

4. CAPITAL FUNDING REQUIREMENTS

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Corporate Plan Output: Solid Waste Regional Landfill	

The purpose of this report is to provide an update on Transwaste Canterbury Ltd's anticipated calls on equity capital.

BACKGROUND

A letter of 20 December 1999 is attached to this report from John Orr (Secretary to Transwaste Canterbury Ltd) (TCL) outlining the anticipated capital call requirements from TCL to shareholders. We should note Mr Orr's final sentence of caution i.e:

"I emphasise that the above calls are preliminary estimates to be taken into account for planning purposes. It is possible that the actual calls will vary from these estimates if circumstances change"

The funding tables below outline the sums of capital required.

FUNDING

Table 1 below shows the funding approved by territorial local authorities in December 1999.

Table 1: Capital Requirements as Approved by the TLAs in December 1999

	1998/99	1999/00	00/01	01/02	02/03	Totals
JV Landfill establishment	1,250,000	3,500,000	750,000	3,125,250	1,574,750	10,200,000
Independent Consultants	0	100,000	100,000	100,000	0	300,000
Community Fund (as finally approved by Councils in Dec 1999 subsequent to 16/11/99 CWSC meeting)	0	150,000	100,000	0	0	250,000
Totals	1,250,000	3,750,000	950,000	3,225,250	1,574,750	10,750,000
Cumulative Totals	1,250,000	5,000,000	5,950,000	9,175,250	10,750,000	

These Table 1 amounts are now to be updated in line with John Orr's letter of 20 December 1999 in Table 2 below.

Table 2: Capital Requirements Updated by John Orr Letter of 20 December 1999

	1998/99	1999/00	00/01	01/02	02/03	Totals
Total TCL requirements by call						
15 June 1998	2,500,000					
1 August 1999		4,500,000				
1 August 2000			3,000,000			
1 February 2001			2,000,000			
1 August 2001				2,000,000		
1 February 2002				2,000,000		
Totals for TCL	2,500,000	4,500,000	5,000,000	4,000,000	0	16,000,000
CWSC share 50%	1,250,000	2,250,000	2,500,000	2,000,000	0	8,000,000
Add Independent Consultants	0	100,000	100,000	100,000		
Add Community Development Fund	0	150,000	100,000			
Totals for CWSC	1,250,000	2,500,000	2,700,000	2,100,000	0	8,550,000
Cumulative Totals	1,250,000	3,750,000	6,450,000	8,550,000	0	8,550,000

It is to be noted that the total Table 2 capital call funding John Orr now predicts necessary to get the JV Landfill up and running is less than Table 1 (i.e. \$8,550M for CWSC instead of \$10,750M). However the Table 2 total CWSC share (\$8,550M) does not include loan servicing costs or extra funds that will need to be borrowed to achieve the \$27M (or so) total actual capital requirement for the first stage of the landfill, (i.e. \$8.550M from each of TCL and CWSC - \$17.1M total – plus borrowing of \$9.9M or so). Also the call sums Mr Orr advises have a cautionary note attached, see above. For this reason it is strongly suggested that CWSC retains its total capital funding at \$10.750M (as in Table 1) intact at this stage but amended in terms of the timing of the calls along the lines of Table 3 below:

Table 3: Recommended CWSC Capital Funding Provision (excludes borrowed funds)

	1998/99	1999/00	00/01	01/02	02/03	Totals
Totals for CWSC from Table 2 (i.e. John Orr)	1,250,000	2,250,000	2,500,000	2,000,000	0	8,000,000
Add Independent Consultants as in Table 1		100,000	100,000	100,000	0	300,000
Add Community Development Fund as in Table 1		150,000	100,000			250,000
Add contingency to bring 5 year total to \$10.750M as in Table 1	0	0	0	0	2,200,000	2,200,000
Totals for CWSC	1,250,000	2,500,000	2,700,000	2,100,000	2,200,000	10,750,000
Cumulative Totals	1,250,000	3,750,000	6,450,000	8,550,000	10,750,000	

Territorial authority shareholders are reminded that their share of the required funding (i.e. their share off the second bottom row of Table 3) based on previously agreed population figures in the Constituting Agreement is as follows:

Council	Population (1996 census)	%
Christchurch	314 000	75.70
Waimakariri	32 100	7.74
Hurunui	10 000	2.40
Selwyn	25 000	6.03
Ashburton	25 000	6.03
Banks Peninsula	8 700	2.10
Total	414 800	100.00

SUMMARY

A letter has been received from Mr John Orr (Secretary for TCL) outlining revised calls on equity capital for TCL shareholders. If these are adopted then a reduced level of capital equity funding could be adopted (i.e. excluding borrowed capital). However in view of the preliminary nature of cost estimates at this point in time, it is strongly recommended that for budget purposes, the total equity funding for CWSC remains at \$10.750M at this stage.

Note that John Orr has read this report and agrees with the recommendation – see attached letter of 20 January 2000.

Recommendation: That the capital equity funding provision for CWSC remains at \$10.750 (excluding borrowing) as in Table 3 above at this point in time.

Chairman's

Recommendation: That the above recommendation be adopted.