



# Corporate & Works Committee Agenda

**Agenda:** *Corporate & Works Committee*

**Date:** *Monday 3 August 2015*

**Time:** *6.00pm*

**Outline of Meeting Protocol & Procedure:**

- The Chairperson will call the Meeting to order and ask the Committee/Staff to present apologies or late correspondence.
- The Chairperson will commence the Order of Business as shown in the Index to the Agenda.
- At the beginning of each item the Chairperson will ask whether a member(s) of the public wish to address the Committee.
- If person(s) wish to address the Committee, they are allowed four (4) minutes in which to do so. Please direct comments to the issues at hand.
- If there are persons representing both sides of a matter (eg applicant/objector), the person(s) against the recommendation speak first.
- At the conclusion of the allotted four (4) minutes, the speaker resumes his/her seat and takes no further part in the debate unless specifically called to do so by the Chairperson.
- If there is more than one (1) person wishing to address the Committee from the same side of the debate, the Chairperson will request that where possible a spokesperson be nominated to represent the parties.
- The Chairperson has the discretion whether to continue to accept speakers from the floor.
- After considering any submissions the Committee will debate the matter (if necessary), and arrive at a recommendation (R items which proceed to Full Council) or a resolution (D items for which the Committee has delegated authority).

**Recommendation only to the Full Council:**

- Such matters as are specified in Section 377 of the Local Government Act and within the ambit of the Committee considerations.
- The voting of money for expenditure on works, services and operations.
- Rates, Fees and Charges.
- Donations
- Matters which involve broad strategic or policy initiatives within responsibilities of the Committee.
- Matters not within the specified functions of the Committee.
- Asset Rationalisation.
- Corporate Operations:-
  - Statutory Reporting;
  - Adoption of Council's Community Strategic Plan, Delivery Program and Operational Plan;
  - Delegations; and
  - Policies.
- Tenders as per Regulation requirements.
- Leases required to be determined by Full Council by specific legislative requirements
- Matters reserved by individual Councillors in accordance with any Council policy on "safeguards" and substantive changes.

**Delegated Authority:**

- General financial and corporate management of the Council, except those specifically excluded by statute, by Council direction or delegated specifically to another Committee.  
Note: This not to limit the discretions of nominated staff members exercising Delegated Authorities granted by the Council.
- Statutory reviews of Council's Delivery Program and Operational Plan;
- Finance Regulations, including:-
  - Authorisation of expenditures within budgetary provisions where not delegated;
  - Quarterly review of Budget Review Statements;
  - Quarterly and other reports on Works and Services provision; and
  - Writing off of rates, fees and charges because of non-rateability, bad debts, and impracticality of collection.
- Auditing.
- Property Management.
- Asset Management.
- Works and Services - Monitoring and Implementations.
- Legal Matters and Legal Register.
- Parks and Reserves Management.
- Infrastructure Management, Design and Investigation.
- To require such investigations, reports or actions as considered necessary in respect of matters contained within the Business Agenda (and as may be limited by specific Council resolution).
- Confirmation of the Minutes of its Meetings.
- Any other matter falling within the responsibility of the Corporate & Works Committee and not restricted by the Local Government Act or required to be a Recommendation to Full Council as listed above.

**Committee Membership:** 7 Councillors

**Quorum:** The quorum for a Committee meeting is 4 Councillors.

# Woollahra Municipal Council

## Notice of Meeting

30 July 2015

To: Her Worship the Mayor, Councillor Toni Zeltzer ex-officio  
Councillors Deborah Thomas (Chair)  
Peter Cavanagh  
Andrew Petrie  
Matthew Robertson  
Susan Wynne  
Jeff Zulman (Deputy Chair)

Dear Councillors

### **Corporate & Works Committee – 3 August 2015**

In accordance with the provisions of the Local Government Act 1993, I request your attendance at Council's **Corporate & Works Committee** meeting to be held in the **Council Chambers, 536 New South Head Road, Double Bay, on Monday 3 August 2015 at 6.00pm.**

Gary James  
General Manager

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## Meeting Agenda

Item	Subject	Page
1.	Leave of Absence and Apologies	
2.	Late Correspondence	
3.	Declarations of Interest	

### Items to be Decided by this Committee using its Delegated Authority

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D2	Statutory Report on Contractual Conditions of Senior Staff - 15/95679 .....	3
D3	Kiaora Lands Development - Status Update (SC659) - 15/102035 .....	5

### Items to be Submitted to the Council for Decision with Recommendations from this Committee

R1	Kiaora Lands Redevelopment Refinancing Opportunities (FY 262-02) - 15/89107.....	13
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**Item No:** D1 Delegated to Committee  
**Subject:** **CONFIRMATION OF MINUTES OF MEETING HELD ON 20 JULY 2015**  
**Author:** Sue O'Connor - Governance  
**File No:** 15/102258  
**Reason for Report:** The Minutes of the Corporate & Works Committee of 20 July 2015 were previously circulated. In accordance with the guidelines for Committees' operations it is now necessary that those Minutes be formally taken as read and confirmed.

