



**TO THE MAYOR AND COUNCILLORS OF THE
MACKENZIE DISTRICT COUNCIL**

Membership of the Finance Committee:

Cr Graham Smith (Chairman)
Claire Barlow (Mayor)
Cr Russell Armstrong
Cr Murray Cox
Cr Noel Jackson
Cr James Leslie
Cr Evan Williams

Notice is given of a meeting of the Finance Committee to be held on Tuesday, March 16, 2015, following the conclusion of the Audit and Risk Committee meeting.

VENUE: Council Chambers, Fairlie.

BUSINESS: As per agenda attached

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER



FINANCE COMMITTEE

Agenda for Tuesday, March 17, 2015

APOLOGIES

DECLARATIONS OF INTEREST

VISITOR: Pukaki Airport Board presenting to finance committee at 11.30

MINUTES:

Confirm and adopt as the correct record the minutes of the Finance Committee meeting held on February 3, 2015, including such parts as were taken with the public excluded.

REPORTS:

1. Financial Activity Report (attached).
2. Waitaki District Council, A20 Quarterly Report – October-December 2014 (attached)
3. Bancorp Quarterly Report (attached)
4. Request from Councillor Noel Jackson (attached)

ADJOURNMENTS:

10.30am: Morning Tea.

MACKENZIE DISTRICT COUNCIL

MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD IN THE COUNCIL CHAMBERS, FAIRLIE, ON TUESDAY, FEBRUARY 3 2015, AT 10.28AM

PRESENT:

Cr Graham Smith (Chairman)
 Claire Barlow (Mayor)
 Cr James Leslie
 Cr Murray Cox

IN ATTENDANCE:

Wayne Barnett (Chief Executive Officer)
 Paul Morris (Finance and Administration Manager)
 Arlene Goss (Committee Clerk)
 Julie Jongen (Committee Clerk)

APOLOGIES:

An apology was received from Cr Noel Jackson, Cr Evan Williams and Cr Russell Armstrong.

James Leslie/Murray Cox

DECLARATIONS OF INTEREST:

There were no declarations of interest.

MINUTES:

Resolved that the minutes of the meeting of the Finance Committee held on November 25, 2014, including such parts as were taken with the public excluded, be confirmed and adopted as the correct record of the meeting.

Claire Barlow/Murray Cox

SUB-COMMITTEE MINUTES:

Resolved that the minutes of the meeting of the Tekapo Property Group meeting held on January 20, 2015, including such parts as were taken with the public excluded, be received.

Claire Barlow/Murray Cox

REPORTS:

FINANCIAL ACTIVITY REPORT TO DECEMBER, 2014:

This is the financial report for council for the financial year to December, 2014.

Finance Manager Paul Morris took councillors through the financial report. Some of the matters discussed were as follows:

On page 17 under Corporate Services he noted variances in administration due to the new Projects and Administration Manager starting. Consultancy expenses include the end of year valuation fees, unbudgeted costs of \$15,000 to undertake end of month financial reporting, and recruitment costs with a variance of \$15,000.

Under water he gave a heads up regarding operational maintenance. We are expecting costs in Twizel to be higher than expected due to maintenance on the water pumps.

The Mayor asked regarding water account write-offs and an explanation was given.

Regarding capital expenditure the costs of the Twizel water upgrade are starting to show in the accounts.

Under sewer on page 23, money has been spent on the Twizel land purchase.

Under planning the budget is down but this is due to the District Plan Review not being done due to an inability to find qualified staff.

An additional building inspector has been employed due to the increase in building work.

Regarding vehicles, the deputy rural fire officer's vehicle is included as it was purchased last year.

Under community facilities there has been a change in the way some activities are rated for. The Mayor asked why the budget was \$7,000 over in pensioner housing. This was the rates on pensioner houses that had not been budgeted for.

Discussion was held on the cost of the new Twizel public toilets and money still to be spent on demolishing the old toilets. There may be a potential land sale of the old site.

Under commercial, Paul Morris is concerned with the level of investment income. We had budgeted for investment interest rates to rise but they haven't as much as predicted, so there is potentially a gap in rating because we use interest and dividends to offset our rates. Discussion was held on the extent of the problem. Paul Morris will contact council's investment advisor to discuss this.

Consultancy expenses are \$61,000 over budget. This is due to timing including legal fees related to land sales at Tekapo.

The Old Library Café is now complete. The insurance money has covered the re-build and the building is now at 100% of earthquake code.

The chairman said consultancy fees and extra staff are impacting on budgets due to the Long Term Plan and other things happening. He thanked Paul Morris for his report.

Resolved that the report be received.

Claire Barlow/James Leslie

LONG TERM PLAN PROJECT 2015-2025:

The chairman expressed annoyance at the number of hours logged by staff on this job. He questioned whether council was grossly under-resourced. He questioned why staff were not happy to record hours on other matters but happy to record it on the Long Term Plan.

