

**CITY OF MARION  
GENERAL COUNCIL MEETING  
22 March 2016**

**Confidential Report**

**Originating Officer:** David Barrett, Unit Manager Cultural Facilities  
**Corporate Manager:** Carol Hampton, Manager City Property  
**General Manager:** Abby Dickson, General Manager City Development  
**Subject:** Marion Leisure & Fitness Centre Tender  
**Report Reference:** GC220316F01

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If the Council so determines, this matter may be considered in confidence under Sections 90(3)(b) of the Local Government Act 1999 on the grounds that it relates to matters that may prejudice Council's commercial position.



**Adrian Skull**  
Chief Executive Officer

1. That pursuant to Section 90 (3)(b) of the *Local Government Act 1999*, the Council orders that all persons present, with the exception of the following persons: Adrian Skull, Chief Executive Officer; Abby Dickson, General Manager City Development; Vincent Mifsud, General Manager Corporate Services; Tony Lines, General Manager Operations; Kate McKenzie, Manager Governance; Carol Hampton, Manager City Property; David Barrett, Unit Manager Cultural Facilities; Jaimie Thwaites, Unit Manager Governance and Records, Yvette Zaric, Governance Officer; Craig Clarke, Unit Manager Communications, be excluded from the meeting as the Council receives and considers information relating to Marion Leisure & Fitness Centre upon the basis that the Council is satisfied that the requirement for the meeting to be conducted in a place open to the public has been outweighed by the need to keep consideration of the matter confidential given the information relates to commercial operations of a confidential nature the disclosure of which could reasonably be expected to prejudice the commercial position of Council.

## **CONFIDENTIALITY CONSIDERATIONS**

This report contains details of respondents to the request for proposal for future operations of the Marion Leisure Fitness Centre (MLFC) and proposed commercial arrangements which if considered in public may prejudice both Council's and the respondent's commercial position in the process.

## **REPORT OBJECTIVES:**

To provide Council with a summary of the outcomes of the Request for Proposal process and seeks Council's direction in how to proceed.

## **EXECUTIVE SUMMARY:**

The MLFC forms a significant part of Council's community infrastructure and is located in a high usage precinct which includes the Oaklands Wetland and Recreational Plaza, the Marion Outdoor Swimming Centre and the Sturt Creek linear track. The Centre is currently being managed by the YMCA South Australia (YMCA) who were engaged in February 2015 as an interim operator. There are also two long standing sub tenants, Koorana Gymnastics (Koorana) and Gymnastics SA (GSA). The Centre receives approximately 19,000 visitations per month.

Council requested that a review of the Centre be undertaken to identify potential future service delivery options. SMC Consulting was engaged to undertake the review and key recommendations from the review included:

- There is an opportunity to strategically review the fitness/gym/health club component of the MLFC, including a shift of product and service offerings from the prevailing traditional gym and fitness centre model, to a Wellness model, providing holistic health and well-being focused outcomes primarily targeted at the increasingly needy 50/55+ year age group.
- That long term sub leases or direct licenses should be considered for Gymnastics SA and Koorana but incorporating fair and reasonable yearly fee increases.
- That Council should not prop up failing and unsustainable business operations on an ongoing basis, even where they are providing a service for community good.
- That an EOI or tender strategy be developed to go to the market in regards to procuring facility management bids from the traditional facility managers and operators, as well as other community organisations and clubs.

At the 24 November 2015 General Council (GC241115F02) meeting Council resolved to undertake a Request for Proposal process where Council could seek proposals from the market for a suitable management model for the MLFC which had to address the following:

- Financial benefit to the City of Marion
- Activities proposed on site, particularly in terms of meeting demonstrated community needs
- Willingness to contribute capital funds to improve the site
- Willingness to contribute to ongoing maintenance of the site
- Financial soundness of the interested party

Council sought proposals for the future use of the MLFC which are sustainable and achieve the following outcomes:

- Provide services, programs and activities for the community which are aligned with Council's vision of Community Wellbeing and meet demonstrated community need

- Provide a financial benefit to City of Marion (eg. Contribution to capital infrastructure and/or operating costs)
- Contribute to funding capital improvements and ongoing maintenance of the site
- Consider connections and/or partnerships with the wider precinct, eg. Oaklands Wetland and Recreational Plaza, Sturt Linear Park, Marion Outdoor Swimming Centre, South Australian Aquatic and Leisure Centre, Marion Cultural Centre
- Consider the existing long term occupants (GSA and Koorana)

This report provides Council with the outcomes of the Request for Proposal. The process only generated two respondents. The assessment of the two respondents is provided to enable Council to conclude the process and to consider options on how to proceed.

