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Report PE00.882

30 November 2000

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

Correspondence: Wellington Regional Stadium WCC/WRC

1. Purpose

To seek the approval of the Committee to vary one of the terms and conditions agreed between the Wellington City Council (WCC) and Wellington Regional Council (WRC) in relation to WCC's underwrite of Stadium memberships.

2. Public Excluded

Grounds for exclusion of the public under section 48(1) of the Local Government Information Act 1987 are *that the public conduct of the whole or relevant part of the meeting would be likely to result in disclosure of information for which good reasons for withholding exists i.e. to carry on commercial negotiations.*

3. Background

In December 1996 the Committee approved the Stadium Trust Deed and the Funding Deed (covering the funding contributions by WRC/WCC to the Stadium Trust) which were seen as the key governance machinery over the operations of the Stadium Trust (refer report 96.504).

These documents have proven themselves to be very robust and the Council's governance responsibilities over the Stadium Trust have been able to be effectively exercised through both the construction and operational phases of the Stadium.

At the time the Funding Deed was prepared there was a strong likelihood that the WCC may be asked to provide additional financial support to the Stadium Trust and as a result the Funding Deed included a clause which allowed for this possibility.

To ensure that there was no misunderstanding between the two Councils (WCC/WRC) officers sought, and gained agreement from the WCC as to the conditions under which we would accept WCC providing the Stadium Trust with additional financial support. Report PE96.505 provided details of the correspondence that was being negotiated at the time between the two Chief Executives (refer **Attachment 1**).

At the Policy and Finance Committee meeting on 12 December 1996 the Committee resolved to “agree to an exchange of letters and delegate to the General Manager the power to finalise the content of any such letter”.

During 1997 the WCC was indeed asked by the Stadium Trust to provide additional financial assistance to the Stadium project in the form of an underwrite over memberships.

In November 1997 correspondence was exchanged between the two Chief Executives to capture the agreement as to the nature of this additional financial support. (refer **Attachment 2**).

The content of the final signed letter was substantially the same as the draft letter provided to the Committee as an attachment to report PE96.505.

In September 2000 I received a letter from a senior officer at WCC requesting that the Council agree to a variation of the conditions agreed during 1997 in respect of the underwrite by WCC of the Stadium’s memberships. (refer **Attachment 3**).

The nature of the request revolves around the date after which the WRC will consider the unpaid underwrite loan from the WCC to be additional project capital. The agreement between the two Chief Executives during 1997 was that monies not repaid to the WCC within two years of the Stadium opening would be considered to be additional capital provided by the WCC (akin to the \$40 million advances from the two Councils).

4. **Comment**

I believe that the request by the WCC is not unreasonable.

Essentially they are requesting WRC to relax the condition that had been agreed during the project approval phase by allowing some flexibility in the timing of payment for some of the memberships (totalling approximately \$1.2 million due after the period of two years from the date of opening the Stadium).

Clearly the sale of all the memberships by the Stadium Trust has been a major success and has now closed off what was seen as the biggest risk of the project when the project plan was approved.

The remaining monies due on the memberships is all scheduled to be paid by June 2003 and represent outstanding instalments on sold memberships rather than projections of unsold memberships.

As such it isn’t akin to project capital, it is more in the nature of temporary working capital.

By agreeing to WCC's request the Council would still protect the fact that all true capital in the project (the combined \$40 million) has been treated the same.

The letter agreed between the two Chief Executives (refer **Attachment 2**) still stands in relation to any potential further funding. What is being asked for by WCC is a specific exception to the two year timeframe for repayment of the underwrite advance.

5. **Communications**

Communication of the Committee's decision to WCC officers is all that is required.

6. **Recommendations**

- (1) *That the report be received and the contents noted.*
- (2) *That the Committee recommend to Council that:*
 - (a) *it note the request by the Wellington City Council to extend the timeframe for repayment of Wellington City Council's advance associated with the underwrite of Stadium memberships.*
 - (b) *it agree to extend the timeframe for repayment of Wellington City Council's advance noted in 2(a) above from January 2002 to 30 June 2003.*

GREG SCHOLLUM
Chief Financial Officer

Attachment 1: Report PE 96.505

Attachment 2: Letter dated 24 November 1997

Attachment 3: Letter dated 21 September 2000