**Recommendation:**

THAT the Minutes of the Corporate & Works Committee Meeting of 20 July 2015 be taken as read and confirmed.

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**Item No:** D2 Delegated to Committee  
**Subject:** **STATUTORY REPORT ON CONTRACTUAL CONDITIONS OF SENIOR STAFF**  
**Author:** Gary James, General Manager  
**Approver:** Gary James, General Manager  
**File No:** 15/95679  
**Reason for Report:** Section 339 of the Local Government Act, 1993 requires the contractual conditions of senior staff to be reported to Council on an annual basis.

**Recommendation:**

THAT the contract conditions of senior staff be noted.

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**1. Background:**

The General Manager must, at least once annually, report to the Council on the contractual conditions of senior staff.

The previous years (contractual conditions as at 30 June 2014) report went to the Corporate and Works Committee Meeting held on Monday 21 July, 2014.

**2. Report:**

The staff designated as senior staff at Woollahra Council as at 30 June 2015 are:

<u>Position</u>	<u>Employee</u>	<u>Contract End Dates</u>
General Manager	Gary James	1 July, 2016
Director Community Services	Kylie Walshe	1 July, 2018
Director Planning and Development	Allan Coker	1 July, 2018
Director Corporate Services	Stephen Dunshea	8 February, 2019
Director Technical Services	Tom O'Hanlon	31 August 2019

Council's General Manager is employed under the Office of Local Government's (OLG's) Standard Contract of Employment for General Managers within Local Government in New South Wales. This contract contains any exceptions or additions to the standard contract.

All of the Directors are employed under the OLG's Standard Contract of Employment for Senior Staff (other than General Manager's). None of the Directors contracts contains any exceptions or additions to the standard contract.

**3. Conclusion:**

It is recommended that the contractual conditions of senior staff be noted.

**Annexures**

Nil





**Item No:** D3 Delegated to Committee  
**Subject:** KIAORA LANDS DEVELOPMENT - STATUS UPDATE (SC659)  
**Author:** Tom O'Hanlon, Director - Technical Services  
**Approver:** Tom O'Hanlon, Director - Technical Services  
**File No:** 15/102035  
**Reason for Report:** To update Council on the progress of construction and leasing of the Kiaora Lands project.

**Recommendation:**

That Council note the progress of the Kiaora Lands project.

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**1. Background:**

Stage One of the Kiaora Lands project was completed in June 2014, with the opening of the new 442 space car park, Woolworths supermarket, Dan Murphy's liquor store and About Life grocer. As previously reported, the centre has been very well received by the community and continues to trade well.

Stage Two of the project, which comprises a new library, retail arcade, commercial office space and a landscaped public plaza is currently nearing completion. Details of the current status of this stage of the project are described below.

**2. Construction Program:**

Construction of Stage 2 commenced in July 2014 and was originally programmed to be completed in July of this year. It was previously reported that the builder had encountered significant delays due to inclement weather and the impact of piling works on the adjacent Golden Sheaf Hotel. The builder now estimates practical completion of the base building, arcade and plaza by the end of September 2015.

Following practical completion of the building and plaza, there will be an additional period required for fit out works for the retail and commercial tenancies and the library. These fit out periods range in length from 6 weeks for retail and food premises through to 18 weeks for the library. The anticipated opening date for the library is end of February 2016.

**3. Leasing:**

Stage 1 – south of Kiaora Lane

In addition to the anchor Woolworths and About Life tenancies, Stage One of the development includes a large area of commercial office space above the existing About Life store, as well as three retail tenancies fronting Kiaora Lane.

As previously reported, the entirety of the commercial office space has been leased to Goodstart Pty Ltd who will use the space for a child care centre. The lease for the centre commenced in February 2015 and fitout works are now nearing completion. The centre will open in the coming months.

The most significant of the retail spaces is the space adjacent to the About Life store. This has been operating as Little Jean Bistro since March and has been very well received.

The remaining two spaces front Kiaora Lane at the Manning Road end of the site. The first of these will be a high end butcher, trading as “1888”. Fitout works on the site are well underway and it is expected to commence trading in August. The other site will be a homewares retailer trading as MUD Homewares. Fitout works are have commenced and it is expected to start trading in October.

Stage 2 – North of Kiaora Lane

The lettable space in Stage Two comprises the following;

Ground Floor Arcade: 1140m<sup>2</sup> of specialty retail  
 First Floor Gallery level: 655m<sup>2</sup> of ‘quasi retail’  
 Second Floor: 763m<sup>2</sup> of commercial office space  
 Third Floor: 650m<sup>2</sup> of commercial office space

A current plan of the tenancy layout is attached as Appendix 1. The table below relates to that plan and describes the current state of leasing. Where a lease has been signed, full details of the tenant are shown in the table. Where a deal has been agreed but the final lease has not been signed, the Tenancy is shown only as ‘Confidential’.

