Kingston District Council

Maria Creek Business Case

Final Report

February 2021

BUSINESS • RESOURCE • MANAGEMENT

BRM Advisory

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Kingston District Council (KDC) operates and maintains a number of coastal assets these include the Maria Creek Boat Launching Facility, the Kingston Jetty and the Cape Jaffa Anchorage. These assets are important community infrastructure which support tourism and add to the broader economy.

KDC has a number of significant and costly coastal management challenges at Maria Creek and on the broader coastline. The Maria Creek facility is highly susceptible to the build-up of sand and seagrass which, until recently, have been managed with dredging and earthwork campaigns to keep the boat launching facility open. These campaigns have proven to be extremely challenging and costly and the Maria Creek Boat Launching Facility was closed in 2019. KDC recognises the importance of the Maria Creek recreational boating facility and engaged Wavelength Consulting to find a long-term more financially sustainable solution.

Working with the Maria Creek Sustainable Infrastructure Project 'Community Focus Group', Wavelength examined and consulted on a wide range of options before identifying a Hybrid concept costing $7.6 million comprised of 60m southern breakwater extension, 250m breakwater repairs, 300,000m^3 dredging (southern side) and 52,500m^3 dredging (channel).

The community have expressed strong support for the retention of the Maria Creek facility citing concerns that the permanent closure will have a significant negative impact on the local economy and on tourism in particular. However, there is also a strong sentiment that a Jetty was more important than a boat ramp to encouraging tourism.

While anecdotally there is a view that fewer people are visiting Kingston the caravan park has traded at levels higher than prior to the closure, apart from a three month period that correlates with the onset of the COVID-19 pandemic. Further, the local real estate market continues to be extremely buoyant with demand continuing to exceed supply in the property market. That is not to say the closure has not impacted businesses it certainly has impacted those focussed on boating and fishing and if Maria Creek stays closed it is highly likely that those businesses will be lost from Kingston.

In 2018-219 tourism and hospitality sales in the Kingston District Council area was valued at $5.3 million, with the total value added being $2.4 million. According to the South Australian Tourism Commission, fishing is identified as a Domestic Visitor Activity by 8% of those visiting the Limestone Coast. If the same percentage of Domestic Visitors to the Limestone Coast who identified 'fishing' as an activity are attracted to Kingston this equates to $0.616 million in tourism and hospitality sales which may be at risk, although not all those who identify fishing as an activity are attracted by boating related fishing.

This concept would add $9.605 million to the KDC operating cost base over the 10 year life of the Long Term Financial Plan if no grant funds are received, $8.866 million if 50% of the Project cost is covered by a government grant and $8.127 million of all Project costs are grant funded. This equates to an average increase in the Council's budgeted operating cost base of 9.3%, 8.7% and 8.1% respectively.

For Kingston to remain financially sustainable this cost will need to be met either by reducing costs or other services or by raising income from Council rates. Over the life of the Project an average increase in income from Council rates of between 18% and 15% would be needed depending on whether government grant funding was secured. The impact over the next 10 years is even higher due to the higher interest repayments required in the early years of a loan. The direct income raised from Maria Creek is less than 3.0% of the additional costs of operation.

Council is faced with an unenviable choice. A boat ramp at Maria Creek funded by a significant increase in income from Council rates; or the loss of some boating related tourism activity accompanied by the potential for a decline in the local economy.

Before factoring in the risks of increased Project construction costs or the potential for higher interest rates, it is clear that the reinstatement of the Maria Creek Boat Launching Facility will have a significant detrimental impact on Council's financial sustainability without an increase in Council rates or a reduction in other services to reduce costs to fund the increase in cost base.

This level of financial commitment required under all scenarios may be viewed by many as creating an unreasonable burden on ratepayers overall, in our view Council should only proceed with this Project if it confident that the ratepayers as a whole are willing to pay to meet the on-going cost of this service.

If the Council chooses not to proceed with the Project then to address the concerns of the business community Council should takes pro-active steps to invest in attracting tourists and visitors to extend the tourism season. The Jetty may well be central to this and at a much lower cost to the community, the Wavelength Concept Study has identified the option of the removal or partial removal of breakwaters to restore the Jetty shoreline over time.

1. BACKGROUND

The Kingston District Council (KDC) located approximately 300km to the south-east of Adelaide, South Australia, operates and maintains a number of coastal assets including the Maria Creek Boat Launching Facility (a recreational boating facility), the Kingston Jetty (Jetty) and the Cape Jaffa Anchorage (Cape Jaffa).

1.1 Maria Creek Boat Ramp

The Maria Creek boat ramp is located within the downstream reaches of Maria Creek. The existing facility consists of a 'four lane' boat ramp with floating pontoons and the entrance is protected by two rock armoured breakwater structures. The original facility was constructed in 1997 and upgraded in 2002. Upgrades since the original construction have included widening and deepening of the entrance channel, a new boat ramp and pontoons and extensions to the breakwater structures. These upgrades have encouraged local boat owners to upgrade to larger boats that cannot easily be launched and retrieved from the beach.

1.2 Kingston Jetty

The Kingston Jetty was constructed in 1876 and has been rebuilt a number of times after large storm events have damaged the structure. The jetty is primarily used by the public as a promenading jetty, as well as a fishing and swimming platform. The jetty is an asset held under a lease agreement with the State Government. It is widely acknowledged that the jetty is considered an important coastal asset to the community and Council.

1.3 Cape Jaffa Anchorage

Cape Jaffa Anchorage is a marina comprising a residential subdivision, commercial fishing fleet and four lane boat ramp (classified as service level 4), located approximately 20km south-west of Maria Creek and was constructed between 2007 and 2008. The harbour consists of two breakwater structures protecting an entrance channel and dredged harbour area. Approximately 290,000 m^3 of sediment has been bypassed from the western beach and channel onto the eastern beach at Cape Jaffa between 2008 and the end of 2019. A recent review of sand accumulation and bypassing volumes suggests sand volumes in the order of 47,000 m^3 have accumulated on the western beach each year since 2008. KDC are actively managing the sand accumulation at Cape Jaffa with a Damen CSD350 dredge as a result of contractual obligations under existing development agreements.

