

MACKENZIE DISTRICT COUNCIL

MINUTES OF A MEETING OF THE MACKENZIE DISTRICT COUNCIL HELD IN THE COUNCIL CHAMBERS, FAIRLIE, ON TUESDAY 13 MARCH 2012 AT 9.30 AM

PRESENT:

Claire Barlow (Mayor)
Crs John Bishop
Peter Maxwell
Annette Money
Graeme Page
Graham Smith
Evan Williams

IN ATTENDANCE:

Glen Innes (Chief Executive Officer)
Paul Morris (Manager – Finance and Administration)
Nathan Hole (Manager – Planning and Regulations) for part of the meeting.
Bernie Haar (Asset Manager)
Suzy Ratahi (Manager – Roading)
Rosemary Moran Committee Clerk)

I OPENING:

The Mayor welcomed everyone to the meeting. She noted with appreciation the efforts of staff in preparing the budgets for the Long Term Plan 2013 – 2022.

II APOLOGIES:

There were no apologies.

III DECLARATIONS OF INTEREST:

There were no Declarations of Interest.

IV LONG TERM PLAN AND BUDGETS 2013 – 2022:

The Chief Executive Officer introduced the budgets with a power point presentation which referred to Previous Workshop Discussions, the Rate Requirement (incl GST), Impact on Ratepayers, Rating Changes, Application of Reserves, Other Measures to Achieve an Acceptable Outcome, Changes Not Made, Some Staff Reservations Regarding Changes, the Political Acceptability of the Draft Budgets, the Need for a Consensus on What would Work for the Community, the Need to Take a District View and Next Steps.

A copy of the presentation is attached to this record as *Appendix A*.

The Mayor invited the Councillors to ask questions or express any concerns.

Cr Bishop:

Considered there were great advantages in the proposed budgets for some and disadvantages for others. He didn't think Twizel shouldn't need a hand-out being a strong town.

Cr Smith:

Was sure that changes had to be made. He was not sure that what was proposed was right; however he had yet to see a viable alternative. He considered it wouldn't be a bad thing for the District to have equality overall.

Cr Money

Was happy to work with the proposals as presented.

Cr Maxwell

Acknowledge the proposed regime would be a hard sell in Twizel; however he noted that when the new water supply had been constructed for Lake Tekapo the rating system had been amended to include income from the Tekapo A power station in the Tekapo budgets to soften the blow. He said Councillors had to consider District-wide effects.

He said he would have found it helpful to be able to compare the former regime with what was proposed. He noted that it had to be recognised that not everyone would be paying the targeted rate for Marketing and Development.

Cr Williams

Considered the proposed budgets were on the right track because the rating base was changing and a long term view had to be taken.

He said that the grant to Twizel prevented any significant disadvantage to those ratepayers.

He noted the need to consider how deficits would be funded in the long term

Cr Page

Stated he had voted against the amalgamation proposals; he was philosophically opposed to them because of the effect they would have on Twizel ratepayers. His view was that Twizel was being loaded with the other townships' issues. He considered that the Council had to address the impact on Fairlie of its water supply costs. He thought that was a good reason to provide Fairlie with a grant rather than Twizel. His view was that it was a 'tall poppy syndrome' - knocking the strongest town instead of supporting the weakest.

He noted that the Council had not resolved to amalgamate its roading activities and considered that the draft budgets were putting the cart before the horse in that regard.

He said he could not understand the rationale behind the proposal not to pay some of the solid waste activity debt but to begin funding depreciation for swimming pools and village centres.

The Mayor

Expressed concern that the draft budgets could hit Twizel while Fairlie ratepayers could have a reduction; however she noted that the Council had yet to debate the merits of the proposals.

She asked why Twizel rates would increase but Fairlie rates would not?

The Manager – Finance and Administration explained that it was all to do with numbers of ratepayers. There were about 600 ratepayers funding the Fairlie water supply, about 600 funding the Tekapo water supply and about 1600 funding the Twizel water supply. Currently there was a debt of about \$1m in the Fairlie water supply account; Tekapo had no debt and neither did Twizel which had almost three times as many ratepayers and was building up surpluses in its water account. By amalgamating the accounts the load would be spread across 2,900 ratepayers and the cost per ratepayer reduced. The amalgamation of the water and sewer activities would achieve savings of \$45,000 annually.

The Mayor said it would appear on the surface that Twizel was being penalised by the proposals.