The chief executive said the purpose of the report was to illustrate that it is a significant process. It would be unhelpful if elected members said it was normal. It is a significant load on people and he wanted the members to be aware of it. He said he was not asking for extra staff but was wanting to do it internally so it was a meaningful document.

The chairman said the work on the Long Term Plan included work that would normally be included in an Annual Plan.

Cr Leslie asked if it was possible to spread the process out over a longer time period. The chief executive said there are deadlines. He does not think it's feasible to spread it over three years.

The Mayor said larger councils have staff dedicated to the process. Staff here have to do normal business at the same time. She likes to have a copy of the hours to determine whether this is good value for ratepayers money.

The chief executive said the approach staff have taken to the Long Term Plan is to take the legislation and react positively to it. Discussion was held on the work staff have already done. The roading staff are going to be under significant pressure.

Resolved that the report be received.

Graham Smith/Claire Barlow

THE CHAIRMAN DECLARED THE MEETING CLOSED AT 11.16AM

CHAIRMAN: _____

DATE: _____

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE
SUBJECT: FINANCIAL REPORT – JANUARY 2015
MEETING DATE: 17 MARCH 2015
REF: FIN 1/2/1
FROM: MANAGER – FINANCE AND ADMINISTRATION

PURPOSE OF REPORT:

Attached is the financial report for Council for the year ended 31 January 2015.

STAFF RECOMMENDATIONS:

1. That the report be received.

PAUL MORRIS
MANAGER – FINANCE & ADMINISTRATION

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	GOVERNANCE	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Income						
185,409	General Rates	209,034	209,034	-	✓		358,358
17,615	Targeted Rates	14,868	14,868	-	✓		25,500
11,780	Other Income	15,561	21,434	(5,873)	✗	1	36,750
214,804	Total Income	239,463	245,336	(5,873)			420,608
	Expenses						
30,768	Employment Expenses	37,314	32,800	(4,514)	✗		52,708
213,152	Members Expenses	183,228	183,876	648	✓		315,250
6,432	Consultancy Expenses	720	-	(720)	✗		-
24,768	Administration Expenses	26,317	26,859	542	✓		46,050
-	Internal interest Expense	-	182	182	✓		308
-	Depreciation	168	168	-	✓		292
2,010	Internal Charges	2,419	3,500	1,081	✓		6,000
277,130	Total Expenses	250,167	247,385	(2,782)			420,608
(62,327)	Operating Surplus/(Deficit)	(10,703)	(2,049)	(8,654)			-

Variance Analysis:

- Other Income - budgeted recoveries from Water Zone committees not billed for the December period until January 2015, timing difference only.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	GOVERNANCE	YTD Actual January 2015	YTD Budget January 2015	Variance	Full year Budget June 2015
	Operating and Capital Reserves				
	Equity				
-	Opening Balance	-	-		-
-	Add back Non Cash Items	168	168		292
-	Transfer Funded Depreciation to Capital Reserve	(168)	(168)		(292)
(62,327)	Operating Surplus/(Deficit)	(10,703)	(2,049)		-
(62,327)	Total Operating Reserves	(10,703)	(2,049)		-
	Equity				
(4,839)	Opening Balance	(4,771)	-		-
-	Transfer Funded Depreciation from Operating Reserves	168	168		292
(4,839)	Total Capital Reserves	(4,603)	168		292

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	CORPORATE SERVICES	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Income						
1,092,680	General Rates	1,086,183	1,086,183	-	✓		1,862,112
64,594	Other Income	68,662	77,588	(8,926)	✗		133,000
55,321	Internal Income	62,239	76,027	(13,788)	✗	1	130,342
(256)	Internal Interest Income	(344)	9	(353)	✗		78
1,212,340	Total Income	1,216,740	1,239,807	(23,067)			2,125,532
	Expenses						
663,627	Employment Expenses	756,927	770,662	13,735	✓	2	1,321,752
73,614	Consultancy Expenses	138,467	71,463	(67,004)	✗	3	122,513
138,839	Administration Expenses	134,377	135,197	820	✓		308,454
150,663	Operational and Maintenance	127,083	158,969	31,886	✓	4	272,506
3,148	Internal interest Expense	4,719	8,275	3,556	✓		13,854
63,051	Depreciation	71,662	71,582	(80)	✗		122,710
27,345	Internal Charges	35,764	38,577	2,813	✓		66,137
1,120,286	Total Expenses	1,268,999	1,254,725	(14,274)			2,227,926
92,054	Operating Surplus/(Deficit)	(52,260)	(14,918)	(37,342)			(102,394)

Variance Analysis:

1. Internal Income - motor vehicle usage behind budget year to date.
2. Employment Expenses less than budgeted for Administration - District.
3. Consultancy Expenses - over budget as at 31 December 2014 due to valuation fees for insurance and annual reporting purposes relating to June 2014 year plus additional unbudgeted consultant costs for monthly reporting.
4. Operational and Maintenance costs less than budget due to motor vehicle costs less than forecast.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	CORPORATE SERVICES	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Operating and Capital Reserves						
92,054	Operating Surplus/(Deficit)	(52,260)	(14,918)				(102,394)
92,054	Total Operating Reserves	(52,260)	(14,918)				(102,394)
	Equity						
(64,231)	Opening Balance	(112,900)	(155,000)				(155,000)
57,548	Transfer Funded Depreciation from Operating Reserves	71,547	77,602				133,019
(77,167)	Transfer Capital Expenditure from Operating Reserve	(123,970)	(123,320)				(173,118)
(83,849)	Total Capital Reserves	(165,322)	(200,718)				(195,099)
	Capital Expenditure						
	Administration - District						
1,800	0018925. Plant and Equipment	535	1,750	1,215	✓		3,000
(15,135)	0018999. Transfer to Assets	-	-	-	✓		-
(13,335)	Total Administration - District	535	1,750	1,215			3,000
	Council Building - Fairlie						
16,666	0088916. Building Renovations	-	-	-	✓		-
-	0088925. Plant and Equipment	-	-	-	✓		20,000
14,735	0088935. Furniture & Fittings - Admin	536	1,232	696	✓		2,118
-	0088940. Furniture & Fittings - Other	1,681	4,669	2,988	✓		8,000
(18,065)	0088999. Transfer to Assets	-	-	-	✓		-
13,335	Total Council Building - Fairlie	2,217	5,901	3,684			30,118
	Council Building - Twizel						
5,171	0098916. Building Renovations	11,405	3,000	(8,405)	✗	1	3,000
-	0098940. Furniture & Fittings - Other	1,828	-	(1,828)	✗		-
(8,221)	0098999. Transfer to Assets	-	-	-	✓		-
(3,050)	Total Council Building - Twizel	13,233	3,000	(10,233)			3,000

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	CORPORATE SERVICES	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Information Technology Support						
-	0788001. Records Mngt Program	-	4,669	4,669	✓	2	8,000
49,473	0788002. PC Server	-	-	-	✓		-
28,741	0788006. GIS Aerials	-	-	-	✓		-
-	0788010. Network Infrastructure	174	-	(174)	✗		-
6,157	0788011. Communications Equipment	8,962	-	(8,962)	✗	3	-
-	0788012. Software	19,100	17,500	(1,600)	✗		35,000
155	0788014. Web site development	-	3,500	3,500	✓	4	7,000
1,988	0788925. Plant and Equipment	-	-	-	✓		-
(87,958)	0788999. Transfer to Assets	-	-	-	✓		-
(1,445)	Total Information Technology Support	28,236	25,669	(2,567)			50,000
	Plant Operations						
-	2658930. Vehicles	80,821	87,000	6,179	✓	5	87,000
-	Total Plant Operations	80,821	87,000	6,179			87,000
(17,830)	Total Capital Expenditure	125,041	123,320	(1,721)			173,118

Variance Analysis:

1. Budget timing of building renovations. This will occur over the next three months
2. Budget phasing. No progress yet on this project
3. Carry over from the install of the phone systems replacement last year.
4. Budget phasing. No progress yet on this project
5. Budget phasing. Final vehicles purchased in December, better prices than forecast.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	WATER	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Income						
490,135	Targeted Rates	562,722	562,814	(92)	✗		964,858
(3,337)	Other Income	(6,822)	20,713	(27,535)	✗	1	86,054
22,105	Financial Contributions	6,000	-	6,000	✓	2	158,716
1,750	Internal Income	1,750	1,847	(97)	✗		3,000
27,861	Internal Interest Income	29,758	15,545	14,213	✓	3	26,373
-	Vested Assets	-	-	-	✓		77,000
538,515	Total Income	593,408	600,919	(7,511)			1,316,001
	Expenses						
8,689	Consultancy Expenses	3,618	8,649	5,031	✓		13,678
4,698	Administration Expenses	5,758	7,602	1,844	✓		11,731
237,890	Operational and Maintenance	243,744	255,885	12,141	✓	4	439,647
36,632	Internal interest Expense	34,200	78,111	43,911	✓	5	164,545
223,552	Depreciation	275,562	275,562	-	✓		472,425
1,750	Internal Charges	1,750	1,750	-	✓		3,000
513,211	Total Expenses	564,632	627,559	62,927			1,105,026
25,304	Operating Surplus/(Deficit)	28,776	(26,640)	55,416			210,975

Variance Analysis:

1. Other Income - debit balance result of water meter reading written off.
2. Financial Contributions are not budgeted for as they are dependent upon developer activity.
3. Internal Interest Income is ahead of budget due to capital expenditure not spent at the beginning of the year which has resulted in capital reserve balances earning higher interest income.
4. Operational and Maintenance - Consent Monitoring and Quality Monitoring costs below budget year to date.
5. Internal Interest expense is below budget due to capital expenditure spent at the beginning of the year which has resulted in capital reserve balances being charged lower interest expense.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	WATER	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
Operating and Capital Reserves							
25,304	Operating Surplus/(Deficit)	28,776	(26,640)				210,975
25,304	Total Operating Reserves	28,776	(26,640)				210,975
Equity							
788,802	Opening Balance	1,014,566	(886,000)				(886,000)
-	Transfer - Financial Contributions	6,000	-				158,716
-	Transfer - from Operating Reserve	-	-				1,023
205,381	Transfer Funded Depreciation from Operating Reserves	259,931	259,924				445,621
-	Transfer - Vested Assets	-	-				77,000
(200,538)	Transfer Capital Expenditure from Operating Reserve	(281,490)	(1,481,159)				(2,990,852)
-	Transfer from Operating reserves	-	413				707
793,644	Total Capital Reserves	999,007	(2,106,822)				(3,193,785)
Capital Expenditure							
Allandale Water Supply							
-	0158211. Treatment	-	5,400	5,400	✓		5,400
-	Total Allandale Water Supply	-	5,400	5,400			5,400
Burkes Pass Water Supply							
6,362	0178211. Treatment Upgrade	-	-	-	✓		-
6,362	Total Burkes Pass Water Supply	-	-	-			-
Fairlie Community Water Supply							
105,120	0118201. Town Reticulation - Renewal	5,574	64,162	58,588	✓	1	110,000
-	0118203. Reticulation	6,685	-	(6,685)	✗		-
480	0118206. Service Connections - Renewal	-	15,169	15,169	✓		26,000
21,043	0118211. Treatment - New	13,780	20,419	6,639	✓		35,000
-	0118982. Water Meters	-	1,456	1,456	✓		2,500
126,643	Total Fairlie Community Water Supply	26,039	101,206	75,167			173,500

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	WATER	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Manuka Terrace Water Supply						
-	0238210. Headworks	13,860	-	(13,860)	✗	2	-
-	Total Manuka Terrace Water Supply	13,860	-	(13,860)			-
	Tekapo Community Water Supply						
18,709	0128211. Treatment - New	-	21,581	21,581	✓	3	37,000
-	0128212. Service Connections - Renew	-	630	630	✓		1,075
-	0128216. Vested Assets	-	-	-	✓		77,000
-	0128251. Reticulation - Renewal	-	3,136	3,136	✓		5,377
-	0128981. Water Meters	-	1,750	1,750	✓		3,000
(18,709)	0128999. Transfer to Assets	-	-	-	✓		-
-	Total Tekapo Community Water Supply	-	27,097	27,097			123,452
	Twizel Community Water Supply						
23,690	0138204. Headworks - Renewal	-	-	-	✓		-
42,388	0138206. Service Connections - Renewal	25,876	15,169	(10,707)	✗		26,000
-	0138207. Town Reticulation - New	19,000	-	(19,000)	✗	4	-
-	0138210. HeadWorks - New	41,378	100,000	58,622	✓		200,000
35,780	0138211. Treatment - New	162,351	1,225,000	1,062,649	✓	5	2,450,000
-	0138212. Servie Connections - New	536	-	(536)	✗		-
-	0138251. Fire Hydrant Markers	-	5,831	5,831	✓		10,000
-	0138980. Community Assets- Water Supply	3,390	-	(3,390)	✗		-
1,110	0138984. Water Meters	444	1,456	1,012	✓		2,500
(67,188)	0138999. Transfer to Assets	-	-	-	✓		-
35,780	Total Twizel Community Water Supply	252,974	1,347,456	1,094,482			2,688,500
168,785	Total Capital Expenditure	292,873	1,481,159	1,188,286			2,990,852

Variance Analysis:

1. Fairlie Community Water Supply - Renewal project currently behind budget due to timing of budget phasing. Project has now started. Expected to be on budget for full year.
2. Manuka Terrace Water Supply - unbudgeted investigation expenses.
3. Tekapo - Treatment - New - Project currently behind budget due to timing of budget phasing. Project has now started. Expected to be on budget for full year.
4. Twizel - Town Reticulation - unbudgeted Opus report on useful life of pipes.
5. Twizel - Treatment - New - budget spread per quarter across the year. Actual spend behind budget year to date but expected to be on schedule for the full year.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	SEWER	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Income						
247,047	Targeted Rates	268,891	269,024	(133)	✗		461,198
4,496	Other Income	5,205	-	5,205	✓		-
21,569	Financial Contributions	4,768	-	4,768	✓		132,965
16,190	Internal Interest Income	22,404	21,835	569	✓		37,442
-	Vested Assets	-	-	-	✓		160,000
289,302	Total Income	301,267	290,859	10,408			791,605
	Expenses						
6,914	Consultancy Expenses	-	5,338	5,338	✓		10,677
4,298	Administration Expenses	4,483	6,164	1,681	✓		10,426
73,943	Operational and Maintenance	75,611	89,975	14,364	✓	1	157,898
3,383	Internal interest Expense	2,725	7,743	5,018	✓		13,073
147,604	Depreciation	172,893	172,893	-	✓		296,397
236,142	Total Expenses	255,713	282,113	26,400			488,471
53,160	Operating Surplus/(Deficit)	45,554	8,746	36,808			303,134

