

Notice of Meeting:

I hereby give notice that an ordinary meeting of the Finance and Council Controlled Organisations Committee will be held on:

Date: Wednesday 22 May 2024
Time: 10:00am
Venue: Council Chamber, Level 2, Dunedin Public Art Gallery, The Octagon, Dunedin

Sandy Graham
Chief Executive Officer

**Finance and Council Controlled Organisations Committee
SUPPLEMENTARY AGENDA**

MEMBERSHIP

Chairperson	Cr Lee Vandervis	
Deputy Chairperson	Cr Cherry Lucas	
Members	Cr Bill Acklin	Cr Sophie Barker
	Cr David Benson-Pope	Cr Christine Garey
	Cr Kevin Gilbert	Cr Carmen Houlahan
	Cr Marie Laufiso	Cr Mandy Mayhem
	Cr Jim O'Malley	Mayor Jules Radich
	Cr Steve Walker	Cr Brent Weatherall
	Cr Andrew Whiley	

Senior Officer Carolyn Allan, Chief Financial Officer

Governance Support Officer Lauren Riddle

Lauren Riddle
Governance Support Officer

Telephone: 03 477 4000
governance.support@dcc.govt.nz
www.dunedin.govt.nz

Note: Reports and recommendations contained in this agenda are not to be considered as Council policy until adopted.

ITEM	TABLE OF CONTENTS	PAGE
PART A REPORTS (Committee has power to decide these matters)		
6	Dunedin City Holdings Limited Group Update - Quarter Ending 31 March 2024	4

PART A REPORTS

DUNEDIN CITY HOLDINGS LIMITED GROUP UPDATE - QUARTER ENDING 31 MARCH 2024

Department: Finance

EXECUTIVE SUMMARY

- 1 This report provides a quarterly update for the period ended 31 March 2024 for the Dunedin City Holdings Limited (DCHL) Group.

RECOMMENDATIONS

That the Committee:

- a) **Notes** the Dunedin City Holdings Limited Group Quarterly Update for the period ended 31 March 2024.

DISCUSSION

- 2 The attached DCHL quarterly report for the period ended 31 March 2024 provides an update for Councillors on the following:
 - Quarter 3 financial results
 - Overview of company activities
 - Progress towards achieving Statement of Intent measures
 - Financial performance of the portfolio
 - Group funding

OPTIONS

- 3 Not applicable.

NEXT STEPS

- 4 A quarterly update for the period ended 30 June 2024 for the Dunedin City Holdings Limited (DCHL) Group will be presented at a future meeting.

Signatories

Authoriser:	Carolyn Allan - Chief Financial Officer
-------------	---

Attachments

	Title	Page
↓A	DCHL quarterly report to 31 March 2024	6



DUNEDIN CITY HOLDINGS LIMITED

Report to Finance & CCOs Committee

Covering Q3, FY2024

Executive Summary

This report covers the third quarter (Q3) of the 2024 financial year, and provides an update for Councillors on:

- Q3 financial results
- Areas of focus / activity for each company this quarter
- Progress towards achieving Statement of Intent measures
- Financial performance of the portfolio
- Group funding.

Year to date net profit before tax is \$15.1m, \$10.3m ahead of the prior period, and ahead of budget. The highlight is strong financial performance (and consequently strong operating cash flows) from Aurora Energy, which reflects higher use of system and growth-related revenues. However, strong operating cash flows, as well as higher borrowing, is funding elevated investment in the network. Consequently, in line with their FY2024 Statement of Intent, no dividends are expected from Aurora Energy in the current year.

DCHL remains on track to deliver dividends to DCC in line with its Statement of Intent for the current year.

