

10.9. Loan funding for the North Sydney Olympic Pool project

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ENDORSED BY	Luke Harvey, Director Corporate Services
ATTACHMENTS	1. Long term financial plan update [10.9.1 - 4 pages] 2. CONFIDENTIAL - NSOP Redevelopment loan funding [10.9.2 - 6 pages]
CSP LINK	2. Our Built Infrastructure 2.1 Infrastructure and assets meet diverse community needs 5. Our Civic Leadership 5.2 Strong civic leadership and customer focussed services

PURPOSE:

The purpose of this report is to provide Council with an update on the \$20 million loan required for the completion of the North Sydney Olympic Pool project.

EXECUTIVE SUMMARY:

- At its meeting of 12 February 2024, Council approved a \$20 million loan to complete the North Sydney Olympic Pool project.
- The long-term financial plan has been updated for the purposes of acquiring the loan and demonstrates that Council has capacity to finance and maintain this level of debt.
- The confidential report contains details of available loan options, with their durations, interest rates, and a recommended option.

RECOMMENDATION:

- 1. THAT** the meeting be closed to the public to discuss the Confidential Report in accordance with Section 10A(2)(d).
- 2. THAT** Council approve the amended Long Term Financial Plan.

Background

Construction of the North Sydney Olympic Pool Redevelopment project commenced in March 2021.

The forecast cost to completion as advised to Council in the report to the 12 February 2024 Council meeting requires an additional \$20 million funding.

Based on Council's financial situation, and the available funding options, a loan of \$20 million is sought for this purpose.

Report

The Confidential report details the results of the negotiation and clarification of loan conditions. It also provides updated indicative rates and a recommended option.

This report is confidential in accordance with Section 10A(2) of the Local Government Act 1993 and the Local Government (General) Regulation 2005 for the reason listed below: (d) commercial information of a confidential nature that would, if disclosed; (i) prejudice the commercial position of the person who supplied it, or 3736th Council Meeting - 28 September 2020 Agenda Page 2 of 2 (ii) confer a commercial advantage on a competitor of the Council, or (iii) reveal a trade secret.

Long Term Financial plan (Income Statement and Cash Flow Statement)

The long-term financial plan (LTFP) has been updated to reflect the ongoing costs of this \$20m loan for the purposes of acquiring the loan. A more substantial review of the LTFP will be undertaken in the line with the Integrated Planning and Reporting process.

The LTFP has also been updated to reflect the most recent quarterly budget review and the 2024/2025 budget which was released in draft at the 8 April 2024 Council meeting.

Changes to the LTFP include:

- all changes from the March 2024 quarterly budget review;
- all changes from the draft 2024/25 budget;
- an annual increase in rates and annual charges of 3.5%, compared to the previous assumption of 2%, due to the expected increase in the rate peg;
- employee benefits increase of 3% in 2025/26 and 2.5% thereafter, compared to the previous assumption of 2% each year;
- the inclusion of a new \$20 million loan to fund the North Sydney Olympic Pool; and
- capital expenditure reduced by \$10 million a year from 2025/26 to maintain a positive cash flow.

The reduction in capital expenditure may have an impact on asset conditions from the 2025/26 year onwards if an appropriate financial repair strategy is not implemented before then.

Consultation requirements

Community engagement is not required.

Financial/Resource Implications

The revised long term financial plan demonstrates that Council has the capacity to finance and maintain the proposed level of debt.

Income Statement	Forecast		Budget		Projected									
	2023 /2024 \$000	2024 /2025 \$000	2024 /2025 \$000	2025/ 2026 \$000	2026 /2027 \$000	2027 /2028 \$000	2028 /2029 \$000	2029 /2030 \$000	2030/ 2031 \$000	2031 /2032 \$000	2032 /2033 \$000	2033 /2034 \$000		
Income from continuing operations														
Revenue														
Rates & Annual Charges	75,110	78,866	81,627	84,484	87,441	90,501	93,668	96,947	100,340	103,852	107,487			
User Charges & Fees	32,631	36,772	37,507	38,258	39,023	39,803	40,599	41,411	42,239	43,084	43,946			
Interest & Investment revenue	8,861	10,216	10,421	10,629	10,842	11,059	11,280	11,505	11,735	11,970	12,209			
Other revenues	2,836	4,666	4,760	4,855	4,952	5,051	5,152	5,255	5,360	5,468	5,577			
Grants & Contributions provided for operating purposes	13,350	3,058	3,060	3,062	3,064	3,066	3,068	3,070	3,072	3,072	3,072			
Grants & Contributions provided for capital purposes	4,605	2,665	1,289	1,293	1,293	1,293	1,297	1,297	1,297	1,297	1,297			
Other Income	5,969	5,887	6,005	6,125	6,248	6,373	6,500	6,630	6,763	6,898	7,036			
Total Income from Continuing Operations	143,362	142,131	144,668	148,705	152,862	157,145	161,564	166,115	170,807	175,641	180,624			
Expenses from continuing operations														
Employee Benefits & On-Costs	51,879	55,651	57,320	58,754	60,222	61,728	63,271	64,853	66,474	68,136	69,839			
Materials & Services	49,641	53,372	54,440	55,529	56,639	57,772	58,927	60,106	61,308	62,534	63,785			
Borrowing Costs	1,452	2,382	2,248	2,066	1,876	1,692	1,530	1,360	1,184	997	800			
Depreciation & Amortisation	28,900	31,095	31,406	31,720	32,038	32,358	32,682	33,008	33,338	33,672	34,009			
Other Expenses	4,546	4,746	4,840	4,937	5,036	5,137	5,239	5,344	5,451	5,560	5,671			
Net Losses from the Disposal of Assets	271	277	547	547	547	547	547	547	547	547	547			
Total Expenses from Continuing Operations	136,690	147,524	150,802	153,553	156,358	159,233	162,196	165,219	168,303	171,446	174,651			
Operating Result from Continuing Operations	6,673	-5,393	-6,133	-4,848	-3,497	-2,088	-632	897	2,504	4,194	5,973			
Net Operating Result before Grants and Contributions provided for Capital Purposes	-6,677	-8,451	-9,193	-7,910	-6,561	-5,154	-3,700	-2,173	-568	1,122	2,901			