Tenancy	Size	Tenant	Product/Service	Term	Opening
<b>Ground Floor</b>					
L1	83m <sup>2</sup>	Zhen	Chinese restaurant	7	Nov
L2	100m <sup>2</sup>	Sushi Maru	Japanese restaurant	7	Nov
L3	58m <sup>2</sup>	M8	Telecommunications retailing	5	Oct
L4	97m <sup>2</sup>	Zjoosh	Homewares/gifts	5	Oct
L5/L6	208m <sup>2</sup>	Confidential	Bank	10	Nov
L7/L8/L9	97m <sup>2</sup>	Confidential	Laser clinic		Oct
Sup	4m <sup>2</sup>	Confidential	ATM	5	Oct
L10	46m <sup>2</sup>	Considering offers	Nail care		TBC
L11	61m <sup>2</sup>	Considering offers	Fashion accessories		TBC
L12	70.1m <sup>2</sup>	Considering offers	Optometrist		TBC
L13	70.2m <sup>2</sup>	Naked Foods	Fresh produce	5	Nov
L14	27.7m <sup>2</sup>	Considering offer	Juice		TBC
L15	100m <sup>2</sup>	Gusto Bake Bar	Café and artisan bakery	10	Oct
L16	121.8m <sup>2</sup>	Mistelle	Restaurant/Wine bar	7	Oct
<b>Level 1 (Gallery)</b>					
1.01/1.02	160m <sup>2</sup>	Sydney East Sports Medicine	Medical	8	Nov
1.03/1.04/ 1.05/1.06	345m <sup>2</sup>	Allergy Medical Group	Medical	5	Nov
1.07/1.08	149.5m <sup>2</sup>	Gentle Dental	Medical	7	Nov

Tenancy	Size	Tenant	Product/Service	Term	Opening
<b>Level 2</b>					
	763m2	Double Bay Hospital	Medical – day surgery	15	Dec/Jan
<b>Level 3</b>					
3.01	148.2m2	Double Bay Hospital	Medical – consulting rooms	6	Dec
3.02	111m2	Considering offers	Commercial	5	TBC
3.03	391m2	Confidential	Fertility clinic	10	Nov/Dec

Of the 3244 m<sup>2</sup> of lettable area in Stage 2, 386m2 remains untenanted at time of writing. Although there are offers on all of the remaining retail sites, Council remains open to further offers on all of them.

#### 4. Financial:

The Leasing Strategy for Kiaora Lands adopted by Council in 2013 set a budget for starting revenue of \$3,702,995 per annum. Projected actual revenue is \$3,904,609 per annum. The budget for leasing incentives to be paid by Council was \$3,534,725. The actual incentives paid will be \$3,284,636.

