Should council provide a loan to help fund new rescue helicopters?

Council is considering providing Northland Emergency Services Trust (NEST) with a loan to help it secure two replacement rescue helicopters for the region.

We are fortunate to have access to lower borrowing costs (through the Local Government Funding Agency) than NEST could get elsewhere.

Council could use just under half of its current low-interest borrowing capacity to give NEST a $9.8 million loan to purchase the helicopters, saving NEST – and indirectly the wider Northland community – a considerable amount in interest over the life of the loan.

Rescue helicopters are a critical service and infrastructure for Northland, and council is keen to help support them with a loan – but we need to hear from our community before making a final decision.

You’ll find more detail on the loan proposal inside.

How to have your say

You can give feedback on the loan proposal on our website at:

www.nrc.govt.nz/helicopterloan

We encourage people to give feedback online as it is more efficient for us to process and we are conscious of keeping costs down for ratepayers as much as we can.

However, you can still give feedback by email, mail or dropping it in to one of our offices if you prefer.

- Email us at submissions@nrc.govt.nz (use subject line ‘helicopter loan’)
- Mail us at: Proposed helicopter loan, Northland Regional Council, Private Bag 9021, Whangārei

If you want to talk to a councillor about your feedback during the consultation period, please contact us on 0800 002 004.

Note that no hearings will be held as part of this feedback process.

Please get your feedback to us by 4pm, Sunday 6 August 2017.
Our loan proposal

Northland Emergency Services Trust (NEST) has identified a need to replace its current helicopters, and has recently found two suitable Sikorsky S-76C helicopters available for purchase.

Council is considering providing a loan to NEST of $9.8 million, to assist them with this purchase. Council has access to competitive interest rates via the Local Government Funding Agency, which can offer a cost of borrowing approximately two percent lower than what NEST can secure from other lenders.

This has the potential to result in savings for NEST and, indirectly, the Northland community of approximately $200,000 per year.

The provision of $9.8 million would be a loan, to be paid back by NEST over a period of five years, and with all necessary conditions required to protect council’s investment. It would be a requirement that NEST forward any extraordinary charitable donations of more than $100,000 to council, to be applied to the principal balance of the loan.

Any loan repayments received from NEST would be invested in council’s Infrastructure Investment Fund until repaid to the Local Government Funding Agency when the loan matures. It is proposed that the provision of the loan be cost neutral to ratepayers, with all direct costs covered by NEST.

The purpose of local government includes providing good-quality local infrastructure and local public services. This is part of the reason why council is keen to support this important local emergency service.

Doesn’t the regional council already support NEST?

Northland Emergency Services Trust (NEST) is a non-profit charitable trust that provides an emergency helicopter/air ambulance service to all Northlanders.

As an organisation that values resilient communities in Northland, council is a long-term supporter of the Northland Emergency Services Trust.

In 2009 council established a new rate to contribute funding of up to $675,000 year to the trust. This funding commitment was continued through the Long Term Plan 2012-2022.

In 2015 council proposed to replace the emergency services helicopter rate with a emergency services rate that would establish a fully contestable fund available to a wider array of emergency services to apply to for funding.

Public feedback was divided on the topic, and highlighted that demand for funding of emergency services was higher than what council was proposing. As a result, council opted to increase the rate and, consequently, the fund’s size to $900,000 a year.

NEST receives approximately $525,000 per year from the contestable fund.

We are not proposing to change this rate, the way that council funds emergency services, or the amount NEST received from this contestable fund.
Why is council considering this loan proposal?

Council has identified an opportunity to assist an organisation in Northland which, feedback from our community has told us, is valued by Northlanders.

Making a loan available to NEST would come at little direct cost to council, though there may be opportunity cost. However, the loan may assist in securing valuable assets for NEST and will save the charitable organisation a significant amount of money in borrowing costs.

<table>
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<tr>
<th>Option 1</th>
<th>Council provides a five-year loan to NEST, drawn down from the Local Government Funding Agency (LGFA)</th>
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| **Advantages** | • NEST would be able to fund the helicopters at a rate lower than it can secure elsewhere.  
• NEST, and indirectly the Northland community, would save money on borrowing costs.  
• Council would still have some LGFA funds available for other projects or activities. |
| **Disadvantages** | • Loan funding would not be available for other purposes.  
• LGFA loan funding is capped for council at $20 million, and half of this would be allocated to NEST.  
• There is a level of risk associated with any loan arrangement. For example, if NEST was unable to repay the loan, ratepayers would need to foot the bill. |

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<tr>
<th>Option 2</th>
<th>Council does not provide a five-year loan to NEST</th>
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| **Advantages** | • No additional financial risk taken by council.  
• All LGFA loan funding remains available to fund other core council projects. |
| **Disadvantages** | • NEST and, indirectly, the Northland community will be subject to a higher overall cost associated with the purchase of two NEST helicopters. |

Council prefers Option 1, provide the loan to NEST – what do you think?