Variance Analysis:

- Operational and Maintenance behind budget due to internal pipeline inspection work yet to be carried out in Fairlie and Twizel.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	SEWER	YTD Actual January 2015	YTD Budget January 2015	Variance	Full year Budget June 2015
Operating and Capital Reserves					
53,160	Operating Surplus/(Deficit)	45,554	8,746		303,134
53,160	Total Operating Reserves	45,554	8,746		303,134
Equity					
977,571	Opening Balance	1,399,313	1,007,000		1,007,000
-	Transfer - Financial Contributions	4,768	-		132,965
147,604	Transfer Funded Depreciation from Operating Reserve	172,893	172,900		296,397
-	Transfer - Vested Assets	-	-		160,000
(14,989)	Transfer Capital Expenditure from Operating Reserve	(29,923)	(62,581)		(268,500)
1,110,186	Total Capital Reserves	1,547,051	1,117,319		1,327,862

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	SEWER	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Capital Expenditure						
	Fairlie Community Sewerage						
-	0278401. Sewer Reticulation Renewal	7,648	-	(7,648)	✗	1	-
-	0278403. Sewer Pump Station Renewal	13,366	-	(13,366)	✗	2	-
-	0278410. New Reticulation - Eversley	862	-	(862)	✗		-
-	Total Fairlie Community Sewerage	21,875	-	(21,875)			-
	Tekapo Community Sewerage						
-	0288193. Vested Assets	-	-	-	✓		160,000
-	0288401. Sewer Reticulation - Renewal	-	3,000	3,000	✓		6,000
-	Total Tekapo Community Sewerage	-	3,000	3,000			166,000
	Twizel Community Sewerage						
-	0298410. Sewer Reticulation - New	1,073	1,250	177	✓		2,500
32,185	0298411. Sewer Treatment - New	6,974	35,000	28,026	✓	3	60,000
-	0298807. Resource Consent Costs	-	23,331	23,331	✓	4	40,000
32,185	Total Twizel Community Sewerage	8,047	59,581	51,534			102,500
32,185	Total Capital Expenditure	29,923	62,581	32,658			268,500

Variance Analysis:

1. Unbudgeted works.
2. Unbudgeted works - Holiday Park.
3. Budgeted spend not yet occurred
4. Budgeted spend not yet occurred

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	STORMWATER	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Income						
42,288	Targeted Rates	47,572	47,572	-	✓		81,546
3,860	Financial Contributions	1,062	-	1,062	✓		20,677
4,785	Internal Interest Income	5,548	8,094	(2,546)	✗		13,802
-	Vested Assets	-	-	-	✓		132,000
50,933	Total Income	54,182	55,666	(1,484)			248,025
	Expenses						
4,210	Consultancy Expenses	-	-	-	✓		-
307	Administration Expenses	291	2,150	1,859	✓		3,226
6,450	Operational and Maintenance	18,663	16,952	(1,711)	✗		30,179
35,308	Depreciation	36,127	36,127	-	✓		61,943
46,275	Total Expenses	55,082	55,229	147			95,348
4,658	Operating Surplus/(Deficit)	(899)	437	(1,336)			152,677
Operating and Capital Reserves							
4,658	Operating Surplus/(Deficit)	(899)	437				152,677
4,658	Total Operating Reserves	(899)	437				152,677
	Equity						
338,349	Opening Balance	397,208	402,000				402,000
-	Transfer - Financial Contributions	1,062	-				20,677
35,308	Transfer Funded Depreciation from Operating Reserve	36,127	36,134				61,943
-	Transfer - Vested Assets	-	-				132,000
-	Transfer Capital Expenditure from Operating Reserve	(1,202)	-				(172,000)
373,657	Total Capital Reserves	433,195	438,134				444,620

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	STORMWATER	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Capital Expenditure						
	Tekapo Stormwater						
-	0578193. Vested Assets	-	-	-	✓		132,000
-	0578456. S/Water Structure - New	-	-	-	✓		40,000
-	0578458. Stormwater Treatment	1,202	-	(1,202)	✗		-
-	Total Tekapo Stormwater	1,202	-	(1,202)			172,000
-	Total Capital Expenditure	1,202	-	(1,202)			172,000

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	ROADING	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Income						
763,853	Targeted Rates	769,258	769,258	-	✓		1,318,781
698,249	Subsidies and Grants	861,814	1,031,925	(170,111)	✗	1	1,505,430
4,500	Other Income	17,616	21,756	(4,140)	✗		37,300
6,743	Internal Interest Income	4,281	2,445	1,836	✓		373
-	Vested Assets	-	-	-	✓		290,000
1,473,346	Total Income	1,652,969	1,825,384	(172,415)			3,151,884
	Expenses						
19,835	Employment Expenses	70,211	62,223	(7,988)	✗		106,677
40,933	Consultancy Expenses	37,320	12,446	(24,874)	✗	2	21,342
883	Administration Expenses	986	3,269	2,283	✓		5,602
134	Internal interest Expense	827	521	(306)	✗		959
846,816	Roadings	745,458	719,659	(25,799)	✗	3	1,183,185
957,558	Depreciation	1,100,449	1,100,449	-	✓		1,886,574
6,269	Internal Charges	5,435	7,756	2,321	✓		13,294
1,872,429	Total Expenses	1,960,687	1,906,323	(54,364)			3,217,633
(399,083)	Operating Surplus/(Deficit)	(307,718)	(80,939)	(226,779)			(65,749)

