

Christchurch City Holdings Limited - Memorandum



To: Christchurch City Council

From: Bob Lineham, Chief Executive Officer, Christchurch City Holdings Limited

Date: 15 March 2004

Subject: **Potential Special Dividends**

The Annual Plan Subcommittee requested CCHL to give consideration to the payment of special dividends totalling \$50 million to assist with the financing of the expanded capital programme being proposed in the budget for 2004/05 and later years.

CCHL was unable to respond to the subcommittee in time for consideration by the subcommittee but I undertook to get a reply for the Council meeting. On advice from myself in my Council role as Director of Strategic Investments, the subcommittee included provisional sums for a special dividends totalling this amount in its draft plan.

Background

CCHL recently received a special dividend from Orion of \$35 million and the subcommittee was aware of this. The board of CCHL had not had an opportunity to consider this matter until 13 March 2004.

In addition CCHL is currently considering, along with Council officers, whether it would be financially efficient for CCHL or a subsidiary to build the new Civic Offices and to lease them to Council. Until this matter has been fully researched it would be unwise to make a formal decision to pay the special dividend to Council as the funds may be needed in CCHL to undertake this project. However, until a decision is made this uncertainty can be catered for by delaying any actual payment of a special dividend. Hopefully the report will be available in a few weeks time.

If at a later stage it is decided that it would be appropriate to have the building financed by CCHL then it would be possible to remove both the special dividend provision and the capital expenditure from the Council's budget and the effect would be neutral on the Council's bottom line. Nevertheless it would still be appropriate for the issue to be consulted on in this LTCCP and for this reason it is appropriate that the two transactions remain in the Council's plan.

Provision for Dividend

CCHL have now considered the request from the Annual Plan subcommittee and, while noting the points above relating to the possibility of changing this approach if necessary later, has requested that Council be advised:

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- (a) **That CCHL intends to pay a special dividend of \$35 million provided there is no need for CCHL to fund the Civic Offices project directly; and**
- (b) **That it is unable to explicitly identify at this time a source for a further \$15 million by 2006/07 but believes that it is reasonable, given past performance, for CCC to expect that an amount such as this could be forthcoming in that timeframe.”**

In light of this response Council should be able to proceed to plan on the basis set out in the proposed draft plan being considered at its meeting on 18 March 2004.

Recommendation:

That the information be received.

Bob Lineham
Chief Executive Officer
Christchurch City Holdings limited