

# 5 AMENDMENTS

Amendments to the 2006/07 – 2015/16 Community Plan	129
Revenue and Financing Policy	129
The Stadium Proposal	130
Library Redevelopment Project	139
Forecast Financial Information	141





# AMENDMENTS TO THE 2006/07 – 2015/16 COMMUNITY PLAN

## AMENDMENTS TO THE 2006/07 – 2015/16 COMMUNITY PLAN

The Annual Plan process has led to changes to the ten-year forecasts approved by the Council in last year's Community Plan. Some of these changes are significant enough or of such a nature, they trigger an amendment to the Council's 2006/07 – 2015/16 Community Plan. These are discussed below.

### REVENUE AND FINANCING POLICY

The Revenue and Financing Policy states the Council's policy on the funding of its operating and capital expenditure and the sources of those funds. The current Revenue and Financing Policy was adopted as part of the 2006/07 – 2015/16 Community Plan. However, since the adoption of this policy the Council has reconsidered the funding mechanism for two activities. In addition, an amendment to the Local Government Act 2002 requires the Funding Impact Statement to include a definition of a separately used or inhabited part of a rating unit. That definition is now incorporated into the Funding Impact Statement.

#### 1 *Solid Waste – Landfill Gas Collection and Solid Waste – Post Closure Costs*

The New Zealand Waste Strategy 2002 has a target that by December 2005, operators of all landfills, cleanfills and wastewater treatment plants will have calculated user charges based on the full costs of providing and operating the facilities and establishing a programme to phase these charges in over a timeframe acceptable to the local community. The Council's current Revenue and Financing Policy for the Post Closure Costs and Gas Collection does not meet the target of the New Zealand Waste Strategy.

The Council believes that the landfill at Green Island should be 100% user pays and with the removal of the ratepayer funding for the Gas Collection and Post Closure Costs the Council will meet this target. There will still be a small ratepayer contribution towards the costs of operating the community landfills in the outlying areas of the city.

With the change to the funding of the Green Island Gas Collection and Post Closure Costs, the Green Island Landfill will meet the target set by the New Zealand Waste Strategy.

The change to the policy does not directly impact on fees and charges and hence the surplus is reduced.

#### **Consequential amendments to the Community Plan**

The changes to the funding policy will result in a decrease in the rates requirement as follows:

2007/08 \$'000	2008/09 \$'000	2009/10 \$'000	2010/11 \$'000	2011/12 \$'000	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000
321	381	375	405	438	473	511	552	597

#### 2 *Cemeteries and Crematorium*

The current funding policy for the Cemeteries and Crematorium is 80% fees and charges and 20% general rates. The Council acknowledges that there is a general benefit to the community in providing burial services and cemeteries for people to visit for personal and recreational reasons.

The budget indicates that the funding policy will need to be amended to 33% rates and 67% fees and charges, being the average over the next ten years.

Total revenue collected from fees and charges includes a portion, which is to be invested. Interest earned on this investment will be used to fund the future maintenance of city cemeteries. This annual service fee of \$122,600 is transferred into a separate investment that earns interest. Previously the Cemetery and Crematorium activity has been underfunded. The funding shortfall has been made up by working capital of the Council.

The revised funding policy reflects the quantum of funding that ratepayers have, in previous years, been paying in general rates and working capital.

The following changes have been made to the forecast financial information contained in the Community Plan:

	2007/08 \$'000	2008/09 \$'000	2009/10 \$'000	2010/11 \$'000	2011/12 \$'000	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000
<b>Income Statement</b>									
Additional Rates	185	257	243	240	235	284	285	280	271
<b>Cashflow Statement</b>									
Additional Cashflow	185	257	243	240	235	284	285	280	271

### 3 Funding Impact Statement – New Definition

An amendment to the Local Government Act 2002 (Local Government Act 2002 Amendment 2006 – No 26) requires the Funding Impact Statement in the Annual Plan to include, in relation to each targeted rate, a definition of a separately used or inhabited part of a rating unit.

The following definition is now included within the Funding Impact Statement:

For each category of rateable land includes , in addition to any portion occupied by the ratepayer, any portion of a separately rateable property used or inhabited by any person, other than the ratepayer, having a right to use or inhabit that portion by virtue of a tenancy, lease, licence, or other agreement.

## THE STADIUM PROPOSAL

### Background

#### Carisbrook issue

As a result of submissions from the Otago Rugby Football Union (ORFU) to the Dunedin City Council and Otago Regional Council, a working party was established in July 2003 to consider the future of Carisbrook Stadium. It was widely accepted that the stadium was in poor condition and lacked the functional requirements of current and potential stadium users. In response, the working party identified development options, undertook regional wide consultation and started a detailed development programme before handing over to the Carisbrook Stadium Trust in October 2005. At that stage, the options that had been publicly consulted on included:

- Do nothing – the status quo
- Progressive upgrade – fix the current Carisbrook Stadium
- Replacement – start afresh on a new site

The feedback from Dunedin residents signalled strong support for upgrading Carisbrook (66%) and the need for it to be a multi-use facility. It was also noted that a significant proportion of the public supported the replacement option (22%). The rest of the Otago region also expressed a similar view, (source: Carisbrook Working Party November 2004 telephone survey).

#### The Carisbrook Stadium Trust vision

The Carisbrook Stadium Trust (CST) was formally launched on 9 August 2006 with the signing of the Trust Deed and the appointment of a chairperson and trustees independent of the principal funding partners. The Trust was settled by the founding trustees, has charitable status and is a legal entity separate from the Dunedin City Council. After the formal launch of the CST a vision was presented of a new multi-purpose stadium development located in close proximity to the University of Otago and the waterfront. There were a number of events that influenced this vision:

- Carisbrook lost its national position as a test match rugby venue;
- New Zealand won the hosting of the 2011 Rugby World Cup;
- Dunedin City Council included funding to develop sporting infrastructure at Logan Park;
- The University of Otago requires additional space and indicated a desire to develop new facilities.