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#### Annexures

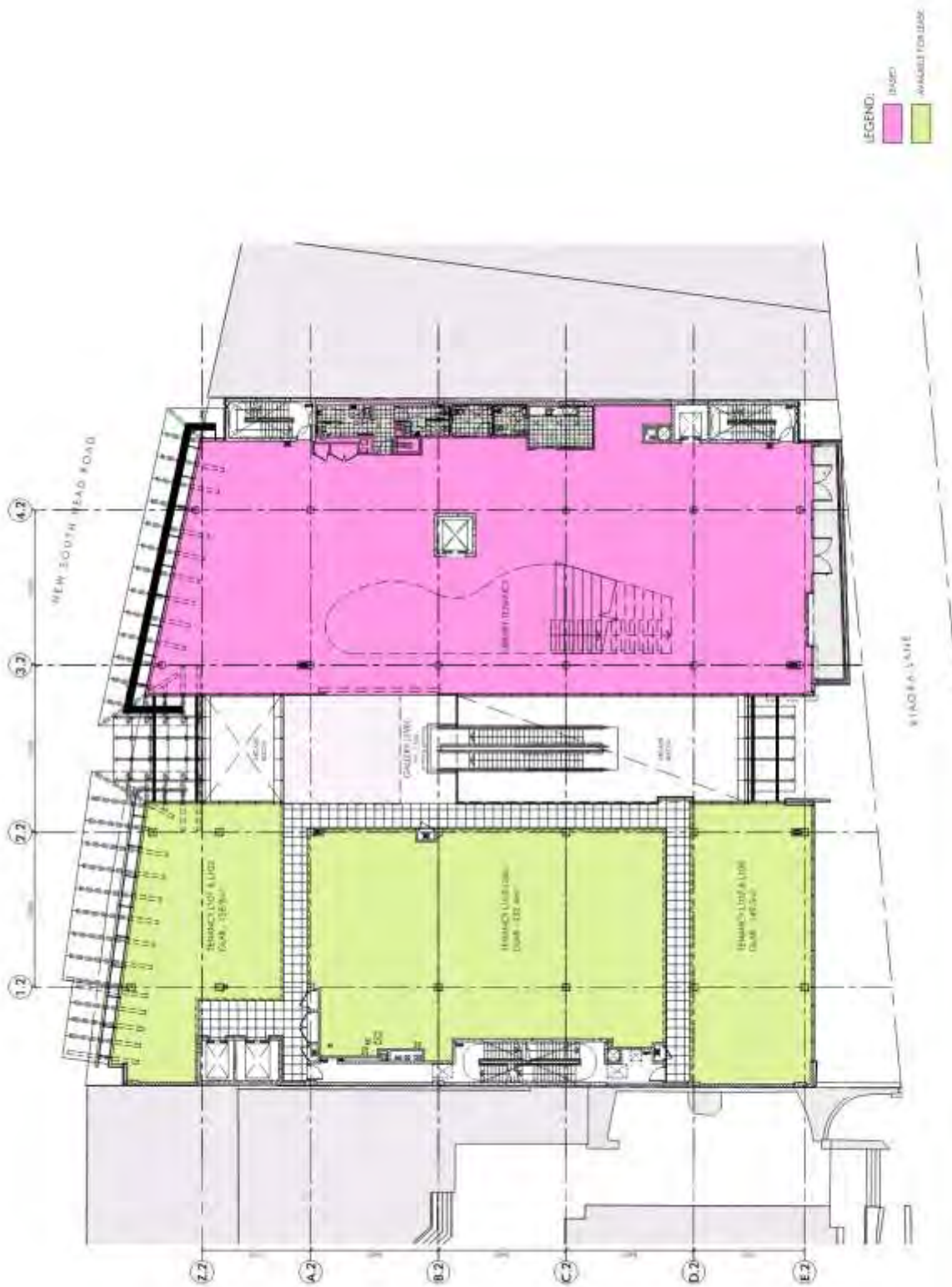
1. Tenancy layout - Stage 2 - North of Kiaora Lane