Dunedin City Holdings Ltd Work Programme

This quarter

- Submitted draft FY2025 Statements of Intent
- Published half year reports for the period ended 31 December 2023
- Completed portfolio options analysis, presented Aurora Energy sale proposal and supported consultation process
- Commenced Intern Director Programme 2024 intake

Next two quarters

- Annual budgeting and forecasting processes
- Submit final FY2025 Statements of Intent
- Work with group companies on dividend forecast
- Assist planning for Dunedin Railways transitional period
- Support Council decision process re Aurora proposal
- Year-end processes from 1 July 2024, Annual Reports to be published by 30 September 2024

Profit before tax (year to date)

Company		Actual 31 Mar 2024	Actual 31 Mar 2023	Budget on track
COMMERCIAL	Aurora Energy	\$20.9m	\$4.7m	✓
	City Forests	\$7.6m	\$7.0m	✓
	Delta	\$1.4m	\$1.7m	✗
	Dunedin City Treasury	\$1.7m	\$1.3m	✓
COMMUNITY	Dunedin Railways	\$(0.8)m	\$(0.6)m	✗
	Dunedin Stadium Property	\$(5.8)m	\$(5.6)m	✓
	Dunedin Venues Management Ltd	\$0.3m	\$(0.6)m	✓
	DCHL parent	\$(3.6)m	\$(4.1)m	✓
	Consolidation adjustments incl. eliminating dividends	\$(6.6)m	\$(1.0)m	
	Total DCHL Group	\$15.1m	\$4.8m	
	Dunedin Airport (50% share)	\$2.3m	\$2.5m	✓

Operating Cashflow (year to date)

Company		Actual 31 Mar 2024	Actual 31 Mar 2023	Budget on track
COMMERCIAL	Aurora Energy	\$46.1m	\$30.7m	✓
	City Forests	\$3.5m	\$6.8m	✗
	Delta	\$4.4m	\$1.6m	✗
	Dunedin City Treasury	\$1.3m	\$1.5m	✗
COMMUNITY	Dunedin Railways	\$(0.4)m	\$(0.3)m	✗
	Dunedin Stadium Property	\$(0.7)m	\$0.06m	✓
	Dunedin Venues Management Ltd	\$5.3m	\$1.3m	✓
	DCHL parent	\$(2.3)m	\$(3.1)m	✓
	Eliminate consolidation adjustments incl. dividends	\$(5.9)m	\$(1.0)m	
	Total DCHL Group	\$51.2m	\$37.6m	

1



DUNEDIN CITY HOLDINGS LIMITED

Overview of company activities



- Draft year-to-date net profit after tax \$5.3m above budget to end of March
- Favourable variance reflects strong use of system and growth related revenues, coupled with below budget expenditure
- Preparations in place for commencement of new electrical and vegetation field service agreements from 1 April 2024
- Community engagements including Aurora Energy attendance at four A&P shows/Gala days at Lake Hayes, Omakau, Wanaka and Brighton
- CPP delivery and pricing updates published in the four community newspapers around Otago
- Price setting process for year ended 31 March 2025
- Newly designed 2024 Asset Management Plan period to 31 March 2034 disclosed and publicly available from end of March.



- Log market returns above plan Dec 23 – March 24, now trending to below plan for April 24 - June 24 driven by the China construction downturn. On track to achieve budget at year end
- Domestic log market returns remain constrained by reduced domestic building activity.
- Production marginally above plan YTD, trending back to plan.
- Planting, silviculture, roading and estate maintenance on track
- Carbon market stability has returned, but at a lower price point circa \$55-\$60 / NZU.
- Regulatory risk remains high due to ORC Land and Water Plan change proposals.
- H&S, Environmental performance and FSC recertification on plan.



- Trading conditions continue to be challenging. Overall result continues to track behind budget expectation but ahead of last year
- FSA2 (Aurora) commences 1 April 2024 which will provide an improvement to trading position with a revised schedule of rates
- Forward workload across all operational activities remains solid with secure contracts in place
- Good progress has been made with the targeted recruitment campaign in the Philippines. Majority of our new employees are through the immigration process and ready for work
- Optimisation of Central Otago properties and depot sites continue



- Passenger volumes 7.6% behind budget.
- Seat capacity 23.7% below budget, however load factors strong at 83%.
- Air New Zealand's enduring issues with engines on the Airbus A320/A321 NEO and Boeing 787 fleet impacting network capacity.
- Negotiations commenced with an airline for Trans-Tasman services.
- Qantas Airways charters from Perth hosted by Dunedin Airport for the Pink Concert in March.
- Fiji Airways direct Boeing 737 charter to and from Fiji in May for the Drua v Highlanders game in the city.
- Aeronautical pricing consultation commenced with airlines for the 3-year period commencing July 24 – Initial Pricing Proposal (IPP).