Variance Analysis:

1. Subsidies and Grants - NZTA subsidies received currently less than forecast due to phasing of capital works programme. Expected to be on budget for full year.
2. Consultancy Expenses - unbudgeted footbridge consultancy costs \$7,639 and Roadings Collaboration Project \$8,255 year to date. Further costs expected to be incurred before year end.
3. Roadings - variances shown in the Detailed Roadings Expenses Report.

Mackenzie District Council
Detailed Roothing Activity
For the period ended January 2015

LYTD Actual January 2014		YTD Actual January 2015	YTD Budget January 2015	Variance		Full Year Budget June 2015
	Roothing					
122,309	2546111. Sealed Pavement Mtce	145,385	130,000	(15,385)	✗	172,300
196,100	2546112. Unsealed Pavement Mtce	207,690	205,905	(1,785)	✗	353,000
32,653	2546113. Routine Drainage Mtce	80,890	41,531	(39,359)	✗	71,200
14,563	25461131. Drainage Mtce - St Cleaning	13,992	30,912	16,920	✓	53,000
18,506	2546114. Structures Maintenance Bridges	37,707	44,450	6,743	✓	76,200
2,792	25461141. Structures Maintenance Cattlestops	7,550	14,931	7,381	✓	25,600
95,929	2546121. Environmental Mtce	121,120	87,500	(33,620)	✗	150,000
17,596	2546122. Traffic Services Mtce	17,917	35,812	17,895	✓	61,400
20,239	25461221. Street Lighting - Maintenanc	27,375	28,350	975	✓	48,600
25,006	25461222. Street Lighting - Electricit	26,710	26,775	65	✓	45,900
265,467	2546288. Emergency Reinstatement	-	-	0	✓	-
3,373	2546301. Street Lights - Mtce - Trans	4,647	10,619	5,972	✓	18,200
5,577	2546302. Street Lights-Elect - Transi	5,488	6,825	1,337	✓	11,700
13,509	2546303. Drainage Mtce - St Cleaning Transit	13,617	14,294	677	✓	24,500
12,754	2546304. Footpaths	17,835	41,384	23,549	✓	70,945
-	2546305. New Year Road Sweep	-	371	371	✓	640
441	2546306. Alps2ocean	17,535	-	(17,535)	✗	-
846,816		745,458	719,659	(25,799)		1,183,185

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	ROADING	YTD Actual January 2015	YTD Budget January 2015	Variance	Full year Budget June 2015
	Operating and Capital Reserves				
(399,083)	Operating Surplus/(Deficit)	(307,718)	(80,939)		(65,749)
(399,083)	Total Operating Reserves	(307,718)	(80,939)		(65,749)
	Equity				
1,031,049	Opening Balance	580,439	45,000		45,000
450,550	Transfer Funded Depreciation from Operating Reserves	1,100,449	518,658		889,170
75,880	Transfer NZTA Capital Subsidy	-	605,626		801,398
-	Transfer Vested Assest from Op reserve	-	-		290,000
(471,304)	Transfer Capital Expenditure from Operating Reserve	(724,809)	(1,284,078)		(1,961,871)
1,086,175	Total Capital Reserves	956,079	(114,794)		63,697

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	ROADING	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Capital Expenditure						
	District Roding						
-	2548193. Vested Assets	-	-	-	✓		290,000
22,763	2548211. Unsealed Road Metalling	255,651	247,905	(7,746)	✗		425,000
-	2548212. Sealed Road Resurfacing	-	520,000	520,000	✓	1	520,000
43,227	2548213. Drainage Renewal	44,208	44,000	(208)	✗		44,000
-	2548214. Sealed Road Pavement Rehabilitation	154,234	121,000	(33,234)	✗	2	121,000
640	2548215. Structures Component replacements bridges	40,267	10,000	(30,267)	✗	3	15,700
3,369	25482151. Structures Component replacements cattelstops	-	5,000	5,000	✓		10,000
31,799	2548222. Traffic Services Renewals	20,973	43,281	22,308	✓		74,200
-	2548231. Associated Improvements	-	2,919	2,919	✓		5,000
-	2548300. Footpath Minor Maintenance	1,830	-	(1,830)	✗		-
260	2548310. Footpaths - Surfacing	-	70,000	70,000	✓	4	70,000
80,838	2548341. Minor Improvements	171,361	125,000	(46,361)	✗	5	250,000
-	2548390. Streetscape Improvements	-	-	-	✓		21,300
-	2548395. Sealing Past Houses	-	-	-	✓		10,000
342,150	2548396. Manuka Terrace	-	80,000	80,000	✓	6	80,000
-	2548451. Walking?and?Cycling?Projects	29,811	-	(29,811)	✗	7	-
(116,007)	2548999. Transfer to Assets	-	-	-	✓		-
409,039	Total District Roding	718,334	1,269,105	550,771			1,936,200
	Roding Professional Services						
-	0868001. Computers	12,865	14,973	2,108	✓		25,671
-	0868925. Plant and Equipment	502	-	(502)	✗		-
-	Total Roding Professional Services	13,367	14,973	1,606			25,671
409,039	Total Capital Expenditure	731,702	1,284,078	552,376			1,961,871