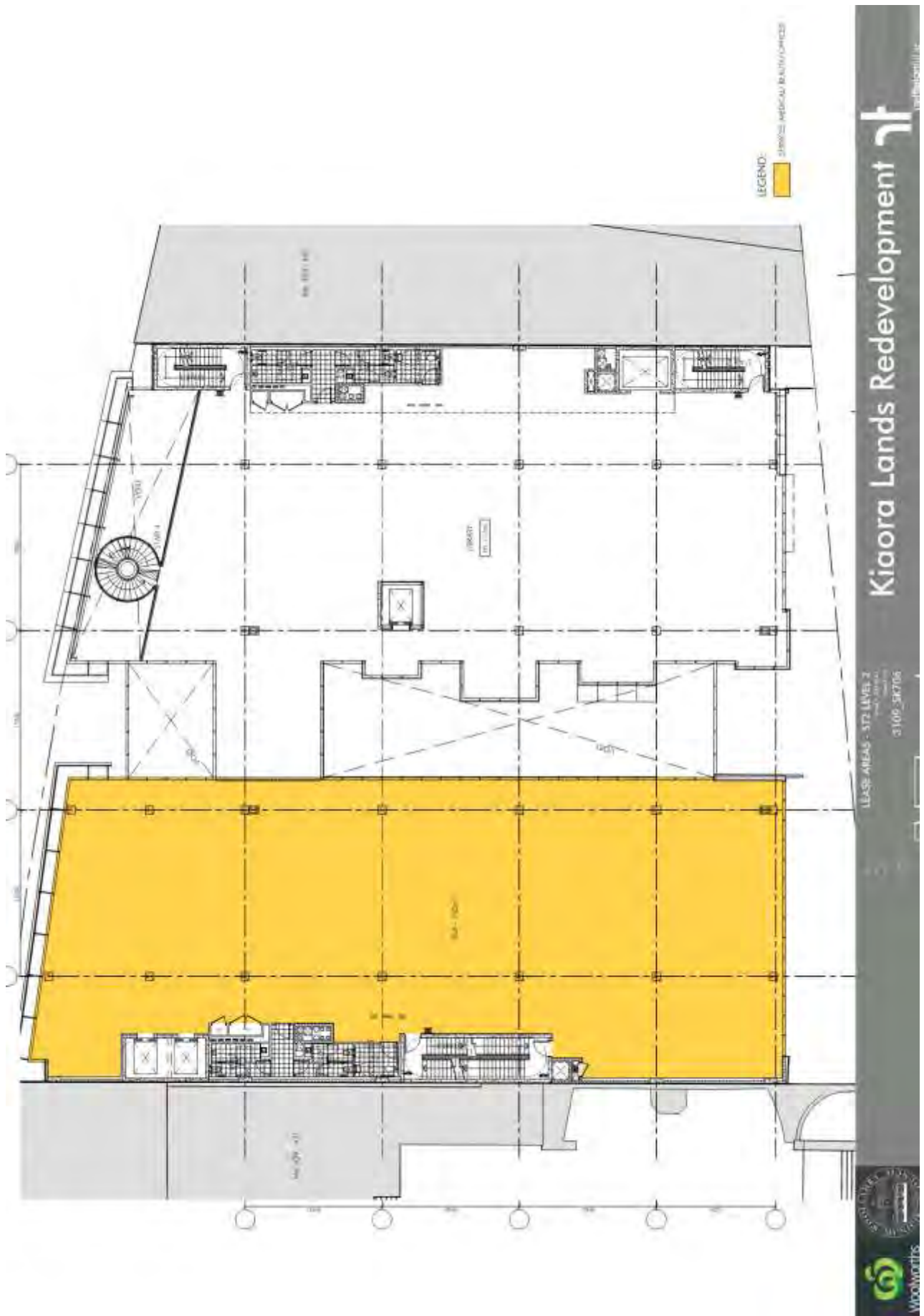
Kiaora Lands Redevelopment

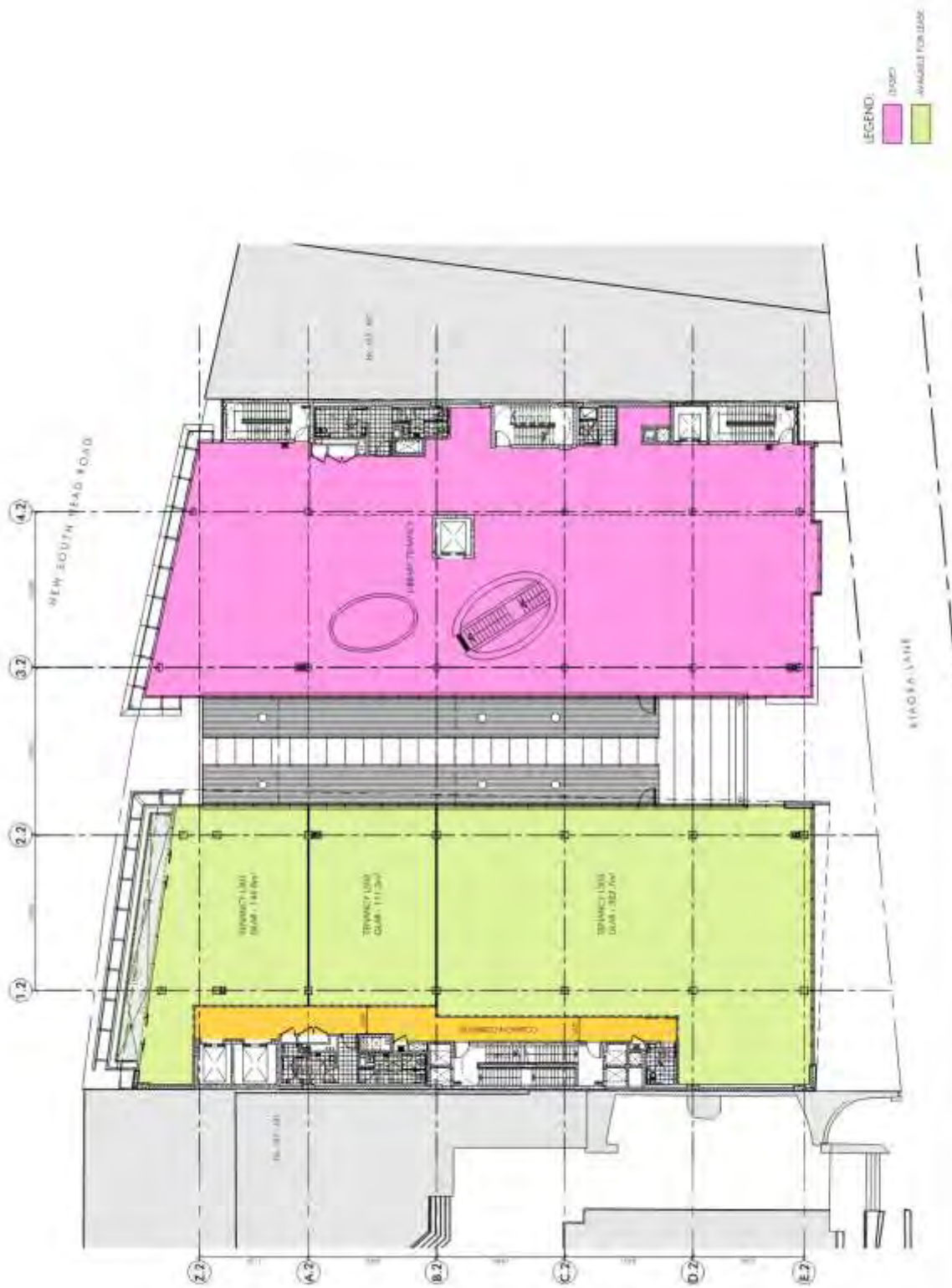
LEASE PLAN - ST2 (REVISED) (03/08/15)