The CST concluded that the optimum response to these events was:

- A multi-purpose facility comprising:
  - University teaching and research space;
  - An international stadium;
  - A unique integration of university campus and stadium;
  - A roof.

- Located in the Logan Park vicinity.
- Delivered by the end of 2010 – in time for the Rugby World Cup.

### *The preferred option – new stadium, new site*

The Dunedin City Council, having considered the results of consultation undertaken by the Carisbrook Working Party, and a proposal from the Carisbrook Stadium Trust titled 'Carisbrook Opportunity, Dunedin Master Plan and Feasibility Report 19 February 2007', and the "Hearings Committee Report" dated 18 May 2007, has confirmed its preferred option, namely, a new multi-purpose 25,000 – 30,000 seat stadium with a fixed roof over the stands and pitch located on Awatea Street between Logan Park and the Harbour, costing \$188.0 million.

#### **Final decision to go ahead with the Stadium**

There are several milestones and conditions to be met over the next six months before a final decision to go ahead and these are contained in the Council's resolution which, for completeness is set out below:

- "1
  - a) **That the proposed ratepayer funding for the Stadium Project is not acceptable at \$91.4 million and needs to be reduced before the Council makes a final commitment.**
  - b) **That the Stadium Funding Working Party continues to identify firm opportunities to significantly reduce the ratepayer funded requirement and reports back to the Finance and Strategy Committee on progress.**
- 2 **That Council includes in 2007/08 up to \$11.5 million (and the balance of the Project cost of \$79.9 million in subsequent years) to enable the Carisbrook Stadium Trust to continue investigations and design work into a covered Stadium at Awatea Street (the Project) under the terms and conditions set out in Resolutions 7 and 8 of the Council meeting of 28 February 2007 as follows:**
  - 7 ***That the Council notes the majority of funding as proposed is coming from the public sector, with the DCC being the major public contributor, and as such the ultimate ownership of a new stadium should vest in the Council on behalf of the community.***
  - 8 ***That before the Council makes a final commitment it will require as far as practicable the following:***
    - a) ***A public tender process with a guaranteed maximum price for construction contracts***
    - b) ***Security as to other funders***
    - c) ***A contract with the University of Otago***
    - d) ***Confirmation that the turf will grow successfully under option 1A***
    - e) ***That physical constraints with regard to site suitability and roading and parking requirements are satisfied***
    - f) ***A peer review of the quantity surveyors' estimates and other technical reports***
    - g) ***A peer review of the robustness of the ongoing estimates for revenues and expenses."***
- 3 **That of the \$11.5 million, \$5.6 million (being \$2.6 million provided by September 2007 and the balance by 31 December 2007) is dedicated to investigative work to confirm, or otherwise, the viability of the Project by 31 December 2007, subject to:**
  - a) **The provision of six-weekly updates to the Finance and Strategy Committee on planning, engineering, contractors, timing, pricing estimates, funding, risks and any other relevant issues.**
  - b) **Continued updates on the obligations in clause 8 of the Council's resolution passed at its meeting on 28 February 2007.**
  - c) **Each report making recommendations about whether or not to continue investigations.**
- 4 **That Council, following consideration of each report and update in resolution no.2 (c), decides whether or not to fund a continuation of the Trust's investigations.**
- 5 **That, should the Council decide at any point during the 2007/08 year to terminate its funding of investigations into the Project, any rates collected in excess of**

expenditure on the Project investigations will be carried forward as a separate, ring-fenced item as a credit to the general rate in the next rating year.

- 6 That, in the event the Project terminates, any debt drawn down will be repaid within five years, using, in order of priority:
  - a) A special dividend(s) from Dunedin City Holdings Limited
  - b) A special dividend(s) from the Waipori Fund
  - c) The application of cash operating surpluses (excluding the effect of rates collected for the purpose of servicing the Project debt)
- 7
  - a) That the rate requirement to fund the debt servicing costs on the Council's contribution towards the Project for 2007/08 be funded by general rates
  - b) Should the project proceed the Council will decide on the most appropriate rating method for funding.
- 8 That as soon as practicable, a group is formed comprising appointees of the Carisbrook Stadium Trust and at least two Council appointees (to be appointed by the Mayor and Chief Executive) with experience of large construction projects, to report six weekly to the Finance and Strategy Committee.
- 9 That the Council seek advice on the optimum ownership and governance structure for the Stadium Facility, to be received by 31 December 2007."

The resolution of Council makes it clear that the Dunedin City Council's share of funding for this option must be reduced from the draft Annual Plan figure of \$91.4 million. It should be noted that, subject to any changes caused by the execution of the terms of the resolution, Dunedin City Holdings Limited (DCHL) will make a substantial contribution to the repayment of principal over 20 years along with the direct contribution from ratepayers. Their shares are as follows:

		<b>Principal</b>	<b>Interest</b>
Loan no 1	\$60.0 million	DCHL	Ratepayers
Loan no 2	\$31.4 million	Ratepayers	Ratepayers

#### ***Fallback option***

The Council has adopted a fallback position of excluding the fixed roof over the pitch if, for example, contributions from other funding organisations fall short of what is required to build the preferred option. This would reduce the cost by \$37.35 million to \$150.65 million.



#### ***Reasons for the preferred option***

The choice in front of Dunedin, Otago and the southern region was, broadly speaking, to select one of two paths.

The first path is to invest in stadium infrastructure to a level that strengthens Dunedin's and the Otago region's position as a centre for international and national sporting competition and events over the long term. It is envisaged that this path will contribute to economic development through increased visitor numbers from significant sporting events (test match rugby), concerts and promotions, conferences/commercial activity, and a professional sport

franchise. Further detail on the economic benefits are provided in the "Promotion of Community Outcomes" section of this proposal.

