

4.1 Swimming Pools - Redevelopment Project - Stage One

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Delivery Program Community Facilities and Services

Objective To present the Council with redevelopment design proposals for the Ballina and Alstonville Swimming Pool complexes, and to seek endorsement to proceed with the projects.

Background

The Ballina and Alstonville swimming pools were constructed in the early 1970s. As the existing infrastructure is ageing, the operating costs are rapidly increasing. In 2011 the *Ballina Shire Council Aquatic Facilities Strategic Financial Discussion Paper* prepared by Council's Civil Services Group identified that much of the existing plant and equipment needs replacing, as it is nearing the end of its economic life.

In mid-2014 Council made application to the NSW Independent Pricing and Regulatory Tribunal (IPART) for a special rate variation to cover the cost of replacing/modernising pool infrastructure. This application was successful and Council has been authorised to apply a rate variation that, at the time of application, would enable the servicing of loan borrowings to fund the redevelopment.

Concurrent with the IPART application, the Council resolved to call expressions of interest for qualified consultants to undertake an assessment of the existing pool infrastructure, consult with our community and provide recommendations as to whether the range of facilities available at the swimming pools should be reduced, maintained or enhanced. In late 2014 Ridgemill Project Management was appointed as the successful applicant and the company's completed report is now provided for Council's consideration. A copy of the report is attached.

The report requirements as per the tender documents were:

- Assessment of the current state of pool complexes
- Undertake consultation with key stakeholders
- Understand the medium term demographic trends for Ballina Shire
- Identify contemporary trends for swimming complexes
- Understand and identify procurement options available to Council to provide best value outcomes to the community
- Conduct workshops with Councillors as required through the process
- Evaluate existing contractual relationships and impact of redevelopment
- Produce a Redevelopment Plan, for reporting to the Council, which includes as a minimum, the following elements:
 - Preferred aquatic facility mix for both swimming complexes
 - Preliminary concept and layout plans for the two facilities
 - Financial plans identifying both operating and capital estimates
 - A procurement plan identifying the preferred procurement processes and the timetable for implementation.

Additionally, Ridgemill has also been asked to provide projected revenue details for the Council's consideration.

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Key Issues

- Accurately capturing the community's preferences for each pool complex
- Matching design solutions within Council's projected capital and operating budgets
- Completing the consultation and design component of the project within a timeframe that would allow construction to begin before major maintenance works need to be undertaken at the pools.

Information

Detailed information pertaining to the community consultation and design selection process is contained within the attached report, however the primary elements of the final design recommendations for each pool complex can be summarised as follows:

Ballina

- Reconfiguration of the current site layout, including the levelling of the existing two terrace levels.
- Replacement and relocation of the existing amenities to the south west corner of the site to create a safer arrival for pool patrons, safer management of swimmers for lifeguards and the establishment of a commercial coffee shop space to maximise advantage of the spectacular river views and potentially provide additional income for Council. It will also assist in providing additional wind protection for swimmers.
- Replacement of the existing seven lane 50m cold water pool with a larger FINA compliant 50m x 25m heated pool, consisting of ten lanes at 2.5m. This new pool will allow competition swimming as well as 'across pool' playing of water polo games. This configuration enables lap swimming to continue in a 25m 'across pool' configuration at the same time and maximise pool usage. The new pool also includes a 25m access ramp to enable safe entry for persons with a disability.
- Replacement of the existing training pool with a 15m x 10m heated and enclosable Learn to Swim pool with beach entry. This pool will enable consistent all-weather learn to swim programs for children and rehabilitation exercise for people of all ages, as well as providing a safe swimming area for children.
- The replacement of the toddler's pool with a contemporary wet play area consisting of fountains, water cannon, slide etc.
- The replacement of the existing river front fencing with high quality transparent screening to provide wind protection and views of the river.
- The cost of this redevelopment is estimated at \$6.45 million +GST.