The Manager – Finance and Administration said that, as had been explained at previous workshops, a significant level of capital expenditure would be required for the Twizel water supply in 20 to 30 years. It was difficult to predict costs, but as all the pipes in Twizel had been put in the ground at the same time, and were situated at the back of the sections rather than along the roadways, the renewals would impose a huge burden of cost on Twizel ratepayers at that time. He anticipated that, even if Twizel was to grow considerably, the costs facing individual ratepayers for the capital expenditure required in 20 to 30 years would be of a similar magnitude to those currently facing Fairlie ratepayers.

He said every township would have its day in the sun and be reliant on the others at some stage. The proposal rating scenario would ensure costs were spread across the District.

The Manager – Finance and Administration said that under the proposed scenario, ratepayers in all the townships would pay the same for roading, water, stormwater and sewer services. The difference would depend on the level of work each township wanted in terms of its community facilities, and the general rate component.

Cr Bishop said that Twizel would be helping Fairlie – it was a Robin Hood type of situation – robbing the rich to give to the poor.

The Chief Executive Officer explained the inevitable alternative, if Council was to retain the little ‘principalities’, would be that Fairlie would require on-going support for the next 10 to 20 years.

He said that analysis of the effect of the new proposals on individual ratepayers revealed that the big increases were not because of the amalgamation of the water, sewer, stormwater and roading accounts. They were in the area of solid waste because Twizel was coming from a different starting point. He said it had been made clear 12 months previously, when the community had been consulted on the new solid waste strategy, that the cost for the service would be about \$220 per annum for each urban ratepayer. The rate would be targeted and represented an increase of about \$150 per ratepayer in Twizel. That had always been recognised as a significant factor.

The Chief Executive Officer said the problem with providing support to a particular community was that a one-off grant would not suffice. He said that it was not for lack of trying that another way had not been found to ease over the hump in costs; it had been a difficult balancing exercise to get everything right.

The meeting was adjourned at 10.30 am for morning tea and reconvened at 10.45 am.

The Chief Executive Officer referred to concerns which had been raised about the impact on ratepayers of the proposed changes.

He said that the proposed reduction for Fairlie ratepayers could be addressed and the discretionary spend in Twizel could be reduced for one year. The result of that would be more politically acceptable budgets with no significant reductions. The effect would be a rating increase of 5.5%.

Proposed Combined Roothing Rate.

Cr Smith asked if it would include footpaths and streetlights.

The Chief Executive Officer said it was his personal view, and he would strongly advocate for, the spreading of the subsidised roading programme across the District.

He said such activities as maintenance of footpaths and streetlights would be driven by need. The Council would need to put in place a fair system of allocating funds for non-subsidised improvements and a fair way of rating for them. Amalgamation would gain many more efficiencies in the dollar spend.

The potential of rural roading falling victim to a drive to keep rates down was discussed.

The Chief Executive Officer suggested it would be a sad day if the community couldn't match the subsidy funded by taxpayers. Council would put up a subsidised roading programme for which it could afford the local share: that would be easier to achieve by spreading the load.

He noted the information which had been presented by the Manager – Roothing which illustrated less metal was being put on the roads that had been five years previously; the trends were not good. That was why the amalgamation of roading would benefit the rural ratepayer in particular, not just the District as a whole.

The Mayor pointed out that the Council would be making all roading decisions and trying to deliver the service the community required.

The Asset Manager noted that the Council relied heavily on the rural area to make its case to the NZTA and get as much as it could. He said it was unlikely the rural area would suffer at the expense of the townships. He explained that the townships were quite well off in terms of road maintenance. The annual spend was about \$4,000 to \$5,000 in Fairlie and Tekapo and about \$12,000 in Twizel. There was no need to inject large sums into the townships.

The Chief Executive Officer suggested that the proposed regime would see all parts of the District going up on a rising tide because wherever there was growth in the District, be it at the Hermitage, the rural area or in the townships, everyone would benefit.

- It was agreed that the **repayment of the debt of operating reserves** be deferred until Year 3.
- It was agreed that there be a **moratorium on the repayment of the Market Place debt**, and that the interest (\$28,099 over one year) be rebated.
- It was agreed that **Tekapo's discretionary** spend be reinstated at \$70,000.

The meeting was adjourned at 12.00 pm for lunch and reconvened at 1.45 pm.

The Council considered the proposed budgets line by line. The budgets document is attached to this record as *Appendix B*.