- Cruise ship arrangements are underway and rolled over on a 12 month extension
- Cruise ship charters ran 55 times with a total of 10,100 passengers
- Public trains ran 76 times, holding a total of 11,136 passengers
- The coming winter schedule is in place, and preparation is underway
- Matariki/Space train preparation is well underway



- Sports lighting and crowd experience lighting project completed with opening display at the First Highlanders Match of the season
- External review of Asset Management Plan (AMP) governing stadium asset management finalised



- Sold-Out Pink concert at Forsyth Barr Stadium (37,000) Projected economic impact to exceed \$12m.
- Hosted NZ Black Caps v Pakistan International T20 in January.
- Contracted two new events to be held at Forsyth Barr Stadium IN 2024/25 – Home and Living show and Motocross event.
- Preparations are in place to Host All Blacks v England at Forsyth Barr Stadium in July 2024.
- Working closely with promoters for Summer 2024/25.
- Six community events delivered at Stadium/Dunedin Centre.



DUNEDIN CITY HOLDINGS LIMITED

Statement of Intent performance measures

Progress against Statement of Intent performance measures

This page presents a high level view of each company's progress towards achieving their Statement of Intent performance measures. Full Statement of Service Performance reports are provided in Interim and Annual Reports.

Company	Commentary on progress in achieving performance measures
Dunedin City Holdings Ltd	On track
Aurora Energy	On track to achieve all measures with possible exception of TRIFR target. Actuals 3.6 vs target <3.5 to end of March.
City Forests	On track
Delta	Financial results tracking behind expectation. Non-financial targets tracking to expectation with the exception of LTIFR where a number of injuries related to minor incidents are impacting on achievement of the year-end target
Dunedin City Treasury Ltd	The Waipori Fund is not meeting all of its investment objectives. This value of the Fund is currently below the Revised Capital Base or the Inflation Adjusted Capital Base. All other performance measures on track.
Dunedin International Airport Ltd	The rolling bird strike rate up to December 31, stands at 3.8, which is below the target of <5. This is the lowest rolling strike rate observed in over 3 years.
Dunedin Railways	On track
Dunedin Stadium Property Ltd	On track
Dunedin Venues Management Ltd	On track

