

Document No: A481517

Report To: Council Meeting



Meeting Date: 25 August 2020

Subject: North King Country Indoor Sports and Recreation Centre – Funding Agreement Drawdown

Type: Decision Required

Purpose of Report

- 1.1 The purpose of this business paper is to brief Council on progress of the North King Country Indoor Sports and Recreation Centre project and to present a proposal from the Game On Charitable Trust to drawdown Waitomo District Council's grant contribution.

Background

- 2.1 Council consulted with the community during development of the Long Term Plan 2018-2028 to gauge the community's support, or not, of the proposed North King Country Indoor Sports and Recreation Centre.
- 2.2 The consultation document "Shape Waitomo To Your Liking" referred to the Game on Charitable Trust (GoCT) proposed development of an Indoor Sports and Recreation Centre in Te Kuiti.
- 2.3 The consultation document confirmed Council had been invited to consider whether or not it would provide funding for development of the proposed facility.
- 2.4 The consultation document outlined, in considering the request from the GoCT, that Council had assessed:
 - Alignment of the request with the vision and outcomes Council wanted to achieve for the community.
 - Community access to the proposed facility.
 - Robustness of the financial estimates provided.
 - Mechanisms that Council could use if it agreed to the request.
 - Impact of the request on rates.
 - Affordability of the request.
- 2.5 The community was invited to consider two options, as follows:
- 2.6 *"Option 1 (noted as the preferred option)*

Provide a maximum capital funding grant to the GoCT of \$1.5 million, with \$1 million provided in the 2018/19 year and \$500,000 in the 2019/20 year under the proviso that if the GoCT are able to source additional funding from other benefactors then the Council would contribute less.

Council is of the view that it does not have enough information at this stage about the operating costs requirements of the Sports Centre and is therefore not in a position to make a contribution towards the operating costs.

Raise a 30 year loan to make this capital contribution so that the costs are distributed to future ratepayers as well who would benefit from the facility in the future. The cost to the ratepayers will be the cost of servicing this loan.

The Council's view is that the overall potential benefits that will become available to the District Community justify the funding cost especially given the fact that we will have decreased our public debt by \$1.77 million by the end of next year."

2.7 Option 2

Not provide any capital funding for the sports centre. This option could mean that the sports centre project will not go ahead."

- 2.8 Of the 94 submissions received, 67% were in support of Option 1 to provide a maximum capital funding grant to the GoCT of \$1.5 million.
- 2.9 At its meeting on 29 May 2018 Council adopted Option 1 – to make a capital funding grant of \$1 million in the first year and \$500,000 in the second year.
- 2.10 Council's commitment was reflected in the Long Term Plan 2018-2028 with \$1 million allocated in the 2018/19 financial year and \$500,000 in the 2019/20 financial year. Following a request from the GoCT, this was subsequently re-sequenced to the 2019/20 and 2020/21 financial years, and further re-sequenced to the 2020/21 and 2021/22 years respectively.
- 2.11 On 23 January 2020 the GoCT invited key stakeholders and the general public to attend a meeting for the purpose of updating attendees on progress of the project and the forward plan to bring the project to fruition.
- 2.12 The GoCT confirmed they were actively pursuing their fund-raising initiatives with \$3.99 million raised as at January 2020. It was noted the revised forecast capital cost for the build was \$6.44 million. Additional costs to cover demolition of the existing Gymnasium, site preparation and fit-out of the new build was estimated at \$750,000.
- 2.13 Following the public meeting, and at its meeting of 11 February 2020, the Audit, Risk and Finance Committee discussed the status of the North King Country Indoor Sports and Recreation Centre project.
- 2.14 The Committee noted the benefits of entering into a formal funding agreement with GoCT for transparency, clarity and risk mitigation purposes and resolved to recommend to Council that a formal agreement be developed.
- 2.15 At its meeting of 25 February 2020, Council approved entering into a formal Funding Agreement with the GoCT, with the following conditions:
1. Payment of the Council grant is subject to the Council satisfying itself that the proposed facility is operationally sustainable.
 2. The Council grant is subject to the Council being satisfied that public access to the facility is guaranteed by way of an appropriate Agreement.

3. All capital funds to complete the project, including fit-out, are secured prior to release of the Council grant, to ensure that the building is equipped with fixtures and fittings to make it a functional facility, or that the Council is satisfied that the GoCT has attained relative binding undertakings for the capital funds.
 4. Council's funding contribution to the project is limited to \$1,500,000.
- 3.12 Council also resolved that the Mayor, Councillor New and the Chief Executive be tasked with communicating a proposed formal agreement with the GoCT.