1.4 In recent years, there has been an increase in coastal management challenges at Maria Creek and on the broader coastline. These challenges exacerbated the need for KDC to undertake significant dredging and earthwork campaigns at Maria Creek in an attempt to keep the boat launching facility open and navigable. However, this proved to be extremely challenging and costly and the Maria Creek Boat Launching Facility was closed in 2019.

1.5 KDC acknowledged that the short-term solutions being employed to maintain the Maria Creek recreational boating facility were not sustainable and proceeded to focus on providing a long-term solution that is more financially sustainable by identifying an affordable capital solution. Wavelength Consulting Pty Ltd (Wavelength) were engaged to undertake a detailed assessment and numerical wave and hydrodynamic modelling of the Maria Creek area, considering the impacts of recent wrack and sand accumulations on key assets to find a financially sustainable solution.

2. THE WAVELENGTH CONCEPT STUDY

2.1 The objective of finding a financially sustainable solution was progressed by engaging Wavelength to deliver Stage 1 of the Maria Creek Sustainable Infrastructure Project, which considered a wider set of key criteria set by KDC, being to:

2.1.1 provide a boat launching facility during peak times (October to May) that is financially sustainable (low maintenance) through an affordable capital solution.

2.1.2 provide a jetty that services the needs of community and visitors.

2.1.3 create an opportunity to activate open spaces and facilities, specifically the area between the jetty and breakwaters.

2.1.4 consider the effects of natural processes and the coastal environment.

2.2 In undertaking the Concept Study, the approach employed by Wavelength was to:

- Identify existing data and review previous studies investigating the boat ramp and coastal processes in the study area.
- Undertake community consultation to identify key asset values and impacts, as well as potential concept options for investigation.
- Develop conceptual understanding of key coastal processes and drivers through wave and hydrodynamic modelling.
- Develop concept options and review them against the criteria.
- Consider and recommend best practice coastal management for the study area and pathway forward for Maria Creek.

2.3 The Concept Study assumes that there is no change to existing coastal management practices (such as dredging operations at Cape Jaffa and erosion protection strategies at Wyomi Beach) and notes that any changes to the coastline or coastal management would have a subsequent impact at Maria Creek. The background review and findings are presented in the Maria Creek Sustainable Infrastructure Project Concept Study (Wavelength, July 2020).

2.4 Wavelength developed several concepts to reinstate the boat ramp following significant sand and wrack accumulation within the creek (wrack is the term used to describe detached marine macroalgae, seagrass and other marine detritus that may be found floating, mobile on the seabed, or accumulated in sheltered areas).

2.5 The Concept Study identified three key concepts for further modelling and cost development. In each of these concepts, an additional cost to return the shoreline to its 2012 alignment in support of amenity at the Kingston Jetty was also considered in line with the key objectives of the Concept Study.

2.6 In addition, tw0 additional concepts were considered, these were the option of Removing the Breakwaters (Concept 4) and the 'Do nothing' scenario.

2.7 Each of these concepts are summarised below.

Concept 1 – On-going management with large capital dredging campaign

Key elements

No structural change.

300,000m^3 dredging (southern side).

32,500m^3 dredging (channel)

250m southern breakwater repairs

Ineffective change to management of sand/seagrass

Financials

Capital cost: $6.0m

Ongoing annual maintenance cost: $0.505m

25 Year NPV (Net Present Value) cost: $13.8m

Additional cost to reduce shoreline (jetty): $1.8m

Total 25 year NPV cost $15.6m

Concept 2 – Extend breakwaters

Key elements

310m breakwater extensions

80m breakwater removal

150m breakwater repairs

100,000m^3 dredging (southern side)

35,000m^3 dredging (channel)

Ineffective change to management of sand

Effective to minimize management of seagrass

Financials

Capital cost: $10.9m

Ongoing annual maintenance cost: $0.430m

25 Year NPV (Net Present Value) cost: $17.6m

Additional cost to reduce shoreline (jetty): $3.4m

Total 25 year NPV cost $21.0m

Concept 3 – Narrow entrance channel

Key elements

7m (approx.) increase to breakwater width

250m breakwater repairs

300,000m^3 dredging (southern side)

31,500m^3 dredging (channel)

Ineffective change to management of sand/seagrass

Financials

Capital cost: $6.6m

Ongoing annual maintenance cost: $0.505m

25 Year NPV (Net Present Value) cost: $14.4m

Additional cost to reduce shoreline (jetty): $1.8m

Total 25 year NPV cost $16.2m

Concept 4 – Remove breakwater

Key elements

Remove 150m of northern breakwater

Remove 240m of southern breakwater

Shoreline change (sand mobilization/reduction) over time

5,000m^3 annual dredging to ensure creek/drain flows

Financials

Capital cost: $2.4m

Ongoing annual maintenance cost: $0.023m

Additional cost to reduce shoreline (jetty): $n/a

Total 25 year NPV cost $2.7m

Further detailed modelling and investigation was if this concept option was to be progressed. These could investigate the likely shoreline change if a lesser portion of the breakwater/s were removed (e.g. 80m of the southern breakwater to the 'elbow').

Concept 5 – Do nothing

Key elements

No change or repairs to breakwater structures

Shoreline change (sand accumulation) over time

5,000m^3 annual dredging to ensure creek/drain flows

Financials

Capital cost: $n/a

Ongoing annual maintenance cost: $0.023m

25 Year NPV (Net Present Value) cost: $0.3m

Additional cost to reduce shoreline (jetty): $n/a

Total 25 year NPV cost $0.3m

Concept 5 was considered to understand the effect on the shoreline, and particularly of the Kingston Jetty, in the event no ongoing management or structural change was pursued.

The shoreline will continue to widen under this concept, meaning more of the Jetty will be inundated with sand and ongoing minor costs to ensure creek/drain flows.

2.8 The Wavelength Concept Study found that no concept had been identified that met all four of the criteria nominated by KDC, with none of the concepts meeting Criteria 1.

2.9 All concepts that provide a boat launching facility with high levels of service come with significant capital expenditure and do not substantially reduce maintenance costs.