Alstonville

- Replacement of the existing pools in approximately the same locations as the current configuration on the property.
- As with the Ballina swimming pool, the replacement of the existing seven lane 50m pool with a larger FINA compliant 50m x 25m heated pool, consisting of ten lanes at 2.5m. The new pool will allow competition swimming as well as 'across pool' playing of water polo games. This configuration enables lap swimming to continue in a 25m 'across pool' configuration at the same time and maximise pool usage. The new pool

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also includes a 25m access ramp to enable safe entry for persons with a disability.

- As with the Ballina swimming pool, the replacement of the existing training pool with a 16m x 10m heated and enclosable Learn to Swim pool with beach entry. This pool will enable consistent all-weather learn to swim programs for children and rehabilitation exercise for people of all ages, as well as providing a safe swimming area for children.
- The replacement of the toddler's pool with a contemporary wet play area consisting of fountains, water cannon, slide etc.
- The cost of the redevelopment is estimated at \$4.95 million +GST.

Environmental considerations were front and centre at all times throughout the consultation process; where possible, sustainable choices have been selected for the redeveloped designs and, where practicable, will be carried through in delivery to achieve optimal environmental performance for the two facilities.

The desire from both communities and their combined key stakeholders to see the pools upgraded to larger, FINA compliant standards is heavily motivated by their desire to be able to secure regional, state and national swimming events in future. This has not been possible in the past. Should the Council endorse the recommended designs, and the associated swimming and water polo clubs are able to secure events such as these, then there will be significant additional positive economic outcomes for the Shire.

Legal / Resource / Financial Implications

There are no known legal issues relating to the redevelopment of the two pool complexes. The Alstonville Swimming Pool complex is located on Council-owned land and, as such, presents no obstacle to continuing operation.

The Ballina swimming pool site is located on Crown land reserved for the purpose of public recreation. Council is the appointed Reserve Trust Manager for this reserve. The continued operation of the pool on this land is consistent with the purpose of the reserve. There is a separate report within this business agenda which discusses tenure and management issues for the Ballina pool and the privately owned waterslide which operates on the same site.

Resources relating to continuing management of these redevelopment projects have already been allocated by the Council in previous budgets. No additional resources are required to continue the engagement of Ridgemill Pty Ltd to work with Council staff to oversee the remaining stages of the project.

The Financial Implications for the funding of the physical reconstruction represent the most significant consideration for the Council with regard to these projects.

Capital Cost

To enable the redevelopment of the two swimming pools, Council's successful special rate variation application enabled an increase capable of securing a loan amount of approximately \$8 million. This was based on securing the funds from the commercial market with interest rates at the time of approximately 7% over 15 years.

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Based on these presumptions an annual budget allocation of \$889,000 has been included across the Long Term Financial Plan to service the anticipated loan repayments over a 15 year period.

The current predicted cost of the redevelopment, as outlined in the attached report from Ridgemill, is \$11.4 million; including contingencies of 5% for design and 5% for construction.

Since the Council's original IPART application, interest rates have fallen. Council's Finance Manager predicts that were Council to seek funding from the commercial market now, or in the near future, an interest rate of approximately 5% would be more likely.

Calculating that Council's annual loan repayment allocation remains the same, this would result in the following 15 and 20 year loan options.

Table 1: Maximum loan amounts based on the current allocated repayment amounts and 5% interest.

Loan Amount	Interest Rate	Term / Years	Annual Repayment	Viable
\$9,330,000	5%	15	\$889,000	No
\$11,100,000	5%	20	\$889,000	No

As shown, neither of these options would be sufficient to fund the project at the current \$11.4m estimate. To meet the required funding amount annual budget allocations would need to be increased as follows:

Table 2: Approximate annual repayment amounts based on the estimated redevelopment cost at 5% interest.

Loan Amount	Interest Rate	Term / Years	Annual Repayment	Viable
\$11,400,000	5%	15	\$1,098,000 (+\$209,000)	No
\$11,400,000	5%	20	\$815,000 (+\$26,000)	No

The 5%, 20 year option, is only marginally above the budgeted loan repayments (\$26,000), albeit that the term is 20 years, as compared to 15 years in the LTFP.

