

Report to the Policy and Finance Committee
from Greg Schollum, Chief Financial Officer

Stadium Trust: Quarterly Report to 31 December 1999

1. Purpose

To receive the Stadium Trust quarterly report for the period 1 October – 31 December 1999 (refer **Attachment 1**).

2. Background

The funding deed signed by the Wellington Regional Council, Wellington City Council and the Wellington Regional Stadium Trust requires the Trust to produce quarterly reports on progress during the construction period (6 monthly reports thereafter).

The receipt of the attached report from the Trust for the quarter ended 31 December 1999 is a formal component of Council's governance framework over the Trust.

3. Comment on the December Quarter Report

The attached report for the December quarter is a continuation of the positive reports of the last few quarters and coincides with the end of the construction phase. Commenting where appropriate on the headings included in the Stadium Trust's report:

3.1 **Stadium Project**

The construction of the Stadium project is undoubtedly a resounding success story. The early completion of the project was a bonus and enabled the Trust to have additional planning and preparation time for the opening events.

3.2 **Membership Sales**

To have only 269 membership sales (approximately 10% of the original target of 2,500) left unsold at this stage is a significant achievement. The partial calling of the WCC underwrite has meant the Stadium Trust is fully funded from this area of capital fundraising.

3.3 **Corporate Box Sales**

Corporate box capital fundraising is now also nearly complete, taking into account the Fletcher Construction underwrite.

3.4 **Other Fundraising**

It is good to see that miscellaneous fundraising is in line with budget. I have always considered that sale of signage and sponsorships would be easier once the Stadium was complete.

3.5 **Athletic Park Exit Costs**

It is good to see this has been agreed within budget.

3.6 **Event Bookings**

It is pleasing to note that event bookings for the first few months are strong and varied in nature. This reinforces that the Stadium is indeed living up to its multi-purpose design concept.

3.7 **Tenancies**

Now that the Stadium is operational I would expect the demand for tenancies will increase.

3.8 **Financial Accounts**

The financial accounts to 31 December 1999 are attached. The Trust has recorded a deficit for the half year of \$1.2 million as the impact of interest expenditure on bank debt is felt, but without the corresponding operational revenue. It will be interesting to track the operating surplus/deficit over the 2nd six months of this financial year.

The Trust's balance sheet is now more meaningful as the majority of the project costs are now brought to charge.

The key performance indicators are expected to provide more meaningful information in future periods (incorporating the Stadium operational phase).

3.9 **Cashflow Projections**

It is pleasing to see that the Trust is confident of achieving its cashflow forecasts. This is important so that the Trust can begin to repay bank borrowings in line with the business plan.

3.10 **Basin Reserve**

The integration of the Basin Reserve into the Stadium Trust operations (as a Number 2 ground) appears to have gone smoothly. Having two grounds will be important in the operation of the Stadium, particularly as the seasons seem to increasingly overlap.

3.11 **Tax Status**

The Trust has received notice from the IRD that their charitable status has been withdrawn. The tax status hinges on whether or not the Stadium Trust is a LATE (Local Authority Trading Enterprise). For the IRD to withdraw the charitable status means that they view the Stadium as a LATE under the new LATE definition. Either that or they believe the original granting of the charitable status by the IRD was incorrect.

The application of the new LATE definition hasn't yet been tested (i.e. there are no precedents) and there are conflicting views on whether the Stadium is in fact a LATE.

We are currently attempting to clarify the matter (in conjunction with WCC and the Trust). Depending on the results of the legal advice currently being sought, the options include:

- (1) The Trust accepting that it is taxable.

A consequence of this option is the settlors (WRC/WCC) will be legally required to charge interest on the loans which are currently interest free. This is because a Council cannot lend to a LATE on terms which are more favourable than the LATE could obtain from the market.

The benefit of this approach to the WRC, WCC and the Trust is that the Trust would be highly likely to incur significant tax losses as a result of the interest costs. However, the down side of this approach to the Trust is the negative impact the interest cost would have on its financial results.

- (2) The Trust challenging the IRD's interpretation.

The viability of this option will depend on the outcome of the advice currently being sought.

- (3) The WRC/WCC agreeing not to appoint the majority of Trustees.

The WRC has previously decided (2/2/99) that it "is unwilling to relinquish its current power (pursuant to the Trust Deed) to appoint, in conjunction with the Wellington City Council, Trustees of the Stadium Trust".

The public accountability issues involved with lending \$25 million interest free to the Trust are such that this option should be considered only as a last resort.

3.12 **Resource Consent Conditions**

No comment.

4. **Reappointment of Trustees**

Now that the stadium is operational officers, working in conjunction with WCC, have initiated a process of reviewing trustee appointments.

Letters have been sent to all existing Trustees (signed by the Chairman and Mayor) seeking feedback on the intentions of the current Trustees and seeking their views on the skill mix needed (now that the stadium is fully operational). Advertising of trustee positions is planned to begin in the next few weeks. (even though at this stage the two Councils have not determined exactly how many new trustees are required). The Council chairman intends to seek the input of all councillors in the process over the coming months.

5. **Communications**

The success of the Stadium has been well reported. No further communications are necessary.

6. **Recommendations**

That the report be received and the contents noted.

GREG SCHOLLUM
Chief Financial Officer

**Attachment 1: Wellington Regional Stadium Trust Monitoring Report –
December 1999**