

# STATEMENT OF PROPOSAL FOR CONSULTATION

## Options to Fund the Grant for the Maniototo Community Healthcare Facility Project



## **BACKGROUND**

### **2017/18 Annual Plan Decision**

The 2017/18 Annual Plan consultation process included options on whether or not to provide a grant to assist towards the Maniototo Healthcare Facility Project.

The options consulted on included to provide funding or not. Funding factors consulted on included:

- The level of grant.
- Fund the grant by borrowing.
- Fund the grant by land sales and borrowing.
- Loan term options.

As a result of the consultation process, support was expressed for:

- A grant of \$2,000,000
- A loan term of 25 years
- That funds from land sales also be used.

The funding options the community had indicated support for had a rates impact of just under \$50.

The Maniototo Community Board (the Board) agreed, through the 2017/18 Annual Plan, to provide a grant of \$2,000,000 to the Maniototo Health Services Ltd as part of funding of the Maniototo Community Healthcare Facility project.

The community did express interest for land sales to include selling currently leased Council farms. Given the finality of selling assets like the farms, and the potential significance on future generations who would not have the ongoing benefit of that asset, the Board while committing to the grant, also asked Council staff to investigate all options to fund the grant.

Following that analysis, a range of options have been presented to the Board and a preferred option has been identified.

### **Purpose of Statement of Proposal**

The purpose of this Statement of Proposal is for the Board to consult with the community on the options, including their preferred option as the proposed method of funding for the Maniototo Healthcare Facility Project.

### **Statement of Proposal Content**

- The proposal
- Relevant information in considering options
- The options
- Relevant factors to be considered to select an option

## THE PROPOSAL

To fund the grant of \$2,000,000 (as approved by resolution 17.3.5.C) for the Maniototo Healthcare Facility Project the Maniototo Community Board's preferred option is that funding is a mix of:

- A loan funded by potential farm rent and rates; and,
- Prior land sales income

This would result in the introduction of a targeted rate of \$48.00 per rating unit (title).

## RELEVANT INFORMATION

### Financial reserves

The amount of funds the Board holds, how much is from past land sales and what type of future costs reserves are needed to be accumulated for is explained.

The Maniototo Community Board General Reserves:	\$950,000
This includes prior land sales income of:	\$340,000

The reserves include depreciation collected through rates. Depreciation is required to fund asset replacement/renewal in the future as the assets reach the end of their expected life. So some reserves need to be retained.

### Council owned farms available for sale or lease

The Maniototo Community Board's Farms - Lower Gimmerburn:

- (1) Maniototo Road 76.8600 Hectares
- (2) Wilson Road 177.8391 hectares- This farm includes a covenant restricting some stock types in an area of endangered plant. This covenant does restrict development.

The leases for the above two properties expire on 31 March 2019.

To date the Community Board has leased the farms to landless farmers for sheep grazing only. It is proposed to remove those restrictions as leasing with no restrictions is likely to result in a higher rent given alternative farming options will be viable. While the existing rent is being used to reduce rates, any additional rent could be used to fund a loan for this project.

As part of scoping funding options for the Board to fund the Maniototo Healthcare Facility, and with a view to maximising the rentals, registrations of interest were invited for leasing long term with no restrictions.

The offers with the most favourable rent levels have been used to determine funding options for the grant.

Increases in rates under any option would be by way of the introduction of a community facilities targeted rate payable as a uniform charge per rating unit (title).

## OPTIONS

The Board considered a range of options to fund the \$2,000,000 grant to the Maniototo Healthcare Facility. The Board needed to take into account different factors, including future residents and ratepayers of the area.

### Option 1 - Retain both properties

- i. Borrow \$1,873,000, loan payments funded by farm rent from the Maniototo Road and Wilson Road properties and introduce a targeted rate of \$48.00 per annum for 25 years; and,
- ii. Use \$127,000 from prior land sales.

Note that this option means the following:

- Foregoing future income equivalent to \$2.30/ratepayer per annum, being lost interest on funds invested.

### Option 2 - Sell Maniototo Road Property

- i. Sell the Maniototo Road farm property; and,
- ii. Lease the Wilson Road farm; and,
- iii. Borrow \$873, 000 to be funded by farm rent from the Wilson Road property and introduce a targeted rate of \$31.30 per annum for 25 years; and,
- iv. Use \$127,000 from prior land sales.

Note that this option means the following:

- Foregoing future income equivalent to \$16.30 per ratable unit as lost interest on funds invested and lost future rent.
- Foregoing future capital gains on the Maniototo Road farm property.

### Option 3 - Sell both properties

- i. Sell both farm properties; and,
- ii. Use \$200,000 from prior land sales; and,
- iii. Increase rates by \$18.80 per annum to cover loss of lease income.

This option means the following:

- Foregoing future income equivalent to \$52.90 per annum per ratable unit being lost interest on funds invested and lost future rent; and,
- Foregoing future capital gains on the Maniototo Road and Wilson Road farm properties.

## Relevant factors to consider when adopting a preferred option

- The financial impact on current rates levels.
- The impact on intergenerational equity, wealth and future generations' ability to meet future costs.
- That this is the second time in the life of the hospital that Council has been called upon to provide funding. Council assets that produce income over and above rates are limited. To sell off assets has an impact on future options for funding Council services and any ability to consider future requests from the community
- The community had indicated support for funding options that had a rates impact of just under \$50 per rating unit (title).
- Whether the rates increase is for a finite period or forever.

## PREFERRED OPTION SELECTED BY THE MANIOTOTO COMMUNITY BOARD

The Maniototo Community Board's preferred option is:

### Option 1 - Retain both properties

- i. Borrow \$1,873,000, loan payments funded by farm rent from the Maniototo Road and Wilson Road properties and introduce a targeted rate of \$48.00; and,
- ii. Use \$127,000 from prior land sales.

Note that this option means the following:

- Foregoing future income equivalent to \$2.30/ratepayer per annum, being lost interest on funds invested.

## Reasons for preferred option

Rates result matches what community indicated would be acceptable through the 2017/18 Annual Plan consultation.

- Retains income streams from rent into the future; long after the terms of loans.
- Potential for future capital value gains for the farm ownership.
- Provides best long term financial/rates result over time when considering the current and future ratepayers to provide income so reducing possible future rates increases.
- The targeted rate is finite (ends when the loan is paid off).

Until new farm leases are in place, the grant will be funded by an internal loan from money held by Council for another purpose. There will be an interest cost to the Maniototo Board/ratepayer during that period.

## **CONSULTATION**

It is Council's wish to seek feedback from the residents of Maniototo with regard to their support or otherwise of the proposal.

The consultation period will commence on Wednesday 10 October 2018 and close on Monday 12 November 2018 at 12pm.

Drop-in sessions will be held at the Ranfurly Service Centre during the consultation period including one during Labour Weekend. Dates and times will be confirmed on Council's website and Facebook page.

## **HOW TO MAKE A SUBMISSION**

Any Maniototo rate payer is welcome to make a submission.

Submissions may be made electronically or in writing.

Written submissions can be:

- Sent to: Maniototo Healthcare Facility –Council Funding Options, Central Otago District Council, P O Box 122, Alexandra; or,
- Delivered to the Ranfurly Service Centre; or,
- E-mailed to [Janice.remnant@codc.govt.nz](mailto:Janice.remnant@codc.govt.nz) before 12pm on Monday 12 November 2018.