No alternative internal funding source has been identified within existing pool budgets to accommodate this required increase to the LTFP budget allocations. Unless the Council requests the General Manager to secure these funds from outside of existing swimming pool operational budgets, then it is concluded that Council is unable to meet the costs for financing both the pool redevelopments (based on the preferred designs) through the commercial market.

An alternative funding option is that the IPART 'Fit for the Future' report determined that Ballina Shire Council is indeed 'Fit'. This now means that we are now able to access lower loan interest rates from the New South Wales Treasury Corporation (TCorp) financing. Refer to attachments two and three for the Minister's announcement and the guidelines.

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Indicative advice from TCorp suggests that Council will have access to loan funding at approximately 4% interest (or even slightly lower; 3.8%).

This lower interest rate on the projected redevelopment cost would result in the following annual repayments, in comparison to the current LTFF allocation of \$889,000:

Table 3: Approximate annual repayment amounts based on the estimated redevelopment cost at 4% interest.

Loan Amount	Interest Rate	Term / Years	Annual Repayment	Viable
\$11,400,000	4%	15	\$1,025,000 (+136,000)	No
\$11,400,000	4%	20	\$830,000 (-\$50,000)	Yes

A term of 18.3 years is the breakeven result (i.e. repayments of \$889,000 per annum) to the current LTFF.

Alternatively, the total possible loan amounts, based on maintaining the annual repayments at their current allocation, would be as follows:

Table 4: Maximum loan amount options available based on the current allocated repayment amounts and 4% interest.

Loan Amount	Interest Rate	Term / Years	Annual Repayment	Viable
\$9,900,000	4%	15	\$889,000	No
\$12,100,000	4%	20	\$889,000	Yes

As per these tables, Council could afford to finance the cost of redeveloping the pools to an amount of \$11.4 million, if given access to TCorp financing at a low rate of approximately 4% and extending the original intended borrowing term from 15 years to 20 years. Alternatively the budget would need to be maintained at \$9.9m if Council wishes to limit its loan term to 15 years.

It is reasonable to have a loan term of 20 years for this infrastructure, as the majority of the infrastructure would have at least a life of 20 years, although the attached report does mention that the pool liner may need replacing every 15 years. The estimated cost for that is \$170,000 (page 40 of 53).

TCorp has advised that we can apply for the funding now and draw the monies down later in the financial year, or roll any over to the following financial year. It is recommended that Council apply now for the funding as this will help to confirm our eligibility along with an indicative interest rate.

Finally whilst Ridgemill is confident of the cost estimate it has submitted, a clearer picture will be available when the tenders from construction companies are assessed. This process may dictate that compromises must be made to the preferred designs. A 10% contingency is not high at this early stage.

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The current net operating result for the swimming pools, excluding interest and depreciation, is as follows.

Table 5: Swimming Pools - Net Operating Results (\$)

Item	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 -estimate
Ballina Revenues	178,300	193,600	193,400	192,000
Alstonville Revenues	143,200	155,100	155,700	154,000
Sub Total	321,500	348,700	354,100	346,000
Ballina Operating Exps	349,700	393,200	319,600	377,700
Alstonville Oper Exps	379,500	395,000	370,900	394,600
Sub Total	729,200	788,200	690,500	772,300
Net Deficit	(407,700)	(439,500)	(336,400)	(426,300)

The major change in operating expenses for Ballina in 2014/15 relates to the manner in which wastewater charges were previously levied based on water consumption. As the high water use related to water loss, rather than water returning to the wastewater system, a credit was provided for the last two years. Otherwise revenues and expenses are relatively consistent in recent years.

In respect to the revised operating results following the redevelopment, pages 51 to 53 of attachment one have operating expense and revenue projections.

The operating expense (page 51) assumptions are forecasting approximate annual costs of \$390,000 per annum per pool. This is very similar to the current operating expense budgets although once maintenance allowances are included (currently not in the calculations on page 51) the net cost per pool could increase by \$25,000 if not more.

