

LATE REPORT NO. 5 ORDINARY MEETING 28 FEBRUARY 2018

LATE REPORT - MANNING VALLEY HOCKEY ASSOCIATION - LOAN EXTENSION

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Date of Meeting 28 February 2018

SUMMARY OF REPORT

This report provides additional information to Council for consideration in relation to funding the completion of the 3rd hockey field at the Taree Recreation precinct.

SUMMARY OF RECOMMENDATION

1. That Council allocate an amount of \$236,000 from the former GTCC Section 94 contributions held for community facilities to the MVHA 3rd hockey field project to fund the contract variation arising from latent sub-surface conditions discovered during construction.
2. That Council approve the increase in its 2017/2018 loan borrowing program in respect of the amount to be borrowed on behalf of MVHA from \$600,000 to \$800,000 with MVHA to repay the loan to Council by way of monthly repayments over a 20 year period.
3. That Council enter into an agreement with MVHA that sets out each parties obligations.

FINANCIAL/RESOURCE IMPLICATIONS

Set out in the report

LEGAL IMPLICATIONS

Nil

ATTACHMENTS

- A: CONFIDENTIAL - MVHA Audited Financial Statements and Future Budgets.
B: CONFIDENTIAL - MVHA Strategic Business Plan 2018-2021.

Attachments A and B have been classified as confidential and circulated to the Councillors and Senior Staff only. The Attachments have been classified as **CONFIDENTIAL** in accordance with Section 10A(2)(d)(i) of the Local Government Act 1993 for the following reasons:

- (d) commercial information of a confidential nature that would if disclosed:
 - (i) prejudice the commercial position of the person who supplied it

Details, should they be revealed, may result in commercial disadvantage to parties. Some information provided to Council by the other party is provided on the basis that Council will treat it as commercial in confidence.

It is not in the public interest to reveal all details at this point in time.

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BACKGROUND

Council considered a Late Report at its Strategic Committee Meeting on 14 February 2018 in respect of a request to increase the loan facility provided to the Manning Valley Hockey Association (MVHA) from \$600,000 to \$1,039,000.

After discussing the report and considering the recommendation Council resolved:

1. *That Council further consider the Manning Valley Hockey Association's request to increase its loan facility from \$600,000 to \$1,039,000 in order to allow for the completion of the 3rd hockey field subject to:*
 - a) *The Manning Valley Hockey Association providing the past 3 years audited financial records, a business plan and a multi-year budget so as to assess their financial capability to service loan repayments and meet the ongoing operational and capital expenses of the facility.*
 - b) *An appropriate agreement being drafted and signed by both parties that formally outlines the obligations of the Manning Valley Hockey Association in respect of meeting the required repayments and the actions that may be taken by Council if the Manning Valley Hockey Association is no longer able to meet its obligations.*
 - c) *The Council being satisfied that the financial assessment demonstrates that the Manning Valley Hockey Association has the financial capacity to meet the repayments associated with the increased loan facility.*
2. *That Council supports Loan Option 2 (Council Subsidised Loan) contained in the report.*

A meeting was held with the President and Treasurer of MVHA on Monday 19 February 2018 at which time the documentation requested in part 1 (a) of the resolution was provided. A summary of that information is included later in this report.

At the Council workshop held on 21 February 2018 this matter was discussed further as Council received an update on the use of Section 94 contributions held in respect of repealed Section 94 plans of the former Greater Taree City Council.

A previous report to Council (27 September 2017 - Expenditure of Section 94 Developer Contributions) identified that there were Section 94 Contributions available for allocation to community facilities. At that time Council allocated funds to the EG Trad Sporting field at Old Bar and to the Manning Art Gallery (for car park upgrades) to meet funding shortfalls and to allow essential capital works to proceed.

A further report is to be presented to Council during March 2018 to adopt a framework for the allocation of the balance of these funds to roadworks, community facilities / open space, RFS, surf clubs etc. This will assist in identifying projects that may be included in the 2018/2019 budget.