## **RECOMMENDATIONS:**

## **DUE DATES**

### **That Council:**

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|--|-----------------------------|
| <p><b>1. Authorise the CEO to enter into direct negotiations with YMCA South Australia which includes consideration of :</b></p> <ul style="list-style-type: none"> <li>• <b>An improved financial return to Council</b></li> <li>• <b>Consider operating the Centre without a Gym and Fitness centre</b></li> <li>• <b>Considers the potential to link the management of the Marion Leisure Fitness Centre with the Marion Outdoor Swimming Centre</b></li> <li>• <b>The term of the agreement</b></li> </ul>   | <p><b>22 March 2016</b></p> |
| <p><b>2. Note that appropriate staff consultation would occur in line with the provisions within the City of Marion Administration Enterprise Agreement No. 7, 2013 if Council wishes to explore a potential link the management of the Marion Leisure Fitness Centre with the Marion Outdoor Swimming Centre.</b></p>   | <p><b>22 March 2016</b></p> |
| <p><b>3. Require a report be brought back to Council in May 2016 outlining the outcomes of the negotiations for Council's consideration.</b></p>   | <p><b>24 May 2016</b></p>   |
| <p><b>4. Authorise the CEO to extend the current interim management agreement with the YMCA South Australia up until 30 June 2016 subject to termination of either party with 60 days notice in writing.</b></p>   | <p><b>22 March 2016</b></p> |
| <p><b>5. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, Marion Leisure and Fitness Centre Tender outcomes and the minutes arising from this report having been considered in confidence under Section 90(2) and (3) (b) of the Act shall, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2016</b></p> | <p><b>22 March 2016</b></p> |

**OR**

**That Council:**

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|--|--------------------------|
| <b>1. Resolve not to award a contract</b>  | <b>22 March<br/>2016</b> |
| <b>2. Refer the development of a revised tender scope and refinement of Councils objectives for the Marion Leisure and Fitness Centre to a future Elected Member forum.</b>  | <b>22 March<br/>2016</b> |
| <b>3. Authorise the CEO to extend the current interim management agreement with the YMCA South Australia up until 30 November 2016 subject to termination of either party with 60 days notice in writing.</b>  | <b>22 March<br/>2016</b> |
| <b>4. Authorise the CEO to extend the current agreement with Gym SA and Koorana Gymnastic up until 30 November 2016.</b>   | <b>22 March<br/>2016</b> |
| <b>5. In accordance with Section 91(7) and (9) of the Local Government Act 1999 the Council orders that this report, Marion Leisure and Fitness Centre Tender outcomes and the minutes arising from this report having been considered in confidence under Section 90(2) and (3) (b) of the Act shall, except when required to effect or comply with Council's resolution(s) regarding this matter, be kept confidential and not available for public inspection for a period of 12 months from the date of this meeting. This confidentiality order will be reviewed at the General Council Meeting in December 2016.</b> | <b>22 March<br/>2016</b> |

**BACKGROUND**

The MLFC forms a significant part of Council's community infrastructure and is located in a high usage precinct which includes the Oaklands Wetland and Recreational Plaza, the Marion Outdoor Swimming Centre and the Sturt Creek linear track.

The facility was built in 1978 and was independently valued at \$7,558,020 in 2013 by Maloney Field Services. The facility is located on Community Land.

In February 2015 an interim operator, YMCA, was engaged to manage the MLFC. The YMCA took over operations on 20 February when CASA Leisure (CASA) vacated the premises. The YMCA arrangement expires on 31 May 2016.

Council requested that a review of the MLFC be undertaken to identify potential future service delivery options. SMC Consulting was engaged to undertake the review and the report was noted by Council at the 24 November 2015 General Council Meeting (GC241115F02).

A Request for Proposal (RFP) process was undertaken from 18 January to 26 February 2016 that asked respondents to supply the following information:

- Proposal Outline describing the proposed activities and services to be offered to the community, including but not limited to:
  - Preference for duration of commercial arrangement
  - Proposed activities or services to be offered to the community and what benefits these will provide
  - Use of and proposed days/hours of opening for the facility
  - Role and responsibilities of both the Respondent and Council under the Proposal
  - Consideration of the existing long term occupants
  - Consideration of the connection with the wider precinct
  - Timeframe with key milestones for the transition of the existing services to the new proposed model
  - Proposed financial arrangement, outcome and impact, including property development and maintenance
- Preliminary business plan to support the proposal detailing the proposed management model including but not limited to:
  - Management Structure
  - Marketing
  - WHS & Risk Management
  - Community needs and outcomes/service levels
  - Quality systems
  - Budget
- Demonstration of professional capacity and experience in, or understanding of, similar service propositions including but not limited to:
  - Management and delivery of services and quality assurances
  - Experience in the proposed market and associated trends
  - Experience in service delivery to communities
  - Networks, partnerships, alliances that value add to the proposal
  - Demonstrated financial capacity to deliver the proposal
- Proof of Financial Resources
- Proof of Insurances