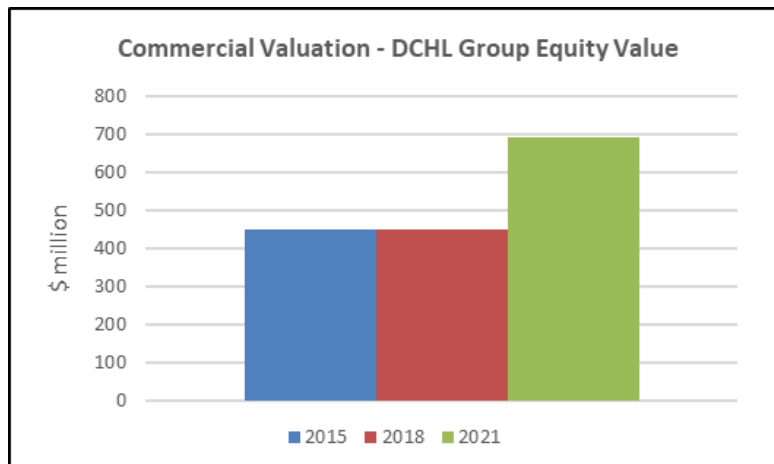


DUNEDIN CITY HOLDINGS LIMITED

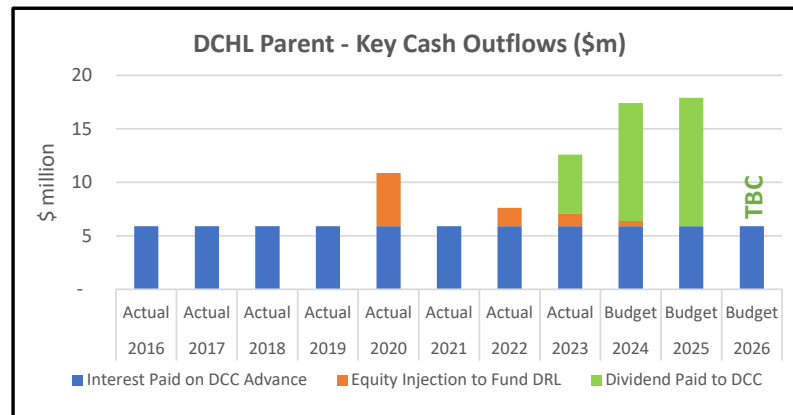
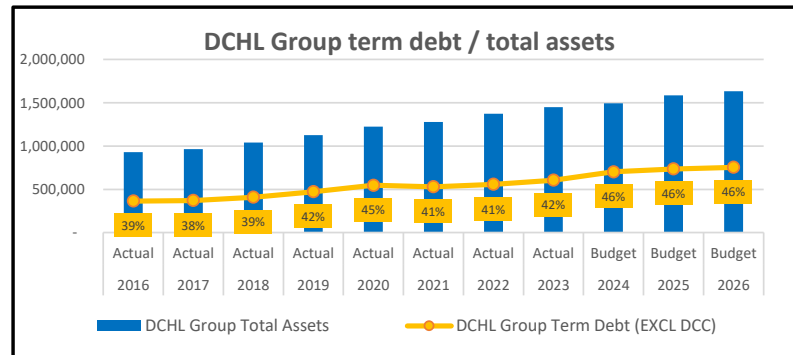
DCHL Portfolio Performance

Valuation of DCHL commercial entities

(Aurora Energy, City Forests, Delta and Dunedin Airport)



Budget figures for 2024-2026 in this report reflect budgets prepared in June 2024, in conjunction with group company Statements of Intent.



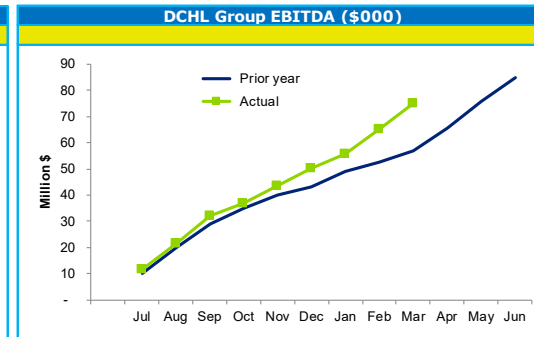
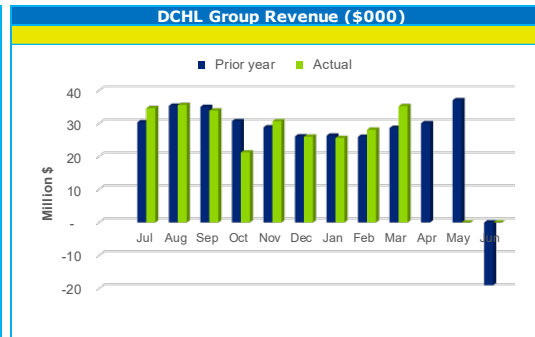
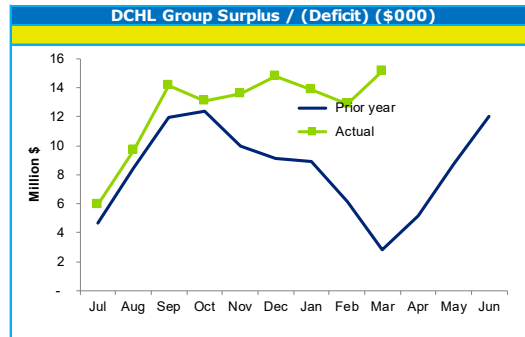
Excludes DCHL's equity contributions to DVML and DSPL which are passed through from DCC
DRL equity funding was budgeted at \$0.5m for 2024. It is now forecasted to be \$1.1m
DCHL will be providing DRL with equity funding of up to \$2.0m in 2025



DUNEDIN CITY HOLDINGS LIMITED

Financial results for the quarter

Year-to-date ended 31 March 2024



Represented by:

Surplus / (Deficit) b.t.	Current YTD (\$m)	Prior YTD (\$m)
Aurora Energy	20.876	4.679
City Forests	7.559	7.019
Delta Utility Services	1.394	1.711
Dunedin Venues	0.278	(0.653)
Dunedin Railways	(0.748)	(0.564)
Stadium Property	(5.756)	(5.599)
Treasury	1.743	1.295
Holdings (parent)	(3.612)	(4.099)
Dunedin Airport (50%)	2.270	2.544
less internal transactions	(7.826)	(1.512)
Total	16.178	4.821

The Group's higher surplus for the year-to-date compared to last year is due to the improved performance of Aurora Energy which is partially offset by the quarterly elimination of intra-group transactions.