The second path is to accept that Dunedin and the Otago region will not be a centre for international and national sporting competition over the long term. It is envisaged that alternative investment would need to occur to generate the economic development and city vibrancy to a level comparable to the first path.

The Carisbrook Stadium Trust took the view that the option of a new stadium at the new Awatea Street best satisfies the first path described above for the city and the Otago region. A stadium with a fixed roof over the pitch was preferred for two key reasons:

- It provides a superior environment for event attendees and promoters resulting in higher spectator numbers, events and revenue.
- It gives Dunedin a point of difference compared to the stadia of other major New Zealand cities.

Other options that the CST presented and which the Dunedin City Council considered included:

- Upgrade Carisbrook via a new South stand (development cost \$69.0 million)
- Upgrade Carisbrook by altering the North stand (development cost \$29.3 million)
- New stadium at the Carisbrook site fully enclosed (development cost \$184.2 million)
- New stadium at the Carisbrook site (development cost \$131.1 million)
- Do nothing

The Dunedin City Council decided at its 1 March 2007 meeting that these options were not practicable in that they did not advance the well-being of Dunedin to the desired level over the long term. These options were not expected to deliver economic benefits to the same degree of the preferred option.

#### ***The 'fallback' position – no fixed roof***

While the Council prefers the fully roofed option for the reasons identified above, it believes that the desired strategic direction for Dunedin and the Otago region would still be achieved under the 'fallback' position of a new stadium with no fixed roof. In this scenario the new stadium would be designed in a way that allowed the roof to be added at a later stage as or when funding permitted.

### *Details on the preferred option*

#### ***Design and Location***

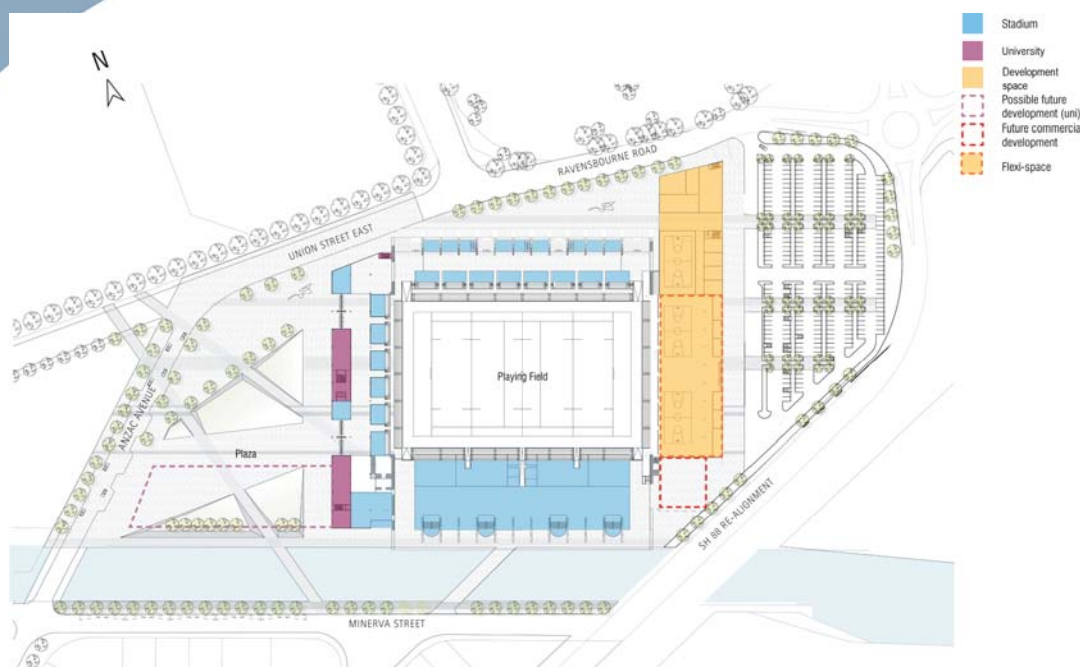
The key aspects of the development are:

The stadium will be located opposite Logan Park, in North Dunedin. The Awatea Street site was selected as the preferred new site because it offered the opportunity to co-locate the development with the University of Otago's requirement for additional space.

The stadium will have a total permanent roof structure that will enable sunlight to enter the stadium but will protect the playing surface (and enable grass to grow normally) and will shelter spectators from the elements. The playing surface will be rectangular in shape to minimise development costs and consequently it will not cater for cricket.

The seating capacity of the stadium will be 30,000, comprising 25,000 permanent and 5,000 temporary seats. In addition, subject to final design, there will be: two 500 person capacity lounges; a founders lounge (120 person capacity); a hirers lounge (48 person capacity); and 18 corporate suites.

Further information about the multi-purpose aspect of the design is discussed in the 'Usage' section of this proposal.



### Costs and Funding

At this stage of the design process an estimate of the development cost for the preferred option is within the range of \$180.0 – \$195.0 million (excluding GST). The Dunedin City Council is proposing to commit \$91.359 million towards the total development cost. The detail of this funding is included in the Council’s financial planning and its impact is discussed in the ‘Impact on the 2006/2015 Community Plan’ section of this proposal.

The detailed breakdowns of the development cost estimate, and the proposed funding of the development costs are provided in the tables below. The CST projects the stadium will return an average annual positive cashflow of \$308,000. The figures do not include major capital maintenance items or repayment of grants to funders. A present value estimate based on 2010 dollars, for all capital items over the next 50 years is \$6,359,000. This estimate has been included in table 2.

Further discussion relating to costs and funding is provided in the ‘Risks and Assumptions’ section of this statement.