As previously reported there is a \$439,000 shortfall in approved funding to complete the total project which was to extend the existing clubhouse facilities and to construct a 3rd synthetic surface hockey field. Significant Federal and State Government funding has been received in relation to this project and there was an arrangement with the former GTCC management for a loan facility of \$600,000. The work required to complete the project is the laying of the synthetic surface which will then allow the field to be used.

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MVHA have sought to have the agreed loan facility increased to cover the shortfall. This would increase the total loan facility to \$1,039,000 to be repaid over a 20 year period. Monthly repayments would be approximately \$5,000 per month (based on Council borrowing at 3.00%). MVHA have indicated that they believe that they could repay this amount but an increase in the interest rate that Council may be required to pay would also increase the repayments required from the MVHA which would put their budget under pressure.

As also reported, there was an overrun in the construction of the 3rd field due to the discovery of unsuitable subsurface material during the construction phase. The cost to replace this material was \$235,711 and this is a major part of the shortfall. It should be noted that subsurface testing was done prior to construction commencing and that testing did not indicate the extent of the issue later discovered during actual construction.

It is open to Council to consider allocating an amount of \$236,000 from the repealed GTCC Section 94 contributions towards this project. It was suggested during the workshop on 21 February 2018 that an amount equivalent to the cost of replacing the unsuitable material would be appropriate.

If that was a course of action that Council wished to pursue that would leave it with a decision as to whether it wished to increase the loan facility from \$600,000 to \$800,000 rather than \$1,039,000. MVHA have queried several minor items in the expenditure reconciliation and these are currently being considered. On that basis the loan facility has been rounded to \$800,000 rather than \$803,000.

The repayments required by MVHA on an \$800,000 loan over 20 years are approximately \$4,000 per month or \$48,000 per annum. This amount is in keeping with the repayments contemplated in the original agreement with GTCC management. This arrangement is based on Council borrowing the required amount at an interest rate applicable to Council borrowings over a 10 year period with MVHA repaying the amount to Council over a 20 year period.

Based on the audited financial statements and future budgets provided by MVHA it is likely that they can meet the repayments associated with this level of debt. This information is provided for Council's consideration as Confidential Attachment A. The Strategic Business Plan is included as Confidential Attachment B.

The Profit / (Loss) recorded and projected by MVHA is set out below:

Financial Period	Profit / (Loss)
2012/2013 (Actual)	\$47,065
2013/2014 (Actual)	\$50,077
2014/2015 (Actual)	\$70,332
2015/2016 (Actual)	\$59,436
2016/2017 (Actual)	\$31,133
2017/2018 (Budget)	\$80,458
2018/2019 (Budget)	\$80,711
2019/2020 (Budget)	\$88,591

It should be noted that the budgeted figures are based on the impact arising from the use of the 3rd field and from the flow-on effects of the Regional and State Championships that have been approved to be run at the Taree Hockey Centre by MVHA over the next 3 years.

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The resolution of Council also indicates that an agreement should be entered into between MVHA and Council. It is recommended that this agreement set out the repayments, repayment dates, reporting requirements from MVHA to Council in respect of financial performance and asset condition as well as proof of appropriate insurance coverage. This agreement can be drafted with discussions between MVHA and Council and reported back to Council for final approval.

RECOMMENDATION

1. That Council allocate an amount of \$236,000 from the former GTCC Section 94 contributions held for community facilities to the MVHA 3rd hockey field project to fund the contract variation arising from latent sub-surface conditions discovered during construction.
2. That Council approve the increase in its 2017/2018 loan borrowing program in respect of the amount to be borrowed on behalf of MVHA from \$600,000 to \$800,000 with MVHA to repay the loan to Council by way of monthly repayments over a 20 year period.
3. That Council enter into an agreement with MVHA that sets out each parties obligations.