The cumulative value of the monthly revenue above is represented by:

Revenue	Current YTD (\$m)	Prior YTD (\$m)
Aurora Energy	105.532	93.862
City Forests	44.434	42.104
Delta Utility Services	96.072	88.191
Dunedin Venues	9.081	7.399
Dunedin Railways	2.913	1.536
Stadium Property	2.107	2.140
Treasury	41.623	28.668
Holdings (parent)	2.521	1.782
less internal transactions	(53.793)	(37.572)
Total	250.490	228.110

The Group's revenue for the year-to-date is \$22.38m higher than the same time last year. Most entities have recorded an increase in revenue compared to the prior year. Intra-group transactions are higher this year due to the increased level of interest income from DCTL, which is attributed to higher interest rates and increased borrowing (especially Aurora).

Represented by:

EBITDA	Current YTD (\$m)	Prior YTD (\$m)
Aurora Energy	59.552	38.133
City Forests	9.255	8.182
Delta Utility Services	7.670	7.793
Dunedin Venues	0.619	(0.471)
Dunedin Railways	(0.724)	(0.547)
Stadium Property	1.125	1.427
Treasury	1.743	1.295
Holdings (parent)	1.509	0.870
less internal transactions	(5.883)	(1.000)
Total	74.866	55.682

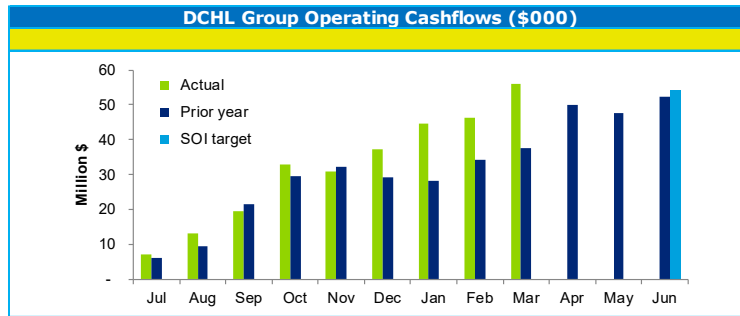
The Group's \$19.18m higher EBITDA for the year-to-date is largely due to the improved result of Aurora Energy. Delta's underlying performance has improved from the prior year. The prior year included one-off income from the Yaldhurst investment of \$1.8m.



DUNEDIN CITY HOLDINGS LIMITED

Financial results for the quarter

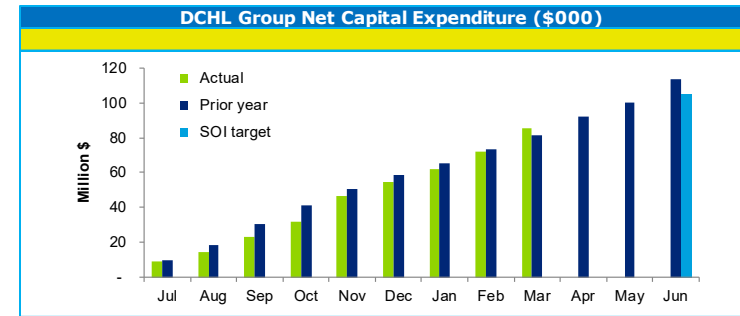
Year-to-date ended 31 March 2024



Represented by:

Operating Cashflows	Current YTD (\$m)	Prior YTD (\$m)
Aurora Energy	46.093	30.699
City Forests	3.452	6.791
Delta Utility Services	4.428	1.633
Dunedin Venues	5.262	1.328
Dunedin Railways	(0.420)	(0.300)
Stadium Property	(0.662)	0.058
Treasury	1.285	1.523
Holdings (parent)	(2.316)	(3.121)
less internal transactions	(5.883)	(2.007)
Total	51.239	36.604

The Group has recorded \$14.6m higher cash from operations for the year to 31 March 2024 compare with the same period last year. This is mostly due to the improved financial performance of Aurora Energy.



