

ANALYSIS OF THE COUNCIL'S OPTIONS

Option 1 - The advantage of the status quo (Option 1) is that Council does not incur any costs in relation to Rugby Park. The disadvantage of the status quo is that the future of Rugby Southland is jeopardised and it is likely that it will become insolvent. This will have an impact on rugby in the Southland region. Ownership of Rugby Park will be transferred to the Community Trust and it is not yet known if the Community Trust would run Rugby Park or if it would be sold to recover the outstanding loan.

Option 2 - Under Option 2, Council offers Southland Outdoor Stadium Trust \$400,000 who will then on pay the Community Trust of Southland \$400,000 in full and final settlement of the debt owing by the Southland Outdoor Stadium Trust. The Southland Outdoor Stadium Trust transfers ownership of the stadium to the Council in exchange for Council taking over the debt of approximately \$740,000 currently owing to Rugby Southland under the management contract. In exchange for free office rental, Rugby Southland would reduce the \$740,000 debt owing at the rate of \$35,000 per annum. Attached to this would be the provision that should Rugby Southland cease to exist in the future, any remaining debt would be written off.

The advantage of Option 2 is that Council will secure a community facility for future generations. Under Council ownership it is likely that Rugby Park would be marketed to a new group of users for additional corporate and entertainment events. There is an opportunity to expand on the current use of the venue and have the facility available to more members of the community.

The disadvantage of Option 2 is that Council will incur an initial expense of \$400,000 to settle the debt owed to the Community Trust. Council will also assume the debt of \$740,000 owed to Rugby Southland, which will be reduced at the rate of \$35,000 each year. In reducing the debt, Council will not be receiving any rental from Rugby Southland for their use of the stadium. Council

would still charge a game day rental for the use of the grounds and facilities. Council will also then assume the ongoing costs of the administration and operation of the stadium. The cost of operating the stadium, including capital maintenance, will be approximately \$290,000 each year. Council already collects a rate for regional facilities (\$100,000 per year) that could be utilised for Rugby Park. This means that an additional \$190,000 would be required each year.

A further disadvantage of Option 2 is that it requires the agreement of third parties. The Community Trust has already resolved that it would be willing to accept the \$400,000 offered as full and final payment of the debt owed to it. The decision of Council to take over ownership of Rugby Park is also contingent on the Invercargill Licensing Trust agreeing to provide a grant to extinguish the debt (owed by the Southland Outdoor Stadium Trust) of Pacific Dawn Limited which is estimated at \$130,000 and, if necessary, the debt owing to the Southland Amateur Sports' Trust of \$19,500. The Council will also expect agreement from the Invercargill Licensing Trust that it will consider any future application from Council for a grant toward the capital maintenance requirements of the stadium.

Option 3 - The advantage of Option 3 is that Rugby Park remains out of public ownership.

A disadvantage of Option 3 is that the cost to Council is the same as under Option 2, but it does not acquire a further asset. As Rugby Southland will be the owner of the stadium, there is no long term security for the stadium and there is no guarantee that they would permit the same level of community use. A further disadvantage to this option is that it is not Rugby Southland's preferred option.