2.10 Of the three concepts to maintain the existing facility, no structural change to the design of the breakwaters will reduce the sand management requirements within Maria Creek.

2.11 Of the three concepts to maintain the existing facility, only Concept 2 (breakwater extensions) has the potential to reduce the wrack management requirements within Maria Creek.

2.12 The on-going sand management for all Maria Creek concepts includes:

- A significant capital dredging campaign to provide at least a 100m buffer at the southern breakwater. This aims to disconnect the formation of the sand bar, which is the key driver of sediment accumulation in the entrance channel and boat ramp.
- A dredge campaign within the creek to return navigable depths to the entrance channel and boat ramp.
- Annual sand bypassing of at least 30,000m^3/year to maintain the 100m buffer and prevent reformation of the sand bar across the creek entrance.

2.13 After considerable community consultation through the Maria Creek Community Focus Group on the Wavelength Concept Study, an additional concept option was requested to be modelled within the previously developed wave and hydrodynamic models. The outcomes and effectiveness of this 'hybrid concept' was provided through a Technical Note issued by Wavelength.

Hybrid Concept

Key elements

60m southern breakwater extension

250m breakwater repairs

300,000m^3 dredging (southern side)

52,500m^3 dredging (channel)

Ineffective change to management of sand/seagrass

Financials

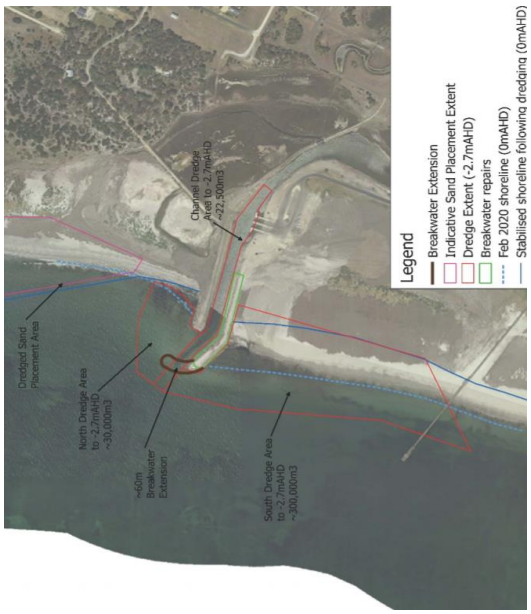
Capital cost: $7.6m

Ongoing annual maintenance cost: $0.434m

25 Year NPV (Net Present Value) cost: $14.4m

Additional cost to reduce shoreline (jetty): $1.8m

Total 25 year NPV cost $16.2m



2.14 Concepts 1,2,3 and the Hybrid options will require additional expenditure of $1.8 million to reduce the shoreline (Jetty) to the pre-2012 alignment, this has been excluded from the comparison in Table One and the financial analysis.

Table One: Financial Summary of Concepts

	NPV	Capital cost	Maintenance cost
Concept 1 – On-going management	$13.8m	$6.0m	$0.505m
Concept 2 – Extend breakwaters	$17.6m	$10.9m	$0.403m
Concept 3 – Narrow entrance	$14.4m	$6.6m	$0.505m
Concept 4 - Remove breakwaters	$2.7m	$2.4m	$0.022m
Concept 5 - Do nothing	$0.3m	$n/a	$0.022m
Hybrid	$14.4m	$7.6m	$0.434m

Source: Wavelength Consulting

2.15 It is worthwhile observing that the Wavelength Concept Study said the following.

"Considering KDC's criteria, and applying some judgement to further refine the options within Pathway 2, Wavelength recommends the following for further consideration by KDC:

- Remove the seaward extension of the Maria Creek southern breakwater to reduce southern beach widths and improve jetty and foreshore amenity.
- Develop an informal 'over the beach' boat ramp at Johnston Street. A temporary ramp should be trialled if residents are having difficulty with beach conditions over the peak use period.
- Keep Maria Creek open for environmental purposes and to manage flood levels in the creek.

The works above have a combined cost of ~$1.5M (NPV)."

2.16 If the Wavelength recommendation was pursued this would be an acceptance that the Maria Creek Boat Launching Facility is no longer usable and supports the partial removal of the southern breakwater to allow for some initial natural mobilisation of sand accumulation to provide for improved amenity at the Kingston Jetty.

3. COMMUNITY PERSPECTIVE

3.1 Concept Study Engagement

Stakeholder engagement was undertaken as part of the Wavelength consultation process to inform the Maria Creek Concept Study, the key findings are shown verbatim below.

3.1.1 Great concern regarding the longer-term impact closing Maria Creek boat ramp will have on the town:

3.1.1.1 Town depends on tourism, many noting that a number of local businesses, commercial and residential properties for sale since the boat ramp has been closed.

3.1.1.2 One member noting that whilst the cost of keeping the facility open is being investigated also need to look at the financial impact to the town whilst the facility has been closed. (e.g. the impact on local businesses of not having the annual fishing competition).

3.1.1.3 President of the Upper SE Rec Fishing group noting that memberships are down from 300 to 130 as a result of Maria Creek being closed.

3.1.1.4 Community members who have chosen to retire in Kingston for recreational fishing no longer can benefit from safe and convenient launching facilities.

3.1.1.5 One community member noting a concern if businesses continue to close and people move away there is a potential risk of the hospital closing.

3.1.1.6 "Rate payers are happy to pay higher boat ramp fees for a facility that works".

3.1.1.7 The facility is also missing a cleaning station, lighting, toilets and channel markers.

3.1.2 Whilst beach launch is an option, beaches are quite soft and present a safety risk, particularly for unexperienced users and those with larger boats.

3.1.3 Maria Creek is preferred over Cape Jaffa due to the less 'friendly' waters, fuel costs and general inconvenience associated with Cape Jaffa.

3.1.4 Some community members saw priorities beyond the function of Maria Creek as a boating facility.

3.1.4.1 The jetty is important to the town and needs to be maintained. More specifically, sand should be removed to restore its function and the structural condition of the Jetty is an issue that needs attention.