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 (SCALE: 1/100) - ST1 TRAFFIC LEVEL  
 Kiaora Lands Redevelopment





LEASABLE TENANCY  
 AVAILABLE FOR LEASE  
 AVAILABLE FOR LEASE  
 Kiaora Lands Redevelopment  
 LEASABLE TENANCY  
 AVAILABLE FOR LEASE  
 AVAILABLE FOR LEASE  
 LEASE PLAN - ST2 LEVEL 1  
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**Item No:** R1 Recommendation to Council  
**Subject:** **KIAORA LANDS REDEVELOPMENT REFINANCING OPPORTUNITIES (FY 262-02)**  
**Authors:** Don Johnston, Chief Financial Officer  
Stephen Dunshea, Director - Corporate Services  
**Approver:** Gary James, General Manager  
**File No:** 15/89107  
**Reason for Report:** To seek approval to proceed with refinancing Stage 1 of the Kiaora Lands Redevelopment

**Recommendation:**

- A. THAT Council authorise the refinancing of Stage 1 of the Kiaora Lands Redevelopment project in the amount of \$58.25m.
- B. THAT Council advise Woolworths Property Double Bay Ltd that it will not be taking up Stage 2 of the Kiaora Lands Redevelopment loan facility.
- C. THAT Council authorise the General Manager to:
  - i. continue negotiation and finalise with the major banks the refinancing of the \$58.25m loan related to Stage 1 of the Kiaora Lands Redevelopment project
  - ii. to borrow the \$18.5m loan related to Stage 2 of the project; and
  - iii. to accept loan offers in terms most favourable to Council generally in the terms outlined in the report.
- D. THAT the Seal of Council be affixed to any required Bank loan documentation and Council authorise the Mayor and General Manager to execute any documentation relating to the loans.
- E. THAT the annual debt service savings derived from refinancing be retained in the Kiaora Place Reserve to provide Council with the opportunity to review the level of any dividend it sees appropriate to receive from the Kiaora Place investment on an annual basis in conjunction with annual budget deliberations.

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**1. Background:**

In October 2011 Council entered into the Loan Facilities Agreement, Double Bay (the Agreement), giving Council access to two stages of funding for the Kiaora Lands Redevelopment project. Stage 1 of the facility, in the amount of \$58.25m, was drawn down in June 2014 to fund the settlement on Stage 1 of the redevelopment. Stage 2 of the facility, in the amount of \$18.5m, becomes available upon practical completion of Stage 2 of the redevelopment.

Stage 1 of the facility is for a term of 29 years (the first two years being interest only) while Stage 2 is for a term of 27 years. If the facility was to run to its full term it would be fully repaid by 2043. The interest rate for both funding stages under the facility is fixed at 7.5% for the full term.

Prior to entering into the Agreement in 2011, Council sought guidance from its bank as to the reasonableness of the facility. At the time, advice from the bank indicated that there was little opportunity to obtain alternate fixed rate long term (30 year) debt for the proposed level of borrowings in the then economic climate. The bank further advised that it may also have been necessary to negotiate with more than one financial institution to obtain the \$76.75 million required for the two stages of the development should Council not wish to pursue the Woolworths funding offer.

The bank's assessment of key risks associated with the Woolworths funding offer, along with Council's comments at the time in response were:

- **Completion Risk** – *Should Woolworths not complete each project stage by the due dates, this could result in financial (break) costs for any pre-agreed fixed rate loan contract.*

Comment:

*There is no completion risk under the Woolworths funding offer.*

- **Availability Risk** – *The risk that Council is not able to raise the required financing from one or multiple banks at initial funding, or the required refinancing at any facility maturity date.*

Comment:

*There is no availability risk under the Woolworths funding offer.*

- **Interest Rate Risk** – *The risk that Council will be exposed to fluctuations in interest rates during the term of the project.*

Comment:

*The Woolworths funding offer is a fixed rate 30 year loan so there is no risk associated with rising interest rates. Whilst acknowledging the opportunity cost to Council of interest rates falling over the 30 year term, this is considered that overall risk is mitigated to a greater extent under the Woolworths funding offer.*

- **Cash Flow Risk** – *The risk that Council's cash inflows will be insufficient to service the cash outflows associated with the facility.*

Comment:

*While this remains a risk associated with the retail and commercial tenancies, the risk is significantly reduced under the Woolworths funding due to the off-set provisions in the legal documents in respect of the Woolworths leases and debt, whereby should Woolworths default on any rent payment, Council is not required to make the equivalent amount of debt repayments.*

This advice and assessment provided a level of assurance that the Loan Facilities Agreement was in Council's best interest at the time.

