DA Road Project Funding

Situation Overview

- The Courts have confirmed the agreement between Kempsey Council and Goolawah Co-op to seal Nevertire Rd in order to comply with our DA.
- We were able to reduce the size of the project, saving significant costs.
- Council will maintain Nevertire Road on completion.
- We are no longer required to upgrade Illa Langhi Rd which will be maintained in its current state (conditions apply).
- Roadworks on Nevertire Rd will be in 2 stages.
- **Stage 1 -** The co-op currently has enough funds to pay for Stage 1. That is, $200,000 for sealing in front of residences. Stage 1 will need to commence within 12 months of the Section 138 approval.
- **Stage 2 -** The co-op needs to raise approx. $400,000. Stage 2 will need to commence within 5 years.
- A Special Resolution needs to be ratified at a General Meeting in December.

What are our fund-raising options?

- If we simply raise membership levies over the next 5 years it will push Co-op revenues over the $150,000 threshold for GST and then our levies will have to be increased by 10% to cover the tax. It also make our accounting system more complicated and expensive.*
- A community meeting will be called for everyone to bring ideas on how to raise funds, so we encourage everyone to start putting your thinking caps on.
- Meantime the Board has been discussing some options: Levies, loans, CCUs (Cooperative Capital Units), Debentures, Grants, and Donations (eg. Crowd Funding).
- Each option has pros and cons re their suitability (see table below)

(*Note **-** GST on $400,000 is approximately $40,000. Our system is not set up for GST and accountant fees would be additional cost)

Scope of Options

1. **Increase the Infrastructure Levy** per share to approx. $1,250 per year for 5 years. GST implications.
2. **Loans** from members or the bank, or debentures would cost members per share approx. $1,500 per year for 5 years. GST implications.
3. **Grants or donations.** It is unlikely someone would grant funds for uncharitable needs. GST implications.

4. **Co-operative Capital Units (CCUs)** (CNL 345) are issued by the Co-op, conferring an interest in its capital (but not share capital).
    - A CCU is personal property, and is transferable or transmissible.
    - Funds are returned to the member on sale of share or winding up if surplus exists.
    - The CCUs are payable via a levy and would cost members per share approx. $1,000 per year for 5 years.
    - Requires a Special Resolution and DoFT approval to add 2 new rules – Issue of CCUs and Transfer and Transmission of CCUs (Model Rules 20 and 21).
    - No GST implications.
5. **Debentures** - See below

Pros and Cons for each option

1. **Increase Levies**

Pro	Con
Simple method	Funds not returned to member as funds remain in the Co-operative if member sells or at winding up.
Can implement in time to meet deadline	Finance Policy Change - Requires Special Resolution
No repayment to member as no Liability on the Co-operative as funds remain with the Coop.	Additional cost to members due to increase in Levies
Legislatively permitted	Additional costs in GST
	Additional cost in accountant fees BAS and GST annual return
	Higher levies may increase members ability to repay and therefore affect membership.
	Cost increase to member approximately $1,250 per year

2. **Loans**

Either from Members or Bank

Pro	Con
Legislatively permitted	Not in Rules - Requires Special Res and approval from DoFT
Can implement in time to meet deadline	Not in Finance Policy - Requires Special Res
Funds plus interest returned to member on winding up if there is a Surplus.	Additional cost to Co-op through interest at Reserve bank rate
Funds return to a member when the loan period expires, if funds available in surplus.	Must repay in fixed period

No impact on Membership if member fails to keep up payments.	Additional cost to Coop as members must repay the loan through levies
	High risk to Co-operative because of loan default, Ie. member refuses to maintain regular payments.
	GST impact because increase in levies for repayment.
	Additional cost in accountant fees BAS and GST annual return
	Cost increase to member approximately $1500 per year

3. **CCUs**

Pro	**Con**
Legislatively permitted - and accepted method by Government for acquiring funds for this purpose.	Not in Rules - Requires Special Res and approval from DoFT
Can implement in time to meet deadline	Not in Policy - Requires Special Res
CCU is a share in Goolawah Capital (except share capital) and can be transferred to other members	Additional cost to members as they must pay the CCU through levies
Funds returned to member on Sale of share	
Funds returned to member on Winding up if Surplus exists.	
No Repayment period	
No GST impact	
	Cost increase to member approximately $1,000 per year

4. **Grants or Donations**

Pro	**Con**
Legislatively permitted	Not in Rules
No repayment	Not in Policy
	GST component may be payable on Grant
	Highly Unlikely to be available in time
	Highly Unlikely for someone to grant funds for uncharitable needs
	Additional cost in accountant fees BAS and GST annual return
	Additional costs in GST as Grant raises us above the GST threshold.
	Cost increase to member approximately $250 per year. **GST payment on $400,000 = $40,000**

5. **Debentures**

Either from Members or non-members

Pro	Con
Legislatively permitted	Not in Rules - Requires Special Res and approval from DoFT
Can implement in time to meet deadline	Not in Finance Policy - Requires Special Res
Funds plus interest returned to member on winding up if there is a Surplus.	Additional cost to Co-op through interest at Reserve bank rate
Funds return to a member when the loan period expires, if funds available in surplus.	Must repay in fixed period
No impact on Membership if member fails to keep up payments.	High risk to Co-operative because of payment default. Ie. member refuses to maintain regular payments.
	Additional cost to Coop as members must pay the debenture through levies
	GST impact because of debenture repayment
	Additional cost in accountant fees BAS and GST annual return
	Cost increase to member approximately $1500 per year