The RFP was advertised in the *Guardian Messenger* and *The Advertiser*, including a media release, as well as via the City of Marion's website and the Tender SA website. Personalised letters were sent to key recreation and property industry bodies:

- Recreation SA
- Disability Sports and Recreation SA
- Facility Management Association of Australia
- Office of Recreation and Sport
- Property Council of Australia

The RFP documentation was downloaded from the Tender SA website by 41 organisations and a site briefing was attended by 20 people from 5 organisations.

Two proposals were received and assessed by an internal panel consisting of the following personnel:

- Manager Economic Development
- Manager Strategy & Innovation
- Manager City Property
- Unit Manager Cultural Facilities
- Senior Contracts Officer – Facilitator
- Manager Finance – Specialist advice regarding financial capacity of respondents

The responses were assessed against the following high-level criteria:

- Proposal Outline
- Business Plan
- Professional Capacity and Experience
- Financial Benefit

Following the initial assessment, the panel had a number of questions for both respondents who were both invited to present responses to these questions in person on 7 March 2016.

### **Outcomes of Proposal Evaluation**

The two proposals received were quite different in regard to the future directions of the MLFC with Respondent 1 offering outcomes that differ from the existing health and fitness services that the MLFC currently delivers. Respondent 2 offered enhanced health and fitness outcomes as well as strategic linkages with other Council programs and facilities.

Appendix 1 to this report provides details of the assessment against each criteria. The assessment found that the Respondent 2's proposal was of a higher standard and provided detailed financial and community needs analysis.

Respondent 1's proposal lacked detail both in financial information and community needs analysis. Nor was information provided regarding WHS and Quality management Systems. Given the lack of depth in respondent 1's proposal Council would be exposed to risk if it were to enter into an agreement in the absence of this information.

The total weighted scores for both respondents are provided below:

	<b>Total Weighted Score</b>
<b>Respondent 1</b>	<b>44.3</b>
<b>Respondent 2</b>	<b>70.1</b>

### **Impact on existing community users of the MLFC**

The proposal submitted by Respondent 2 retains all existing services currently being accessed by members of the community (including spa and sauna). There is no displacement of current health and fitness members, recreational sports participants or long term occupants.

The proposal submitted by Respondent 1 reduces the level of recreational sports programs provided and closes the health and fitness gym (including spa and sauna). This displaces the 700 existing gym members. Other services and programs would result in new participants being attracted to the Centre, however no projected visitation numbers were supplied.

### **Gym Fitness Services**

The proposal submitted by Respondent 2 includes an expansion of the existing Gym and Fitness services including improved equipment and this comes at a leasing cost of \$455,000 over a 5 year period. It should be noted that the leasing costs for equipment is factored into the 5 year projected budget for the Centre and the overall deficit to Council is in the order of \$70,000 per annum for the first 5 years.

The proposal provided a detailed market needs analysis that indicated gaps in health and fitness service and program provision for seniors, youth and people with a disability. The proposed expansion of the existing Gym and Fitness services responds to this identified gap

and provides for equipment on both the ground floor and level one which provides increased accessibility.

The proposal submitted by Respondent 1 removes all gym and fitness services.

### **Planning and Regulatory Implications**

The proposal submitted by Respondent 1 may have planning and regulatory implications given the proposed activities are non-complying land-uses.

Respondent 1 is seeking an option to purchase the facility from CoM. The MLFC is on Community Land therefore the process for revocation of Community Land must be followed to achieve this desired outcome.

Respondent 1 is seeking to open a commercial café within the MLFC providing meals and take-away food for patrons. The MLFC site falls within the Open Space Zone. A broad range of land-uses are non-complying and therefore not encouraged within the current Zone including restaurants however this may be resolved by the Community/Recreational DPA.

The proposal submitted by Respondent 2 has no planning or regulatory implications as there are no proposed changes to the existing land-use.

### **Consultation Requirements Resulting from Proposed Commercial Arrangement**

Respondents 1 is proposing a lease agreement of more than 5 years on Community Land therefore, in accordance with Section 202 of the Local Government Act 1999 and Council's *Leasing/Licencing of Council Owned Facilities* policy, public consultation regarding the proposed lease would be required. This process would take a minimum of 3 weeks to undertake.

The proposal submitted by Respondent 2 has no consultation requirements as it is a management agreement not a lease.

### **Existing Asset Condition**

A building condition audit of the MLFC was undertaken by GHD in December 2015. The audit assigned each asset an overall condition rating ranging from 1 to 5 in accordance with the table supplied in appendix 1 to this report.

