

CONFIDENTIAL Report

TO: Council

MEETING DATE: 15 September 2021

TITLE: Request for support for Manawatū Jets

PRESENTED BY: Chris Dyhrberg, Chief Customer Officer

APPROVED BY: Chris Dyhrberg, Chief Customer Officer

It is recommended that this report be considered with the public excluded, as permitted by the Local Government Official Information and Meetings Act 1987 under clause:

s7(2)(b)(ii) Third Party Commercial - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information

RECOMMENDATION FOR PUBLIC RELEASE

Given the nature of information contained in this paper, it should remain in Part II. Any funding decision made by the Council would be released to the public following confirmation of next steps with Property Brokers.

RECOMMENDATIONS TO COUNCIL

1. That Council confirm either
 - a. Option One: funding request and provide venue hire in kind OR
 - b. Option Two: decline request OR
 - c. Option Three: funding request only OR
 - d. Option Four: venue hire in kind only
2. If the decision is to provide financial or in-kind support to the new entity, that
 - a. the Chief Executive write to Property Brokers confirming Council's decision; and
 - b. the Chief Executive is delegated authority to negotiate appropriate commercial terms relating to the provision of that support; and
 - c. the relevant budgets are adjusted to account for the additional cost and/or loss of revenue that will occur as a result of that support.
3. That resolutions made by the Council relating to the report 'Property Brokers request for support for Manawatū Jets' be released to the public following confirmation of the decision being received by Property Brokers.

Summary of options analysis

Problem or Opportunity	Funding of new National Basketball League Team entity
OPTION 1:	Fund request and provide venue hire at no charge
Community Views	Not sought due to commercial sensitivity
Benefits	Retention of National Basketball team in the City
Risks	New entity may still not meet target or struggle after initial 5-year term
Financial	\$175,000 over five years (\$50,000 cash/ \$125,000 In-Kind, loss of external revenue for Arena)
OPTION 2:	Decline request
Community Views	Not sought due to commercial sensitivity
Benefits	No funding or loss of revenue required to be made
Risks	Potential loss of National Basketball team in the City
Financial	N/A
OPTION 3:	Provide funding only
Community Views	Not sought due to commercial sensitivity
Benefits	Partially meets request of Property Brokers
Risks	Potential loss of National Basketball team in the City
Financial	\$50,000 (\$10,000 per annum for 5 years)
OPTION 4:	Provide venue hire only
Community Views	Not sought due to commercial sensitivity
Benefits	Partially meets request of Property Brokers
Risks	Potential loss of National Basketball team in the City
Financial	\$125,000 (\$25,000 per annum for 5 years) In-Kind, loss of external revenue for Arena

RATIONALE FOR THE RECOMMENDATIONS

1. OVERVIEW OF THE PROBLEM OR OPPORTUNITY

1.1 Property Brokers are requesting support from Council in two ways.

- That Council be one of the donators as outlined earlier in this report and commit to \$10,000 exclusive of GST per year for a 5-year term.

- That Council provide the use of Central Energy Trust Arena at no charge for venue hire for a 5-year term.
 - Based on the 2021 season (1 game cancelled due to South Island storm), this would be valued at approximately \$25,000 exclusive of GST depending on the number of home games.
 - All game day related charges such as power and cleaning would be recovered.

1.2 Outcomes for the city in return for the support would be:

- National branding for Palmy
- A well led and strong culture basketball team.
- Top level players engaging throughout the community in coaching and other engagement opportunities
- Local players contracted to a new team/ entity after working through the Basketball Manawatu levels
- Strong working relationship with key stakeholders and partners including Basketball Manawatu/ Sponsors/Donors/PNCC and the core of volunteers who give their time to support the team

Current Situation

- 1.3 At the conclusion of the 2021 National Basketball League, it appears the Jets are again in a bad financial position. It is understood that the competition fee payable to Basketball New Zealand has not been paid and the Council is owed \$ [REDACTED] inclusive of GST for eight invoices associated with the hosting of eight home games at Arena.
- 1.4 Despite numerous attempts to contact Board members regarding the outstanding balance, communication from the Jets has ceased.
- 1.5 Council for the 2021 season provided cash sponsorship to the Jets of \$35,000 exclusive of GST. This funding was provided in the past financial year 2020-2021, not the current financial year. The debt owed to the council crossed over both financial years with 6 games played before the end of June 2021 and 2 games played in July 2021.

Proposed Change of Ownership and Request for Support

- 1.6 Property Brokers have provided the following request for funding. It is important to note that the party making this request has no responsibility or direct connection to the current Manawātū Jets entity operationally but have been a long-term sponsor.
- 1.7 On 2 August, Council received a request for support from [7(2)(a) Privacy], Property Brokers. Property Brokers have been a long-time sponsor and supporter of the Manawatu Jets, however not involved in the operation.
- 1.8 Property Brokers aspiration is to be a new owner of a new entity and acquire the Local National Basketball League License, having had communication with Basketball New Zealand through Basketball Manawātū. While there has

been no formal commitment from Basketball New Zealand, through Basketball Manawatu they have indicated support [REDACTED]

1.9 The main considerations highlighted in this request are:

- The team will be privately owned and run by Property Brokers and whoever of the donators want shares in the company.
- Community coaching will be a major focus in the schools and youth organisations. Players will be expected to coach.
- Accountability and commitment will be right through the organisation as a privately owned commercial organisation.
- Accounts will be transparent and open.
- A full-time General Manager will be appointed.
- [REDACTED], has committed to assist the schools' programme.
- The naming rights will be open to the highest bidder.