Cash flow	Forecast		Budget		Projected									
	2023 /2024 \$000	2024 /2025 \$000	2024 /2025 \$000	2025 /2026 \$000	2026 /2027 \$000	2027 /2028 \$000	2028 /2029 \$000	2029 /2030 \$000	2030 /2031 \$000	2031 /2032 \$000	2032 /2033 \$000	2033 /2034 \$000		
Cash flow from operating receipts														
Rates & Annual Charges	75,256	78,811	81,627	84,484	87,441	90,501	93,668	96,947	100,340	103,852	107,487			
User Charges & Fees	32,577	36,910	37,507	38,258	39,023	39,803	40,599	41,411	42,239	43,084	43,946			
Investment & Interest Revenue Received	5,166	2,775	1,289	1,293	1,293	1,293	1,297	1,297	1,297	1,297	1,297			
Grants & Contributions	10,440	6,644	7,820	7,917	8,016	8,117	8,220	8,325	8,432	8,540	8,649			
Bonds & Deposits Received	3,600	3,600	3,600	3,601	3,602	3,603	3,604	3,605	3,606	3,607	3,608			
Other	16,425	15,780	16,426	16,754	17,089	17,431	17,780	18,135	18,498	18,868	19,245			
Payments														
Employee Benefits & On-Costs	(53,335)	(55,010)	(57,320)	(58,754)	(60,222)	(61,728)	(63,271)	(64,853)	(66,474)	(68,136)	(69,839)			
Materials & Contracts	(48,655)	(52,744)	(54,440)	(55,529)	(56,639)	(57,772)	(58,927)	(60,106)	(61,308)	(62,534)	(63,785)			
Borrowing Costs	(1,335)	(2,400)	(2,248)	(2,066)	(1,876)	(1,692)	(1,530)	(1,360)	(1,184)	(997)	(800)			
Bonds & Deposits Refunded	(3,600)	(3,600)	(3,600)	(3,599)	(3,598)	(3,597)	(3,596)	(3,595)	(3,594)	(3,593)	(3,592)			
Other	(4,327)	(4,619)	(4,840)	(4,937)	(5,036)	(5,137)	(5,239)	(5,344)	(5,451)	(5,560)	(5,671)			
Net Cash provided (or used in) Operating Activities	32,212	26,147	25,820	27,422	29,092	30,823	32,605	34,462	36,401	38,427	40,544			
CASH FLOWS FROM INVESTING ACTIVITIES Receipts														
Sale of Investment Securities	27,479	21,926	7,000	7,000	4,000	4,000	4,000	3,000	3,000	3,000	3,000			
Sale of Infrastructure, Property, Plant & Equipment			321	321	321	321	321	321	321	321	321			
Payments														
Purchase of Investment Securities	-	-	(1,805)	(1,469)	(3,415)	(3,767)	(4,021)	(3,915)	(2,913)	(3,915)	(2,913)			
Purchase of Infrastructure, Property, Plant & Equipment	(99,585)	(45,532)	(16,492)	(17,927)	(16,013)	(16,644)	(17,259)	(17,922)	(18,568)	(17,922)	(18,568)			

Net Cash provided (or used in) Investing Activities	(72,106)	(23,606)	(10,976)	(12,075)	(15,107)	(16,090)	(17,959)	(18,516)	(21,160)	(21,516)	(21,160)	(21,160)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Proceeds from Borrowings & Advances	20,000											
Payments												
Repayment of Borrowings & Advances	(2,005)	(2,927)	(3,821)	(4,002)	(4,191)	(3,511)	(3,386)	(3,555)	(3,731)	(3,794)	(3,731)	(3,983)
Repayment of lease liabilities (principal repayments)	(303)	(303)	(303)	(303)	(303)	(42)	-	-	-	-	-	-
Net Cash Flow provided (used in) Financing Activities	17,692	(3,230)	(4,124)	(4,305)	(4,494)	(3,553)	(3,386)	(3,555)	(3,731)	(3,794)	(3,731)	(3,983)
Net Increase/(Decrease) in Cash & Cash Equivalents	-22,203	-688	10,720	11,042	9,491	11,180	11,260	12,391	11,510	13,117	11,510	15,401
plus: Cash & Cash Equivalents - beginning of year	24,150	1,947	1,259	11,979	23,021	32,512	43,691	54,951	67,342	78,853	67,342	91,970
Cash & Cash Equivalents - end of the year	1,947	1,259	11,979	23,021	32,512	43,691	54,951	67,342	78,853	91,970	78,853	107,371
Investments - end of the year	95,418	73,492	64,687	56,218	48,803	41,036	34,015	27,100	24,187	20,272	24,187	17,359
Cash, Cash Equivalents & Investments - end of the year	97,366	74,751	76,666	79,239	81,315	84,727	88,966	94,443	103,040	112,242	103,040	124,730