The audit found that conditions of the various structural assets ranged from 2.5 to 3.5 and that the Average Remaining Useful Life of the facility is 29.7 years. Full details are provided in appendix 2 to this report.

The audit outlines a repair and renewal schedule would require \$1,216,500 investment over the next 10 years with \$238,500 needing to be spent in 2016/17 to repair current defects within the facility. On average \$121,650 per annum in capital renewal is required. Full details of capital renewal requirements are attached as Appendix 2 to this report.

The Building Condition Audit indicates significant investment in repair, maintenance and renewal of the MLFC is required over the coming years to keep it functional. Securing an operator for the MLFC that is committed to investing in capital upgrades will assist Council to offset some of the above maintenance and renewal costs.

Respondent 1 has committed to investing approximately \$600,000 in maintenance and upgrades to capital infrastructure during the first six year term of their proposed agreement.

Item	Approximate Cost (\$)
Café walls / Modifications / Fitout	192,542
Media room / Cry room	27,285
Lobby / Foyer	30,070
Upstairs Multipurpose 1 - 3	54,810
Repair roof leaks	5,360
Coffee area / Sand and Line Marking Courts 1 & 2	14,452
Air-conditioning and Heat Auditorium	191,316
External Building Works	20,000
Preliminaries (insurance, supervision , Builders Margin)	65,500
<b>Total</b>	<b>\$601,335</b>

Respondent 2 has committed to investing approximately \$700,000 in upgrades to equipment and capital infrastructure during the first 5 year term of their proposed agreement.

Item	Approximate Cost (\$)
Cardio and Strength Equipment	455,000
Flooring	110,000
Customer Service Upgrade	50,000
Interior Painting	40,000
Electrical and Cabling	16,000
Disability Access	15,000
Sports Equipment	14,000
<b>Total</b>	<b>\$700,000</b>

It is important to note that while both respondents to the RFP demonstrate a willingness to invest in capital upgrades to the MLFC, the building condition report attached as appendix 2 to this report states that immediate maintenance required to repair existing defects will cost approximately \$238,500. **Neither respondent delivers the level of investment in capital renewal required to maintain the asset in a fit for purpose condition. Council could consider negotiating with the future provider to consider funding (full or partial) of these items.**

## Financial Analysis

### Current Operations

Recent budget forecasts indicate that the MLFC will return an operational deficit of approximately \$77,957 at 31 May 2016. There are two key reasons for this forecast deficit:

- Membership income is significantly behind budget (approximately \$8k per month) due to uncertainty of the Centre's future operations and sub-standard health and fitness equipment preventing growth of the membership and limiting retention.
- Reactive maintenance is significantly overspent (approximately \$17k) due to the facility not having a planned maintenance program and the previous tenant inadequately maintaining the centre.



The predicted shortfall in membership income has been partially offset by an increase in stadium income resulting from increased participation in recreational sports programs and increased revenue from court hire.

### **Tender Proposals**

The proposal submitted by Respondent 2 requires Council to fund operational deficits within the first 5 year term with a total cost in the order of \$350k which is approximately \$70,000 per annum. Respondent 2 has indicated that MLFC operations should deliver a surplus in year 6 of the proposed agreement. Any operating surplus achieved by the Centre after a payment of the management fee would come to Council.

Respondent 1 has indicated there would be no cost to Council for the operation of the Centre though the projected budget provided was only for 1 year and does not reflect a realistic operating budget

The review of MLFC future options report from SMC Consulting advised that Council should not prop up, other than for short term purposes to allow a strategic review to occur, failing and unsustainable business operations, even where they are providing a service for community good. At the 24 November 2015 General Council Meeting (GC241115F02) Council also demonstrated its desire for a financial return from the MLFC by resolving that the RFP must address a financial benefit to City of Marion (CoM).

The market testing through the RFP process identified that current health and fitness operators are not able or willing to deliver a financial return to CoM from the services the MLFC currently provides.

### **Proposed Management Agreement**

Respondent 2 proposed management agreement which is a non-guaranteed agreement that provides a partnership approach to the operation and management of the MLFC with inbuilt flexibility to deliver strategic outcomes beyond the facility itself.

This model gives Council the full benefit and risk associated with the net financial performance.

