

FEASIBILITY STUDY - ASHBURTON STADIUM COMPLEX

Background

Deloitte and Strategic Leisure New Zealand provided a draft report of the feasibility of the proposed new Ashburton Stadium to the Trust on 25 March 2008.

This was updated in June 2008 to reflect changes when the stadium specification was amended. The capital cost of this option – the Base Case option - was estimated at \$32.89 million.

On 17 October we reported to you on two staged options:

- Development of the Indoor Sports facilities initially, with the Aquatic Centre facilities to follow in five years at an estimated capital cost of \$36.9 million.
- Development of the Aquatic Centre facilities initially, with the Indoor Sports facilities to follow in five years at an estimated capital cost of \$37.0 million

You have now requested we provide indicative financial information on an amendment to the Base Case option, which envisages the building of the Stadium and Aquatic Centre.

BASE CASE - Full Stadium and Aquatic Centre

■ Specification

The full stadium and aquatic centre proposal would include a 10-lane by 33 metre pool with a movable bulkhead and an 8 metre by 25 metre moveable floor, a leisure / toddler pool with water features, a learner's pool in a separate area, two hydro-slides, an indoor sports facility comprising 6 basketball / netball courts with retractable tiered seating, a fitness gym, and related services.



■ Capital Cost

The estimated cost of this design in 2008 dollars is \$32.9 million (excluding GST, land and cost escalation). This comprises:

Full Stadium and Aquatic Centre Option		Estimated Cost
Indicative Capital Cost \$000		Including Fees
Entry and Surrounds	- Entry, Changing rooms, etc	\$5,471
	- Parking, External Works	\$2,663
	- Fittings and Equipment	\$130
		\$8,264
Aquatic Centre		\$13,637
Indoor Sports Facility		\$10,989
Indicative Cost 2008 - excludes GST, escalation, land costs		\$32,890
Source - Rawlinson QS estimates May 2008. F&E Deloitte estimate		

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■ Capital Funding

The feasibility study assumed interest free funding of \$20.25 million, being a \$15 million capital grant from Council and approximately \$5 million from other fundraising sources. This left \$12.6 million to be funded by debt. Debt is assumed to be sourced through Council at Council interest rates and on-loaned to the Stadium Trust. The interest rate is assumed to be 8% per annum and the loan is assumed to be repaid on a table basis (equal annual instalments of principal and interest) over 30 years.

	\$000	
Capital Cost of Facility	\$32,290	
Capital Cost Of Furniture and Equipment	\$600	
Total Capital Cost excluding Land	\$32,890	
Funding		
- Clubs	\$250	Aquatic, Sports Hall Equipment
- Council Grant	\$15,000	
- Other Grants, Donations, Sponsorship	\$5,000	
Total Grant Funding	\$20,250	
Balance to be Funded by Debt	\$12,640	
- Interest Rate	8%	
- Repayment Term	30 years	
Table Loan Repayment Amount per annum	\$1,120	Principal & interest
Source - Deloitte calculations based on noted funding assumptions		

On this basis the estimated annual debt servicing cost (interest and principal repayment) is \$1.12 million per annum for thirty years.

■ Demand and Usage

Demand and usage of the new facilities has been based on discussions with potential sports users, benchmarks for usage from other regions (particular aquatic centre utilisation) and our estimates for growth in usage from an improved facility based on our experience from other centres. To achieve the levels forecast will require the Stadium to be pro-active in developing and growing usage. The estimated usage is set out below.

SPORTS	Total Hours Per year	Growth	Forecast per Year
Basketball	1,050		1,050
Basketball Fun League	60	60	120
Netball	2,421	594	3,015
Badminton	144	208	352
Volleyball	50	190	240
Indoor Soccer	78		78
Futsal soccer		480	480
School use	996		996
Court Hours Per annum	4,799	1,532	6,331
EVENTS			
Basketball		300	300
Basketball Fun League			0
Netball	150		150
Badminton			0
Volleyball		120	120
Indoor Soccer			0
Futsal soccer		120	120
School use	180	0	180
Other Events	0	360	360
Court Hours Per annum	330	900	1,230
Total Court Hours Per annum	5,129	2,432	7,561
	Current Users per year	Growth	Forecast per Year
Aquatic Centre Usage	86,000	73,000	159,000
Gym membership	0	400	400

Based on potential user feedback and benchmarks. Assumes proactive management by Stadium to grow usage.