3.1.4.2 If Maria Creek is not maintained this presents an environmental and flooding risk upstream.

3.1.4.3 Financial considerations are important e.g. "Really important to seek a low maintenance cost solution so ratepayers aren't impacted, priority is a financially sustainable solution".

3.1.4.4 Council should address environmental management and rezoning opportunities between Maria Creek and Blackford Drain.

3.1.4.5 Some believe that Maria Creek is not an optimal location for a boating facility e.g. "The Boat ramp was built in the wrong spot, should never have been built in the creek".

3.1.4.6 Other tourism opportunities exist outside of boating, if shorebirds and migrating seabirds were prioritised this would create tourist interest.

3.2 Other engagement

3.2.1 KDC has encouraged the community to express their views on the effects the closure of the Boat Ramp has had on local businesses.

3.2.2 The range of impacts of the closure have included the following.

3.2.2.1 Decreased trading opportunities for local businesses as visitors select Robe as their destination for accommodation so they can launch their vessels.

3.2.2.2 Decline in retail trade, however it should be noted that this was not across the board.

(a) One business reported that six years ago retail activity comprised 80% of their turnover and this had declined over time to 20% which had caused them to change their business and service offering. Over this period turnover had declined by over 16%.

(b) Another business reported that turnover had declined in the years when the boat ramp was closed and the number of staff employed had decreased by 1.5 FTE.

(c) Other businesses reported little or no impact on retail trade.

3.2.2.3 Fewer employment opportunities for younger, unskilled and semi-skilled people.

3.2.2.4 Increased concentration of boating activity around the Coorong National Park and Robe coastal areas.

3.2.2.5 Loss of visitor experience.

3.2.2.6 Reduction in the membership of the recreational fishers group, many of who were boat owners who visited the town specifically for fishing activities.

3.2.2.7 Residents relocated to other areas such as Robe.

3.2.3 There is also a perceived lack of clarity in the community over why the dredge at Cape Jaffa cannot be used at Maria Creek, particularly given the perceived view expressed on more than one occasion that it was purchased to service both Cape Jaffa and Maria Creek. This view appears to persist notwithstanding the subject was addressed in the Frequently Asked Questions published in July 2020 which said:

"The Damen dredge currently at Cape Jaffa was originally funded by equal contribution to the purchase by Cape Jaffa Development Company (CJDC) and Council. This dredge was purchased under legal agreement to address the backlog of sand management at the Cape Jaffa facility. The dredge is committed to the Cape Jaffa facility until a sustainable position is reached, as required under legal agreement. It is anticipated that the sustainable position is unlikely to be reached in the foreseeable future."

3.3 Community Focus Group

3.3.1 KDC is conscious of the impact the closure of the Maria Creek facility has had on the community and has been consulting with a targeted Community Focus Group on the closure and the detail of the Wavelength Concept Study.

3.3.2 The Community Focus Group is comprised of a number of key stakeholders. The membership is shown at Attachment One.

3.3.3 This Community Focus Group has met regularly and has considered a number of alternate proposals which have been put forward by community members and it has also considered, in detail, the possibility of providing a boat launching facility at an alternate location within Kingston.

3.3.4 After significant analysis, the Community Focus Group has determined that any alternate location will provide an inferior offering for a comparable investment and as a result, the preferred pathway is for reinstatement of the existing Maria Creek Boat Launching Facility.

4. THE PROJECT

4.1 The preferred reinstatement option for the existing Maria Creek Boat Launching Facility includes the following works which are based on the hybrid concept.

1. Southern breakwater

   Repairs and upgrades to the southern breakwater based on Concept 1 approach in Wavelength (2020) and an approximate 60m extension of the southern breakwater. Cross-section based on Concept 2 extension presented in Wavelength (2020).

2. Capital dredging within three main areas below, with a combined total volume of ~353,000m^3 (in-situ):

   - South Dredge Area: 300,000 m^3 dredge volume to increase the southern breakwater buffer on the southern beach.
   - Channel Dredge Area: 22,500 m^3 dredge volume within the creek and adjacent entrance channel (width of 20m).
   - North Dredge Area: a 30,000 m^3 dredging campaign to increase the northern breakwater buffer.
   - All three areas dredged to a navigable depth of -2.7mAHD

3. Placement of the dredged/excavated material on the northern side of the northern breakwater above the 0mAHD contour to a +2mAHD contour.

4.2 The capital cost of the works has been estimated by Wavelength to be $7.637 million.

4.3 The on-going maintenance required is a minimum of 30,000m^3 - 50,000m^3 sand bypassing annually and a minimum of 17,000m^3 'in situ' sand / wrack removal annually at an estimated cost of $0.434 million per annum.

4.4 The works exclude the additional expenditure estimated to have a NPV of $1.8 million which are required to reduce the shoreline (Jetty) to the pre-2012 alignment.

5. FINANCIAL IMPACT OF PROJECT

5.1 Financial Arrangements

5.1.1 By way of context the KDC capital works program budget for 2020/21 is $1.887 million (net of funding). At $7.600 million the estimated Project cost is more than four times larger than the entire annual capital works budget. As a consequence, KDC is seeking government grant funding to undertake the Project.

5.1.2 KDC had debt of $4.306 million as at 30 June 2020 and Cash and Cash Equivalent Assets of $3.437 million (part of which relates to the receipt of grants in advance), as a result the Net Financial Liabilities Ratio is (27)% after adjusting for the grants received in advance compared to the KDC target of greater than 0% and less than 100%. It should be noted that as at 31 December 2020 the Net Financial Liabilities Ratio had reduced to (2.8)%.

5.1.3 This negative Net Financial Liabilities Ratio shows, Council has more cash and financial assets in bank than is owed in borrowings and means that KDC has the financial capacity to borrow to fund the Project works, however it must also be able to demonstrate the capacity to repay these borrowings which is more problematic.

5.1.4 KDC would ideally seek to secure 50% of the Project capital cost ($3.818 million) in grant funding to support undertaking the Project. The availability of grant funding is dependant upon the programs and priorities of the government of the day and is often highly competitive and may not be able to be confirmed in advance. For completeness we have also included a scenario where KDC secured grant funding equal to 100% of the Project costs.