Represented by:

Capital Expenditure	Current YTD (\$m)	Prior YTD (\$m)
Aurora Energy	79.984	70.457
City Forests	0.350	5.055
Delta Utility Services	1.484	3.600
Dunedin Venues	0.544	1.397
Dunedin Railways	0.047	0.012
Stadium Property	2.986	0.603
Treasury	-	-
Holdings (parent)	-	-
less internal transactions	(4.883)	-
Total	80.512	81.124

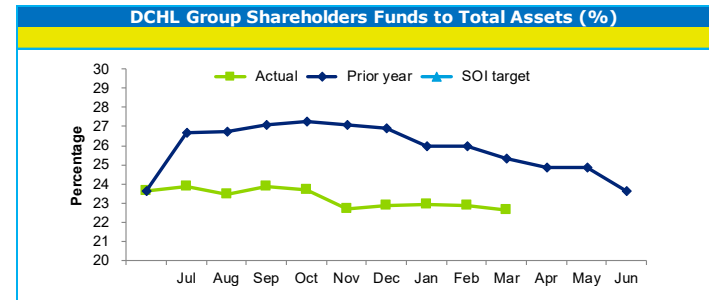
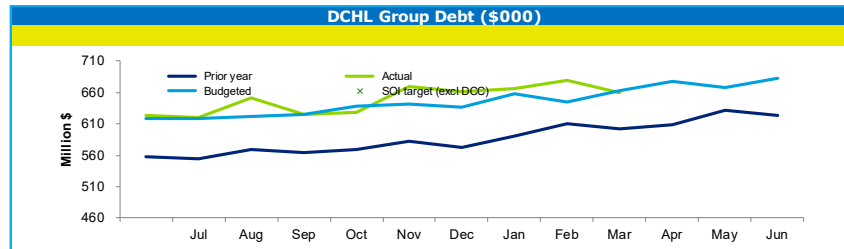
Before accounting adjustments for intra-group transactions, underlying group capital expenditure was higher than the prior year, reflecting elevated investment in Aurora Energy's network and higher investment at the Stadium in respect of new event lighting and renewal expenditure. Offsetting this, City Forests has made no land purchases in the current year so its capex is correspondingly lower.



DUNEDIN CITY HOLDINGS LIMITED

Financial results for the quarter

Year-to-date ended 31 March 2024



To fund (\$'000s)	31 Mar 2024 \$000	31 Mar 2023 \$000
Aurora Energy Ltd	524,935	478,935
City Forests Ltd	35,700	31,850
Delta Utility Services Ltd	11,525	13,625
Dunedin City Council	573,000	434,800
Dunedin City Holdings Ltd	22,011	14,580
Dunedin Stadium Property Ltd	86,813	85,920
Dunedin Railways Ltd	-	-
Dunedin Venues Management Ltd	-	-
Total DCC and company borrowings	1,253,984	1,059,710
DCTL additional balances to fund above (largely held as cash)	(2,436)	3,174
Fair value impact on bonds	(19,502)	(26,377)
Total DCTL borrowings to fund the above	1,232,046	1,036,507

S/H's Funds to Total Assets	Current YTD (\$m)	Prior YTD (\$m)
Aurora Energy	25%	25%
City Forests	70%	70%
Delta Utility Services	43%	41%
Dunedin Venues	8%	4%
Dunedin Railways	36%	70%
Stadium Property	37%	39%
Treasury	1%	3%
Holdings (parent)	54%	56%
Holdings (group)	23%	25%

The balance of DCHL Group's borrowing (excluding DCC) as at 31 March 2024 was \$56m higher than 31 March 2023, mostly in respect of Aurora.

All company borrowings have increased from 31 March 2023, with the exception of Delta which has reduced debt.

The DCHL Group's borrowings are \$2m lower than budget.