■ Financial Feasibility

Key assumptions are:

- Inflation of 3% per annum is applied to all income and expenses.
- Demand and Usage has been forecast as noted above.
- Aquatic Centre entry prices are based on current pool prices with inflation. Hydroslide prices are set at \$4.50 (including GST) per hour.
- Experience indicates that the aquatic centre will experience higher usage in the first two years due to it being new to the district and having a novelty factor, before settling to a slightly lower level in line with other regional aquatic centre usage benchmarks.
- Indoor Sports facilities revenues have been based on \$40 (excluding GST) per court hour, based on other venue benchmarks.
- Gym and aerobic charges have been based on benchmarks from similar facilities.
- Staffing has been built up from a zero base with cross utilisation of aquatic centre, entry and stadium staff wherever possible.
- Power and administration costs have been based on similar facilities.

A summary of the forecast financial performance and cash flow is set out below.

Summary \$000 excl GST	2006/7	2007/8	2008/9	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue	Actual	Plan	Plan	Forecast - New Facility									
Aquatic Centre	\$284	\$302	\$310	\$658	\$640	\$620	\$639	\$658	\$678	\$698	\$719	\$741	\$763
Indoor Sports Facility	\$0	\$0	\$0	\$312	\$322	\$331	\$341	\$352	\$362	\$373	\$384	\$396	\$408
Gym	\$0	\$0	\$0	\$278	\$287	\$295	\$304	\$313	\$323	\$332	\$342	\$353	\$363
Café	\$21	\$9	\$8	\$30	\$31	\$32	\$33	\$34	\$35	\$36	\$37	\$38	\$39
Rental	\$0	\$0	\$0	\$38	\$39	\$40	\$42	\$43	\$44	\$45	\$47	\$48	\$50
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$304	\$312	\$318	\$1,316	\$1,318	\$1,319	\$1,359	\$1,400	\$1,442	\$1,485	\$1,530	\$1,575	\$1,623
By Expense Type													
Wages and Salaries	\$360	\$402	\$422	\$858	\$883	\$906	\$932	\$958	\$986	\$1,014	\$1,043	\$1,073	\$1,103
Energy Costs	\$79	\$98	\$102	\$307	\$316	\$325	\$335	\$345	\$356	\$366	\$377	\$389	\$400
Marketing	\$6	\$7	\$7	\$28	\$29	\$30	\$31	\$32	\$33	\$33	\$34	\$35	\$37
Insurance	\$7	\$7	\$8	\$36	\$37	\$38	\$39	\$41	\$42	\$43	\$44	\$46	\$47
Other Operating Costs	\$89	\$78	\$91	\$254	\$271	\$329	\$340	\$352	\$366	\$382	\$401	\$424	\$453
Total Operating Costs	\$541	\$592	\$629	\$1,483	\$1,535	\$1,628	\$1,677	\$1,728	\$1,782	\$1,839	\$1,900	\$1,966	\$2,040
Surplus (Deficit) before Depn & Funding	(\$237)	(\$280)	(\$311)	(\$167)	(\$217)	(\$309)	(\$318)	(\$328)	(\$340)	(\$354)	(\$370)	(\$391)	(\$417)
By Operation													
Aquatic Centre				(\$19)	(\$65)	(\$152)	(\$155)	(\$158)	(\$161)	(\$164)	(\$168)	(\$171)	(\$175)
Indoor Sports Facility				\$109	\$112	\$116	\$119	\$123	\$126	\$130	\$134	\$138	\$142
Gym				\$105	\$108	\$110	\$112	\$113	\$113	\$112	\$107	\$100	\$87
Café				\$30	\$31	\$32	\$33	\$34	\$35	\$36	\$37	\$38	\$39
Rental				\$38	\$39	\$40	\$42	\$43	\$44	\$45	\$47	\$48	\$50
Administration				(\$429)	(\$442)	(\$455)	(\$469)	(\$483)	(\$498)	(\$512)	(\$528)	(\$544)	(\$560)
Surplus (Deficit) before Depn & Funding	\$0	\$0	\$0	(\$167)	(\$217)	(\$309)	(\$318)	(\$328)	(\$340)	(\$354)	(\$370)	(\$391)	(\$417)
Depreciation	\$39	\$35	\$35	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833	\$833
Contribution before funding	(\$275)	(\$315)	(\$346)	(\$1,000)	(\$1,050)	(\$1,142)	(\$1,151)	(\$1,162)	(\$1,173)	(\$1,187)	(\$1,204)	(\$1,224)	(\$1,250)
Council Grant	\$210	\$270	\$305	\$1,286	\$1,336	\$1,428	\$1,437	\$1,447	\$1,459	\$1,473	\$1,490	\$1,510	\$1,536
Surplus (Deficit) Before Funding	(\$65)	(\$45)	(\$41)	\$286	\$286	\$286	\$286	\$286	\$286	\$286	\$286	\$286	\$286
Interest received (paid)	(\$60)	(\$43)	(\$35)	(\$1,008)	(\$999)	(\$989)	(\$979)	(\$968)	(\$956)	(\$943)	(\$929)	(\$913)	(\$897)
Surplus (Deficit)	(\$125)	(\$88)	(\$76)	(\$722)	(\$713)	(\$704)	(\$693)	(\$682)	(\$670)	(\$657)	(\$643)	(\$627)	(\$611)

■ On Going Support Required

To be viable the Trust will require ongoing support to cover the operating deficit and debt servicing.