Commentary

- 3.1 Attached to and forming part of this business paper is a copy of a letter received from the GoCT, providing an update on progress of the project and to request an amendment to the payment schedule for the WDC grant funding contribution.
- 3.2 The GoCT have been successful in achieving their funding goals, with \$6.94 million secured for construction and a further \$500,000 secured for fit-out of the facility.
- 3.3 The GoCT are in the process of finalising the design and project planning in preparation for lodgment of a building consent application. Finalisation of the partnership agreement with the Ministry of Education is also underway.
- 3.4 It is anticipated construction will commence in January 2021, with the new facility open for operations by 1 October 2021.
- 3.5 The GoCT have requested drawdown of WDC's \$1.5 million grant funding contribution during the first half of the 2021 calendar year, rather than sequenced over two financial years (2020/21 and 2021/22).
- 3.6 2018-2028 Long Term Plan Consultation Considerations**
- 3.7 As part of the Long Term Plan consultation process, providing a capital contribution towards the North King Country Indoor Sports and Recreation Centre was tested with the community.
- 3.8 Council's consultation proposal specified a total maximum grant of \$1.5 million, under the proviso that if the GoCT were able to source additional funding from other benefactors, the Council would contribute less.
- 3.9 The grant proposal specified \$1 million would be granted in 2018/19 and \$500,000 granted in 2019/20. This was subsequently re-sequenced.
- 3.10 Council confirmed it would not make a contribution towards the operating costs.
- 3.11 The Consultation Document noted Council would raise a 30 year loan to make the grant contribution so that the costs were distributed to future ratepayers as well, who would benefit from the facility in the future.
- 3.12 No further consultation will be required should Council choose to grant the \$1.5 million in the 2020/21 financial year.

3.13 Financial Considerations

- 3.14 The 2020/21 Exceptions Annual Plan (EAP) forecasts the first tranche of the grant of \$1 million to be paid during the 2020/21 financial year with the remaining \$500,000 paid in the following year. With the proposed drawdown of the full \$1.5 million in the 2020/21 year, a variance will be reported against operating expenditure and internal loan funding within the Community Development group of activities.
- 3.15 The forecast public debt in the 2020/21 EAP at 30 June 2021 is \$42.482 million which included the \$1 million grant expenditure. With the full drawdown, the revised forecast debt is still likely to be within the EAP forecast as the closing debt position at 30 June 2020 was \$37.3 million which was significantly less than anticipated in the EAP.
- 3.16 The LTP 2018-2028 provided for the interest cost and principal repayment of the internal loan to be funded from rates funding (50/50 UAGC/General Rate). In practice the internal loan process assumes any new loans would be raised at 30 June 2021 so interest costs and principal repayments for the loan would be rate funded from the 2021/22 year onwards. The LTP 2018-2028 estimated a cost of \$79,000 for interest and principal per annum.

3.17 Next Steps

- 3.18 A draft Grant Agreement has been developed and will be reviewed with the GoCT, as resolved by Council at the February 2020 meeting.
- 3.19 Councils direction regarding the grant funding drawdown schedule is requested.

<h2>Considerations</h2>

4.1 Risk

- 4.2 There is identified risk that the construction timeline for the facility may be delayed if the \$1.5 million drawdown of the grant does not proceed.
- 4.3 There is identified risk that funding commitments external to WDC may be withdrawn and the project may therefore not proceed if the \$1.5 million drawdown of the grant does not proceed.

4.4 Consistency with Existing Plans and Policies

- 4.5 Consideration of the Game On Charitable Trust request for grant funding is undertaken in accordance with Councils Long Term Plan 2018-2028.

4.6 Significance and Community Views

- 4.7 This decision is not a significant decision in terms of Council's Significance and Engagement Policy.

Suggested Resolutions

1. The business paper on North King Country Indoor Sports and Recreation Centre – Funding Drawdown be received.
2. Council approve/not approve drawdown of the Game On Charitable Trust grant of \$1.5 million in the 2020/21 financial year, subject to both parties signing the Funding Agreement between Waitomo District Council and the Game On Charitable Trust.



HELEN BEEVER
GENERAL MANAGER – COMMUNITY SERVICES

August 2020

Attachment: 1. Game On Charitable Trust – Update and request re funding drawdown



Game On Charitable Trust Inc.
PO Box 159
Te Kuiti 3910

RECEIVED

07 AUG 2020

WAITOMO DISTRICT
COUNCIL

Mr Chris Ryan
CEO
Waitomo District Council
Queen St
Te Kuiti 3910

Dear Chris

Game On Charitable Trust - update and request re funding drawdown

I am writing on behalf of the Game On Charitable Trust to update you on progress on the indoor facility project, and request a change to the payment schedule for the Waitomo District Council contribution to the project.

As you will be aware the project is now fully funded with \$6.94 million secured for construction and a further \$500k for fitout of the facility.

We are now working with Apollo Projects to finalise design and project planning, and prepare for building consent application. We are also working with the Ministry of Education to finalise the partnership agreement.

Currently the schedule is to have all preparations complete by December 1, with demolition of the current gym, and site preparation to commence then, and construction to commence in January 2021. Apollo Projects expects construction to take 6 - 8 months, with completion, fitout and opening of the new facility by October 1 2021.

We are under some pressure from funders, particularly Lotteries Significant Projects Fund (\$3 million), and the Government shovel ready fund (\$500k for fitout) to commence the project as soon as possible so it important that we keep to this schedule.

We therefore expect to need the \$1.5 million WDC contribution during the first half of 2021, prior to the end of the current financial year ending June. Currently the drawdown of those funds is scheduled to be over two financial years, 2020/1 and 2021/2. The Trust is therefore requesting that the total amount is available prior to the end of this current financial year.

Furthermore we request the opportunity to present a submission on this matter direct to Council.

Please advise if this is possible.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Robyn Lindstrom".

Robyn Lindstrom,
Chair Game On Charitable Trust