In light of the significant reduction in interest rates since entering into the Agreement with Woolworths, it has been prudent for Council to investigate refinancing opportunities for the Kiaora Place development.

For reference, Clause 4.4 of the Agreement states that Council need not use the facility and may seek to obtain alternative funding from any other source. If Council chooses not to use part of the facility it is required to give notice in writing of not less than five business days prior to the anticipated completion date. Clause 7.3 of the Agreement allows Council to make a prepayment of part or all of the advanced amount(s) by giving 5 business days' notice specifying the date and amount of the prepayment. There is no penalty associated with making such a prepayment. In undertaking the investigations, Council sought offers from the four major banks to gain an understanding of their preparedness to lend Council the full amount of the total facility, \$76.75, and on what terms and conditions.

## **2. Proposal:**

Council has received proposals from each of the banks which are summarised in broad terms below, noting that specific details cannot be provided for reasons of commercial confidentiality:

- There is a general preparedness to lend Council the full \$76.75m although one bank limited its lending to \$65m
- Maximum fully amortising term is 20 years, to a maximum of \$50m
- Maximum total loan term of 30 years is available, with a fixed 15 year interest rate subject to renewal or a bullet payment of approximately 65% to 70% of total principal
- Indicative interest rates of around 5.5%

Terms and conditions and opportunities to tailor repayments vary from bank to bank.

## **3. Options:**

Given where the market is currently, it is considered to be a good opportunity to re-finance the Stage 1 facility and potentially commit to a forward-start facility for Stage 2 at significantly lower interest rates than the current facility with Woolworths. Noting the limitations attaching to any 20 year fixed term facility, and a preference to match the tenor of the current facility to optimise initial savings in repayments, it is suggested that the best option is for Council to consider a 30 year facility with a 15 year fixed interest period.

Principal and interest repayments on the \$58.25m Stage 1 facility at 7.5% interest will be \$5.05m per annum at the conclusion of the current two year interest only period for the remaining 27 year term of the loan. In comparison, at 5.5% fixed for 15 years, a 30 year loan subject to a 65% to 70% bullet payment in year 15 would see annual repayments fall to about \$4.14 saving some \$910,000 per annum. The total saving to Council for the Stage 1 loan over that 15 year period would be \$13.65m.

Again by way of indication, repayments on the pending \$18.5m Stage 2 facility with Woolworths will be \$1.604m per annum. The same 5.5% interest rate would see repayments set at \$1.314m per annum, resulting in an annual saving of some \$290,000 per annum, or \$4.35m over the fixed 15 year term.

The combined saving to Council for both Stage 1 and Stage 2 loans (\$76.75m) would therefore be \$1.2m per annum, or a total of \$18m over the 15 year period, at the indicative 5.5% interest rate.

In addition to considering these actual cash savings to Council over the 15 year fixed term of the 30 year refinancing option, it is equally important to consider the consequence of this strategy at the conclusion of the 15 year term. The following table compares the resultant positions of the 2 scenarios after 15 years:

	<b>Woolworths Loan (7.5%)</b>	<b>Refinancing (5.5% Indicative)</b>	<b>Comment</b>
Loan Principal	\$76.75m	\$76.75m	
Total Repayments (over 15 years)	\$99.81m	\$81.81m	Cash saving of \$18m
Total Interest Paid (over 15 years)	\$76.6m	\$53.4m	Reduction of \$23.2m in total interest payable
Total Principal Repaid (over 15 years)	\$23.15m	\$28.35m	Additional \$5.2m in principal repaid
Principal Balance after 15 years	\$53.6m	\$48.4m*	Reduced principal outstanding

\* NOTE: A renewal loan will need to be raised to fund the repayment of the \$48.4m outstanding at year 15.

Key points to note under the refinancing strategy are:

- Council would save \$18m in total loan repayments over the first 15 years
- There would be a reduction in total interest payable of \$23.2m over the first 15 years
- The remaining principal to be refinanced at the end of year 15 would be \$5.2m less at \$48.4m.

While there are significant savings to be made, this type of facility brings with it some risks. The continuing key risks are availability risk of future loans for the \$48.4m in year 16 and, of course, an increase in interest rates, or interest rate risk. The passage of time has seen the previously mentioned completion risk and cash flow risk largely mitigated.

In respect of interest rate risk, further modelling indicates that should interest rates at the time of refinancing in 15 years return to the 7.5% level currently payable under the Woolworths loans, then annual repayments on the lower principal balance of \$48.4m would be \$5.4m. This would still be \$1.2m per annum lower than will be payable under the current Woolworth loans.