- The operating deficit before depreciation, funding and Council support is forecast at \$167,000 in the first year (when usage is expected to be higher due to the novelty factor and costs slightly lower due to the warranty period on equipment) before settling at approximately \$300,000 per annum (plus inflation in later years) - similar to the current pool operating deficit.
- Based on a 30 year table loan repayment basis the funding required for debt interest and repayment would be \$1.12 million per annum.

This means that based on current estimates (excluding land, site related costs and any cost escalation) the new stadium will need between \$1.3 million and \$1.5 million in operational and debt servicing funding from Council per annum.

Council is currently providing approximately \$300,000 per annum operational funding support to the Ashburton Swimming Pool, therefore the new facility as currently proposed would be an increase of \$1.0 million to \$1.2 million per annum on current Council annual support.

Funding Requirement \$000	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Total Revenue	\$1,316	\$1,318	\$1,319	\$1,359	\$1,400	\$1,442	\$1,485	\$1,530	\$1,575	\$1,623
Total Operating Costs	\$1,483	\$1,535	\$1,628	\$1,677	\$1,728	\$1,782	\$1,839	\$1,900	\$1,966	\$2,040
Contribution before Depn & Funding	(\$167)	(\$217)	(\$309)	(\$318)	(\$328)	(\$340)	(\$354)	(\$370)	(\$391)	(\$417)
Interest on Term Debt	\$1,008	\$999	\$989	\$979	\$968	\$956	\$943	\$929	\$913	\$897
	(\$1,175)	(\$1,216)	(\$1,298)	(\$1,297)	(\$1,296)	(\$1,296)	(\$1,297)	(\$1,299)	(\$1,304)	(\$1,314)
Debt Principal Repayment	\$111	\$120	\$130	\$140	\$151	\$163	\$177	\$191	\$206	\$222
Total Funding Required for Operations & Debt Servicing	(\$1,286)	(\$1,336)	(\$1,428)	(\$1,437)	(\$1,447)	(\$1,459)	(\$1,473)	(\$1,490)	(\$1,510)	(\$1,536)
Current Council Support (to Pool)	\$300	\$309	\$318	\$328	\$338	\$348	\$358	\$369	\$380	\$391
Incremental Funding Required	(\$986)	(\$1,027)	(\$1,110)	(\$1,109)	(\$1,110)	(\$1,112)	(\$1,115)	(\$1,121)	(\$1,130)	(\$1,145)
Estimate Impact on an average households rate per annum	\$51	\$53	\$57	\$57	\$57	\$57	\$57	\$58	\$58	\$59

Source - Deloitte estimates based on financial model and assumptions as disclosed and ADC Rates Impact Model

Based on a rates calculation model provided by the Ashburton District Council Chief Financial Officer the required annual support would add an additional \$51 (inflating) to an average household rates each year. This is to be confirmed.

■ Land and Site Costs

The feasibility study does not yet include provision for land or site specific costs. This is due from Opus / Council but has not yet been completed. As an indication, every \$1 million in land and site specific costs will add \$90,000 per annum to the funding required by the Stadium.

STAGED CASE - Indoor Sports Facility Now / Aquatic Centre in Five Years

■ Specification

This scenario assumes the 6 Court Indoor Sports facility with climbing wall and retractable seating for 3,000 for events, along with the gym and sport med facility, are developed in the first instance for operation by 2010/11 with the aquatic centre to follow in 5 years.



