



City of
Mount Gambier

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I hereby give notice that a Council Meeting will be held on:

Date: Tuesday, 17 May 2022

Time: 6.00 p.m.

**Location: Council Chamber
Civic Centre
10 Watson Terrace
Mount Gambier**

CONFIDENTIAL AGENDA

**Council Meeting
17 May 2022**

**Darren Barber
Acting Chief Executive Officer
13 May 2022**

26.2 COUNCIL'S DEBT STRUCTURING – REPORT NO. AR22/31137

CONSIDERATION FOR EXCLUSION OF THE PUBLIC

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public, except the Mayor, Councillors and (Council Officers) be excluded from attendance at the meeting for the receipt, discussion and consideration in confidence of Agenda Item 26.2 AR22/31137 Council's Debt Structuring.

The Council is satisfied that, pursuant to section 90(3) (g) of the Act, the information to be received, discussed or considered in relation to the Agenda Item is:

- information concerning matters that must be considered in confidence in order to ensure that the Council does not:
 - breach any law, order or direction of a court or tribunal constituted by law,
 - breach any duty of confidence, or
 - breach any other legal obligation or duty

The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be discussed is subject to an existing confidentiality order of Council that remains in operation.

26.2 COUNCIL'S DEBT STRUCTURING – REPORT NO. AR22/31137

Committee:	Council
Meeting Date:	17 May 2022
Report No.:	AR22/31137
CM9 Reference:	AF13/64
Author:	Julie Scoggins, Manager Financial Services
Authoriser:	Darren Barber, General Manager Corporate and Regulatory Services
Summary:	This report provides a summary of the approach to debt structuring for Wulanda Recreation and Convention Centre undertaken to date, the current and future debt structuring and amends a previous Council decision to ensure that Council Administration has the flexibility required to structure the remaining debt.
Strategic Plan Reference:	Goal 1: Our People Goal 2: Our Location Goal 3: Our Diverse Economy Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage Goal 5: Our Commitment

The Council is satisfied that, pursuant to Section 90(2) & (3) of the *Local Government Act 1999*, the information to be received, discussed or considered in relation to this agenda item is:

- (g) information concerning matters that must be considered in confidence in order to ensure that the Council does not: breach any law, order or direction of a court or tribunal constituted by law, breach any duty of confidence, or breach any other legal obligation or duty.

REPORT RECOMMENDATION

1. That Council Report No. AR22/31137 titled 'Council's Debt Structuring' as presented on 17 May 2022 be noted.
2. That Council note that Council has secured \$15 million of credit foncier loans due to settle on 16 May 2022 as follows:
 - **CAD 109** - \$5 million dollars over a term of 10 years with an interest rate of 4.75%.
 - **CAD 110** - \$10 million dollars over a term of 15 years with an interest rate of 4.85%.
3. Pursuant to Regulation 21 of the Local Government (Procedures at Meetings) Regulations the Chief Executive Officer recommends that:
 - Part 2 of resolution 2021/201 dated 12 August 2021, be amended from:
That Council agrees to enter into short term, flexible financing agreements with the LGFA as the Chief Executive Officer considers appropriate and in such tranches as the Chief Executive Officer considers appropriate for the Wulanda project, until the establishment of the credit foncier loans in accordance with the resolution of the Council at its meeting of 17 November 2020 subject to the total amount of the borrowings not exceeding \$35m.

To read:



That Council agrees to enter into either flexible financing agreements or credit foncier loans with the LGFA as the Chief Executive Officer considers appropriate and in such tranches as the Chief Executive Officer considers appropriate for the Wulanda project, in accordance with the resolution of the Council at its meeting of 17 November 2020 subject to the total amount of the borrowings not exceeding \$35m.

4. That the Mayor and the Chief Executive Officer be authorised to sign and affix the common seal to execute the required loan documentation as referenced in point 3 above.