The income forecasts (pages 52 and 53) are close to \$170,000 above current levels. Whether these figures will be achieved may be questionable. If they are achieved the overall net operating result for the swimming pools (excluding interest and depreciation) should improve by around \$120,000 per annum. If these revenue forecasts are under by up to 23% the net operating result will be similar to the current budget, therefore there is some buffer in case the income forecasts are over optimistic.

Ideally we should be aiming to reduce operating expenses through the redevelopment, although additional or improved service levels will be provided at the pools and this often results in increased costs.

Consultation

Information pertaining to the consultation process and community feedback is contained within the attached report from Ridgemill Pty Ltd. Community engagement in relation to both the earlier special rate variation and the more recent concept designs for the respective pools has been comprehensive.

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Options

Information pertaining to the preliminary designs and costings is contained within the attached report from Ridgemill Pty Ltd. Mr Martin Cooper, a Director of Ridgemill, will be in attendance at the meeting for discussion with Councillors.

The options available to the Council are to proceed with one or both of the pool projects by moving into the detailed design phase and tender process, to defer these next steps pending further discussion and evaluation, review the project cost to meet the original 15 year time frame for loan funds, or not proceed with one or both projects.

The design and layout appear to be well supported therefore the real issue is the capital cost.

The preference is to retain the loan term at 15 years as per the adopted LTFP. However, as per Table 4, this only results in a loan borrowing of \$9.9m based on a TCorp interest rate of 4% (or \$9.3m on current commercial rates). Council needs to reduce the budget by \$1.5m to achieve that result.

Development option one for Ballina would achieve this result, with this option not providing for the entrance and amenities to be relocated. The report states as follows in respect to options two and three being preferred over option one:

Options 2 & 3 provide for a complete reconfiguration of the site which entails repositioning the entry and amenities building to the south west corner of the site. This position takes advantage of the views, gains better parking access for pool and presents a safer arrival point for pool patrons. Further, the location is immediately adjacent to the pedestrian / bicycle path and as such presents a very attractive opportunity for a food and beverage outlet eg. Caffee bar (page 28)

This option will provide improved parking access and amenities etc, and Councillors need to determine whether those benefits are justified by extending the loan term to 20 years (or possibly 18).

On balance the preferred option is to pursue the recommended development based on the longer loan term. If Council is going to redevelop the pools the project needs to be completed properly and the extending of a loan 15 years into the future is not going to impact significantly on Council's current financial viability.

The recommendation which follows is to proceed to the next stages for both projects.

Also the attachment identifies that both projects should be completed during the 2016 season closure, with that closure extended. Council's LTFP allows for this to occur as the full amount of the \$889,000 loan repayment is included in the 2016/17 forecast budget, along with \$439,000 in repayments for 2015/16. The \$439,000 may not be fully needed in 2015/16 depending on the project cash flow.

The recommendation also seeks approval to apply to TCorp for the loan funding as this will help to confirm the overall loan cost. Council will only need to draw on these funds when needed.

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RECOMMENDATIONS

1. That Council notes the contents of this report relating to the community engagement and preliminary design options associated with the proposed redevelopment of the Ballina and Alstonville Swimming Pools.
2. That Council endorses the attached report from Ridgemill Pty Ltd and approves the continuation of the redevelopment project to detailed design and tender, based on the recommended Option 2 (Revised) for the Ballina Swimming Pool and Option 1 (Revised) for the Alstonville Swimming Pool;
3. That Council retain the services of Ridgemill Pty Ltd as the Project Managers for Stage Two for both of the respective projects, being detailed design and contract supervision.
4. That Council submit an application to NSW Treasury Corporation (TCorp) to confirm whether the loan funding required (\$11.4m) is available from TCorp.
5. That a further report is presented to the Council to clarify funding options for both the pool redevelopment projects following the closing of the construction tenders.

Attachment(s)

1. Project Report for Redevelopment of Ballina and Alstonville Pool Complexes prepared by Ridgemill. (Under separate cover)
2. Media Release from Minister for Local Government - Open for business: Borrowing Facility for NSW Councils
3. NSW Treasury Corporation - Loan Facilities for Local Councils Guidelines