

12. RESOLUTION TO RAISE CAPITAL FUNDING LOAN 2002

Officer responsible Director of Finance	Author Paul Baldwin, DDI 371-1853
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The purpose of this report is to obtain confirmation for the Council's equity investment in Christchurch City Facilities Ltd. Council approval is also sought to raise Capital Funding Loan 2002 to finance this equity investment.

The Council's borrowing powers are conferred by the Local Government Act 1974 (as amended) which sets out the procedures the Council must follow before a loan may be raised. This report and the recommendation comply with the requirements of the Act in respect of the borrowing. The proposed borrowing also complies with the Council's borrowing management policy.

Christchurch City Facilities is a LATE that is fully owned by Christchurch City Council. The company's purpose is to manage the major Council venues such as Christchurch Town Hall, the Convention Centre and Westpac Sports and Entertainment Centre. In addition to the Council's equity investment in the company the Council has been subscribing for redeemable preference shares in Christchurch City Facilities Ltd to fund asset renewal and replacement as the company is not currently generating sufficient returns to fund its capital requirements. This is provided for in the Council's Annual Plan. At this stage the Council has invested \$650,000 in the company in redeemable preference shares. The company proposes to make further calls for redeemable preference shares amounting to \$2.2 million over the next five years including the current year. For capital efficiency it is preferable for the Council to borrow the required sum to ensure that funding is aligned with the investment term. The necessary funds will not be borrowed until specific calls are made on the shares.

To provide for the long term capital funding of Christchurch City Facilities Ltd it is necessary for the Council to pass the following resolution:

1. That, in exercise of the powers vested in it by the Local Government Act 1974, the Christchurch City Council resolves to raise a loan to be known as Capital Funding Loan 2002 of \$2,500,000 in accordance with the following terms:
 - (a) The purpose and terms of the borrowing are:
 - (i) To fund the Council's equity investment in Christchurch City Facilities Ltd by way of redeemable preference shares.
 - (ii) The maximum amount of the borrowing is \$2,500,000.
 - (iii) The maximum term of the borrowing is 20 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 per cent 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.
 - (b) For the purpose of S.122ZE the Council charges its ordinary revenue 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 any two of 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
Geoffrey W Barnes	Funds and Financial Policy Manager
Paul A Baldwin	Funds Accountant

Chair's

Recommendation: That the above resolution be adopted.