A non-guaranteed contract works in the following manner;

- An annual budget with the most accurate information pertaining to the operation of the MLFC will be developed by the operator in consultation with Council
- Both parties agree on the financial targets to be achieved
- The operator will provide full, open and transparent financial records to Council and the financial performance of the MLFC will be monitored on a monthly basis. End of year accounts will be independently audited.
- The operator of the MLFC will have KPIs and budget variance targets to remain within and offer a clear and transparent approach to reporting to Council
- Council will assume full responsibility for the net performance of the MLFC
- The operator will be paid an agreed management fee

The final management agreement will include the following:

- Reporting Obligations – both financial and operational
- Agreed Key Performance Indicators such as:
  - Acceptable budget variance targets
  - Program participation rates
  - Customer satisfaction
- Agreed Monitoring

- Maintenance obligations for both Council and the operator
- Capital works obligations for both Council and the operator

Under the agreement, the operator will be required to provide Council with detailed financial, participation, WHS, maintenance and KPI data to effectively monitor both the monthly and YTD performance of the MLFC.

Respondent 1 proposed entering into a leased agreement with Council and subletting arrangements.

## **NEXT STEPS**

The RFP generated a significant level of initial interest with 41 organisations/individuals registering and downloading the documentation however only two chose to submit. The tender process was conducted in the form of a Request for Proposal which allowed the market to present various service models. The current condition of the asset which is in need of significant capital renewal is likely to be a factor. The low response rate may be an indication that the capacity or willingness of organisations to invest and deliver a positive return to Council is limited.

The following options have been identified for Council's consideration and take into consideration Council's options and obligations within the current tender process.

### **Option 1:**

Enter into contract negotiations with Respondent 2, (the YMCA South Australia) which seeks to:

- Deliver an improved financial return to Council.
- Consider operating the Centre without a Gym and Fitness centre.
- Considers the potential to link the management of the Marion Leisure Fitness Centre with the Marion Outdoor Swimming Centre (this was included as a potential value add in the proposal by Respondent 2).
- Limit the term to a maximum of 5 years to provide Council with flexibility for future operations

Should Council wish to explore the potential to link the management of the Marion Leisure Fitness Centre with the Marion Outdoor Swimming Centre the appropriate consultation processes **would be followed in line with the provisions within the City of Marion Administration Enterprise Agreement No. 7, 2013**

### **Option 2:**

Council determines not to progress the proposals received and reconsiders the scope of the tender requirements and re-tests the market. The tender will need to be significantly revised to attract a larger number of respondents. Should Council wish to go back out to the market it is recommended that time be set aside in a future forum which allows Elected Members to revisit the SMC Consultancy report and develop clear service and community objectives for the MLFC.

To maintain current services Council would need to extend the current interim management agreement with the YMCA until the 30 November 2016 to enable another tender process to be undertaken.

**Option 3:**

Cease stadium and gym and fitness programs and enter into Lease arrangements with existing occupants Gym SA and Koorana. **This option is not recommended as it limits the community outcomes and significantly reduces the utilisation of the facility**

**Option 4:**

Commence investigations into the disposal of the facility. A further report would be brought to Council outlining the process, opportunities to relocate existing occupants and community users. **This option is not recommended mended to Council given the current high usage of the facility.**

**CONCLUSION:**

The proposal submitted by Respondent 2 (YMCA SA) was assessed to be the preferred proposal as it delivers extensive community outcomes with strong strategic links to Council's Strategic Plan. It provided a comprehensive Business Plan, detailed and realistic budget with demonstrated financial and organisational capacity to deliver the proposed services. No community users are displaced under the proposal offered by Respondent 2 and the existing long term occupants (Gymnastics SA and Koorana Gymnastics) are also retained. It is recommended should Council wish to consider the proposal from Respondent 2, that negotiations occur to seek an improved financial outcome for Council with a maximum 5 year term.

The proposal submitted by Respondent 1 provided a change in use and services would be provided through sub-letting arrangements. Existing long term occupants would be retained though it was proposed that there would be a significant increase in rent for Gym SA. The proposal provided minimal financial and management information including proposed sub-letting arrangements.

The other option recommended for Council's consideration is to conclude the tender process and not award and to retest the market with a refined tender requirements. It is recommended that Council before retesting the market allocate time at a future Elected Member Forum to establish clear service and community objectives for the Centre which will inform the revised tender scope.

**Appendices:**

1. **Tender Assessment**
2. **Building Condition Audit of the MLFC**

## Appendix 1 MLFC Tender Assessment

<b>Mandatory Criteria</b>	<b>Respondent 1</b>	<b>Respondent 2</b>
Insurance	<ul style="list-style-type: none"> <li>Satisfactory proof of insurances supplied</li> </ul>	<ul style="list-style-type: none"> <li>Satisfactory proof of insurances supplied</li> </ul>
Work, Health & Safety	<ul style="list-style-type: none"> <li>No specific mention</li> </ul>	<ul style="list-style-type: none"> <li>Systems aligned with AS4801</li> <li>Experienced WHS team</li> </ul>
Licences/Qualifications	<ul style="list-style-type: none"> <li>Not demonstrated within the proposal</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrated licences, accreditations and qualifications for delivery of the proposed services</li> </ul>

