

19 April 2018

[REDACTED]

Dear [REDACTED]

**Local Government Official Information and Meeting Request (LGOIMA) re proposed spending and rates increases**

I am writing in response to your LGOIMA request 21 March 2018, concerning matters around proposed spending and rates increases. Responses are provided to your questions below:

1. *What proposals have been provided by DCHL for income to the DCC (both the stadium payments and any dividends) for the next 10 years?*

The following section is provided from the draft Financial Strategy relating to Council-owned companies:

**Council-owned companies**

Council-owned companies are an important component in the Council's Financial Strategy. While they are valuable assets in terms of their capital value, the income they generate can be used to keep down the levels of funding required from ratepayers. In more recent years, the revenue expectations from the companies to the Council have been unrealistic. This coupled with stadium-related debt pressure and the need for group companies to re-invest, coupled with stadium-related debt pressure and the need for group companies to re-invest, has created a degree of financial uncertainty for the Council when trying to adopt budgets and set rates.

Group companies are in a rebuilding phase and investing in their own infrastructure – particularly important in the case of lines company Aurora Energy which has infrastructure that needs to be replaced.

In addition, Dunedin City Holdings Limited (DCHL), which owns the companies on the Council's behalf, continues the process of building financial headroom so the Council receives a steady income stream in the future. Any volatility in group annual earnings will be absorbed by DCHL so the Council can be certain about the money it will receive.

The 10 year plan forecast will assume an income stream of \$5.9 million per annum from the DCHL Group, being interest on the current shareholder advance of \$112.0 million.

2. *Is there a projected update for the graph entitled "Dunedin City Council Group – actual Debt" as proposed debt?*

Page 8 of the 2016/2017 Annual Report provides actual consolidated term loan balances (copy attached), and also attached is the graph "Dunedin City Council Group – Actual Debt".

The projected debt graph in the LTP consultation documents refers to council only debt.

3. *What are the current costs of fund for both DCC and the group? And the estimated costs of funds over the next 10 years?*

The actual cost of funds for the DCC on 28 February 2018 was 5.94%.

The assumption for the 10 year plan is as follows:

Interest on existing and new debt is calculated at 5.1% per annum for floating debt and 7.62 – 7.77% for hedged debt.

4. *Has DCHL projected their debt over the next 10 years? If so, can I have the estimates.*

The DCHL debt over the next 10 years is projected to be as follows:

2019	\$23.0 m
2020	\$20.0 m
2021	\$17.0 m
2022	\$14.0 m
2023	\$11.0 m
2024	\$8.0 m
2025	\$4.0 m
2026	Nil
2027	Nil
2028	Nil

Yours sincerely

Sharon Bodeker  
**Team Leader Civic**