

Funding Briefing Note – dated 27 August 2024

Please find attached the current funding mapping and cost comparison

1. Contractual Process to Refine Pricing

A review of the estimated Trade Packages and costs to complete have been undertaken. Several findings are presented to help assist in the “Notice to Proceed” Determination for elected members to make.

As per the approved 2 stage contract entered by the Town of Victoria Park and PS Structures, the initial trade pricing provided and updated regularly by Rawlinsons is replaced by competitively tendered and priced packages. This is to meet a number of key objectives which include:

- Meeting our Procurement obligations
- De-risk the packages through a design review process in which the Town as the Principal is involved
- Ensure that all pricing is competitively bid,
- Provide a real market driven pricing based on a cost to undertaken the works.

The most conclusive method of determining a construction cost is to essentially have it priced by the market in an open and competitive process. This is being undertaken with clear open book arrangements on the tenders received by PS Structures

2. Current Funding Sources

Town Contribution

Reserve - \$5,000,000

Secured Funding

Federal Government - \$4,000,000

State Government Initial - \$4,000,000

State Government Additional - \$6,000,000

West Coast Eagles - \$1,000,000

WA Football Commission, \$200,000

Total Current Funding \$20,200,000

3. Cost Estimates

| Stage | Budget | Cost | Gap |
|---|------------------|------------------|-----------------|
| Business Case Option 2A | \$14.200m | \$18.376m | \$4.126m |
| Business Plan | \$14.200m | \$23.800m | \$9.800m |
| Additional Funding | \$6.00m | | |
| Interest earned on Grants and Reserve (as of Oct 24) | \$0.220m | | |
| Current Pricing | \$20.420m | \$25.220m | \$4.800m |

Table 1

4. Possible Funding Options :

Option 1 - Loan from WATC

As at 27/06/2024 interest rates for loan amounts were provided.

7 years – 4.8030% p.a.

10 years – 4.9721% p.a.

15 years – 5.4132% p.a.

20 years – 5.2188% p.a.

Currently the Town has around \$12.4 million in outstanding loans. In the budget there is approval to take a \$2.2 million loan out for the Edward Millen project. Additionally next financial year the Town will require an additional loan for the TUPP underground power project which is estimated at \$11.25 million.

Due to the high interest rates and the expected loans that are to be taken out in the future it is not recommended to take out an additional loan for the funding gap.

Option 2 - Reserve Funded

The future fund reserve could be used to fund the remaining funding gap. The purpose of this reserve is to assist the funding initiatives and purchases that diversify the revenue streams of Council. This project satisfies the use of this reserve and will provide an additional revenue stream.

In the annual budget for 2024/25 the expected closing balance of the future fund will be \$14 million. Noting that this balance will increase from additional dividends from Catalina Regional Council and from a prior internal loan agreement, an additional \$4.25 million will be transferred to the future fund reserve over a seven-year period.

At this stage there have not been any new initiatives listed for this reserve or planned in the near future.

In addition, there could be a prioritisation on possible surpluses at the post year end or mid-year budget reviews, to be sent to the future fund reserve to offset the amount taken from this reserve.

This option is recommended as it fits the current purpose of the reserve which will see an additional revenue stream for the Town.

Option 3 - Loan from Reserve

An internal loan from the future fund reserve could be used to fund the remaining funding gap. This method has been previously approved by council to help manage cash flow of large payments.

The remaining gap of this project would be funded by the future fund reserve, then transfers to reserves are made over a period of time back to the future fund to pay the total back in full. It would be recommended that the amount transferred to reserve would be the estimated change in the Town's position post construction.

In addition, there could be a prioritisation on possible surpluses at the post year end or mid-year budget reviews, to be sent to the future fund reserve to offset the internal loan amount.

5. Cash Flow and expenditure review

The upfront delivery of a number of milestone payments represents an opportunity to examine the drawdown of the existing funds. A s-curve of expected expenditure has been provided by the Quantity Surveyor to examine the likely timing in which additional Municipal or other funds, over and above the current funding to hand, would be required.

Based on this expenditure profile the additional funding is not required until the next financial year. Additionally the grants would accumulate a total of approximately \$200-\$300k additional interest whilst the funds were drawn down.

6. Revenue Modelling and recouping of additional funds

An analysis of the differential revenue from the future lease against the current arrangement of providing \$50,000 per annum to Perth Football Club has been undertaken and shown in Table 2.

Figures don't include an costs savings associated with maintenance of the building or income from the potential development site and the proposed community centre. Number of years for Town to recoup the funding gap and net profit position after lease agreement finishes.

Scenario \$4.7million funding gap - 17 years and \$1.32m net profit.

The creation of the development site will be subject to a further examination in line with the scenarios in the approved Business Plan

| Years | Rental amount with current proposed increase provision | Saving on contribution currently being paid to PFC | Change in net position | Scenario 1 |
|-------|--|--|------------------------|--------------|
| 1 | \$186,900 | \$50,000 | \$236,900 | \$4,463,100 |
| 2 | \$192,507 | \$50,000 | \$242,507 | \$4,220,593 |
| 3 | \$198,282 | \$50,000 | \$248,282 | \$3,972,311 |
| 4 | \$204,231 | \$50,000 | \$254,231 | \$3,718,080 |
| 5 | \$210,358 | \$50,000 | \$260,358 | \$3,457,722 |
| 6 | \$216,668 | \$50,000 | \$266,668 | \$3,191,054 |
| 7 | \$223,168 | \$50,000 | \$273,168 | \$2,917,886 |
| 8 | \$229,863 | \$50,000 | \$279,863 | \$2,638,023 |
| 9 | \$236,759 | \$50,000 | \$286,759 | \$2,351,264 |
| 10 | \$243,862 | \$50,000 | \$293,862 | \$2,057,402 |
| 11 | \$251,178 | \$50,000 | \$301,178 | \$1,756,224 |
| 12 | \$258,713 | \$50,000 | \$308,713 | \$1,447,511 |
| 13 | \$266,475 | \$50,000 | \$316,475 | \$1,131,036 |
| 14 | \$274,469 | \$50,000 | \$324,469 | \$806,567 |
| 15 | \$282,703 | \$50,000 | \$332,703 | \$473,864 |
| 16 | \$291,184 | \$50,000 | \$341,184 | \$132,680 |
| 17 | \$299,920 | \$50,000 | \$349,920 | -\$217,240 |
| 18 | \$308,917 | \$50,000 | \$358,917 | -\$576,157 |
| 19 | \$318,185 | \$50,000 | \$368,185 | -\$944,342 |
| 20 | \$327,730 | \$50,000 | \$377,730 | -\$1,322,072 |

Table 2

7. Other Potential Funding Sources

Play Our Way Federal Grant

The Town has been recently advised that it is eligible to apply for the second round of the Play our Way Grants – which essentially means the Town has progressed from an expression of interest to the ability to complete an application for grant funding. The current indicative timing on the outcomes of this, noting that it is highly competitive with relatively small pool of funds for the facilities stream, would be early 2025.

LotteryWest Community Centre Fit-out Grant

As per the approved business case option (2 A) the Town is still requiring additional funding to complete the fit out of the Community Room.

The proposed approach which has been discussed at a high level with Lotterywest is that the community centre fit out could be the basis of a Lotterywest grant application which would fund approximately \$1.7million of this additional expenditure.

The discussion noted that the Town progressing with the project would be a key consideration given the very competitive process by which the Lotterywest allocation of funds can be distributed to the most worthy projects.