CONFIDENTIAL

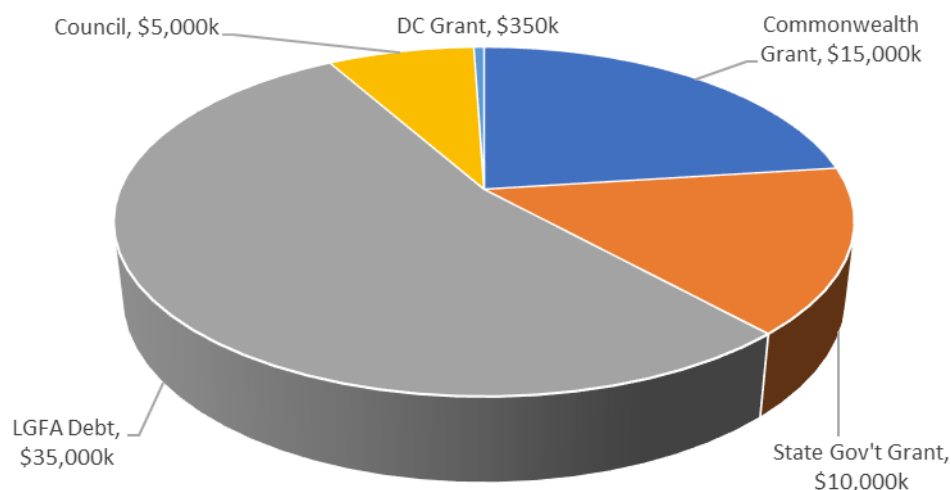


TYPE OF REPORT

Corporate

BACKGROUND

1. **Wulanda Funding** – To secure the \$65.3m required to fund the construction of Wulanda the following sources were secured:



- **Commonwealth Grant \$15m** - Council has received \$10.5m to date.
 - **State Government Grant \$10m** - Council has received \$9.5m to date.
 - **DC Grant \$375k** - Council has received full payment of this contribution.
 - **LGFA Debt \$35m** - Loan facility approved with the LGFA for \$35m.
 - **Council \$5m** - Remaining balance to be funded by Council CAD.
2. **Current Debt Facilities** - Until this point, Council's debt facilities have utilised largely Cash Advance Debentures (CADs) with the exception of the Library Credit Foncier. This strategy has been adopted to date in recognition of Council's cash flow during the project construction phase of Wulanda allowing Council to draw down on debt when required and pay back debt when grant or rate revenue has been received.
 3. **Initial Wulanda Funding Decisions** - Initial steps were undertaken to establish a \$35m debt facility to fund Wulanda:
 - **November 2020** - As per Council resolution 2020/381 Council approved credit foncier loans of \$35m for the funding of Wulanda as follows:

That Council approves that Council administration, for the purpose of the Mount Gambier Community and Recreation Hub project funding, can enter into:

 - *a maximum combined \$35 million long term credit foncier loans with Local Government Financing Authority.*
 - **February 2021** - The Long Term Financial Plan (LTFP) was adopted at the February 2021 Council meeting including the assumption of \$35m of credit foncier loans to fund Wulanda.
 - **March 2021** - Council accepted the special conditions of the LGFA loan approval as per resolution 2021/89.



That Council accept the special conditions of the loan approval for the Wulanda Recreation and Convention Centre imposed by the Local Government Finance Authority and will, as forecast in the current adopted Long-Term Financial Plan, not later than the end of the financial year ending 30 June 2027 have achieved:

- *A positive Operating Surplus Ratio;*
- *Net Financial Liabilities Ratio less than 100%;*
- *Asset Renewal Ratios which align with forecasts set out in the Long-Term Financial Plan*
- *Unless with the prior written consent of LGFA, Council must not undertake any capital projects or increase the costs of operations through new or enhanced services other than as set out in the Long-Term Financial Plan.*

- **August 2021** - As per the Council resolution 2021/201 Council agreed to enter into short term, flexible financing arrangements with the LGFA as detailed below:

That Council agrees to enter into short term, flexible financing agreements with the LGFA as the Chief Executive Officer considers appropriate and in such tranches as the Chief Executive Officer considers appropriate for the Wulanda project, until the establishment of the credit foncier loans in accordance with the resolution of the Council at its meeting of 17 November 2020 subject to the total amount of the borrowings not exceeding \$35m.