**Table 1 – Development Cost**

Item	Costs
Stadium Works, escalation, contingency, consultancy fees, land costs, trust costs	\$150,650,000
Fixed Roof	\$37,350,000
<b>TOTAL</b>	<b>\$188,000,000</b>

**Table 2 – Funding of Stadium Costs (as proposed by CST)**

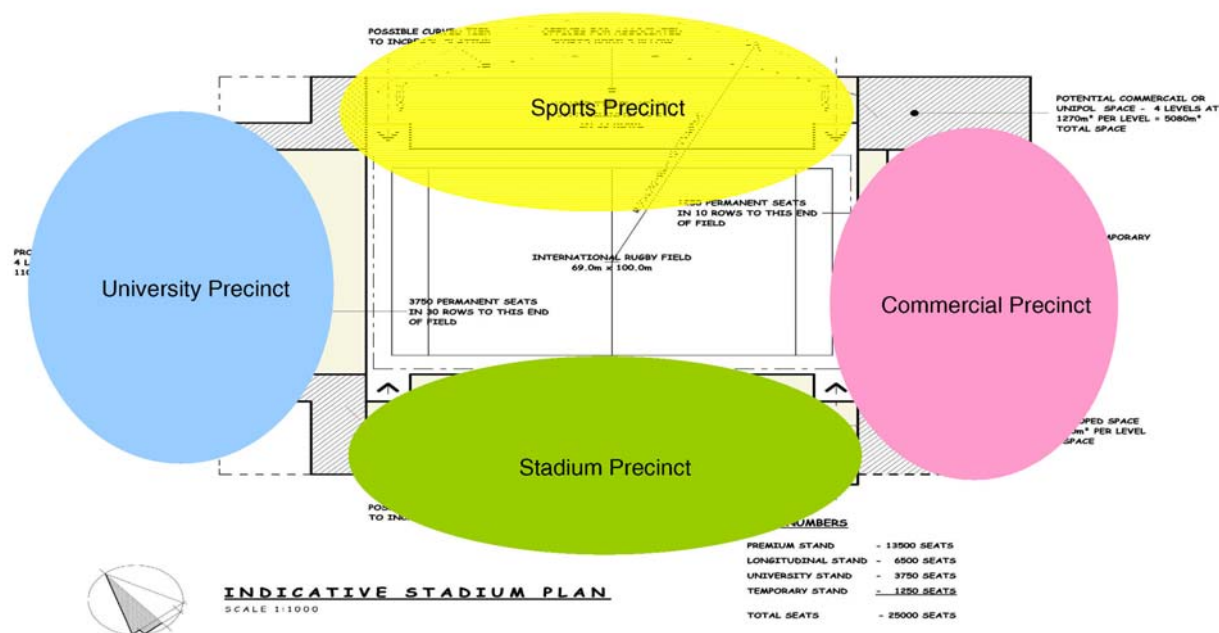
<b>Funding Sources</b>	
Dunedin City Council	\$85,000,000
Otago Regional Council	\$37,470,000
University of Otago	\$10,000,000
Community Trust	\$10,000,000
‘Other’ funding sources (membership, naming rights, founders club)	\$42,530,000
Sale of Carisbrook (excluding ORFU debt)	\$3,000,000
<b>Subtotal – Capital</b>	<b>\$188,000,000</b>
Dunedin City Council (50 year capital maintenance requirements)	\$ 6,359,000
<b>Total Funding Requirement</b>	<b>\$194,359,000</b>

### Usage of the multi-purpose stadium

Again, subject to final design, the preferred option creates a multi-use, flexible stadium with four distinct precincts (University, Sport, Commerce, Stadium), and a fully covered turf playing field. The design of the stadium into

precincts allows for the integration of the University of Otago teaching facilities, a non-disclosed commercial use, as well as non-event day usage such as conventions and exhibitions.

Rugby is the activity anchoring the use of the stadium from a sporting and major event-day perspective. Other sporting activities such as soccer will also have a presence. Cricket will not be played at the stadium due to the rectangular shape of the pitch.



### Long-term feasibility

**Economic life** – the new stadium will, with reasonable maintenance, be capable of having an operating life of at least 50 years. Capital maintenance projections covering this period have been included in the development costs.

**Resource Management** – the new stadium will incorporate environmentally sustainable design, including the use of environmentally responsible materials, minimising energy consumption, and other features such as harvesting of rain and grey water. In order to ensure that all environmental aspects of design are considered, a detailed schedule will be prepared for the purpose of seeking ‘LEEDS’ environmentally sustainable design accreditation.

Important elements of the stadium development that relate to a broader town planning perspective include:

- Relative proximity to the Octagon (1.5km) allowing access by foot for major events
- Integration with plans to realign S88 resulting in a safer environment on major event days.
- Development of a pedestrian plaza at the east end of the stadium to provide a city and university focal point for the eastern edge of the central city.
- Attraction of activity and some regeneration to the area fringing the stadium.
- Improved linkage between the University, Logan Park, the Stadium and the Harbour.
- Clear linkages for all modes of transport for event and non-event days.

**Climate change and sea level rise** – the design of the stadium has used information from NIWA for 100-year storm/flood levels as a base sea level, and then added estimated sea level rise due to climate change. The floor level has been designed in excess of one metre above this.

### Risks and Assumptions

A development of this scale has risks and challenges. The primary risks have been split into the following headings:

**Development Costs** – as is expected at this stage of a large development project, there is a high risk that the estimate of development costs as indicated in this proposal will increase as more detailed work and contractual issues are finalised. Benchmark information indicates that the construction costs are achievable within the allowances indicated in this proposal. The focus on design to date has been on holding to the initial estimate of \$188.0 million. As a further step to manage this risk the Dunedin City Council has formally agreed that before a final commitment is made it will require as far as practicable:

- A public tender process with a guaranteed maximum price for construction contracts.

- Security as to other funders.
- A peer review of the quantity surveyors' estimates and other technical reports.