5.2 Revenue projections

5.2.1 The Project will generate direct revenue for KDC from boat ramp fees. These are drawn from two sources, Annual Permits and Daily Launching Permits. In FY2019 the income generated from these sources was $27,868 which was derived as follows:

5.2.1.1 The Annual Permit costs $100 and can be used at both the Maria Creek and Cape Jaffa facilities.

5.2.1.2 In FY2020 there were 211 permits issued however up to 11 December 2020 this had declined to 138, a drop of 34.6%.

5.2.1.3 The cost of Daily launching permits is $10.

5.2.1.4 In FY2019 there were 637 daily launching permits purchased for Maria Creek and a further 386 purchased for Cape Jaffa, which is 62.3% and 37.7% respectively.

5.2.2 For the purpose of the Business Case revenue has been based on the same number of Annual Permits and a 10% increase in Daily Permits (700 per annum), the revenue has allocated on the same percentage basis. Revenue is therefore estimated to be $20,145 per annum.

5.3 Recurrent and Whole of Life Costs

5.3.1 Sand by-passing and wrack management

5.3.1.1 Sand will continue to accumulate on the southern beach (south of the breakwaters) and will not naturally bypass the entrance, therefore, a minimum annual sand bypassing of 30,000 m^3/year (up to 50,000 m^3/year) has been estimated as required to keep the entrance channel navigable and maintain the reduced beach width on the southern side.

5.3.1.2 A wrack volume of 10,000 m^3 has also been estimated to accumulate within the creek each year (although this is likely to vary depending on the combination of events experienced each year).

5.3.1.3 The combined annual cost of these activities has been estimated at $0.434 million.

5.3.2 Breakwater maintenance

5.3.2.1 The breakwaters have been designed to have a 25 year useful life.

5.3.2.2 Provisions have been made for repairs for settlement of rock armour and storm damage, these are nominally included in years 10 and 20 and is assumed to cost $0.183 million each.

5.3.3 Depreciation

5.3.3.1 The repairs (capital renewal) and upgrades to the southern breakwater are estimated to cost $4.817 million, this expenditure will create an asset which will add to the depreciation expense for the Marine Structures asset class.

5.3.3.2 The breakwaters are depreciated over the 25 year design life resulting in an increase in the annual depreciation charge of $192,664.

5.3.3.3 The remaining Project cost relates to the dredging program which is not capital in nature and will not be depreciated. This is estimated to cost $2.820 million and will be classified as an operating cost in the year the expenditure occurs.

5.3.3.4 Further, Wavelength has estimated that additional amounts totalling $1.920 million (equating to a NPV of $1.8 million) would need to be expended in the four years following completion of the Project works to reduce the Jetty beach width to the approximate 2012 alignment. This expenditure has been excluded from the financial analysis although it must be noted that it would have a negative impact on Council's financial position and adopted financial ratios.

5.3.4 Interest

5.3.4.1 KDC will need to borrow to undertake the Project.

5.3.4.2 To provide inter-generational equity the Project is likely to be funded on a credit foncier basis which is a fixed rate interest loan repaid with equal instalments of principal and interest for the term of the loan. The term of the loan is typically set to reflect the useful life of the assets being financed however the longest term offered by the Local Government Finance Authority (LGFA) is 20 years and the current interest rate is 2.95%.

5.3.4.3 The maximum indicative interest cost of the Project is therefore $2.357 million (which is $0.117 million per annum over the term of the loan or $0.094 million averaged over the useful life of the Project). The annual impact of loan interest is higher in the earlier years of a loan than in later years due to the higher outstanding loan balance). If KDC secured a grant for 50% of the Project cost this expenditure would be halved and no interest cost would be incurred if the Project was 100% grant funded.

5.3.5 The indicative recurrent costs are summarised in Table Two, collectively they represent an increase of 9.3% (without any grant funding) and 8.7% (with 50% grant funding) to the current KDC cost base which is budgeted at $7.565 million (excluding the one-off dredging cost).

Table Two: Recurrent costs

Item	Council Funded ($)	50% Grant Funded	100% Grant Funded
Sand by-passing and wrack management	433,500	433,500	433,500
Depreciation	192,700	192,700	192,700
Indicative Average Interest[1]	94,300	47,100	0
Total recurrent costs[2]	**720,500**	**673,300**	**626,200**

[1] This represents an average interest cost over 25 | [2] All figures in todays dollars | All numbers are rounded

5.3.6 Cash Flow impact

5.3.6.1 In addition to the recurrent costs of the Project, KDC will also need to repay the borrowings which will include a component for principal repayments. These loan repayments are estimated at $0.511 million per annum over the 20 year term of the loan.

5.3.6.2 Over the ten year life of the LTFP the Project will have a negative impact on the cash position of KDC by:

(a) $10.764 million if no grant is secured;

(b) $8.577 million if 50% of the Project is grant funded; and

(c) $6.391 million if 100% of the Project is grant funded.

5.4 Whole of Life Costs

5.4.1 We have prepared a financial model to calculate the whole of life costs of undertaking the Project and summarised the output in Table Three. The revenue and costs have been inflated by the same indices used in the KDC LTFP.

Table Three: Whole of Life cost estimate

Item	Council Funded ($000's)	50% Grant Funded ($000's)	100% Grant Funded ($'000s)
Operating Income			
Annual and Daily Permits	644	644	644
Grants received	-	1,410	2,820
Total Operating Income	**644**	**2,054**	**3,464**
Operating Costs			
Initial Dredging Program	2,820	2,820	2,820
Sand by-passing and wrack management	13,886	13,886	13,886
Depreciation	4,817	4,817	4,817
Interest	2,357	1,178	-
Total Operating Costs	**23,879**	**22,701**	**21,522**
Net Whole of Life Cost	**(23,235)**	**(20,646)**	**(18,058)**

5.5 Financial viability

5.5.1 Financial viability can be defined as the ability to generate sufficient income to meet operating expenses, financial obligations and to provide the potential for future growth.

