Ref: [redacted]

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1 May 2024

[redacted]

Dear [redacted]

OFFICIAL INFORMATION REQUEST - LTP 2024-34 DEBT FORECASTS

I refer to your official information request dated 1 April 2024 for details about the LTP 2024-34 debt forecasts.

The information you requested is below, each part with our respective answers:

- *The Plan document refers to NCC debt reaching $526 million in 2034 (page 48 of Consultation Document) but the "Draft Supporting Financial Information for LTP" document on Page 37 Statement of Financial Position shows current portion of borrowings in 2033/34 of $75.185 million and non-current borrowings of $558.663 million for a total of $633.848 million. How can these two debt projections be reconciled?*
    - External Borrowings: $633.848 million
    - Less Cash & Cash Equivalents: ($7.289 million)
    - Less Borrower Notes: ($14.429 million) *(Part of Other financial assets)*
    - Less Loan to Marina CCO: ($85.819 million) *(Part of Other financial assets)*
    - **Equals Net Debt: $526.3 million**

- *Page 32 of the Supporting Financial Information shows debt affordability ratios. What figures (revenue & debt) is the 2033/34 ratio based on?*
    - Total Revenue from the Statement of Comprehensive Revenue and Expense $293.797 million
    - less Development and financial contributions: ($21.507 million)
    - Less vested assets: ($6.82 million)
    - Less swap revaluations: ($0.022 million)
    - **Equals Revenue: $265.4 million**
    - **Debt is net debt as per above calculation: $526.3 million**

- *Re the proposal to fund the marina CCO solely with Council debt, can I please see the Marina Business Plan with supporting financials to demonstrate its ability to meet loan interest repayments. There is nothing in the Funding Impact Statement (page 22) that suggests any increase in "interest and dividends from investments" resultant on the lendings to the Marina CCO. Do the financials assume interest receipts from the Marina CCO?*
    - In the LTP, NCC are proposing that the marina become an Asset Owning CCO. Under this model, Nelson Marina will be able to look to alternative lending institutions rather than solely

through Council. The current LTP financials do assume that Council will fund all development with the marina responsible for interest payments on the loan as well as principal repayments.

- Below is a cashflow statement for the next 5 years showing the marina's ability to pay the interest owing as well as starting to pay off debt.

	FY25	FY26	FY27	FY28	FY29
Cash Opening Balance	180	285	261	68	105
Cash In					
Cash from Operations	2,689	2,906	3,120	3,792	4,492
Cash drawn from loan	4,800	8,700	5,400	5,900	2,900
Total Cash Inflows	7,489	11,606	8,520	9,692	7,392
Cash Out					
Operational Expenses	1,751	1,820	1,909	1,936	2,162
Income Tax Paid					
Dividends					
Capital Expenditure	4,800	8,700	5,400	5,900	2,900
Interest on Loan	634	910	1,154	1,419	1,554
Loan Repayments	200	200	250	400	800
Total Cash Outflows	7,384	11,630	8,713	9,655	7,416
Cash Closing Balance	285	261	68	105	81

- Nelson Marina will be prioritising development projects that will produce a clear revenue stream, with each project having its own business plan developed and approved prior to proceeding. This is as per the Nelson Marina Masterplan which can be found at www.nelsonmarina.co.nz/masterplan
- The two main projects are developing the boat yard and increasing the number of berths. The former will be financed through haul out and boat yard fees as well as commercial rents for workshops, sheds and offices for onsite contractors. Additional berthing will be funded through marina fees and ancillary income from renting out the additional berths.
- The financials assume interest received from the Marina CCO which for the time being are included under "Local authorities fuel tax, fines, infringement fees, and other receipts" in the Funding impact statement and "Interest received" in the Statement of Comprehensive Revenue and Expense.

- *Do you have confirmation from the LGFA that marina debt can be offset against NCC debt for the purposes of ensuring compliance with LGFA covenants (debt:revenue <280%).*

Based on LGFA's covenant policy, Council can offset CCO debt against its own debt if the entity is self-sustaining. The intention of proposing an asset owning CCO is to allow the Marina to be run as a more commercial entity.

You have the right to seek an investigation and review by the Ombudsman of this response. Information about how to make a complaint is available at www.ombudsman.parliament.nz or Freephone 0800 802 602. If you wish to discuss this decision with us, please feel free to contact Prabath Jayawardana Prabath.jayawardana@ncc.govt.nz

Yours sincerely

Prabath Jayawardana
Manager Finance