**Time** – At present there is a moderate to high risk that the District Plan change required for the development of the new stadium will not be achieved in the programmed 12-month period. This could jeopardise completion of the stadium in time for the 2011 Rugby World Cup.

There is also a high risk of delays in the construction of the stadium. The CST has identified methods to mitigate this risk and will explore these in detail in the next stage of the project.

**Funding** – There is a high risk that the level of funding gained from other sources (see table 2) will not be achieved. If this risk occurs the Council has various options including, but not limited to, reviewing its support for the entire project or invoking the "fallback" position, as defined on page 133.

**Partners** – Aside from the key funding partners, there are three other organisations that are critical to the success of the stadium development.

- University of Otago – once the University has completed its consultation process and has approval from the University Council, it is intended that a Heads of Agreement will be entered into. This will outline the working relationships needed to develop and design the University facilities to a concept stage and provide a framework for ownership and financing. At this stage, the University is fully supportive of developing part of their campus in association with the stadium.
- Otago Rugby Football Union (ORFU) – the ORFU will be the main tenant or hirer of the stadium and has been working with the CST via a Heads of Agreement. The next phase is to finalise a future agreement that will cover transaction and operational issues including:
  - The transfer of Carisbrook from the ORFU to the CST.
  - Addressing liabilities held by the ORFU (ie approx \$6.0 million).
  - Agreements relating to the commercial use of the stadium and activities undertaken within it.
- New Zealand Rugby Union (NZRU) – the support of the NZRU is critical to the operational feasibility of the new stadium. They have indicated to the CST that they would commit to test matches to 2010 subject to progress being made on the funding and planning for the stadium.

**Operational** – Dunedin City Council has formally agreed that before a final commitment is made it will require, as far as practicable:

- A peer review of the robustness of the ongoing estimates revenues and expenses.
- A contract with the University of Otago.
- Confirmation that the turf will grow successfully for high performance sport under the fixed roof.
- That physical constraints with regard to site suitability and roading and parking requirements are satisfied.

The Council recognises that given the level of public funding supporting this proposal the issue of stadium ownership needs to be explored and resolved in the near future. There is an expectation that the stadium will become a publicly owned asset.

Finally, there is a risk associated with growing turf in a fully enclosed stadium. This risk is being reduced through trialling turf performance under simulated stadium conditions. If the trial is unsuccessful there are other options to manage this risk although additional development and operational costs may be incurred.

**Debt** – Special dividends from Dunedin City Holdings Limited (\$60.0 million over 20 years) will be applied to the repayment of debt. The new loans relating to this \$60.0 million will be interest only loans until the dividend is received.

Interest on money borrowed is estimated at 8.5%.

**Grant** – It has been assumed that until the question of ownership is resolved in accordance with the resolution, the Council's contribution will be paid as operating grants to the CST. The grants will be paid monthly.

**Inflation** – The Stadium cost estimate of \$188.0 million is "to completion", ie, it allows for all escalations in costs and contingencies which total \$23.0 million.

## Promotion of community outcomes

The following table summarises the community outcomes that are influenced by, and the integration that results from the preferred option to build a new stadium on the Awatea site.

Community outcome	Impact of a new stadium
(as defined in the 2006-2015 Dunedin City Council Community Plan)	
<i>Wealthy Community</i>	<p>Net economic impact over the life of the stadium (50 year) of \$268.0 million (the optimistic figure is \$310.0 million). The reasons for this impact include:</p> <ul style="list-style-type: none"> <li>• Increased visitors to the Dunedin and the Otago region.</li> <li>• Additional or maintained tertiary student numbers.</li> <li>• Retained local expenditure.</li> <li>• Spending relating to initial construction and on-going maintenance of the stadium.</li> </ul> <p>The 'showcasing' effect of high profile events will provide Dunedin and the region with important opportunities to market its potential for economic development and lifestyle.</p> <p>The link between the University and high performance sport is strengthened.</p>
<i>Accessible City</i>	The combination of a plaza area, realignment of State Highway 88, and a design that focuses on pedestrians and public transport supports the City's vision for safe and easy access.
<i>Safe and Healthy People</i>	The multi-functional design of the stadium creates a hub of activity promoting a safer environment.
<i>Sustainable City and Environment</i>	<p>The new stadium improves the existing environment and potentially provides a catalyst for further private development.</p> <p>The stadium itself will be an iconic example of a development consistent with environmental design principles.</p> <p>In relative terms the stadium has a large capital cost that increases the Council's indebtedness over the long term. It is possible that the Dunedin City Council's peak debt projections may limit its ability to deal with unforeseen issues that require significant capital contributions in the future. In this situation Dunedin would be more reliant on Central Government for assistance.</p>
<i>Culture and Learning</i>	<p>The association between the University of Otago and the stadium creates opportunities to improve teaching and research facilities, and improve the scope for and quality of research.</p> <p>Major cultural events could be held in the stadium at any time of the year.</p>
<i>Supportive Community</i>	<p>The stadium offers a unique opportunity for a large number of Dunedin's residents to come together in one place and share a sense of pride in our place, our community.</p> <p>A negative aspect of this outcome will be the possible financial and service impacts that funding the stadium will have on low or fixed income ratepayers.</p>
<i>Active City</i>	It is assumed that the stadium will provide opportunities for wider community use thereby encouraging a broader range of sporting, recreational and leisure activities.