5.5.2 Financial viability has been assessed at both the Project level and on the impact it has on Council overall.

5.5.3 Project financial viability

5.5.3.1 As an upgrade to existing community and recreation infrastructure, income from the Project will not be sufficient to meet operating expenses and financial obligations. This is to be expected however there is a level of financial commitment at which point the Project will create an unreasonable burden on ratepayers overall.

5.5.3.2 The extent of the disparity between Project revenue and costs must be noted as ultimately this needs to be funded by the community.

(a) Direct revenue raised from Maria Creek is forecast to be less than 3.0% of the increased cost of operations over the life of the LTFP (under all scenarios).

(b) The is a non-recurrent dredging cost of $2.820 million to be incurred in 2021/22 which will result in an operating deficit in that year, unless Council rates are increased to cover this one-off cost.

(c) Excluding the impact of this one-off cost, based on Council's adopted LTFP, the net increase in recurrent costs from 2022/23 to the end of 2029/30 is equal to:

(i) 19% of revenue raised from Council rates if the Project is 100% debt funded;

(ii) 17% of revenue raised from Council rates if the Project is 50% grant funded; and

(iii) 15% of revenue raised from Council rates if the Project is 100% grant funded.

(d) Based on Council's adopted LTFP, the net increase in recurrent costs from 2022/23 to the end of 2029/30 is equal to:

(i) 11.0% of total operating expenditure if the Project is 100% debt funded;

(ii) 9.8% of total operating expenditure if the Project is 50% grant funded; and

(iii) 8.6% of total operating expenditure if the Project is 100% grant funded.

5.5.4 Council financial viability

5.5.4.1 The Local Government Sector has adopted a consistent set of key financial indicators which provide an indication of a council's financial performance and sustainability.

5.5.4.2 The three measures and targets reported in the KDC Annual Budget are:

(a) Operating Surplus Ratio with a target of >0 before Capital Revenues.

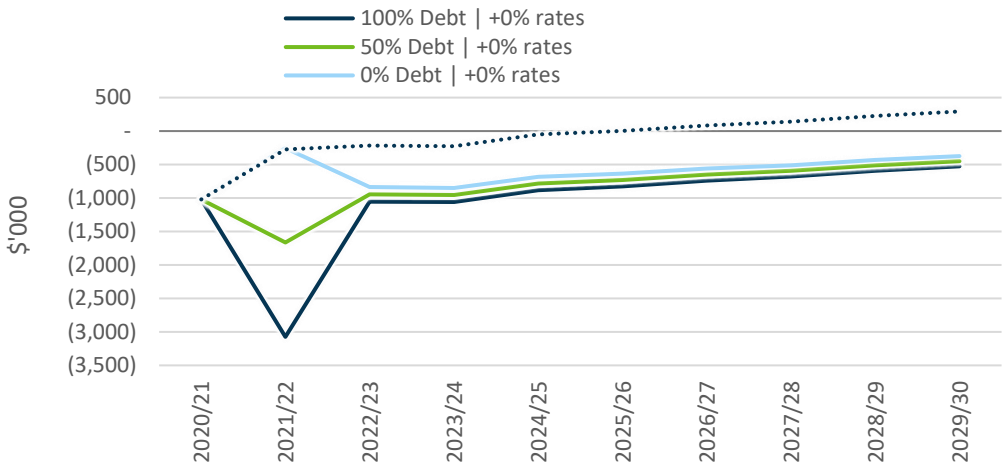
(b) Net Financial Liabilities Ratio with a target of >0% and < 100% before Capital Revenues.

(c) Asset Renewal Funding Ratio Target is > 80% and < 100% over a 3 year rolling program.

5.5.4.3 The Project may have a one-off negative impact of up to $2.820 million on Council's Operating Surplus when the dredging component of the Project cost is brought to account as this expenditure will be categorised as an operational cost rather than a capital expense. This impact may be off-set, at least in part, by any grant received.

5.5.4.4 Undertaking the Project would result in KDC operating in deficit for the 10 year life of the current LTFP even if 100% of the Project cost was secured through grant funding. This impact is shown in Figure One and is compared to the current forecasted position shown in the LTFP.

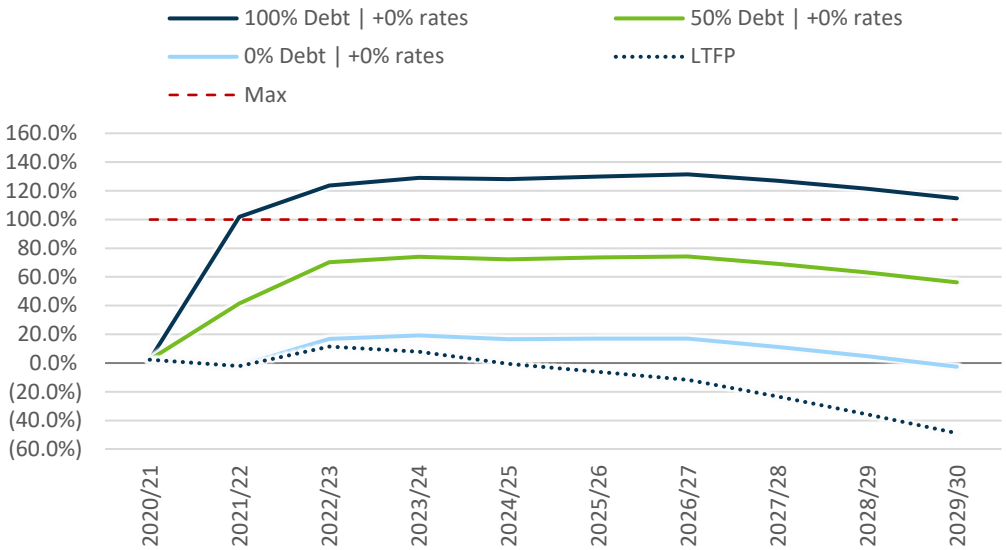
Figure One: Operating Surplus / (Deficit)



5.5.4.5 Under all funding scenarios the Operating Surplus Ratio would remain outside of the Council Target for the duration of the LTFP.

