
Clutha District Council

Item for DECISION

Report	Bruce Community Facility 2024 - ADDENDUM
Meeting Date	5 December 2024
Item Number	2
Prepared By	Steve Hill – Chief Executive
File Reference	923994

REPORT SUMMARY

This report is an addendum to Report 2: Bruce Community Facility 2024. It introduces an additional funding pathway.

This report should be considered an addition to Report 2.

RECOMMENDATIONS

- 1 That Council receives the 'Bruce Community Facility 2024 – ADDENDUM' report.
- 2 That the following option is added to recommendation 4 of the Report:
4(e) Part funded by Investment Equity of \$2.5 million and thereafter Interest only funded by Rates for a period of 2/5 years (delete one).
- 3 That recommendation 5 of the Report be amended to read:
That Council approves support for \$19.4M for a community library & pool facility with a 6 lane swimming pool (Consultation Option 1), funded by resolution 4 (a, b, c, d, or e)

REPORT

1 Background

Report 2: Bruce Community Facility 2024 included in Part 7: Financial Impact options for additional funding mechanisms that were modelled to understand the impacts. A further review of the report and that section suggested an additional funding mechanism that was also worth considering.

2 Option Financial Analysis

Part funded by Investment Equity of \$2.5 million and thereafter Interest only funded by Rates for a period of 2/5 years

Interest + Principal - budget @ \$14m	1,018,369
Interest only - loan @ \$13m at 5.25% p.a. (\$2.5m funded from Investment Equity)	682,500
Rates Saving	335,869

Note: 1% of overall rates for 2025/26 in \$ terms is \$422,918.19.

2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
-	-	682,500	682,500	945,629	945,629	945,629	945,629	945,629	945,629

2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
-	-	682,500	682,500	682,500	682,500	682,500	945,629	945,629	945,629

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
2 years										
Reduction in Budgeted Income - Nikko	-	-	- 131,250	- 138,141	- 145,393	- 153,026	- 161,060	- 169,516	- 178,415	- 187,782
Percentage Reduction in Budgeted Income - Nikko	0%	0%	-23%	-23%	-24%	-25%	-25%	-26%	-26%	-27%
Rate Saving - Loan Interest + Principal	-	-	335,869	335,869	335,869	335,869	335,869	335,869	335,869	335,869
5 years										
Reduction in Budgeted Income - Nikko	-	-	- 131,250	- 138,141	- 145,393	- 153,026	- 161,060	- 169,516	- 178,415	- 187,782
Percentage Reduction in Budgeted Income - Nikko	0%	0%	-23%	-23%	-24%	-25%	-25%	-26%	-26%	-27%
Rate Saving - Loan Interest + Principal	-	-	335,869	335,869	335,869	335,869	335,869	335,869	335,869	335,869

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Funding \$2.5m from Nikko:										
Nikko LTP budgeted balance per LTP	25,800,000	26,354,500	24,422,111	24,870,672	25,325,182	25,786,754	26,256,559	26,735,828	27,225,059	27,724,775
Less debt adjustment	-	-	-	-	-	-	-	-	-	-
Less rates subsidy	- 800,000	- 816,000	- 833,600	- 851,200	- 868,000	- 884,000	- 899,200	- 914,400	- 929,600	- 944,000
Estimated return on investment (5.25%)	1,354,500	1,383,611	1,282,161	1,305,710	1,329,572	1,353,805	1,378,469	1,403,631	1,429,316	1,455,551
Nikko reduction	-	- 2,500,000	-	-	-	-	-	-	-	-
Nikko balance	26,354,500	24,422,111	24,870,672	25,325,182	25,786,754	26,256,559	26,735,828	27,225,059	27,724,775	28,236,326
Budgeted Income	554,500	567,611	448,561	454,510	461,572	469,805	479,269	489,231	499,716	511,551
Variance from LTP budgeted balance	-	- 2,500,000	- 2,631,250	- 2,769,391	- 2,914,784	- 3,067,810	- 3,228,870	- 3,398,385	- 3,576,801	- 3,764,583

The reason why this combination was added into the mix for consideration is that applying \$2.5 million in Investment equity is consistent with the same amount applied to TPOMA and by applying it before paying only the Interest on the loan it reduces the interest costs and increases the rates savings. It also reduces the liability risk by \$2.5 million for when Council decides how the balance of the loan is to be paid.