■ Capital Cost

Rawlinsons have provided the following high level indicative cost for this staging of the project at \$36.9 million. This comprises:

Ashburton Stadium Trust - Staged		Estimated Total
Indicative Capital Cost \$000		Cost including fees
Stadium Built by 2010		
Entry and Surrounds	- Entry, Changing rooms, etc	\$5,799
	- Parking, External Works (70%)	\$1,976
	- Fittings and Equipment	\$130
		\$7,905
Indoor Sports Facility		\$11,625
Indicative Cost 2008 - excludes GST, escalation, land costs		\$19,530
Aquatic Centre added by 2014/15		
Entry and Surrounds	- Parking, External Works (30%)	\$962
Aquatic Centre		\$16,428
Indicative Cost 2014 - excludes GST, land costs		\$17,390
Total Indicative Cost	excludes GST and Land Costs	\$36,920
Source - Rawlinson QS estimates Oct 2008. F&E Deloitte estimate		

■ Capital Funding

It is assumed that the Council capital grant is maintained at \$15 million with the other grants, fundraising and sponsorship split between the two stages.

This means that initially the Stadium will require a small amount of debt to build the Indoor Sports facility, gym, sport med facility, entrance, concourse and part of the entry and surrounds, but will require significant debt funding in 2014 when the Aquatic Centre and balance of the entry / surrounds are added.

	Stage 1	Stage 2	Total	
\$000	2008	2014	From 2014	
Capital Cost of Facility	\$19,030	\$17,270	\$36,300	
Capital Cost Of Furniture and Equipment	\$500	\$120	\$620	
Total Capital Cost excluding Land	\$19,530	\$17,390	\$36,920	
Funding				
- Clubs	\$150	\$120	\$270	Aquatic, Sports Hall Equipment
- Council Grant	\$15,000	\$0	\$15,000	
- Other Grants, Donations, Sponsorship	\$2,500	\$2,500	\$5,000	
Total Grant Funding	\$17,650	\$2,620	\$20,270	
Balance to be Funded by Debt	\$1,880	\$14,770	\$16,650	
- Interest Rate	8%		8%	
- Repayment Term	30 years		30 years	
- Table Loan Repayment Amount per annum	\$167		\$1,479	Principal & interest

Source - Deloitte calculations based on noted funding assumptions

■ Demand, Pricing, Usage and Expenses

Demand, pricing usage and expenses are maintained at similar level to the base case except:

- It is assumed the current pool is maintained and continues to operate until 2015 at the existing budgeted net cost (plus inflation).
- The increased demand and usage resulting from the new Aquatic Centre with improved facilities and a hydroslide are deferred 5 years.
- Some administration costs are reduced in the initial 5 year period until the pool is added (eg credit card and bank fees, insurance, aquatic centre staffing, staff training, etc).

■ Financial Feasibility

A summary of the forecast financial performance and cash flow under this staged scenario is set out below:

