</td> <td style="text-align: right;">12,000</td> <td></td> </tr> <tr> <td>Electricity Charges</td> <td style="text-align: right;">22,000</td> <td></td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">10,000</td> <td></td> </tr> <tr> <td>Licenses and levies</td> <td style="text-align: right;">4,000</td> <td></td> </tr> <tr> <td>Memberships</td> <td style="text-align: right;">2,000</td> <td></td> </tr> <tr> <td>Toilet</td> <td style="text-align: right;">7,500</td> <td style="text-align: right;">Rent</td> </tr> <tr> <td></td> <td style="text-align: right;">5,000</td> <td style="text-align: right;">Clean</td> </tr> </table> <p style="text-align: right; margin-right: 20px;">Cease for 2021-22</p> <p>Growth based on increase in total berths occupied.</p>	Harbour Master	29,000		Water	12,000		Electricity Charges	22,000		Insurance	10,000		Licenses and levies	4,000		Memberships	2,000		Toilet	7,500	Rent		5,000	Clean
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	5,000	Clean																								
General Maintenance	Various Costs	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #e0e0e0;">Escalating over time for aged assets</td> <td style="background-color: #e0e0e0; text-align: right;">Index</td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">20,000</td> <td></td> </tr> <tr> <td>Electrical</td> <td style="text-align: right;">500</td> <td></td> </tr> <tr> <td>Equipment Hire</td> <td style="text-align: right;">4,000</td> <td></td> </tr> <tr> <td>Materials</td> <td style="text-align: right;">8,000</td> <td></td> </tr> <tr> <td>Services</td> <td style="text-align: right;">12,000</td> <td></td> </tr> <tr> <td>Equipment</td> <td style="text-align: right;">15,000</td> <td></td> </tr> <tr> <td>Infrastructure</td> <td style="text-align: right;">20,000</td> <td></td> </tr> </table> <p>Growth based on 25% of increase in total berths occupied</p>	Escalating over time for aged assets	Index		Wages	20,000		Electrical	500		Equipment Hire	4,000		Materials	8,000		Services	12,000		Equipment	15,000		Infrastructure	20,000	
Escalating over time for aged assets	Index																									
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Equipment	15,000																									
Infrastructure	20,000																									
Other		Miscellaneous costs \$1,000																								
Marketing	Salaries	0.4 FTE estimated at \$35,000																								

Category	Assumption	Description
	Expenses	Estimated at \$20,000

1.3 Capital Expenditure and Significant Works

Category	Assumption	Amt (\$000)	Freq	First occurrence	Details/description
Marina Dredging	Dredging - Marina area	1,000	40	5	Estimate based on previous reports and subsequent discussions with Harbour Master and Director Services. This is material assumption and independent assessment should be undertaken to assess the initial and ongoing requirement.
	Dredging - Waterhouse				To be assessed through a separate business case
	Dredging - Butler				To be assessed through a separate business case
	Dredging - Commercial				To be assessed through a separate business case
Channel	Dredging - remediation	150	5	1	Based on 2019/20 dredging estimate.
Straddle Jetty	Replacement / renewal	350	50	40	This amount reflects the more recent upgrade costs associated with the Jetty.
Straddle Lift	Refurbish	100	10	2	Based on discussions with Council in relation to ongoing maintenance.
	Replace	1,000	40	20	This is currently modelled, considered to be reasonably conservative.
Marina pontoons and structures	Decking - renewal	700	25	10	This asset life has been extended based on current age and condition of existing assets following discussions with the Harbour Master and Professional Fishers. Early reports identified it may need to be replaced more often. This is material assumption and independent assessment should be undertaken to assess the current condition and longevity of this type of decking.
	Pilons - renewal	3,500	50	35	This has been estimated to be replaced once in the life of the Marina. Early reports identified that it may have a life of 30-40 years and will require replacing at least twice. This is material assumption and independent assessment should be undertaken to assess the current condition and longevity of this type of mooring.

