

<p><b>Officer responsible</b> Director of Finance</p>	<p><b>Author</b> Paul Baldwin</p>
<p>Corporate Plan Output: Volume I Tables VII</p>	

The purpose of this report is to seek Council approval to raise refinancing loans totalling \$12,484,000. Most of this amount is temporary pending receipt of capital repatriation funding in the next few months.

The Council has budgeted not to raise any Works Development refinancing loans during 1999-2000 and to redeem maturing loans from the Debt Repayment Reserve being established from capital repatriation receipts.

There is a requirement to repay loans totalling \$13,850,000 on 6 November 1999. At this date the capital repatriation receipts expected to pass to the Council this financial year will not yet be to hand and there will not be sufficient general funds to meet repayment of the maturing loans on this date. It will therefore be necessary to borrow funds temporarily to cover the net unfunded amount after drawing down accumulated sinking funds amounting to \$1,366,000 that have built up for loan redemptions. The net funding requirement is \$12,484,000. One of the maturities is in respect of the Belfast Industrial Pressure Pipeline Loan (BIPP) that still has 13 years to run. The servicing costs and annual sinking fund contributions for this loan are met by the users of the pipeline under a separate longstanding agreement which bases the debt servicing costs on the cost of the borrowing to the Council.

Apart from the BIPP loan renewal the borrowing is only needed for a short period until such time as the Council has received the capital repatriation receipts. There will be a need to borrow for a longer period for the net funding requirement for the BIPP loan amounting to \$710,000.

Authority is now sought to borrow monies to repay debt maturing on 6 November 1999 and to delegate to the Director of Finance and Funds Accountant the authority to agree the precise terms and conditions of the borrowing arrangements to be put in place.

It is proposed to borrow the sum required from Christchurch City Holdings Limited for periods up to 90 days on a rollover basis at the appropriate bank bill rate plus a margin.

Details of the maturing loans are:

Works Development Loan No 2 1996 of \$46,300,000	
- maturing tranches totalling	\$13,000,000
- less accumulated sinking funds	\$1,226,000
Net Balance to fund	\$11,774,000

Renewal Loan No 1 1996 of \$9,950,000	
- maturing tranche amount	\$850,000
- less accumulated sinking funds	\$140,000
Net Balance to fund	\$710,000

Total borrowing required: \$12,484,000

In order to refinance the maturing loans, it is necessary for the Council to pass the following resolution:

- Recommendation:**
1. That, in exercise of the powers vested in it by the Local Government Act 1974, the Christchurch City Council resolve to raise a loan to be known as (Renewal Loan No 1 1999) of \$710,000 in accordance with the following terms:
    - (a) The purpose and terms of the borrowing are:
      - (i) to repay maturing loan tranches in respect of Renewal Loan No 1 1996 of \$9,850,000.
      - (ii) the maximum amount of the borrowing is \$710,000.
      - (iii) the maximum term of the borrowing is 13 years.
      - (iv) the borrowing or any part thereof shall be repaid by either:
        - annual payments to a debt repayment reserve at a rate not less than 3 percent per annum until the reserve and accrued interest earned is sufficient to repay the amount borrowed within the term of the loan,
        - or by table loan repayments over 20 years,
        - or by one lump sum appropriated by the Council from the Debt Repayment Reserve.

- (b) For the purpose of S.122ZE (2) the Council charges a special rate as security for this loan.
  - (c) The Council has considered the risks and benefits to the Council of the borrowing or incidental arrangement and of the security to be given in relation to the borrowing or incidental arrangement.
  - (d) The Council is satisfied that the general terms and conditions of the borrowing or incidental arrangement and of the security to be given in relation to the borrowing or incidental arrangement will be in accordance with the current borrowing management policy as adopted by the Council under section 122R of the Local Government Act 1974 and in particular, the limits and guidelines set out in the borrowing management policy.
2. That the following persons be delegated authority to act jointly on behalf of the Council to agree the precise terms and conditions of the loan or incidental arrangement.

Robert A Lineham	Director of Finance
Paul A Baldwin	Funds Accountant