

KINGSTON DISTRICT COUNCIL FACT SHEET

MARIA CREEK

SUSTAINABLE INFRASTRUCTURE PROJECT

BUSINESS CASE SUMMARY



Background

In December 2019, Council released a fact sheet on the 'Maria Creek Boat Launching Facility' which considered Council's coastal management challenges and complexities surrounding the facility.

Council considered a wider set of key objectives and progressed to investigate a financially sustainable solution by engaging Wavelength Consulting Pty Ltd to deliver the *Maria Creek Sustainable Infrastructure Project Concept Study*.

Given the importance of this project to the community, Council formed a targeted Community Focus Group in July 2020 comprising of key stakeholders to consider the detail of the concept study report and to provide contribution on behalf of the community.

The progress of the Community Focus Group and a number of supporting documents are available on Council's website:

<https://www.kingstondc.sa.gov.au/our-services/major-projects/maria-creek-sustainable-infrastructure-project>

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

Given the preferred pathway comes at significant capital and ongoing operational costs, Council commissioned a business case to fully understand the financial implications should the project progress.



Photo: Maria Creek breakwater January 2020

The Business Case

After significant investigation of an array of options through the Maria Creek Community Focus Group, the business case was based on the preferred option for the reinstatement pathway, being the 'Hybrid Concept'. This concept includes the following:



Capital cost: \$7.6M

- 60m southern breakwater extension
- 250m breakwater repairs
- 300,000m³ dredging (southern side)
- 52,500m³ dredging (channel)

Ongoing maintenance cost: \$434,000 annual + \$192,700 depreciation + interest on loan borrowings

- Minimum 30,000m³ – 50,000m³ sand bypassing annually
- Minimum 17,000m³ 'in situ' sand / wrack removal annually

The business case considered different grant funding scenarios for the capital cost of reinstatement (capital cost of \$7.6M). The funding scenarios included:

- 100% grant funded;
- 50% grant funded;
- 0% grant funded.

Grant funding is not available for ongoing maintenance or management, and Council must be able to fund these ongoing costs from its operational budget.

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Key Findings

Economy and Tourism

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

The business case acknowledges that *'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'*.

Whilst there is limited tourism data within Kingston and the Limestone Coast, the South Australian Tourism Commission has identified that tourism contributes approximately \$7.7M to the Kingston district, with approximately 8% of visitors being attracted to the region for fishing. This equates to approximately \$616,000 in tourism & hospitality in Kingston per year directly related to fishing.

However, it is noted that 'fishing' is not specific to boating, as there are many who engage in surf, beach or jetty fishing. Regardless, it is acknowledged that some of this economic activity may be at risk or lost if the Maria Creek facility remains closed.

However, it should be noted that the local real estate market is extremely buoyant, with demand significantly exceeding supply for both sale and rental properties. At this point, properties are selling at an unprecedented rate and there are no houses for rent in Kingston and surrounds.

If Council does not proceed with the project for reinstatement of the facility, then proactive steps to invest in attracting tourists and visitors needs to be undertaken (the jetty may be central to this, as well as existing Service Level 4 facility at Cape Jaffa and improved beach access at Johnston Ave).



COUNCIL RATE REVENUE 2020/2021
\$3,993,525



NUMBER OF RATEABLE PROPERTIES
2,632



ANNUAL BOAT LAUNCH PERMIT HOLDERS
2019/2020
211

Financial Impact

For context, the capital works program budget for 2020/21 for Kingston District Council is \$1.887 million. The estimated project cost of \$7.6M is more than four times larger than the entire annual capital works budget. As a result, Council would need to actively seek grant funding to undertake the capital component of this project.

The availability of grant funding is dependent upon the programs and priorities of the government of the day and is often highly competitive and not able to be confirmed in advance.

If Council were to proceed with the reinstatement of the facility (Hybrid Concept), this would add a significant amount to the operating budget over the life of the 10 year Long Term Financial Plan (LTFP):

- \$9.605M (0% grant funding);
- \$8.866M (50% grant funding);
- \$8.127M (100% grant funding).