Summary \$000 excl GST	2006/7	2007/8	2008/9	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue	Actual	Plan	Plan	Indoor Sports Facilities only			Aquatic Centre added to complete Stadium						
Aquatic Centre	\$284	\$302	\$310	\$310	\$319	\$329	\$339	\$732	\$716	\$698	\$719	\$741	\$763
Indoor Sports Facility	\$0	\$0	\$0	\$312	\$322	\$331	\$341	\$352	\$362	\$373	\$384	\$396	\$408
Gym	\$0	\$0	\$0	\$278	\$287	\$295	\$304	\$313	\$323	\$332	\$342	\$353	\$363
Café	\$21	\$9	\$8	\$15	\$15	\$16	\$16	\$34	\$35	\$36	\$37	\$38	\$39
Rental	\$0	\$0	\$0	\$38	\$39	\$40	\$42	\$43	\$44	\$45	\$47	\$48	\$50
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$304	\$312	\$316	\$954	\$982	\$1,012	\$1,042	\$1,474	\$1,480	\$1,485	\$1,530	\$1,575	\$1,623
By Expense Type													
Wages and Salaries	\$360	\$402	\$422	\$878	\$905	\$932	\$960	\$958	\$986	\$1,014	\$1,043	\$1,073	\$1,103
Energy Costs	\$79	\$98	\$102	\$209	\$215	\$222	\$228	\$345	\$356	\$366	\$377	\$389	\$400
Marketing	\$6	\$7	\$7	\$25	\$26	\$27	\$27	\$32	\$32	\$33	\$34	\$35	\$37
Insurance	\$7	\$7	\$8	\$18	\$19	\$19	\$20	\$41	\$42	\$43	\$44	\$46	\$47
Other Operating Costs	\$89	\$78	\$91	\$267	\$275	\$284	\$294	\$285	\$306	\$370	\$388	\$411	\$439
Total Operating Costs	\$541	\$592	\$629	\$1,398	\$1,439	\$1,483	\$1,529	\$1,661	\$1,722	\$1,826	\$1,887	\$1,953	\$2,026
Surplus (Deficit) before Depn & Funding	(\$237)	(\$280)	(\$311)	(\$444)	(\$457)	(\$471)	(\$487)	(\$187)	(\$242)	(\$341)	(\$357)	(\$377)	(\$403)
By Operation													
Aquatic Centre				(\$319)	(\$328)	(\$338)	(\$348)	(\$19)	(\$66)	(\$154)	(\$158)	(\$161)	(\$164)
Indoor Sports Facility				\$109	\$112	\$116	\$119	\$123	\$126	\$130	\$134	\$138	\$142
Gym				\$105	\$108	\$110	\$112	\$113	\$113	\$112	\$107	\$100	\$87
Café				\$15	\$15	\$16	\$16	\$34	\$35	\$36	\$37	\$38	\$39
Rental				\$38	\$39	\$40	\$42	\$43	\$44	\$45	\$47	\$48	\$50
Administration				(\$392)	(\$403)	(\$415)	(\$428)	(\$481)	(\$495)	(\$510)	(\$525)	(\$541)	(\$557)
Surplus (Deficit) before Depn & Funding	\$0	\$0	\$0	(\$444)	(\$457)	(\$471)	(\$487)	(\$187)	(\$242)	(\$341)	(\$357)	(\$377)	(\$403)
Depreciation	\$39	\$35	\$35	\$494	\$494	\$494	\$513	\$937	\$937	\$937	\$937	\$937	\$937
Contribution before funding	(\$275)	(\$315)	(\$346)	(\$938)	(\$951)	(\$965)	(\$1,000)	(\$1,124)	(\$1,179)	(\$1,279)	(\$1,295)	(\$1,315)	(\$1,341)
Council Grant	\$210	\$270	\$305	\$611	\$624	\$638	\$654	\$1,666	\$1,721	\$1,820	\$1,836	\$1,856	\$1,882
Surplus (Deficit) Before Funding	(\$65)	(\$45)	(\$41)	(\$327)	(\$327)	(\$327)	(\$346)	\$542	\$542	\$542	\$542	\$542	\$542
Interest received (paid)	(\$60)	(\$43)	(\$35)	(\$150)	(\$149)	(\$148)	(\$146)	(\$1,326)	(\$1,314)	(\$1,301)	(\$1,286)	(\$1,271)	(\$1,254)
Surplus (Deficit)	(\$125)	(\$88)	(\$76)	(\$477)	(\$476)	(\$474)	(\$492)	(\$784)	(\$772)	(\$759)	(\$745)	(\$729)	(\$713)

■ On Going Support Required

To be viable the Trust will require ongoing support to cover the operating deficit and debt servicing.

- The operating deficit before depreciation, funding and Council support is forecast at \$444,000 to \$487,000 in initial years including the estimated operating deficit from the existing pool (approximately \$330,000 per annum).
- Once the Aquatic Centre is added and the old pool closed the operating deficit before funding, depreciation and Council support is estimated to be \$187,000 in the initial year of Aquatic Centre operation (due to higher forecast usage in the first two year) increasing to \$340,000 to \$400,000 over the next 5 years when the novelty factor wears off.
- Based on a 30 year table loan repayment basis the funding required for debt interest and repayment would initially be low but would increase to an estimated \$1.48 million per annum after the new Aquatic Centre is added. This is higher than the base scenario due to the increased capital cost from staging the development.

This means that based on current estimates (excluding land, site related costs and any cost escalation) the new stadium will need between \$0.6 million in the early years and \$1.67 million (inflating) post the aquatic centre development in operational and debt servicing funding from Council per annum.

Council is currently providing approximately \$300,000 per annum operational funding support to the Ashburton Swimming Pool, therefore the new facility as currently proposed would be an increase of \$0.3 million to \$1.4 million per annum.

Based on a rates calculation model provided by the Ashburton District Council Chief Financial Officer the required support would add an additional \$16 initially increasing to \$68 (inflating) once the Aquatic Centre is built to an average household rates each year. This is subject to confirmation.