The following points were noted:

- **Roading Capex Summary** - \$20,000 for minor improvements in Fairlie in 2013
- Defer the **IT communications system** expenditure of \$39,200 for one year to 2014
- Include \$20,000 in Year 1 for the support of **community initiatives for dealing with green waste**.
- **Housing** – it was agreed that the funding of a study of low cost/pensioner housing should rely on the availability of assistance from Housing New Zealand.

RATING AND FUNDING POLICIES

Resolved:

1. Combined Roding Rate

That, having taken into account the difficulties of increased pressure for national funds for roading projects elsewhere in the country, the need to maximise the efficient use of each rating dollar and the evidence of some decline in the level of service provided, the Council agrees to institute a combined targeted capital value rate and uniform charge to fund all district roading expenses, both subsidised and

non-subsidised, from 1 July 2012. It believes that this will be a more sustainable means of funding this important service in the longer term.

2. Combined Urban Water Supply and Sewerage Rates

That, having completed its draft budget, the Council confirms its earlier decision of 13 December 2011 relating to the amalgamation of urban water and sewerage rates. This will apply to the urban schemes of Burkes Pass, Fairlie, Tekapo and Twizel from 1 July 2012 and is subject to the proviso that any capital reserves that are in funds will remain earmarked for capital spend in the areas from which they were raised. Council believes that this will be the most sustainable means of funding the upcoming capital expenditure in these areas as schemes are improved to meet heightened legislative standards and ageing pipes have to be replaced.

3. Combined Urban Stormwater Rate

That, having completed its draft budget, and having agreed on the merits of amalgamating urban water and sewerage schemes, the Council believes it is logical to extend this principle to the urban stormwater systems of Fairlie, Tekapo and Twizel. From 1 July 2012, a common stormwater charge will be levied against all properties in the areas serviced by their respective works and services rates. Provision will be made for the future extension of this rating to Burkes Pass Township, should this prove necessary.

Graham Smith /Evan Williams

Crs Page and Bishop voted against these motions.

New Urban Solid Waste Charge

Resolved that Council confirms its decisions following consultation during the 2011/12 Annual Plan to introduce a targeted uniform solid waste charge for all properties in areas benefitting from the new wheelie bin service and for those properties along the collection routes that choose to make use of the service. The Council recognises that the provision of other solid waste services such as transfer stations are not met by these charges and has calculated that 26% of the net costs should be met from the general rate.

Graham Smith /Peter Maxwell

Cattlestop Charge

Resolved that Council confirms its earlier decision of 13 December 2011 to introduce a targeted uniform charge of \$140 (including GST) per cattlestop for those properties that benefit from them and that the charge be introduced from 1 July 2012.

Annette Money Evan Williams

Twizel Community Facilities Charge

Resolved that Council confirms its earlier decision of 13 December 2011 to introduce a targeted community facilities charge of \$120 per dwelling (including GST) per dwelling for those properties in the Twizel Community that are not liable for the Twizel Works and Services rate and on which dwellings are erected. Such properties will also be liable for the Twizel Improvement rate in those years in which it is levied.

Graeme Page/Evan Williams

Amendment to Fairlie Community Facilities Charge

Resolved that Council confirms its earlier decision of 13 December 2011 that the Fairlie Community Facilities Charge be amended to only capture those properties upon which dwellings are erected.

Evan Williams/Annette Money

Marketing and Economic Development Rating

Resolved that, subject to feedback from the Tourism Trust and the outcome of wider community consultation, the Council varies its current rating structure to fund tourism, marketing and economic development activities in the following way:

- For all separately used or inhabited parts of properties not otherwise classified and which are used for residential or rural purposes:
 - a uniform charge of such amount as would produce 20% of the rate for Marketing and Economic Development (approximately \$30 incl GST).
- For separately used or inhabited parts of properties used as farm stays:
 - a uniform charge of \$60 including GST.
- For all other separately used or inhabited parts of properties including those identified as accommodation providers by the Tourism Trust:
 - a uniform charge of \$60 including GST plus a rate in the dollar on the capital value of the property of such amount so that in combination with farm stays these properties contribute no more than 80% of the total amount to fund the activity.

Evan Williams/Graham Smith

Note 1 Where a property is clearly used for two or more distinct purposes, these will be separated by a device known as a rating plate. Where part A of a rating unit is used for a tourist accommodation and part B is devoted to farming, two separate rate invoices will be issued.