1.10 To be sustainable and secure into the future, it has been estimated that a sum of \$ [REDACTED] exclusive of GST per annum is required. A full and detailed operational budget has not been determined yet but the estimated figure is based off experience and knowledge gained through the long term association with the Jets and similar successful NBL models To attain this, the proposal is to secure 5-year term support from a minimum of [REDACTED] sponsors underwriting \$10,000 exclusive of GST a year each. It would not be in the form of a sponsorship but rather a donation to our community. On top of this amount they would seek to raise the balance through sponsorship and community coaching to meet the target and be competitive.

1.11 At the time of this request, \$ [REDACTED] exclusive of GST has already been secured/ promised through local business, with an additional \$ [REDACTED] exclusive of GST available from Basketball New Zealand as sponsorship towards the engagement of a General Manager. This commitment from Basketball New Zealand has been given to Basketball Manawatū, however formal communications are still to take place directly with the National body.

[REDACTED] The proposed new entity is looking for [REDACTED] more sponsors.

[REDACTED]	\$ [REDACTED]
[REDACTED]	\$ [REDACTED]
[REDACTED]	\$ [REDACTED]
[REDACTED]	\$ [REDACTED]

1.12 This new entity has no affiliation or connection with the existing Manawatū Jets franchise [REDACTED]

1.13 Highly important to the new entity will be:

- An assurance from the National Basketball League that the future competition is sustainable and an “evening of talent” system is in place.
- There is a clean break from the current Manawatū Jets entity and [REDACTED]
- Finalising a structure that gives the ability to govern and lead as they do for a normal business.
- Assign the team a new name to show a rebirth and separation to the current team.

These points are a condition to the business support and must satisfy the new entity shareholders - principally Property Brokers.

2. DESCRIPTION AND ANALYSIS OF OPTIONS

2.1 Option 1: Is to agree to the request of Property Brokers and provide cash funding of \$10,000 exclusive of GST per annum for a 5-year period plus provide a venue at Arena at no charge, valued at approximately \$25,000 exclusive of GST per annum for a 5-year term. This has a total value of \$175,000 over the term. The provision of Arena at no charge would directly affect the external revenue opportunities of Arena. This option may help ensure topflight National League Basketball is retained in the City.

2.2 Option 2: Is to decline the request. This may result in the proposed entity being unable to meet their goals to acquire the Basketball NZ license and the City lose the National Basketball League team and representation.

2.3 Option 3: Is to provide the cash funding only and not provide the venue free of charge. This ticks off one of the requirements of the new entity but leaves them to fund approximately \$25,000 excluding GST per annum from other sources. Gaming Trust funding cannot be sought for this as the semi-professional nature of the league excludes this avenue.

2.4 Option 4: Is to provide the free of charge venues only and not provide the cash funding. This ticks off one of the requirements of the new entity but leaves them to fund approximately \$10,000 excluding GST per annum from other sources. Gaming Trust funding cannot be sought for this as the semi-professional nature of the league excludes this avenue.

2.5 The proposal from Property Brokers outlines a fundraising model to secure the long-term operation of the semi-professional Manawatū Jets. The Jets

currently [REDACTED] and have received \$35,000 exclusive of GST direct funding from the Sponsorship fund last financial year. Property Brokers proposes that the new model will be completely separate to the current entity.

- 2.6 Any applicant for financial support from Council would normally be expected to provide detailed financial information, along with evidence of a sound proposal and the fit with Council's funding priorities. This request is unusual in that it comes from a party that is not yet able to provide all this information. It is being presented to Council directly because the application does not align with any existing funding programme and is proposed to be for a five-year term. Council does not have any fund available to support semi-professional sport.
- 2.7 Because the proposal does not provide the usual level of detail expected in an application for funding, and because such a proposal does not fit current funding criteria, staff are unable to provide a detailed assessment of the proposal. Whether or not to fund the proposal is therefore a decision for Council. Staff advise that, if Council decides to provide funding to Property Brokers for the proposed purpose, there should be reasonable conditions put in place (as with any other funded group).

3. CONCLUSION

- 3.1 There is a significant reality that the City may lose its representation in the New Zealand Basketball National League. [REDACTED]

[REDACTED] A new entity, proposed and backed by a long term sponsor of the Jets, Property Brokers, is actively trying to gather commitment and support from local business and Council to acquire the National League license and ensure top level basketball continues to be represented in the City. The decision whether to support Property Brokers with their request lies with Council as staff are unable to provide a detailed assessment of the proposal does not fit current funding criteria.

4. NEXT ACTIONS

- 4.1 Write to Property Brokers to confirm the decision of Council.
- 4.2 If Council accepts one of the options to support the new entity with financial and/or in-kind support, Council Officers will enter negotiations with Property Brokers to agree a sponsorship agreement that sets out the conditions of the support, including appropriate accountability arrangements.

COMPLIANCE AND ADMINISTRATION

Does the Council have delegated authority to decide?		Yes
Are the decisions significant?		No
If they are significant do they affect land or a body of water?		Choose an item.
Can this decision only be made through a 10 Year Plan?		No
Does this decision require consultation through the Special Consultative procedure?		No
Is there funding in the current Annual Plan for these actions?		No
Are the recommendations inconsistent with any of Council's policies or plans?		No
The current sponsorship fund is exhausted. At present there is no criteria to inform the application of the sponsorship fund. It is proposed that the sponsorship fund and supporting criteria be added to the Funding and Support Policy (yet to be considered by Council). The key policy decision is does the Council want to commit unbudgeted expenditure to support the Manawatū Jets given the exposure the team provides for the city.		
The recommendations contribute to Goal 5: A Driven & Enabling Council		
The recommendations contribute to the achievement of action/actions in (Not Applicable)		
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Not applicable	

ATTACHMENTS

1. Letter of request from Property Brokers Chairman *attachment 1 & 2 withheld - s7(2)(b)*
2. Endorsement Letter_ Basketball Manawatu *(ii) third party commercial*