## Parts of the Community Plan to be amended

The following changes have been made to the forecast financial information contained in the Community Plan:

	2007/08 \$'000	2008/09 \$'000	2009/10 \$'000	2010/11 \$'000	2011/12 \$'000	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000
<b>Income Statement – Stadium Grant</b>									
<b>Additional Revenue</b>									
General Rate	363	2,954	6,936	7,851	7,928	7,673	7,418	7,163	6,908
Dividends Dunedin City Holdings Limited – Special				3,000	3,000	3,000	3,000	3,000	3,000
<b>Additional Operating Expenditure</b>									
Operational Costs	11,508	44,000	29,492	6,359					
Loan Interest	363	2,954	6,569	7,255	7,215	6,897	6,574	6,245	5,909
<b>Cashflow Statement – Stadium Grant</b>									
<b>Cashflow from Financing</b>									
From Loan Raised	11,508	44,000	29,492	6,359					
To Loan Repayment			(367)	(3,596)	(3,713)	(3,776)	(3,844)	(3,918)	(3,998)

### Funding Impact Statement

As part of the consultation on the 2007/08 draft Annual Plan, two options for funding the debt servicing costs associated with the Council's contribution towards a proposed new stadium were provided. These were including the rate requirement within the general rate or funding by way of new targeted rates.

Having considered the submissions both for and against the proposed options and taking into account the submissions made in regards to the proposed stadium, the Council resolved to fund the rates requirement using the general rate. However, the Council has noted that if the project proceeds after 31 December 2007, the Council will then decide on the most appropriate rating method.

## Consequential Amendments to the Community Plan

The changes to the forecast financial information shown above have the following consequential effects on the Council's Forecast Financial Statements:

### Debt

Term liabilities increase substantially by the additional loans raised but will reduce by loan repayments made.

Council's prudential ratios come under some pressure over the middle years of the Plan. In the 2010/11 year, the ratio of interest expense to rates revenue exceeds the Council's self-imposed limit of 20% by 0.8%.

The ratio of interest expense to total revenue, for which the Council has set a limit of 8%, is exceeded from 2009/10 – 2016/17. Its highest point is 10.2%.

Thirdly, in the years of the biggest stadium grants, 2008/09 and 2009/10, the factor by which operational cash flow exceeds interest expense falls below the Council's minimum of 2.5 times. Had the grants been treated as capital expenditure these ratios would have been 4.1 and 3.2.

The level of debt indicated by these ratios means that the Council exceeds or is at the limits of its capacity for much of the Plan period. Risks of further exceedances of prudential ratios include more interest rate rises and increases in project costs.

A mitigating factor for ratepayers is the contribution over 20 years at \$3.0 million per year Dunedin City Holdings Limited will make to principal repayments on the loans raised to make the stadium grants. The risks of interest rate increases and cost overruns will need careful management for the remainder of the Plan period.

### Logan Park Redevelopment

The Council's Logan Park Development Plan Working Party and General Manager Community Life will be meeting with the Carisbrook Stadium Trust to identify the implications, synergies and timing issues that arise from the new stadium on the Logan Park Redevelopment project.

# LIBRARY REDEVELOPMENT PROJECT

The City Library is a community library, which provides access to a wide variety of book collections, readers' seats, on-line catalogue, internet access, children's services and programme services. In addition it services the outlying community libraries and Book Buses to meet the needs of those people unable to travel to the central city to access these services.

## *Details of the Amendment*

The City Library on Moray Place will be redeveloped by the consolidation of the public areas of the library to three floors with total floor space of 4,500 m<sup>2</sup>, the creation of entry points from Moray Place and George Street with the potential release of up to five non-public floors for commercial lease. This redevelopment will retain 70% of the current library floor space and will also provide options for development on to the current Civic Plaza area and/or integration with a Council One-Stop-Shop Customer Service Centre. The estimated cost of this redevelopment is \$18.5 million allocated from 2013/14 to 2016/17.

A Dunedin South Library of 2,000-2,500 m<sup>2</sup> will also be established, including space for the Bookbus and Special Access Services, which will be relocated from the City Library. It is anticipated that the Dunedin South Library will be open seven days a week plus some weekday evenings and would accommodate a collection of approximately 100,000-130,000 items. The estimated cost of this redevelopment is \$8.0 million allocated from 2012/13 to 2013/14.

## *Reasons for the Amendment*

The Library Redevelopment Project has been based on key findings and recommendations of the OCTA Report *Dunedin Public Libraries Service Delivery Study* presented to Council in December 2005 and being the result of a detailed six-month independent review of the facilities and operation of the Dunedin Public Libraries.

### **The City Library**

The OCTA Study identified that in addition to having had no major refurbishment since it was opened in 1981, the City Library building had a number of major deficiencies, including:

- Children's area is inadequate for collections and programmes
- Young Peoples' area is inadequate and inappropriately located
- Study and tutorial rooms are insufficient and inappropriately located
- Inflexible and inefficient use of staff with duplicate service desks on multiple floors
- Exterior entry is difficult and confusing
- Entry from the Upper Basement car park is difficult and inappropriate, particularly for the disabled and carers
- Heritage Collection areas in the Lower Basement are prone to water and chemical damage and totally unsuitable for long-term preservation
- Public collection areas are inadequate with extensive non-public stack areas
- Inadequate delivery and receiving areas for the Bookbus and Special Access services

### **South Dunedin Library**

Despite being one of the most densely populated areas of the city, with a high proportion of the community being elderly with low income, limited access to information technology and low private vehicle ownership, the Dunedin South area of the city currently receives only 3.5 hours per week of Bookbus service, plus a volunteer community library. In addition, the South Dunedin area has become a destination shopping location and is adjacent to the transport routes bringing 70% of traffic into the central city each weekday and has been identified by the OCTA Report as the only other location in the city where the establishment of a public library would be appropriate.

## *Analysis of Options*

The Council commissioned OCTA Associates Limited to identify options for dealing with the library service deficiencies discussed above. In undertaking these tasks, OCTA identified and consulted with the community, in conjunction with the Council, on a broad range of options. In the process of agreeing on a preferred option the Council was presented with 11 options of which the following were subsequently deemed as being practicable for final consultation and consideration.