5.5.4.6 Based on the current LTFP the overall impact of the Project on the Net Financial Liabilities Ratio is shown in Figure Two.

Figure Two: Net Financial Liabilities Ratio



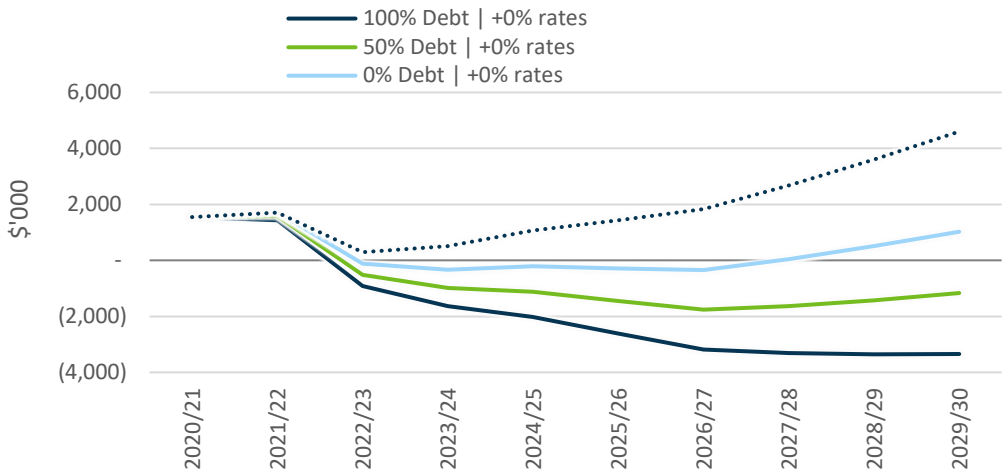
5.5.4.7 Undertaking the Project without obtaining a grant for 50% of the Project cost would result in KDC operating above the maximum target set for the Net Financial Liabilities Ratio for the life of the current LTFP. If a grant of

50% of the Project cost was obtained KDC would be within the target range set for the Net Financial Liabilities Ratio.

5.5.4.8 As a rule of thumb the LGFA have some concerns about lending to Councils when the Net Financial Liabilities ratio is above 100% and would generally seek to review the LTFP and underlying financial assumptions in order to ensure a Council can afford to repay the borrowings. This would involve a review of the forecast cash position to ensure there are adequate funds for repayment of the borrowings.

5.5.4.9 While KDC is currently cash positive and is forecasting increasing cash balances over the life of the LTFP, Figure Three shows that undertaking the Project would place KDC in a cash deficit over the term of the LTFP unless the Project was 100% grant funded, under this scenario the cash position is forecast to move into surplus in 2027/28. This would compromise the ability of KDC to demonstrate repayment of any loan.

Figure Three: Cash Balance



5.5.4.10 It must be understood that this position would only worsen once repayment of any borrowings is taken into account and if the additional works are undertaken to reduce the shoreline (Jetty) to the pre-2012 alignment.

5.6 Financial sustainability

5.6.1 It is evident that the Project is not financially viable although that does not mean that it should not be undertaken if are other benefits that are considered to be greater than the costs.

5.6.2 However, it must be understood that undertaking the Project will reduce KDC's financial flexibility to address any other coastal management challenges or to pursue other projects or initiatives.

5.6.3 KDC has adopted a Budget Framework Policy which states that in preparing the annual budget, there is a "Commitment to financial sustainability by taking into consideration the adopted financial indicator targets."

5.6.4 Given this commitment and the significant detrimental effect the Project has on the financial sustainability of KDC, there would need to be an increase in revenue or a decrease in operating costs or a combination of both to restore KDC to a financially sustainable position.

5.6.5 The forecast impact on Council rates over the life of the current LTFP is shown in Figure Four.

Figure Four: Impact on Council rates over LTFP

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
100% Debt Funded									
Additional rates to be raised	2,799,553	835,377	833,089	830,641	828,027	825,240	822,274	819,122	815,778
Increase in Council Rates Required	+ 69%	+ 20%	+ 20%	+ 20%	+ 19%	+ 19%	+ 19%	+ 18%	+ 18%
50% Grant Funded									
Additional rates to be raised	1,389,553	726,931	728,981	730,999	732,983	734,930	736,838	738,703	740,524
Increase in Council Rates Required	+ 34%	+ 18%	+ 17%	+ 17%	+ 17%	+ 17%	+ 17%	+ 16%	+ 16%
100% Grant Funded									
Additional rates to be raised	-	618,513	624,900	631,384	637,965	644,644	651,424	658,305	665,290
Increase in Council Rates Required	0%	+ 15%	+ 15%	+ 15%	+ 15%	+ 15%	+ 15%	+ 15%	+ 15%

5.6.6 Further, the South Australian Government is currently considering a number of amendments to the Local Government Act, amongst these is an amendment to Part 6 which sets out the principal role of a council. This amendment will require a council:

(b) to make decisions about the provision of various public services and facilities that will benefit the community in the context of the capacity and willingness of ratepayers to pay for those services and facilities;

5.6.7 Given the significant increase in Council rates income required to provide the Maria Creek Boat Ramp facility the Council should seek the views of ratepayers on their willingness to pay.

6. BROADER ECONOMIC IMPACT

6.1 Tourism Visitation

6.1.1 The Project provides valuable community infrastructure which contributes to underpin the local economy, acting as an attractor for visitors who are drawn to the area many of whom are specifically attracted to pursue recreational fishing activities.

6.1.2 The Domestic Visitors Profile for the Annual Visitors Summary for December 2017 to December 2019 for the Limestone Coast is shown in Table Four. This is based on the annual average for the three years to the year ended December 2019 and relates to data prior to COVID-19 restrictions.

Table Four: Domestic Visitor Profile Limestone Coast

Purpose	Holiday	VFR[1]	Other	Total
Visits	299,000	189,000	162,000	644,000
%	46%	29%	25%	100%
Nights	882,000	624,000	365,000	1,870,000
%	47%	33%	20%	100%
Average Length of stay	3	3	2	3

[1] *VFR – Visit friends or relatives | Source: South Australian Tourism Commission December 2019*

6.1.3 According to the South Australian Tourism Commission, fishing is identified as a Domestic Visitor Activity by 8% of those visiting the Limestone Coast. According to Regional Development Australia in 2018/19, the total value of tourism and hospitality sales in the Kingston District Council area was $5.3 million, the total value added was $2.4 million.