Category	Assumption	Amt (\$000)	Freq	First occurrence	Details/description
					Amount has been based on prior reports estimated replacement rate and escalated forward.
Utilities	Power				Estimates not available
	Lighting - renewal	30	25	20	Based on Asset Register Lighting amounts. Suggest further investigation is required into the lighting infrastructure across the entire Marina.
	Water				Estimates not available
	Security				Estimates not available
	Fencing	25	25	1	Based on budget for new fencing to be implemented I 2020/21.
Hardstand	Renewal	250	50	35	Based on Asset Register.
Washdown	Renewal	25	30	15	Based on Asset Register.
Sheds	Disposal	10	0	2	Assumes disposal in year 2.
Wharf	Remediation works	400	50	25	Estimated remediation works based on initial construction costs detailed in the asset register.
Carpark	Renewal	100	25	10	Estimate
Marina Entrance	Renewal	300	50	45	Based on Asset Register.
Boat Ramp	Ramp	500	50	30	Estimate. Requires independent verification.
	Carpark	100	50	30	Estimate. Requires independent verification.
	Pontoons	250	40	20	Estimate. Requires independent verification.
	Fish cleaning Station	20	25	1	Estimate.
Breakwater	Integrity	3,000	100	50	Values are based on prior reports. These amounts are not included in the current modelling based on uncertainty and potential for external funding. This is material assumption and independent assessment should be undertaken to assess the current condition, longevity and intervention options.
	Walkway / surface renewal	300	50	2	Based on prior reports.
Sheet Piling	Renewal	2,500	80	10	Currently classified as Capital Contingency and included within the modelling below the line. This is material assumption and independent assessment should be undertaken to assess the current condition, longevity and intervention options.

Where an asset renewal is identified close to the end of the Marina Life, a decision has been made on a case by case basis whether to renew or stretch the existing asset to term.

District Council of Robe

Lake Butler Marina Review

Lake Butler Marina Baseline Funding Model Growth Scenario 6

**Lake Butler Marina Review
Baseline Funding Model**

	Year	1	2	3	4	5	6	7	8	9	10	Total	
	Year ending 30 June	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2105	
Income													
Marina Berths													
Status quo	n	Leases / Moorings	25,731	25,731	25,731	25,731	25,731	25,731	25,731	25,731	25,731	2,187,141	
		Administration Fee	122,532	122,532	122,532	122,532	122,532	122,532	122,532	122,532	122,532	10,415,214	
		Short Term Mooring Fees	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	4,250,000	
		Total Lease and Admin Fee	198,263	198,263	198,263	198,263	198,263	198,263	198,263	198,263	198,263	16,852,355	
Annualised Method	n	New Lease sales	-	14,931	29,862	44,793	59,724	74,655	89,586	104,517	119,448	134,379	11,870,142
		New Administration Fee	-	9,640	19,281	28,921	38,562	48,202	57,843	67,483	77,124	86,764	7,664,174
		Existing Administration Fee and IV	148,263	148,263	148,263	148,263	148,263	148,263	148,263	148,263	148,263	148,263	12,602,355
		Short Term Mooring Fees	50,000	45,000	40,000	35,000	30,000	25,000	20,000	15,000	10,000	5,000	650,000
	Total Lease and Admin Fee	198,263	217,834	237,406	256,977	276,549	296,120	315,692	335,263	354,835	374,406	32,786,671	
Projected Sales Method	y	Leases & Moorings	27,899	96,172	87,172	116,925	215,088	156,938	195,438	177,191	282,191	218,191	15,634,130
		Administration Fee	120,433	129,421	139,491	151,724	169,367	178,355	190,589	202,822	215,056	221,880	18,684,687
		Short Term Mooring Fees	50,000	45,000	40,000	35,000	30,000	25,000	20,000	15,000	10,000	5,000	650,000
		Total Lease and Admin Fee	198,332	270,593	266,663	303,649	414,455	360,293	406,027	395,013	507,247	445,071	34,968,818
Lifts		Income - Status quo	27,318	27,318	27,318	27,318	27,318	27,318	27,318	27,318	27,318	2,322,030	
	y	Growth	-	466	914	1,507	2,308	2,680	3,297	3,768	4,239	4,710	377,139
		Total Straddle	27,318	27,784	28,232	28,825	29,626	29,998	30,615	31,086	31,557	32,028	2,699,169
Storage		Income - Status quo	26,970	26,970	26,970	26,970	26,970	26,970	26,970	26,970	26,970	2,292,450	
	y	Growth	-	470	900	1,490	2,280	2,640	3,130	3,610	3,990	4,240	349,750
		Total Storage	26,970	27,440	27,870	28,460	29,250	29,610	30,100	30,580	30,960	31,210	2,642,200
Other Boat Ramp Event	Y	Miscellaneous leases(s)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	850,000	
	n	Launch Fees	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	850,000	
		Event Income	-	-	-	-	-	-	-	-	-	-	
Rates	n	Rates - Status quo	-	-	-	-	-	-	-	-	-	-	
	n	Rates - Growth	-	-	-	-	-	-	-	-	-	-	
		Total Rates	-	-	-	-	-	-	-	-	-	-	
Reg Lands	n	Reg Land Levy - Status quo	-	-	-	-	-	-	-	-	-	-	
	n	Reg Land Levy - Growth	-	-	-	-	-	-	-	-	-	-	
		Total Reg Land	-	-	-	-	-	-	-	-	-	-	
Other Income		Fuel commission											
Total Revenue			272,620	345,817	342,765	380,935	493,331	439,901	486,742	476,679	589,764	528,309	42,010,187

