

PCVEC Business Case – 2016 - 2021

Document Purpose:

The attached document supplements the PCVEC Strategic Plan 2015-2017 to establish the potential of the Centre to achieve the strategic aim of being a stand-alone 'cost neutral' facility.

Financial modelling is also used to establish the critical items that significantly impact the P&L and provide a management tool to monitor and manage the identified financial risks, along with the incumbent management and environmental risks.

Financial Model:

A Basic model has been created in an Excel spreadsheet to include:

- Expected Revenues :
 - Event hire: Planned Charge out rates x Expected quantity of scheduled Events to be held at the park
 - Sponsorship / advertising income
 - Third Party Rent (Timber Mill, Accommodation, possible livestock)

Less

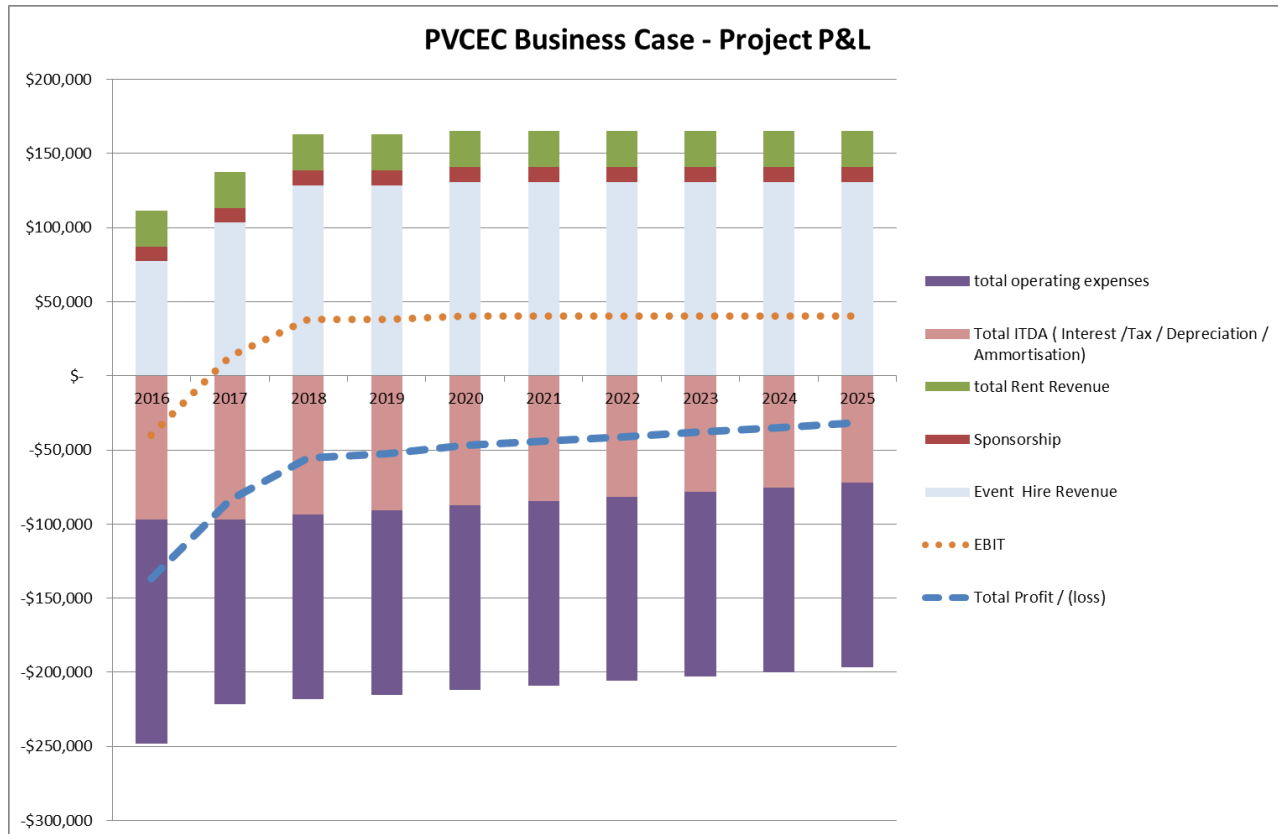
- Expected Costs:
 - Detailed anticipated operational Costs
 - Interest / tax (nil) / Depreciation and Amortisation

Results is annual Profit / Loss

Summary of Results:

The resultant financial model reveals that using the assumptions presented, PCVEC will be able to perform on a cost neutral basis with respect to basic operations assuming full occupancy and charge out rates, however unlikely to be able to generate sufficient revenue to cover the annual interest repayments.