6.1.4 If the same percentage of Domestic Visitors to the Limestone Coast who identified 'fishing' as an activity are attracted to KDC, this equates to $0.616 million in tourism and hospitality sales alone. Not all domestic visitors who identify 'fishing' as an activity are attracted by boating related fishing there are a great many who engage in surf or beach fishing or fish from jetties. Notwithstanding this, it must be acknowledged that some of this economic activity may be at risk or lost if Maria Creek remains closed.

6.2 Caravan Park

6.2.1 The Kingston Foreshore Caravan Park is owned and operated by Council. Council therefore has a vested interest in progressing its vision of creating a thriving destination and encouraging tourism. Caravan Park revenue for the past three financial years is shown in Table Five.

Table Five: Foreshore Caravan Park Revenue

Caravan Park Revenue	FY2018 ($)	FY2019 ($)	FY2020 ($)
Accommodation	483,719	513,655	462,398
Kiosk & other	58,821	59,632	40,447
Total	**542,540**	**573,287**	**502,845**

6.2.2 While revenue declined in FY2020 compared to the previous year, analysis of the monthly revenues shows that this can be attributed to the impacts of COVID-19 on domestic and international travel, with revenue for the period March to May 2020 being $81,900 lower than the comparable period for the previous year.

6.2.3 The closure of the Maria Creek Boat Ramp in 2019 does not appear to have had an adverse impact on either accommodation or kiosk revenue at the Foreshore Caravan Park.

6.3 Second home owners

6.3.1 45% of KDC's 2,632 rateable properties are owned by those who have a postcode other than Kingston SE. Around 10% of properties have interstate or overseas ownership with the remainder owned in South Australia.

6.3.2 It is highly likely that many of those who own a second home were attracted by boating and fishing activities particularly the ability to launch safely from Maria Creek. In fact, one local real estate agent said that the most common question they were asked was about boat ramp facilities. It is conceivable that the closure of Maria Creek would make ownership of a second home less attractive for this group and some may choose to sell up and relocate elsewhere.

6.3.3 However, despite the closure of the facility since 2019 local real estate agents have reported strong demand for homes in Kingston both to purchase and for permanent rental, while this can be attributed in part to the impact of COVID-19 there has long been a shortage of housing supply across the region which would most likely absorb any housing stock which came on to the market.

6.4 An attractor

6.4.1 Kingston has long been recognised as an attractive destination for those who fish. A boat ramp is therefore undoubtedly an attractor for these people and it adds to the stock of infrastructure that binds a town together or makes it a more desirable location.

6.4.2 A boat ramp would assist to underpin economic activity and the traffic it brings would support local businesses, it is likely that the turnover of local businesses would be increased if the boat ramp was open.

6.4.3 The Council has recognised the importance of facilitating the provision of boat launching facilities and has invested in the purchase of a trackway to improve beach access at Johnston Avenue, which will improve usability of the existing concrete ramp for boat launching in Kingston.

6.4.4 KDC also has a service level 4 boat launching facility at the Cape Jaffa Anchorage.

6.4.5 The Kingston Jetty continues to be recognised as a key attractor. The broader set of objectives for the Concept Study included 'provide a jetty that services the needs of community and visitors', this should be further considered.

7. PROJECT RISKS AND MITIGATIONS

The KDC has adopted a Risk Management Policy to enable an integrated approach to risk management. A risk assessment should be undertaken in accordance with this framework. However, the following risks are highlighted.

Risk of progressing Project

Community does not support the significant increase in Council rates which is required to undertake the Project.

Council's future financial sustainability is jeopardised.

Council's financial flexibility to undertake other capital or operating projects is compromised.

The Project cost is higher than forecast.

On-going costs for dredging and wrack management are higher than forecast.

Lack of foreseeability of coastal changes due to variable and uncontrollable environment.

No government grant funding is received.

Realistic ability to deliver the Project and maintain navigability of facility given the sensitive marine environment.

Regulatory stakeholders (e.g. Coast Protection Board, Environment Protection Authority, Department for Infrastructure and Transport, First Nations, South East Water Conservation and Drainage Board, Department of Primary Industries and Regions, Limestone Coast Landscape Board) do not approve the progression of the Project.

Risk of not progressing the Project

Community angst over permanent closure of facility.

Loss of public amenity particularly around the Jetty (if 'Do nothing' approach is progressed).

Fewer visitors to Kingston for recreational fishing.

Local businesses impacted by fewer visitors in the longer term.

Potential loss of local businesses.

Population declines due to lack of business opportunity.

Real estate market declines due to lack of amenity in the township by comparison with neighbouring towns.

Longer term caravan park revenue may decline if there are fewer visitors.

ATTACHMENT ONE: COMMUNITY FOCUS GROUP

The Community Focus Group comprises of the following members.

Name	Position	Organisation
James Braithwaite		Commercial Fishers
Brett McLaren		SE Drainage Board
Eddy Lindner		Dredging Volunteers
Craig Richards		Business (Caltex)
John Clarke		Business (Clarke Bros Kingston)
Robert Taylor		Ratepayer
Scott Gluyas		Ratepayer & commercial Fisher
Graham Usher		Upper SE Recreational Fishing Association
Matthew Wright	Owner	Swampys Marine & Tackle
Robyn Campbell		First Nations
Kay Rasheed	Mayor	Kingston District Council
Chris England	Deputy Mayor	Kingston District Council
Jeff Pope	Councillor	Kingston District Council
Tim Harding	Councillor	Kingston District Council
Nat Traeger	CEO	Kingston District Council
Dave Worthley	Manager Assets and Infrastructure	Kingston District Council
Chelsea Burns	Team Leader Sustainability and Projects	Kingston District Council
Brad Smith	Senior Consultant	Wavelength Consulting
Annabel Sandery	Associate	Wavelength Consulting