Note 2 Secondary accommodation providers can be exempt the capital value portion of the rate if they provide an annual declaration stating that they provide accommodation for less than 20 bed nights per annum

Direct Rating of Overheads

Resolved that, having completed its draft budget, Council confirms its decision of 13 December 2011 to fund, with effect from 1 July 2012, administrative overheads and other support costs directly from the General Rate as opposed to allocating them in a variety of ways to other prime activities of Council.

Annette Money /Evan Williams

Application of Reserves

1. Roothing Reserve

Resolved that Council confirms the application of a total of \$190,000 of funds currently held in various roading reserves to reduce the rating impact of a proposed expanded roading programme and the introduction of a District wide roading rate, subject to the approval of the submission to NZTA.

Annette Money /Peter Maxwell

2. Refuse Collection Reserves

Resolved that Council confirms the application of a total of \$22,000 of funds held in three urban refuse collection reserves, to reduce the impact of the solid waste activity.

Graham Smith/Graeme Page

Other Measures

1. Repayment of Operational Reserves in Deficit

Resolved that the Council agrees to repay from general rates over a ten year term, those operational reserves currently in significant deficit, phased in from 1 July 2013; these reserves being the Solid Waste, Planning and General Reserves
Check wording.

Annette Money /Graham Smith

2. Twizel Market Place

Resolved that the Council agrees to defer for a period of two years, the servicing of the Twizel Market Place Improvement Loan that had been met from the Twizel Improvement Rate, in order to achieve a smoother transition to the new funding regime and that the interest payable over the period be rebated.

Evan Williams /Peter Maxwell

Cr Page voted against the motion

3. Increase in Internal Interest Rates

Resolved that, having assessed the impact of proposed changes to its interest rate policy, Council amends its resolution of 13 December 2011 so that any new debt raised internally from 1 July 2012 be charged interest at a level equal to the Council's average bond portfolio rate applying at the previous 1 January but that existing internal debt continue to be charged at the existing rate of 1% above the Official Cash Rate applying at the previous 1 January.

Graham Smith/Annette Money

4. Depreciation Charges

Resolved that, having completed its draft budget, the Council confirms its decisions of 13 December 2011 to:

1. fund in a staged manner 50% of the total depreciation charged on the Mackenzie Community Centre, Twizel Events Centre, Tekapo Community Hall, Strathconan Pool and Twizel Pool with effect from 1 July 2012;
2. fund 100% in a staged manner of the depreciation charged on toilets, the Fairlie administration building and the Twizel administration building with effect from 1 July 2012; and
3. fund the local share (net of NZTA subsidy) of depreciation charged on all roading activities with effect from 1 July 2012.

Annette Money /Peter Maxwell

Cr Page voted against the resolution

5 Repayment of Capital Reserves

Resolved that the Council agrees to repay the capital reserves in deficit over a term of no more than twenty five years by supplementing from the appropriate rates accounts where the funded depreciation is less than the required principal repayment.

John Bishop/Annette Money

Draft Budget Approval

Resolved:

1. That the Council approves the draft long term budgets for 2013-22 as amended which will require a total rate requirement of \$6,984,000 GST incl and refers the draft to its three community boards for their comment and input for a total rate rise of 6.03% GST incl.
2. That Council meets again on 3 April 2012 to consider the community board recommendations and incorporate them into the draft budgets, with the final form of the Long Term Plan and budgets being set down for approval for public consultation on 17 April 2012.

Graham Smith/Evan Williams

V CHIEF EXECUTIVE OFFICER INTERIM PERFORMANCE REVIEW

It was agreed that, in light of the advice from the Chief Executive Officer that he would not be seeking an extension to his five year contract which would conclude on 24 November 2012, his interim performance review would not be necessary.

VI PUBLIC EXCLUDED:

Resolved that the public be excluded from the following part of the proceedings of this meeting namely:

1. Meridian Energy Ltd Presentation

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
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Meridian Energy Ltd Presentation	To Protect Information which is Subject to an Obligation of Confidence	48(1)(a)(i)
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This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows: *Meridian Energy Ltd Presentation* section 7(2)(c).

Evan Williams/Peter Maxwell

**THERE BEING NO FURTHER BUSINESS,
THE MAYOR DECLARED THE MEETING CLOSED AT 4.42 PM**

MAYOR: _____

DATE: _____