Funding Requirement \$000	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Indoor Sport Facility only				Aquatic Centre Added to complete the Stadium					
Total Revenue	\$954	\$982	\$1,012	\$1,042	\$1,474	\$1,480	\$1,485	\$1,530	\$1,575	\$1,623
Total Operating Costs	\$1,398	\$1,439	\$1,483	\$1,529	\$1,661	\$1,722	\$1,826	\$1,887	\$1,953	\$2,026
Contribution before Depn & Funding	(\$444)	(\$457)	(\$471)	(\$487)	(\$187)	(\$242)	(\$341)	(\$357)	(\$377)	(\$403)
Interest on Term Debt	\$150	\$149	\$148	\$146	\$1,326	\$1,314	\$1,301	\$1,286	\$1,271	\$1,254
	(\$594)	(\$606)	(\$619)	(\$633)	(\$1,513)	(\$1,556)	(\$1,642)	(\$1,644)	(\$1,648)	(\$1,657)
Debt Principal Repayment	\$17	\$18	\$19	\$21	\$153	\$165	\$178	\$193	\$208	\$225
Total Funding Required for Operations & Debt Servicing	(\$611)	(\$624)	(\$638)	(\$654)	(\$1,666)	(\$1,721)	(\$1,820)	(\$1,836)	(\$1,856)	(\$1,882)
Current Council Support (to Pool)	\$300	\$309	\$318	\$328	\$338	\$348	\$358	\$369	\$380	\$391
Incremental Funding Required	(\$311)	(\$315)	(\$320)	(\$326)	(\$1,328)	(\$1,373)	(\$1,462)	(\$1,467)	(\$1,476)	(\$1,491)
Estimate Impact on an average households rate per annum	\$16	\$16	\$16	\$17	\$68	\$70	\$75	\$75	\$76	\$77

Source - Deloitte estimates based on financial model and assumptions as disclosed and ADC Rates Impact Model

STAGED CASE -Aquatic Centre Now / Indoor Sport Facility in Five Years

■ Specification

This scenario assumes the Aquatic Centre, and a portion of the entrance, change facilities and parking facilities are developed now for opening in 2010, and the 6 Court Indoor Sports facility with climbing wall and retractable seating for 3,000 for events, along with the gym and sport med facility, are developed in 5 years to complete the stadium.



■ Capital Cost

Rawlinsons have provided the following high level indicative cost for this staging of the project at \$37.0 million. This comprises:

Ashburton Stadium Trust - Staged		Estimated Total
Indicative Capital Cost \$000		Cost including fees
Aquatic centre opened by 2010		
Entry and Surrounds	- Parking, External Works (50%)	\$1,404
	- Entry concourse (30%)	\$2,409
	- Furniture and Equipment	\$130
		\$3,943
Aquatic Centre		\$14,380
Indicative Cost 2008 - excludes GST, land costs		\$18,323
Stadium Built by 2014/15		
Entry and Surrounds	- Entry, Changing rooms, etc (70%)	\$3,843
	- Parking, External Works (50%)	\$1,605
		\$5,448
Gym, Sports Med facility		\$1,269
Indoor Sports Facility		\$11,976
Indicative Cost 2014 - excludes GST, land costs		\$18,693
Total Indicative Cost - excludes GST and Land Costs		\$37,016
Source - Rawlinson QS estimates Oct 2008. F&E Deloitte estimate		

■ Capital Funding

It is assumed that the Council capital grant is maintained at \$15 million with the other grants, fundraising and sponsorship split between the two stages.

This means that initially the Stadium will require a small amount of debt to build the Aquatic Centre and part of the entry and surrounds, but will require significant debt funding in 2014 when the indoor sports facility, gym, sport med facility and the balance of the entry / surrounds are added.

	Stage 1	Stage 2	Total	
\$000	2008	2014	From 2014	
Capital Cost of Facility	\$18,093	\$18,249	\$36,342	
Capital Cost Of Furniture and Equipment	\$230	\$444	\$674	
Total Capital Cost excluding Land	\$18,323	\$18,693	\$37,016	
Funding				
- Clubs	\$180	\$444	\$624	Aquatic, Sports Hall Equipment
- Council Grant	\$15,000	\$0	\$15,000	
- Other Grants, Donations, Sponsorship	\$2,500	\$2,500	\$5,000	
Total Grant Funding	\$17,680	\$2,944	\$20,624	
Balance to be Funded by Debt	\$643	\$15,749	\$16,392	
- Interest Rate	8%		8%	
- Repayment Term	30 years		30 years	
Table Loan Repayment Amount per annum	\$57		\$1,456	Principal & interest
Source - Deloitte calculations based on noted funding assumptions				

■ Demand, Pricing, Usage and Expenses

Demand, pricing usage and expenses are maintained at similar level as the base case except:

- The demand and usage resulting from the new indoor sports facility is deferred for 5 years.
- Some administration costs are reduced in the initial 5 year period until the indoor sports facilities are added (e.g. credit card and bank fees, insurance, aquatic centre staffing, staff training, etc).