- Option 1** Remodel the existing City Library, including an extension on to the Civic Plaza, with entries from the Plaza and George Street and 100% of the current City Library space retained.  
No Dunedin South Library

- Option 2** Remodel the existing City Library with a limited extension on to the Civic Plaza, with entries from the Plaza and George Street and 70% of the current City Library space retained.  
Establish a 2,250 m<sup>2</sup> Dunedin South Library in the Caledonian Gymnasium on Andersons Bay Road.
- Option 3** Remodel the existing City Library with a limited extension on to the Civic Plaza, with entries from the Plaza and George Street and 70% of the current City Library space retained.  
Establish a 2,250 m<sup>2</sup> Dunedin South Library as an urban design development.
- Option 4** Establish a 2,250 m<sup>2</sup> Dunedin South Library as an urban design development.  
No redevelopment of the City Library.  
(This is not an option presented in the OCTA *Dunedin Public Libraries Service Delivery Study* report).
- Option 5** Status quo. No redevelopment of the City Library or establishment of a Dunedin South Library undertaken.  
(This is not an option presented in the OCTA *Dunedin Public Libraries Service Delivery Study* report).

### The preferred option

The Council decided that option 3 provides the desired level of library service over the long term. The reasons for deciding on this option included:

- Improving accessibility to the library service;
- Improving the customer experience within the City Library;
- Improving the efficiency of the library service;
- Better outcomes associated with the development of South Dunedin;

On completion of the library development the Council expects to increase and maintain customer satisfaction and customer usage of the libraries and library materials.

### Parts of the Community Plan to be amended

At this early stage of the proposed project only the Community Plan financial forecasts are to be amended. The impact on service levels will be included at a later date.

The following changes have been incorporated into the forecast financial information:

	2009/10 \$'000	2010/11 \$'000	2011/12 \$'000	2012/13 \$'000	2013/14 \$'000	2014/15 \$'000	2015/16 \$'000
<b>Income Statement</b>							
Additional Revenue							
Rates Revenue (Note 1)	106	109		20	292	1,397	1,933
Additional Expenditure							
Staff Costs						423	372
Operational Costs	106	109			47	85	74
Depreciation							244
Total Expenditure	106	109	0	0	47	508	690
<b>Estimate of Cashflows</b>							
Cashflow From Investment							
To Capital Expenditure				(983)	(8,453)	(7,857)	(4,563)
Library Borrowing Costs				(16)	(186)	(668)	(1,068)
Cashflow from Financing							
From Loan Raised				855	6,866	6,500	3,683
To Loan Repayment				(5)	(59)	(221)	(372)
<b>Net Increase/(Decrease) in Cash</b>							
Cash				(128)	(1,587)	(1,357)	(833)

Note 1 – The “Rates Revenue” line above indicates the impact on the general rate. For this proposal the general rate will increase over the eight years to an additional \$2.05 million by 2016/17.

Note 2 – Interest on money borrowed is estimated at 7.25%.

## Consequential amendments to the Community Plan

The changes to the forecast financial information shown above have the following consequential effects on the Council's Forecast Financial Statements:

- Cash and deposits may change depending on the net cash flow effect of the project over its life
- Property, plant and equipment increases by the additional capital expenditure less the accumulated effect of the additional depreciation charged
- Term liabilities initially increase by the additional loans raised but will reduce by loan repayments made

The Capital Expenditure Programme on pages 74 – 83 will also show the redevelopment and the borrowing costs as an additional line item.

## Forecast Financial Information

The Annual Plan process has led to changes to the financial forecasts that were included in the 2006/07 – 2015/16 Community Plan. The changes in the financial forecasts are due to the following factors:

1. There are two amendments in the 2007/08 Annual Plan that will impact significantly on funding and service levels provided by the Council over the ten year forecast period. These amendments relate to the provision of new and improved library services, and the Council's contribution towards a proposed new stadium.
2. There is a range of other changes that, when combined, warrant the recasting of the financial forecasts.
3. In order to maintain a complete ten-year view of the financial forecasts for the Council, a 2016/17 year has been included.

### 1 Amendments – Major Project Changes

Two changes to the financial forecasts impact on the service levels that were proposed in the 2006/07 – 2015/16 Community Plan. These changes relate to the following two projects:

#### **Dunedin Public Libraries**

Additional funding has been included to redevelop the City Library and construct a new library facility in South Dunedin. Capital works will commence from the 2012/13 year onwards. Further information on this proposal is provided on pages 139 – 141.

#### **Proposed Stadium**

A grant of \$91.4 million, allocated over four years, has been added to fund the Council's contribution towards the development of a proposed new stadium. Further information on this proposal is provided on pages 130 – 138.

### 2 Other Changes

While the following changes have not had a significant impact on service levels proposed in the 2006/07 – 2015/16 Community Plan they have, however, led to changes to the financial forecasts. The changes include significant forecasting assumptions; compilation of budgets; and other budget changes.

### Significant Forecasting Assumptions

The significant forecasting assumptions have been updated with a revised interest rate for borrowing and revised rates of inflation. These forecasting assumptions have been applied in the same way as they were in the 2006/07 – 2015/16 Community Plan.

#### **Interest Rates**

Interest on money borrowed is estimated at 7.25% per annum with the exception of the money borrowed to fund the Council's contribution towards the proposed new stadium, which is estimated at 8.5%. Interest on money borrowed was estimated at 7% per annum in the 2006/07 – 2015/16 Community Plan.

#### **Inflation**

In the 2006/07 – 2015/16 Community Plan, the 2007/08 budgets were based on estimates prepared using 2006 dollars, with BERL inflation adjustors applied. For the 2007/08 year, in this document, budgets have been prepared using best estimates of 2007 dollars. Inflation adjustors have been applied to the 2008/09 – 2016/17 budgets, which were also prepared using 2007 dollars.