- **T150 Treasury Management Policy** - Aligned with the recommended review date the updated Treasury Management Policy was reviewed and adopted in November 2021 with a focus on the following:

- **Benchmarking** - This policy was compared to a number of other South Australian Councils with definitions to improve understanding of technical terms.
- **Fixed and Variable Rates** - Recognition that: there are many types of borrowings available and Council will consider these when borrowing to minimise net interest costs on average over the longer term and to manage interest rate movement risks. Council manages its cash holistically within the constraints of its overall financial strategies and key financial indicators aligned with this policy in the medium to long term (as modelled in the LTFP).

4. **Debt Structure Review** - In the development of the LTFP 2022-2032 adopted in December 2021 and as part of analysis to prepare for the Draft 2022/23 Annual Business Plan and Budget and Draft LTFP 2023-2032 the debt structure to fund Wulanda was reviewed:

- **December 2021** – The adopted LTFP assumed a debt structure of \$25m credit foncier and \$10m Cash Advance Debenture borrowings.
- **February 2022** – Council provided its annual update to the LGFA Board meeting (aligned with special loan conditions).
- **April 2022** – The debt structure was reviewed by the Manager Financial Services working with Executive and Mark Booth from BRM Advisory.
- **April/May 2022** – Informal briefing and workshop sessions were held with Elected Members and the Audit and Risk Committee to provide an overview of the analysis undertaken to develop the debt structure to fund Wulanda.
- **May 2022** – Further to the Elected Member Informal briefing, Council applied for two credit foncier loans. The Mayor and the CEO signed the loan agreements and affixed the common seal. The loans will be settled on 16 May 2022.

PROPOSAL

1. **Current Borrowings** - The current Council borrowings balance as at 11 May is \$20,198k as shown in the table below with the following facilities:



Facility	Expiry Date	Interest Rate	Facility Limit	Drawn Down as at 11/05/22	Available
CAD104	15/12/2023	1.55%	\$3,200,000	\$3,200,000	\$0
CAD104	17/05/2024	1.55%	\$800,000	\$800,000	\$0
CAD106	15/04/2026	2.30%	\$10,000,000	\$8,135,000	\$1,865,000
CAD104	17/06/2028	2.30%	\$1,000,000	\$1,000,000	\$0
CAD105	17/08/2030	2.30%	\$5,000,000	\$5,000,000	\$0
CAD107	16/08/2026	2.30%	\$10,000,000	\$0	\$10,000,000
CAD108 *	15/02/2027	2.30%	\$15,000,000	\$0	\$15,000,000
Library Credit Foncier	15/06/2024	5.97%	\$2,063,085	\$2,063,085	\$0
Total			\$47,063,085	\$20,198,085	\$26,865,000

- **CAD 104/105 \$10.0m (Business as Usual)** - To date this has been drawn down to fund Wulanda, however, once structured debt is in place this will be used to fund largely business as usual activities.
 - **CAD 106 \$10m (Wulanda)** – CAD facility to fund Wulanda activities during the construction phase.
 - **CAD 107 \$10m (Wulanda)** - CAD facility to fund Wulanda. At this stage we would wish to retain this CAD for future flexible funding.
 - **CAD 108 \$15m (Wulanda)** - \$15m CAD facility settled in February 2022 to ensure that Council had sufficient funds whilst awaiting Federal/State government grant payments. It should be noted that this facility will be closed once \$15m of credit foncier loans have settled with the LGFA on 16 May 2022.
 - **Library Credit Foncier \$2.1m** – This credit foncier is due to expire in 2024 with the LTFP assumption that this will be replaced by CAD debt.
2. **Proposed Debt Structure** - As included in the LTFP adopted in December 2021 and the information presented to the Elected Members in April 2022 and the Audit and Risk Committee in May 2022, the proposed debt structure is as shown below.