■ Financial Feasibility

A summary of the forecast financial performance and cash flow under this staged scenario is set out below:

Summary \$'000 excl GST	2006/7	2007/8	2008/9	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue	Actual	Plan	Plan	Aquatic Centre Only			Indoor Sports Facility added to complete Stadium						
Aquatic Centre	\$284	\$302	\$310	\$658	\$640	\$620	\$639	\$658	\$678	\$698	\$719	\$741	\$763
Indoor Sports Facility	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$352	\$362	\$373	\$384	\$396	\$408
Gym	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$313	\$323	\$332	\$342	\$353	\$363
Café	\$21	\$9	\$8	\$15	\$15	\$16	\$16	\$34	\$35	\$36	\$37	\$38	\$39
Rental	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$43	\$44	\$45	\$47	\$48	\$50
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$304	\$312	\$318	\$673	\$655	\$636	\$655	\$1,400	\$1,442	\$1,485	\$1,530	\$1,575	\$1,623
By Expense Type													
Wages and Salaries	\$360	\$402	\$422	\$621	\$638	\$654	\$672	\$958	\$986	\$1,014	\$1,043	\$1,073	\$1,103
Energy Costs	\$79	\$98	\$102	\$220	\$227	\$233	\$240	\$345	\$355	\$366	\$377	\$388	\$400
Marketing	\$6	\$7	\$7	\$20	\$21	\$21	\$22	\$32	\$32	\$33	\$34	\$35	\$37
Insurance	\$7	\$7	\$8	\$18	\$19	\$19	\$20	\$41	\$42	\$43	\$44	\$46	\$47
Other Operating Costs	\$89	\$78	\$91	\$195	\$210	\$265	\$273	\$347	\$360	\$376	\$393	\$414	\$440
Total Operating Costs	\$541	\$592	\$629	\$1,074	\$1,114	\$1,193	\$1,227	\$1,722	\$1,775	\$1,831	\$1,891	\$1,955	\$2,026
Surplus (Deficit) before Depn & Funding	(\$237)	(\$280)	(\$311)	(\$401)	(\$458)	(\$557)	(\$572)	(\$323)	(\$334)	(\$346)	(\$362)	(\$380)	(\$403)
By Operation													
Aquatic Centre				(\$19)	(\$65)	(\$152)	(\$155)	(\$158)	(\$161)	(\$164)	(\$168)	(\$171)	(\$175)
Indoor Sports Facility				\$0	\$0	\$0	\$0	\$123	\$127	\$131	\$135	\$139	\$143
Gym				\$0	\$0	\$0	\$0	\$118	\$118	\$118	\$115	\$109	\$99
Café				\$15	\$15	\$16	\$16	\$34	\$35	\$36	\$37	\$38	\$39
Rental				\$0	\$0	\$0	\$0	\$43	\$44	\$45	\$47	\$48	\$50
Administration				(\$397)	(\$409)	(\$421)	(\$434)	(\$482)	(\$497)	(\$512)	(\$527)	(\$543)	(\$559)
Surplus (Deficit) before Depn & Funding	\$0	\$0	\$0	(\$401)	(\$458)	(\$557)	(\$572)	(\$323)	(\$334)	(\$346)	(\$362)	(\$380)	(\$403)
Depreciation	\$39	\$35	\$35	\$495	\$495	\$495	\$495	\$932	\$932	\$932	\$932	\$932	\$932
Contribution before funding	(\$275)	(\$315)	(\$346)	(\$896)	(\$954)	(\$1,052)	(\$1,067)	(\$1,254)	(\$1,265)	(\$1,278)	(\$1,293)	(\$1,312)	(\$1,335)
Council Grant	\$210	\$270	\$305	\$458	\$515	\$614	\$629	\$1,779	\$1,790	\$1,802	\$1,818	\$1,836	\$1,859
Surplus (Deficit) Before Funding	(\$65)	(\$45)	(\$41)	(\$438)	(\$438)	(\$438)	(\$438)	\$524	\$524	\$524	\$524	\$524	\$524
Interest received (paid)	(\$60)	(\$43)	(\$35)	(\$51)	(\$51)	(\$50)	(\$50)	(\$1,309)	(\$1,298)	(\$1,285)	(\$1,271)	(\$1,256)	(\$1,240)
Surplus (Deficit)	(\$125)	(\$88)	(\$76)	(\$490)	(\$489)	(\$489)	(\$488)	(\$785)	(\$773)	(\$761)	(\$747)	(\$732)	(\$719)

■ On Going Support Required

To be viable the Trust will require ongoing support to cover the operating deficit and debt servicing.