Updated guidance has been issued by BERL in regard to the appropriate inflation adjustors to use in local government annual plans for the years 2008/09 to 2016/17. With the exception of the 2008/09 year for Roothing, the BERL inflators have been incorporated into the ten-year plan. For the 2008/09 year an inflator of 6% has been applied to Roothing. This is because the Council believes it is a more accurate price adjustment based on recent experience with Roothing contracts.

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %	2013/14 %	2014/15 %	2015/16 %	2016/17 %
Property, Parks and Botanic Garden	2.8	5.6	8.5	11.3	14.1	16.9	19.6	22.4	25.1
Roothing	6.0	8.8	11.4	14.1	16.8	19.3	22.0	24.5	26.9
Water, Waste and Midland Street	3.8	7.7	11.5	15.5	19.4	23.4	27.3	31.3	35.2
Other Costs	2.9	5.9	9.0	12.0	15.0	18.0	20.9	23.9	27.1
Staff Costs	2.5	5.1	7.6	10.1	12.7	15.1	17.6	20.0	22.3

The Council used the following inflators (cumulative adjustment) in the 2006/07 – 2015/16 Community Plan. These were provided by BERL in 2005:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %	2013/14 %	2014/15 %	2015/16 %
Roothing	2.6	5.0	7.4	9.5	11.6	13.4	15.1	16.6	18.2
Property, Parks and Botanic Garden	2.9	5.7	8.4	10.9	13.2	15.4	17.4	19.1	20.9
Water – operational (input) costs	4.2	8.4	12.4	16.2	19.8	23.2	26.4	29.3	32.2
Water – capital	4.6	9.1	13.4	17.6	21.6	25.3	28.8	32.0	35.3
Waste and Midland Street	4.2	8.4	12.4	16.2	19.8	23.2	26.4	29.3	32.2
Water – capital	4.6	9.1	13.4	17.6	21.6	25.3	28.8	32.0	35.3
Staff costs	2.5	5.0	7.3	9.4	11.4	13.3	15.0	16.5	18.0
Other costs	3.1	6.2	9.0	11.7	14.3	16.7	18.8	20.8	22.7

## Compilation of the Budgets

The budgeting process used by the Council has not been changed. However, in preparing the 2007/08 – 2016/17 ten-year forecast financial information activity management plans and detailed budgets have been reviewed and updated with current and more up-to-date information.

A forecast of the 2006/07 year has been included in the Plan for information only, this is not an amendment to the 2006/07 – 2015/16 Community Plan. The forecast differs from the 2006/07 year included in the 2006/07 – 2015/16 Community Plan for the following reasons:

- Some carry forward budgets have been assumed
- The opening Balance Sheet position has been changed to reflect the 30 June 2006 Annual Report.

## Other Budget Changes

Some of the larger changes that have been incorporated into the budgets for the 2007/08 – 2015/16 years are discussed below.

### **Dunedin City Holding Ltd Dividend Income**

Additional dividend income of \$50.0 million from Dunedin City Holdings Limited compared to the 2006/07 Community Plan is being used to offset the general rate requirement over the nine years.

Additional dividends from Dunedin City Holdings Limited of \$3.0 million per annum, from the 2010/11 year, are being used to repay debt raised for the purpose of the proposed new Stadium.

### **City Property Investment**

Because the proposed George Street retail development option has been revised the funding requirement has been reduced by \$11.0 million. Note that due to the delay in commencing this project this change incorporates a carry forward from the 2006/07 year.

### **Housing**

As a result of a revaluation on the Housing assets the annual depreciation expense has increased. The Council intends to fund the increase in depreciation and as a result, it has increased the budgets for new housing units and upgrades to existing housing by \$7.4 million.

## **Roading**

Additional funding of \$33.9 million is provided for capital expenditure on Roothing activities. This overall increase incorporates the changes set out below.

- Since the adoption of the 2006/07 – 2015/16 Community Plan, the Council has adopted a Transportation Strategy. As a result, additional funding has been included for enhancing pedestrian, cycling and mobility facilities and strategic corridor work.
- Additional funding for all roading projects reflects the increase in costs in the construction and maintenance of roads since the 2006/07 –2015/16 Community Plan was prepared.
- The Seal Extension programme has been reduced from the 2007/08 year on an ongoing basis. This reflects Council's policy decision to limit seal extensions to proposals with a cost benefit ratio greater than, or equal to, one.
- Funding is included for a Dunedin/Port Chalmers walkway/cycleway. This project is funded jointly by the Otago Regional Council, Transit and the Council. Stage One of this project was completed as a joint initiative between the Otago Regional Council, Transit New Zealand and the Council. Funding in the 2007/08 Annual plan has assumed that completion of this project will be carried out on the same basis. At this stage the Otago Regional Council are indicating that they do not wish to participate/complete this service initiative. The Council will continue to explore with the Otago Regional Council options for its continued role in this project.
- Additional Funding is included to upgrade Peninsula roads.

In addition to the changes listed above, \$6.8 million of expenditure has been carried forward from the 2006/07 year and \$5.4 million of expenditure has been reclassified from operating expenditure to capital expenditure.

## **Dunedin Centre Redevelopment**

Due to increased cost estimates additional funding of \$10.7 million has been included for the Dunedin Centre redevelopment. In addition, after consideration of submissions on the 2007/08 draft Annual Plan, the Council decided to delay the project by one year, to allow for additional consultation, design and feasibility work to be undertaken.

## **3 The 2016/17 Year**

In order to maintain a complete ten-year view of the financial forecasts of the Council, the 2016/17 year has been included. As a result, the 2007/08 Annual Plan combines nine years of revised Community Plan financial forecasts, and the 2016/17 year.

The extended forecasting period information has been drawn from current activity management plans which have been developed consistently and on the same basis as the 2006/07 – 2015/16 Community Plan.