Facility	Term	Facility Limit
Credit Foncier 109	10 Years	\$5,000,000
Credit Foncier 110	15 Years	\$10,000,000
Credit Foncier TBA	20 Years	\$10,000,000
CAD Facility	Ongoing	\$10,000,000
Total		\$35,000,000

3. **Current Debt Structure** – The status of the current debt structure to fund the Wulanda Recreation and Convention Centre is as below:
- **Credit Foncier 109** - Is due to settle with the LGFA on Monday 16 May 2022.
 - **Credit Foncier 110** - Is due to settle with the LGFA on Monday 16 May 2022.
 - **Credit Foncier TBA** - Has yet to be secured. We have an existing CAD facility for \$10m that expires in 2026.
 - **CAD Facility** - We have an existing CAD facility that expires in 2026 (NB - the LTFP assumption is that this is renewed upon expiry).
5. **Future Debt Structure** - Council Administration intends to continue to work with the LGFA to agree the debt structure for the remaining \$20m of the \$35m required to fund Wulanda. To ensure that Council Administration is able to secure the debt funding structure as presented or an alternative debt structure that delivers the lowest net interest and risk profile this report has been brought to Council to amend part 2 of resolution 2021/201.



LEGAL IMPLICATIONS

Council agrees that the Mayor and the CEO can apply the Council's Common Seal to execute any loan requirements within this resolution.

STRATEGIC PLAN

Nil

COUNCIL POLICY

T150 Treasury Management Policy

ECONOMIC IMPLICATIONS

Nil

ENVIRONMENTAL IMPLICATIONS

Nil

SOCIAL IMPLICATIONS

Nil

CULTURAL IMPLICATIONS

Nil

RESOURCE IMPLICATIONS

The treasury function related to this resolution will be implemented by the Financial Services team within Council.

VALUE FOR MONEY

This proposal intends to minimise the risk exposure and the net interest expense that Council incurs over the funding requirement.

RISK IMPLICATIONS

This proposal intends to minimise the risk exposure and the net interest expense that Council incurs over the funding requirement.

EQUALITIES AND DIVERSITY IMPLICATIONS

Nil

ENGAGEMENT AND COMMUNICATION STRATEGY

Nil

IMPLEMENTATION STRATEGY

Council Administration will work with the LGFA to secure the final \$20m required to complete the \$35m loan required to fund the Wulanda Recreation and Convention Centre.

CONCLUSION AND RECOMMENDATION

Council approves that Council Administration, for the purpose of funding the Wulanda Recreation and Community Centre funding can enter into further loan agreements of up to a maximum of \$35m in tranches as decided by the CEO as either credit foncier loans Cash Advance Debentures or a combination of the two loan types.

ATTACHMENTS

Nil



CONSIDERATION FOR KEEPING ITEMS CONFIDENTIAL

1. In accordance with Sections 91(7) and 91(9) of the *Local Government Act 1999* the Council orders that the report 26.2 AR22/31137 Council's Debt Structuring and its attachments, the discussion and the resolution/s and minutes arising from the report, having been considered by the Council in confidence under Section 90(2) & (3) (g) be kept confidential and not available for public inspection until the loans have been fully amortised.
2. Further that Council delegates the power to review, revoke, but not extend the confidential order to the Chief Executive Officer in accordance with the provisions of Section 91(9)(c) of the *Local Government Act 1999*.