Variance Analysis:

1. Timing of budget spend for the first six months does not match Actuals. This is expected to correct over the year.
2. Timing of budget spend for the first six months does not match Actuals. This is expected to correct over the year.
3. Timing of budget spend for the first six months does not match Actuals. This overspend will be covered by reduced spend in other roading areas.
4. Timing of budget spend for the first six months does not match Actuals. This is expected to correct over the year.
5. Timing of budget spend for the first six months does not match Actuals. This is expected to correct over the year.
6. Timing of budget spend for the first six months does not match Actuals. This is expected to correct over the year.
7. Timing of budget spend for the first six months does not match Actuals. This is expected to correct over the year.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	SOLID WASTE	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Income						
245,800	General Rates	77,035	77,035	-	✓		132,074
112,976	Targeted Rates	296,350	293,181	3,169	✓		502,608
81,893	Other Income	80,322	81,718	(1,396)	✗		140,100
440,669	Total Income	453,707	451,934	1,773			774,782
	Expenses						
15,566	Employment Expenses	20,827	15,232	(5,595)	✗		26,118
5,787	Consultancy Expenses	4,451	19,371	14,920	✓	1	31,143
6,779	Administration Expenses	6,744	3,066	(3,678)	✗		5,266
345,657	Operational and Maintenance	415,622	403,966	(11,656)	✗	2	687,200
9,438	Internal interest Expense	7,034	15,658	8,624	✓		26,532
11,720	Depreciation	11,935	11,935	-	✓		20,479
2,940	Internal Charges	1,197	6,370	5,173	✓		10,916
397,887	Total Expenses	467,811	475,598	7,787			807,654
42,781	Operating Surplus/(Deficit)	(14,104)	(23,664)	9,560			(32,872)

Variance Analysis:

1. Consultancy Expenses - variance to budget is a result of timing issues - legal fees and hazardous waste contribution costs not yet incurred.
2. Operational and Maintenance - waste cartage costs ahead of budget year to date.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	SOLID WASTE	YTD Actual January 2015	YTD Budget January 2015	Variance	Full year Budget June 2015
Operating and Capital Reserves					
42,781	Operating Surplus/(Deficit)	(14,104)	(23,664)		(32,872)
42,781	Total Operating Reserves	(14,104)	(23,664)		(32,872)
Equity					
(464,156)	Opening Balance	(448,033)	(444,000)		(444,000)
11,720	Transfer Funded Depreciation from Operating Reserve	9,261	9,268		15,890
(452,436)	Total Capital Reserves	(438,772)	(434,732)		(428,110)

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	PLANNING	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Income						
91,678	General Rates	137,613	137,613	-	✓		235,913
63,355	Other Income	60,588	56,168	4,420	✓		96,300
24,017	Reserve Contributions	2,701	-	2,701	✓	1	120,000
7	Internal Interest Income	9	14	(5)	✗		24
179,057	Total Income	200,910	193,795	7,115			452,237
	Expenses						
152,319	Employment Expenses	154,395	204,442	50,047	✓	2	350,488
107,816	Consultancy Expenses	105,662	166,250	60,588	✓	3	285,000
5,305	Administration Expenses	8,855	14,973	6,118	✓		25,672
1,473	Operational and Maintenance	453	5,096	4,643	✓		8,728
95	Depreciation	14	14	-	✓		30
4,792	Internal Charges	2,666	3,794	1,128	✓		6,500
271,799	Total Expenses	272,046	394,569	122,523			676,418
(92,742)	Operating Surplus/(Deficit)	(71,136)	(200,774)	129,638			(224,181)

Variance Analysis:

1. Reserve Contributions - contribution income is not budgeted as it is dependent on developer activity.
2. Employment Expenses - behind budget year to date due to senior planner not yet replaced for District Plan review.
3. Consultancy Expenses overall behind budget year to date. Plan Change 13 costs behind budget \$38,125 and District Plan review costs behind budget \$3,424.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	PLANNING	YTD Actual January 2015	YTD Budget January 2015	Variance	Full year Budget June 2015
	Operating and Capital Reserves				
(92,742)	Operating Surplus/(Deficit)	(71,136)	(200,774)		(224,181)
(92,742)	Total Operating Reserves	(71,136)	(200,774)		(224,181)
	Equity				
473	Opening Balance	631	(1,000)		(1,000)
95	Transfer Funded Depreciation from Operating Reserve	14	14		30
-	Transfer From Operating Reserves	-	-		1,030
568	Total Capital Reserves	645	(986)		60