The following graph represents summarised data. Detailed assumptions and calculations can be obtained by request.



Summary of Critical items:

It appears that a majority of expenses for the facility will be fixed costs implying that Revenue which will be highly variable presents the greatest risk to the outcome of the business model.

Highly significant inputs have been identified as:

1. Charge out rates for events
2. Occupancy rates (number of events held during the year)
3. Labour costs

Risk Assessment:

The below table shows identified risks to the facility, along with likely impacts and mitigation and review plans.

	Description	Impact	Sensitivity	Sensitivity modelling	Mitigation Plan	Review Plan
Revenue risks						
Charge out rate	Chargeout rate assumptions are materially unachievable	Estimated revenue not achieved	High -particularly major event which is 36% of revenue	re-model with reduced hire fees once more accurate information is available	1. monitor comparable venues charge out rates 2. promote facility	review business case: - Quarterly for 2016 whilst data is gathered - Annually thereafter
Insufficient Bookings	Occupancy rates not achieved	Estimated revenue not achieved	High -particularly major event which is 36% of revenue	re-model with reduced scheduled events to find breakeven event numbers note: already at breakeven	-advertise and promote as required -Identify/quantify the prospective clubs that could hold events at PCVEC and target them for promotion	monitor bookings and report current booking schedule to council in PCVEC report to council as part of revenue (sales pipeline) budget update
Timber mill vacates - lost revenue	Timber mill closes down, forest action groups prevent logging	Estimated revenue not achieved	Low (10% of revenue)			
Cost Risk						
	Description	Impact	Sensitivity	Sensitivity modelling	Mitigation Plan	Review Plan
Interest Rates increase	Interest rates at historical low, expected to rise over long term (10 yrs)	Costs increase	medium -Interest accounts for approx 30% costs	find break even interest rate 15 year average fixed interest rate 9% = additional \$24,000 expense	Shift cash balance into repaying mortgage	Annual
Volunteer Labour	Volunteer labour declines, needs to be replaced with Paid labour	expenses significantly underestimated	High -Labour accounts for 40% of costs	add another head count =Approx \$40k	Manage labour resources (don't burn out volunteers)	
Paid Labour requirements	labour requirements underestimated. Another head count needed, wages need to be increased	expenses significantly underestimated	High -Labour accounts for 40% of costs	add another head count =Approx \$40k		
Expenses underestimated	general underestimation of true operating expenses	Costs increase	Low -general items relatively insignificant	rerun model when more accurate expenses are known.	Stringently manage expenses through operating budget	Annually

Management risk						
	Description	Impact	Sensitivity	Sensitivity modelling	Mitigation Plan	Review Plan
Loss of interest from Key council members	There are few key council members with geographical proximity and resources to voluntarily administer the facility	Significant increase in costs as volunteer labour will need to be replaced by paid Management	High -Labour accounts for 40% of costs	NA	Document operational procedures so workload can be delegated/Shared effectively	
Zones wish to run their own state events.	Support for facility declines			NA	NA	
Declining support from Membership base	Further Geographical Zones do not support PVCEC with attendance at events	Reduced attendance at events, therefore reduced revenue.		NA	NA	

Environmental Risks						
	Description	Impact	Sensitivity	Sensitivity modelling	Mitigation Plan	Review Plan
Disease	eg EI, Strangles	Financial Burden for PCAV	High Impact / Low Probability	NA	-Instigate disease Risk Plan -halt all expenditure, refinance to interest only, action plan for alternative revenue from facility (non equine)	Bi-Annual
Fire	Loss of facilities,	Financial/Resource Burden for PCAV	High Impact / Low Probability	NA	-Adequate fire risk Management procedure -Adequate fire insurance	Bi-Annual
Wet winter	-reduced hire of facilities if events cancelled -Increased maintenance costs if facility damaged in wet weather	Financial/Resource Burden for PCAV	High Impact / Low Probability	NA	-Careful scheduling of events and calendar management	Bi-Annual

Business Case Assumptions:

Charge out Rates		PVCEC	
Horse Trials / Major Events		\$	10,000
SI/Dressage Days/Small club Events	hire all facilities + 100x horses	\$	2,500
Camps		\$	500
Weekend Clinics / Clinics / PC Rally (Land Tenure)	\$15 per horse	30 \$	450
midweek Clinics / Clinics / PC Rally (Land Tenure)	Per Day (\$40 per hour @ 8 hrs)	\$	320
Casual Riders	per rider	\$	25

Number of Scheduled Events	2016	2017	2018	2019	2020	2021
Horse Trials / Major Events	4	4	5	5	5	5
SI/Dressage Days	5	10	15	15	15	15
Camps	10	10	12	12	12	12
Weekend Clinics / Clinics / PC Rally (Land Tenure)	10	10	10	10	10	10
midweek Clinics / Clinics / PC Rally (Land Tenure)	10	15	20	20	20	20
Casual Riders	10	20	20	20	20	20
Summer Fire Season	4	4	4	4	4	4
Winter Wet weekends	4	4	4	4	4	4
Total Events	39	49	62	62	62	62
Total Weekend availability	37	42	50	50	50	50
Occupancy	71%	81%	96%	96%	96%	96%

PVCEC operating budget / Operating assumptions

		2016		2017	
Revenue					
events	Horse Trials / Major Events				
	SI/Dressage Days				
	Camps				
	Weekend Clinics / Clinics / PC Rally (Land Tenure)				
	midweek Clinics / Clinics / PC Rally (Land Tenure)				
	Casual Riders				
Event revenue			\$ -		
Sponsorship/Signage/Advertising	*For PVCEC only, not include PCAV general sponsorship		\$ 10,000		
rent (taken from annual report)	Timber Mill 1		\$ 7,728		
	Timber mill 2		\$ 3,639		
	Accommodation @ \$250 / week		\$ 13,000		
total Rent Revenue					
total Revenue					
Expenses					
wages	direct employee	Assume will increase with increased commercial use	\$ 45,000		
	Direct Employee 2	start 2017	\$ 11,500	\$ 11,500	
	Promotion person / office staff cross charge		\$ -		
	crushed rock		\$ 1,000		
Drive way maintenance			\$ -		
Fencing contractor		1 week per year @ \$60/hr @ 40hr	\$ -		
Fencing Materials			\$ 500		
Horse Day Yard Maintenance	Broken Gates / broken rails		\$ 2,000		
Indoor Arena surface Maintenance	Surface / sprinkler system		\$ 2,000		
Spraying / pasture maintenance			\$ 2,000		
Accounting / book keeping costs		assume will increase with increased transactions	\$ -		
Bank/Govt Fees		taken from Q3 PCVEV financials	\$ 2,900		
computer equipment		taken from Q3 PCVEV financials	\$ -		
Insurance Premium	PCAV park property	taken from Q3 PCVEV financials	\$ 6,500		
	public liability	?	\$ -		
cross country maintenance / improvement		to be of national standard	\$ 25,000	\$ 5,000	
toilet hire	number of competitions * \$1300 (as per lz	1350 assume toilets built after 2016	\$ -	\$ 0	
Bin hire	mini-skip on site	assume \$100/week	\$ 2,500		
Tractor / Equipment repairs		annual Service + repairs	\$ 2,000		
Tractor operating costs		10hrs / week @ 48 weeks @ \$10/hr	\$ 4,800		
Tractor Operating lease	New tractor , Starting 2017, per year		\$ -		
Building Maintenance	(plumbing / electrical / structural)	taken from Q3 PCVEV financials	\$ 20,000		
Paint allowance			\$ 2,000		
Utilitites	Generator operation		\$ 500		
	Generator Maintenance		\$ 1,000		
	water		\$ 500		
	gas		\$ -		
	rates		\$ 6,000		
total operating expenses					
EBIT					
Profit / Loss					0
Accumulated Operating Profit / (loss)			\$ -		
		1900000 Principal	\$ 1,300,000		
		50000 Annual Repayment (starting year 3)			
Interest (mortgage)		6%	\$ 79,950		
		150000 Principal	\$ 44,000		
Interest (overdraft)		6%	\$ 2,706		
		years	\$ -		
Ammortisation	Useful Life	Starting Value Residual Value		Annual Expense	
Tractor		10 \$ 55,000 \$ 20,000	\$ 3,500		
Yards		15 \$ 80,000 \$ -	\$ 5,333		
Arena Surface		15 \$ 80,000 \$ -	\$ 5,333		
Total Profit / (loss)					
Accumulated Profit / (loss)					