CONFIDENTIAL

**MINUTES OF CITY OF MOUNT GAMBIER COUNCIL MEETING
HELD AT THE COUNCIL CHAMBER, CIVIC CENTRE, 10 WATSON TERRACE, MOUNT
GAMBIER
ON TUESDAY, 17 MAY 2022 AT 6.00 P.M.**

PRESENT: Mayor Lynette Martin (OAM), Cr Sonya Meziniec, Cr Kate Amoroso, Cr Max Bruins, Cr Christian Greco, Cr Ben Hood, Cr Paul Jenner, Cr Frank Morello

OFFICERS IN	Chief Executive Officer	- Mrs S Philpott
ATTENDANCE:	General Manager City Infrastructure	- Ms B Cernovskis
	General Manager Corporate and Regulatory Services	- Mr D Barber
	General Manager City and Community Growth	- Mr T Coote
	Manager Governance and Property	- Mr M McCarthy
	Manager Financial Services	- Mrs J Scoggins
	Media and Communications Coordinator	- Mrs A Watson
	Executive Administrator	- Mrs A Pasquazzi

26.2 COUNCIL'S DEBT STRUCTURING – REPORT NO. AR22/31137

RESOLUTION 2022/25

Moved: Cr Ben Hood

Seconded: Cr Frank Morello

CONSIDERATION FOR EXCLUSION OF THE PUBLIC

Pursuant to section 90(2) of the *Local Government Act 1999* the Council orders that all members of the public, except the Mayor, Councillors and Council Officers S Philpott, B Cernovskis, D Barber, T Coote, M McCarthy, J Scoggins, A Watson and A Pasquazzi be excluded from attendance at the meeting for the receipt, discussion and consideration in confidence of Agenda Item 26.2 AR22/31137 Council's Debt Structuring.

The Council is satisfied that, pursuant to section 90(3) (g) of the Act, the information to be received, discussed or considered in relation to the Agenda Item is:

- information concerning matters that must be considered in confidence in order to ensure that the Council does not:
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 - breach any other legal obligation or duty

The Council is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be discussed is subject to an existing confidentiality order of Council that remains in operation.

CARRIED

RESOLUTION 2022/26

Moved: Cr Max Bruins

Seconded: Cr Ben Hood

1. That Council Report No. AR22/31137 titled 'Council's Debt Structuring' as presented on 17 May 2022 be noted.
2. That Council note that Council has secured \$15 million of credit foncier loans due to settle on 16 May 2022 as follows:
 - **109** - \$5 million dollars over a term of 10 years with an interest rate of 4.75%.
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That Council agrees to enter into short term, flexible financing agreements with the LGFA as the Chief Executive Officer considers appropriate and in such tranches as the Chief Executive Officer considers appropriate for the Wulanda project, until the establishment of the credit foncier loans in accordance with the resolution of the Council



at its meeting of 17 November 2020 subject to the total amount of the borrowings not exceeding \$35m.

To read:

That Council agrees to enter into either flexible financing agreements or credit foncier loans with the LGFA as the Chief Executive Officer considers appropriate and in such tranches as the Chief Executive Officer considers appropriate for the Wulanda project, in accordance with the resolution of the Council at its meeting of 17 November 2020 subject to the total amount of the borrowings not exceeding \$35m.

4. That the Mayor and the Chief Executive Officer be authorised to sign and affix the common seal to execute the required loan documentation as referenced in point 3 above.

CARRIED

RESOLUTION 2022/27

Moved: Cr Max Bruins

Seconded: Cr Sonya Meziniec

CONSIDERATION FOR KEEPING ITEMS CONFIDENTIAL

1. In accordance with Sections 91(7) and 91(9) of the *Local Government Act 1999* the Council orders that the report 26.2 AR22/31137 Council's Debt Structuring and its attachments, the discussion and the resolution/s and minutes arising from the report, having been considered by the Council in confidence under Section 90(2) & (3) (g) be kept confidential and not available for public inspection until the loans have been fully amortised.
2. Further that Council delegates the power to review, revoke, but not extend the confidential order to the Chief Executive Officer in accordance with the provisions of Section 91(9)(c) of the *Local Government Act 1999*.

CARRIED