<b>Proposal Outline</b>	<b>Respondent 1</b>	<b>Weighted Score</b>	<b>Respondent 2</b>	<b>Weighted Score</b>
Preference for duration of commercial arrangement	<ul style="list-style-type: none"> <li>Rent free commercial lease with an initial 6 year term plus 3 x 5 year terms following.</li> <li>Seeking option to purchase the whole facility after initial 6 year term</li> </ul>	1.4	<ul style="list-style-type: none"> <li>Management agreement with Council for an initial 5 year term plus a further 5 year term</li> </ul>	1.4
Proposed activities or services to be offered to the community and what benefits these will provide	<ul style="list-style-type: none"> <li>Reduced level of recreational sports programs - reducing to two court stadium – delivered by sub-tenant</li> <li>No health and fitness gym</li> <li>No spa</li> <li>Refit of existing Court 3 to create multi-purpose auditorium</li> <li>Refit existing level 1 to become conference rooms</li> <li>Refit existing ground floor crèche and group fitness room and adjacent exterior to become a commercial café with child friendly indoor playspace</li> </ul>	4.2	<ul style="list-style-type: none"> <li>Maintain existing recreational sports programs in all 3 courts</li> <li>Retain health and fitness gym with improved equipment</li> <li>Retain spa and sauna</li> <li>Refit existing ground floor group fitness room to become new health and fitness gym for better accessibility</li> <li>Targeted programs to deliver physical and mental health outcomes</li> <li>Delivery of health and wellness across wider precinct via shared membership</li> <li>Enhanced service provision to aging population, CALD and Youth.</li> </ul>	5.6

<b>Proposal Outline</b>	<b>Respondent 1</b>	<b>Weighted Score</b>	<b>Respondent 2</b>	<b>Weighted Score</b>
	<ul style="list-style-type: none"> <li>– services delivered by sub-tenant</li> <li>• No community needs analysis demonstrated within the proposal</li> </ul>		<ul style="list-style-type: none"> <li>• Introduction of clinical referral model from local GPs</li> <li>• Comprehensive community plan provided including needs analysis</li> <li>• Strong evidence of community outcomes aligned with City of Marion (CoM) strategic directions</li> </ul>	
Use of and proposed days/hours of opening for the facility	<ul style="list-style-type: none"> <li>• Existing hours of operation across 7 days</li> <li>• Extended Sunday operations</li> </ul>	4.2	<ul style="list-style-type: none"> <li>• Existing hours of operation across 7 days</li> </ul>	4.2
Role and responsibilities of both the Respondent and Council under the Proposal	<ul style="list-style-type: none"> <li>• No financial risk exposure to Council provided</li> <li>• Option to purchase after six years or 21 year lease guaranteed</li> <li>• Minimal information provided in the proposal or interview</li> </ul>	3.5	<ul style="list-style-type: none"> <li>• Clearly stated roles and responsibilities, no omissions.</li> <li>• All financial risk is with Council</li> </ul>	4.2
Consideration of the existing long term occupants	<ul style="list-style-type: none"> <li>• Retain existing long term tenants</li> <li>• 40+% increase to Gymnastics SA rental</li> <li>• On-charge all utilities to tenants</li> </ul>	1.2	<ul style="list-style-type: none"> <li>• Retain existing long term tenants under existing arrangements</li> <li>• CPI increases to rental</li> </ul>	1.4
Consideration of the connection with the wider precinct	<ul style="list-style-type: none"> <li>• Limited consideration of connection to the wider precinct</li> </ul>	0.8	<ul style="list-style-type: none"> <li>• Comprehensive proposal to take whole of City approach</li> <li>• Demonstrated examples of connection with existing facilities, reserves, etc.</li> <li>• Proposed link with Marion Outdoor Swimming Centre</li> </ul>	1.6
Timeframe with key milestones for	<ul style="list-style-type: none"> <li>• Activities on double court</li> </ul>	0.8	<ul style="list-style-type: none"> <li>• Comprehensive transition plan</li> </ul>	1.6