Further, interest rates would need to be at around 11% in 15 years in order for annual repayments on the lower principal balance of \$48.4 to return to the \$6.654 m per annum payable under the current Woolworths loan facilities.

#### **4. Discussion:**

It is very difficult to forecast what is going to happen in 15 years' time. It might not be unreasonable to assume that a bank or banks will be prepared to lend the \$48.4m (approximate) bullet payment in year 16, nor is it an unreasonable expectation that interest rates will increase as the Australian and global economies improve. Even if interest rates were to increase to above the 7.5% currently being paid, Council will still have enjoyed the benefits of the savings delivered over the first 15 years of a re-financed facility. Further, Council would continue to benefit from a \$1.2m reduction in annual repayments compared to the existing Woolworths loan facilities. It should also be noted that, with a general improvement in economic conditions, Council would likely see an improvement in the rental income streams to assist with offsetting any potential increase in repayments.

In considering the opportunities for refinancing, and the exposure to interest rate risk that arises should Council choose to conclude the Loan Facilities Agreement with Woolworths, it is important to remember that Kiaora Place is a long-term investment that forecasts significant on-going returns to the Council and the community through the strategic utilisation of property assets and debt for income generating purposes.

As outlined in our recent Fit for the Future submission to IPART, detailed modelling prepared with the assistance of specialists consultants CBRE Richard Ellis, and reviewed by NSW Treasury as part of their examination of the Kiaora Place Public Private Partnership submission to the Office of Local Government, forecasts the net annual return to Council from the development reaching \$19.9 million in the 30th year of operation (expiry of the initial lease term for Woolworths and loan repayments), to \$32.3 million in year 40, and \$50+ million by year 50.

It is reasonable to argue therefore that whilst there is a temptation in this current low interest rate environment to retire as much debt as quickly as possible, the short and long-term benefits derived from Council's strategic investment in Kiaora Place should be applied having regard to the needs of both the current and future residents of Woollahra. This is consistent with the concept of intergenerational equity and is the reason that the 5.5% (indicative) fixed interest rate on a 30 year loan subject to a 65% to 70% bullet payment in year 15 is recommended to Council as the preferred refinancing strategy for Kiaora Place.

In respect of the saving to be derived, it may also be prudent for Council to consider adopting a strategy whereby the annual debt service savings are retained, at least initially, in the Kiaora Place Reserve. This would provide Council with the opportunity to review the level of any dividend it sees appropriate to derive from the Kiaora Place investment on an annual basis in conjunction with annual budget deliberations and having regard to both short and long-term community needs.

In considering the refinancing opportunities, it is also important to note that Council would lose the benefit of the current suspension of repayment obligations in the current Agreement should the supermarket lease be validly terminated by Council. However, Council has always rated this aspect of project risk as low.

## **5. Identification of Income & Expenditure:**

Repayment of both stages of the current facility is provided for in the 2015/16 Budget, noting that the \$58.25m is interest only until June 2016 (that is, there is no budget provision for principal repayments) and also noting that repayments of the \$18.5m are forecast to commence in September 2015. If Council proceeds with the refinancing opportunity, adjustments to debt servicing costs will be made in the September Budget Review.

## **6. Conclusion:**

Council currently has in place a Loan Facilities Agreement that provides a total of \$76.75m in borrowings to fund the Kiaora Lands redevelopment project. The 29 year facility is at a fixed interest rate of 7.5%. Stage 1 of the facility, \$58.25m, was drawn down in June 2014. It is anticipated in the 2015/16 Budget that Stage 2, \$18.5m, will be drawn down in September 2015.

Council has sought indicative offers from the major banks to refinance the Loan Facilities Agreement in the current low interest rate environment. Based on the opportunities outlined by the banks, a preference to match the term of the current facility, and for the reasons of intergenerational equity discussed previously, the preferred refinancing option is a 30 year facility with a 15 year fixed interest period subject to a bullet payment of between 65% and 70%.

Refinancing the current facility on these terms, at an indicative interest rate of 5.5%, would result in annual savings in repayments of \$1.2m per annum, reduce the total interest payable by some \$23.2m over the 15 year fixed interest period, and lower the principal balance outstanding at year 16 by some \$5.2m.

While refinancing the current facility brings with it availability risk and exposure to an increase in interest rates, it is considered that these risks are outweighed by the savings benefits that derive from the lower interest rate borrowings.

Appropriate recommendations have been made to allow the refinancing to be put in place, authorising the General Manager to continue negotiation and accept loan offers in terms most favourable to Council.

It is also recommended that should Council proceed with the refinancing, that Council also adopt a strategy whereby the annual debt service savings are retained, at least initially, in the Kiaora Place Reserve to provide Council with the opportunity to review the level of any dividend it sees appropriate to derive from the Kiaora Place investment on an annual basis in conjunction with annual budget deliberations.

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### **Annexures**

Nil

**Political Donations – matters to be considered by Councillors at Meetings**