**Lake Butler Marina Review
Baseline Funding Model**

Year		1	2	3	4	5	6	7	8	9	10	Total	
Year ending 30 June		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2105	
Expenses													
Administrative Overheads	Total Administrative	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	1,700,000	
Operations	Total Operations - Status quo	91,500	86,500	86,500	86,500	86,500	86,500	86,500	86,500	86,500	86,500	7,357,500	
	Growth increment	-	4,315	8,630	14,671	23,301	27,616	33,658	39,699	44,877	48,329	3,999,205	
	Total Operations	91,500	90,815	95,130	101,171	109,801	114,116	120,158	126,199	131,377	134,829	11,356,705	
Maintenance	Total General Maintenance - Stat	79,500	79,500	79,500	79,500	79,500	79,500	79,500	79,500	79,500	79,500	6,757,500	
	Growth increment	-	1,361	2,723	4,628	7,351	8,712	10,618	12,524	14,158	15,247	1,261,654	
	Total Maintenance	79,500	80,861	82,223	84,128	86,851	88,212	90,118	92,024	93,658	94,747	8,019,154	
Event	Event Expenses	-	-	-	-	-	-	-	-	-	-	-	
Marketing	Marketing Expenses	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	4,675,000	
Other Expenses	Various	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	85,000	
Interest	Borrowings Real Intere	3%	-	2,201	8,743	3,443	0	17,577	14,877	6,430	0	5,492,185	
Council contrib	Manual input for each i	96000 -	96,000 -	96,000 -	96,000 -	96,000 -	96,000 -	96,000 -	96,000 -	96,000 -	96,000 -	8,160,000	
Total Expenses		151,000	153,878	166,096	168,743	176,652	199,906	205,153	204,652	205,034	209,575	23,168,045	
Annual cash surplus		0	121,620	191,939	176,669	212,192	316,678	239,995	281,589	272,027	384,729	318,734	18,842,142
Cumulative Cash surplus			121,620	313,559	490,228	702,420	1,019,098	1,259,093	1,540,682	1,812,709	2,197,438	2,516,171	
n													
Capital and major projects													
Capital		195,000	110,000	-	-	1,000,000	150,000	-	-	-	800,000	15,780,000	
Annual cash surplus after Capital		-	73,380	81,939	176,669	212,192	683,322	89,995	281,589	272,027	384,729	481,266	3,062,142
Revised cumulative cash surplus -capital above the line		-	73,380	8,559	185,228	397,420	285,902	195,907	85,682	357,709	742,438	261,171	
Capital Contingencies		-	300,000	-	-	-	-	-	-	-	2,500,000	3,100,000	
Annual cash surplus after Capital Contingencies		-	73,380	- 218,061	176,669	212,192	683,322	89,995	281,589	272,027	384,729	-2,981,266	37,858
Revised cumulative cash surplus - Capital Contingencies		-	73,380	- 291,441	- 114,772	97,420	- 585,902	- 495,907	- 214,318	57,709	442,438	-2,538,829	