Proposal Outline	Respondent 1	Weighted Score	Respondent 2	Weighted Score
the transition of the existing services to the new proposed model	stadium continue uninterrupted <ul style="list-style-type: none"> <li>• Immediate capital development of other areas of MLFC proposed with new operations commencing in July 2016</li> <li>• Unrealistic timeframe given approvals required</li> </ul>		included <ul style="list-style-type: none"> <li>• All operations continue uninterrupted</li> </ul>	
Proposed financial arrangement, outcome and impact, including property development and maintenance	<ul style="list-style-type: none"> <li>• No management cost indicated to Council except Building Insurance (\$19K).</li> <li>• Proposed \$600k capital expenditure immediately</li> <li>• Ongoing capital renewal and maintenance funded from operations at MLFC</li> <li>• Investment and ongoing contributions contingent on option to purchase or 21 year lease being guaranteed</li> </ul>	7.0	<ul style="list-style-type: none"> <li>• On-going cost exposure to Council (approx \$350K over 5 years on budget forecast)</li> <li>• Council liable for any operational deficit.</li> <li>• Council responsible for capital renewal</li> <li>• Council responsible for all maintenance above the agreed programmed maintenance and any items of reactive maintenance over \$5K per item.</li> <li>• Proposal to "break-even" after year 5.</li> <li>• Budget allows for minor refit / maintenance activity plus upgraded (new) health &amp; fitness equipment to value of \$700K.</li> <li>• Looking at wider precinct opportunities with potential cross subsidy and reduction in operational deficits of other Council managed facilities to offset management costs of MLFC.</li> </ul>	5.0

<b>Business Plan</b>	<b>Respondent 1</b>	<b>Weighted Score</b>	<b>Respondent 2</b>	<b>Weighted Score</b>
Management Structure	<ul style="list-style-type: none"> <li>Proposed new entity for facility management</li> <li>New entity fully owned by parent entity with the same Board of Directors</li> <li>No information regarding personnel within the new facility management entity</li> </ul>	2.0	<ul style="list-style-type: none"> <li>Comprehensive local management structure supported by national network</li> <li>Experienced team</li> </ul>	3.2
Marketing	<ul style="list-style-type: none"> <li>Indicate that Council required to support marketing</li> <li>Limited further response</li> <li>Limited marketing budget</li> </ul>	1.6	<ul style="list-style-type: none"> <li>Comprehensive marketing plan that identified trends, needs, delivery, range of channels/techniques, and targeted plans</li> <li>Significant marketing budget allocation</li> </ul>	3.2
WHS & Risk Management	<ul style="list-style-type: none"> <li>No information provided</li> </ul>	0.0	<ul style="list-style-type: none"> <li>ISO accreditation</li> <li>Demonstrated extensive plans, procedures, policy framework</li> </ul>	1.6
Community needs and outcomes/service levels	<ul style="list-style-type: none"> <li>Limited analysis and data to show needs of the Marion community</li> </ul>	2.8	<ul style="list-style-type: none"> <li>Demonstrated consideration of community needs via community plan</li> <li>Strong understanding of working environment, trends and KPIs</li> <li>Demonstrated experience working with community</li> </ul>	6.3
Quality systems	<ul style="list-style-type: none"> <li>No information provided</li> </ul>	0.0	<ul style="list-style-type: none"> <li>Aligned with ISO but not accredited</li> <li>Demonstrated QS framework</li> </ul>	1.4
Budget	<ul style="list-style-type: none"> <li>Cash flow statement for 12 months only - no detailed budget.</li> <li>Propose significant increase in costs</li> </ul>	3.0	<ul style="list-style-type: none"> <li>Provided detailed 5 year budget</li> <li>No change to existing long term occupants.</li> <li>Projected figures are in line with current</li> </ul>	7.0

	<p>to Gymnastics SA (40+%).</p> <ul style="list-style-type: none"> <li>Shows no capital expenditure within first 12 months on proposed cash flow statement.</li> <li>Council to fund Building Insurance.</li> <li>Centre Manager costs very low</li> </ul>		<p>operations and appear realistic</p> <ul style="list-style-type: none"> <li>Council to fund Building Insurance</li> </ul>	
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<b>Professional Capacity &amp; Experience</b>	<b>Respondent 1</b>	<b>Weighted Score</b>	<b>Respondent 2</b>	<b>Weighted Score</b>
Management and delivery of services and quality assurances	<ul style="list-style-type: none"> <li>Limited evidence within proposal</li> <li>Reliant on sub-tenants delivering services but no information provided regarding personnel and associated qualifications</li> </ul>	2.8	<ul style="list-style-type: none"> <li>Demonstrated professional experience in service delivery under the proposal</li> <li>Information provided regarding personnel delivering services and associated qualifications</li> </ul>	5.6
Experience in the proposed market and associated trends	<ul style="list-style-type: none"> <li>Limited evidence within proposal</li> <li>Reliant on sub-tenants delivering services but no information provided regarding personnel and associated qualifications</li> </ul>	2.4	<ul style="list-style-type: none"> <li>Extensive experience in recreation and leisure facility management (both locally and nationally).</li> <li>Demonstrated experience working in partnership with Local Government.</li> </ul>	5.4
Experience in service delivery to communities	<ul style="list-style-type: none"> <li>Demonstrated experience in charitable operations and delivery of associated services to community</li> <li>No demonstrated experience in facility management</li> <li>Reliant on sub-tenants for general service</li> </ul>	3.0	<ul style="list-style-type: none"> <li>Extensive experience in service delivery to community (both locally and nationally).</li> <li>Demonstrated experience working in partnership with Local Government.</li> </ul>	5.4