- The operating deficit before depreciation, funding and Council support is forecast at \$400,000 to \$572,000 in initial years including the estimated operating deficit from the Aquatic Centre.
- Once the Indoor Sports facility, Gym, Sports med facility and the balance of the entry, concourse and parking/surrounds is added the the operating deficit before funding, depreciation and Council support is estimated to drop to \$323,000 (inflating), due to these facilities being positive financial contributors and the spreading of administration overhead over a larger operation.
- Based on a 30 year table loan repayment basis the funding required for debt interest and repayment would initially be low but would increase to an estimated \$1.46 million per annum after the new Indoor Sports facilities are added. This is higher than the base scenario due to the increased capital cost from staging the development.

This means that based on current estimates (excluding land, site related costs) the new stadium will need between \$0.46 million and \$0.63 million in the early years and \$1.78 million (inflating) post the indoor sports facilities' development in operational and debt servicing funding from Council per annum.

Council is currently providing approximately \$300,000 per annum operational funding support to the Ashburton Swimming Pool, therefore the new facility as currently proposed would be an increase of \$0.16 million to \$1.5 million per annum.

Based on a rates calculation model provided by the Ashburton District Council Chief Financial Officer the required support would add an additional \$8 to \$15 initially increasing to \$74 (inflating) once the Stadium is completed to an average household rates each year. This is subject to confirmation.

Funding Requirement \$000	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Aquatic Centre only developed Initially				Indoor Sport Facility added to complete the Stadium					
Total Revenue	\$673	\$655	\$636	\$655	\$1,400	\$1,442	\$1,485	\$1,530	\$1,575	\$1,623
Total Operating Costs	\$1,074	\$1,114	\$1,193	\$1,227	\$1,722	\$1,775	\$1,831	\$1,891	\$1,955	\$2,026
Contribution before Depn & Funding	(\$401)	(\$458)	(\$557)	(\$572)	(\$323)	(\$334)	(\$346)	(\$362)	(\$380)	(\$403)
Interest on Term Debt	\$51	\$51	\$50	\$50	\$1,309	\$1,298	\$1,285	\$1,271	\$1,256	\$1,240
	(\$452)	(\$509)	(\$607)	(\$622)	(\$1,632)	(\$1,631)	(\$1,631)	(\$1,633)	(\$1,636)	(\$1,644)
Debt Principal Repayment	\$6	\$6	\$7	\$7	\$147	\$158	\$171	\$185	\$200	\$216
Total Funding Required for Operations & Debt Servicing	(\$458)	(\$515)	(\$614)	(\$629)	(\$1,779)	(\$1,790)	(\$1,802)	(\$1,818)	(\$1,836)	(\$1,859)
Current Council Support (to Pool)	\$300	\$309	\$318	\$328	\$338	\$348	\$358	\$369	\$380	\$391
Incremental Funding Required	(\$158)	(\$206)	(\$296)	(\$301)	(\$1,441)	(\$1,442)	(\$1,444)	(\$1,449)	(\$1,456)	(\$1,468)
Estimate Impact on an average households rate per annum	\$8	\$11	\$15	\$15	\$74	\$74	\$74	\$74	\$75	\$75

Source - Deloitte estimates based on financial model and assumptions as disclosed and ADC Rates Impact Model

Summary

Based on the information provided and the assumptions noted in the letter and the earlier full report we estimate the key indicators of viability to be as follows:

Ashburton Stadium Trust			Staged		Staged	
Summary of Options	Full Stadium by 2010		Indoor Facilities First		Aquatic Centre First	
Aquatic Centre Completed	2010/11		2014/15		2010/11	
Indoor Sports Facilities Completed	2010/11		2010/11		2014/15	
Total Capital Cost \$000	\$32,890		\$36,920		\$37,016	
Key Financial Indicators \$000	2010/11	2014/15	2010/11	2014/15	2010/11	2014/15
Total Revenue	\$1,316	\$1,400	\$954	\$1,474	\$673	\$1,400
Total Operating Costs	\$1,483	\$1,728	\$1,398	\$1,661	\$1,074	\$1,722
Operating Contribution before Depn & Funding	(\$167)	(\$328)	(\$444)	(\$187)	(\$401)	(\$323)
Interest on Term Debt	\$1,008	\$968	\$150	\$1,326	\$51	\$1,309
Contribution before Depn	(\$1,175)	(\$1,296)	(\$594)	(\$1,513)	(\$452)	(\$1,632)
Incremental Funding Required from Council	(\$986)	(\$1,110)	(\$311)	(\$1,328)	(\$158)	(\$1,441)
Estimate Impact on an average households rate per annum	\$51	\$57	\$16	\$68	\$8	\$74

Source - Deloitte estimates based on financial model and assumptions as disclosed and ADC Rates Impact Model

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Rob McDonald
Associate Director