In addition to the increased operating costs, there would also be a significant negative impact on the cash position of the Council over and above the amounts identified above. For Kingston District Council to remain financially sustainable, the ongoing operating costs will need to be met by reducing costs or services or raising income from Council rates (or both).

Based on Council's adopted LTFP, the net increase required in rate revenue for recurrent costs to the end of 2029/30 is:

- **0% grant funding**
19% average rate revenue increase
\$720,500 annually to be recovered through rate revenue

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- **50% grant funding**
17% average rate revenue increase
\$673,300 annually to be recovered through rate revenue
- **100% grant funding**
15% average rate revenue increase
\$626,200 annually to be recovered through rate revenue

It is important to understand that this only includes the ongoing sand/seagrass management, depreciation and interest costs. This does not include the principle loan repayments which affect Council’s cash flow in addition to the required rate revenue increase (estimated additional \$511,000 annual impact to Council’s budget).

It is also important to note that this is an average, with increases being higher in the earlier years where loan borrowings are required (being in the case of 0% grant funding and 50% grant funding). The following table indicates the increase required each year over the term of Council’s 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%

For Council to proceed with the project and facilitate a significant rate increase, there would need to be a change to Council’s basis of rating. In particular, the maximum increase on rates ‘capping’ rebate may need to be removed or amended which would significantly affect primary producers where valuation increases have occurred.

Overwhelmingly, the reinstatement of the Maria Creek facility will have significant detrimental impact on Council’s financial sustainability without an increase in Council rates and creates an unreasonable burden on ratepayers overall.

There is a high financial and operational risk associated with proceeding with the project and significantly compromises Council’s financial ability to undertake other projects or financial flexibility to address other

coastal management challenges or essential service delivery.

To proceed with the project would result in Council operating in a deficit for the term of its LTFP and outside of its financial targets/ratios with limited capacity to borrow to fund operations.

A key finding and crucial outcome of the business case is that Council should only proceed with the project if it is confident that ratepayers as a whole are willing to pay to meet the ongoing cost of this service.

Risks

As a component of the business case, a high level overview of the risks associated with the project were also included. These identified risks are significant and by no means an exhaustive list, however it provides a broad overview of considerations in progressing the reinstatement pathway.

The following risks were identified in the business case:

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 do not approve the progression of the Project.
Regulatory Stakeholders include (but not limited to): Coast Protection Board, Environment Protection Authority, Department for Infrastructure and

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Transport, First Nations, South East Water Conservation and Drainage Board, Department of Primary Industries and Regions, Limestone Coast Landscape Board.

Risk of Not Progressing 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.

A number of these risks are out of Council's control and must be considered accordingly prior to progressing any project at the facility. It is also important to acknowledge that whilst the work so far has been extremely involved and based on robust scientific modelling, there is an additional level of detailed design and supporting analysis that would need to be undertaken in the event the project is to progress under the reinstatement pathway.

What happens now?

The key finding of the business case is that the reinstatement of the Maria Creek Boat Launching Facility will have 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.

Therefore, it is crucial that ratepayers are informed and willing to pay the significant rate increase required to meet the ongoing costs of reinstating and maintaining this facility.

As a result, Council resolved to seek the views from the owner of every rateable property in the Kingston District Council area about the potential significant rate increase required to fund the preferred pathway to reinstate the Maria Creek Boat Launching Facility. This survey closes on 12 March 2021 and will help inform and guide Council in their final decision making process.

In the event that the proposed reinstatement of Maria Creek is not progressed, the alternate options of 'remove' (being either partial or full removal of the existing breakwaters for increased amenity at the jetty) or 'do nothing' (resulting in additional sand accumulation at the jetty) will be further considered.

To address economic concerns, the business case recommends that Council take pro-active steps to invest in attracting tourists and visitors to extend the tourism season and identified that the jetty may be central to this.

This decision is not easy or simple, it not only affects the current community, but future generations of ratepayers.

The full business case and other supporting documents can be accessed via Council's website <https://www.kingstondc.sa.gov.au/our-services/major-projects/maria-creek-sustainable-infrastructure-project> or at the Council office.

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