	delivery but no information provided regarding personnel and associated qualifications			
Networks, partnerships, alliances that value add to the proposal	<ul style="list-style-type: none"> <li>• Current partnership with CoM</li> <li>• Proposed partnerships for other value adding but no indication as to what it would be</li> </ul>	1.6	<ul style="list-style-type: none"> <li>• Formal partnerships across many sectors</li> <li>• Offering strong value add based on precinct proposal</li> </ul>	3.2
Demonstrated financial capacity to deliver the proposal	<ul style="list-style-type: none"> <li>• Pre-assessment subject to formal approval for loan to deliver proposed capital works with parent entity</li> <li>• Parent entity balance sheet indicates capacity to deliver</li> <li>• Supporting information provided in submission does not demonstrate strong financial management capacity</li> </ul>	2.0	<ul style="list-style-type: none"> <li>• Financial statements support ability to deliver the proposal</li> <li>• Demonstrated financial management capacity</li> </ul>	2.8

## Appendix 2: Future Asset Renewal Requirements of MLFC extracted from December 2015 GHD Condition Audit

### Condition rating

Condition Rating	Description	Action	Residual Life
1 – Excellent	Asset has no defect Asset is as new	No additional maintenance required	55% to 100%
2 – Good	Asset is functional and shows superficial defects, only minor signs of deterioration to surface finishes, but does not require major maintenance, no major defects exist	Minor maintenance intervention required, no component replacement required	35% to 55%
3 – Average	Asset is functional but shows signs of moderate wear and tear, deteriorated surfaces require attention, services are functional but require attention, backlog maintenance work exists	Minor maintenance intervention and/or minor component replacement required	25% to 35%
4 – Poor	Asset functionality is reduced. Asset has significant defects affecting major components, deteriorated surfaces requires significant attention, services are functional but failing often, significant backlog maintenance exists	Significant ongoing maintenance intervention or major component or asset replacement required	10% to 25%
5 – Failed	Asset is not functional, asset has deteriorated badly, serious structural problems, general appearance is poor with eroded protective coatings, elements are broken, services are not performing and significant number of major defects exist	Asset requires decommissioning and/or replacement	0 to 10%

### Condition

Discipline	Component	Equipment Attribute	Effective Life	Inspection Condition	% life left (upper)	Estimated Remaining Life
Exterior Fabric	Exterior Structures	Carport	50	2.5	0.75	38
External Structures	External Structures	Parking	50	3.5	0.3	15
External Structures	External Structures	Paths	50	3	0.5	25
Structural	Sub-Structure	Joists/Bearers	50	2.5	0.75	38
Structural	Sub-Structure	Slab if visible	50	3	0.5	25
Structural	Sub-Structure	Structural Framing Timber/Steel	50	2.5	0.75	38
Structural	Sub-Structure	Stumps/Bracing	50	2	0.8	40
Structural	Wall Structural	Wall	50	3.5	0.3	15
Exterior Fabric	Roof	Roof Covering	50	3	0.5	25
Structural	Roof Structural	Roof	50	2.5	0.75	38
					<b>Average RUL</b>	<b>29.7</b>

**10 Year program of Asset renewal:**

<b>Replacement Year</b>	<b>Items</b>	<b>Renewal (\$)</b>	<b>Repair (\$)</b>	<b>Total (\$)</b>
2017	Phone/Data Points, Downpipes, Gutters, Drainage, Paths, Ceilings, HVAC, Walls, Carpet, Roof Penetrations, Roof Cover	-	238,500	238,500
2018	First Floor Carpet	50,000		50,000
2020	Ground Floor Carpet	30,000		30,000
2021	Ground Floor Vinyl, Ground Floor Wall Finishes and First Floor Wall Finishes	75,000		75,000
2024	Phone/Data Points, Power Points, Internal and External Lighting, Ceiling Finishes, Fire Services, HVAC, Speakers, Soft Screens, First Floor Vinyl, Hand Rails	663,000		663,000
2025	Downpipes and Roof Penetrations	160,000		160,000
2026		-		-
<b>Total 10 years</b>		<b>\$ 978,000</b>	<b>\$ 238,500</b>	<b>\$1,216,500</b>
<b>10 year average</b>		<b>\$97,800.00</b>		<b>\$ 121,650</b>