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	REGULATORY	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Income						
54,933	General Rates	151,613	23,261	128,352	✓		39,882
86,133	Targeted Rates	90,342	90,342	-	✓		154,882
274,791	Other Income	230,319	241,380	(11,061)	✗		435,373
472	Internal Interest Income	313	341	(28)	✗		624
416,331	Total Income	472,588	355,324	117,264			630,761
	Expenses						
112,699	Employment Expenses	182,387	165,669	(16,718)	✗		284,015
15,070	Consultancy Expenses	25,331	27,419	2,088	✓		47,000
31,505	Administration Expenses	26,615	35,296	8,681	✓		60,432
112,633	Operational and Maintenance	75,418	67,928	(7,490)	✗		180,447
3,441	Internal interest Expense	3,054	3,715	661	✓		5,957
22,522	Depreciation	26,467	26,467	-	✓		45,375
10,531	Internal Charges	14,935	23,793	8,858	✓		40,789
308,402	Total Expenses	354,206	350,287	(3,919)			664,015
107,929	Operating Surplus/(Deficit)	118,381	5,037	113,344			(33,254)
Operating and Capital Reserves							
107,929	Operating Surplus/(Deficit)	118,381	5,037				(33,254)
107,929	Total Operating Reserves	118,381	5,037				(33,254)
Equity							
(49,280)	Opening Balance	(86,294)	(96,000)				(96,000)
22,522	Transfer Funded Depreciation from Operating Reserves	26,467	26,467				45,375
(55,500)	Transfer Capital Expenditure from Operating Reserve	(11,566)	(26,600)				(26,600)
(82,258)	Total Capital Reserves	(71,393)	(96,133)				(77,225)

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	REGULATORY	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Capital Expenditure						
	Civil Defence						
-	0108925. Plant and Equipment	7,774	1,600	(6,174)	✗		1,600
-	Total Civil Defence	7,774	1,600	(6,174)			1,600
	Rural Fires						
8,000	0838925. Plant and Equipment	3,792	-	(3,792)	✗		-
47,500	0838930. Vehicles	-	20,000	20,000	✓	1	20,000
(52,197)	0838999. Transfer to Assets	-	-	-	✓		-
3,303	Total Rural Fires	3,792	20,000	16,208			20,000
3,303	Total Capital Expenditure	11,566	21,600	10,034			21,600

Variance Analysis:

- Motor Vehicle purchased in 2014 financial year. Budget in 2015 year

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	RECREATIONAL FACILITIES	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Income						
69,788	General Rates	67,200	67,200	-	✓		115,199
639,560	Targeted Rates	800,775	800,821	(46)	✗		1,372,893
13,274	Subsidies and Grants	13,955	12,488	1,467	✓		21,407
134,965	Other Income	165,610	136,738	28,872	✓	1	197,813
1,287	Internal Interest Income	2,457	3,464	(1,007)	✗		6,082
858,874	Total Income	1,049,997	1,020,711	29,286			1,713,394
	Expenses						
54,874	Employment Expenses	72,453	48,119	(24,334)	✗		91,322
194,060	Administration Expenses	169,131	192,632	23,501	✓		258,364
471,837	Operational and Maintenance	450,788	648,333	197,545	✓	2	1,111,513
17,182	Internal interest Expense	15,461	21,165	5,704	✓		35,299
131,587	Depreciation	136,339	136,339	-	✓		233,769
1,463	Internal Charges	-	-	-	✓		-
871,003	Total Expenses	844,172	1,046,588	202,416			1,730,267
(12,130)	Operating Surplus/(Deficit)	205,825	(25,877)	231,702			(16,873)

Variance Analysis:

1. Other income ahead of budget due to Holiday Park lease income not budgeted for.
2. Operational and Maintenance - Fairlie & Tekapo township projects behind budget year to date due to budget phasing.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	RECREATIONAL FACILITIES	YTD Actual January 2015	YTD Budget January 2015	Variance	Full year Budget June 2015
	Operating and Capital Reserves				
(12,130)	Operating Surplus/(Deficit)	205,825	(25,877)		(16,873)
(12,130)	Total Operating Reserves	205,825	(25,877)		(16,873)
	Equity				
(690,943)	Opening Balance	(589,269)	(763,000)		(763,000)
40,879	Transfer Funded Depreciation from Operating Reserves	74,039	37,520		64,325
-	Transfer - to/from Op Rsve	-	51,730		88,689
(38,566)	Transfer Capital Expenditure from Operating Reserve	(10,786)	(14,588)		(25,000)
(688,629)	Total Capital Reserves	(526,016)	(688,338)		(634,986)

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	RECREATIONAL FACILITIES	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Capital Expenditure						
	Fairlie Township						
-	0528965. Comm Asset - Public Amenities	80	-	(80)	✗		-
-	Total Fairlie Township	80	-	(80)			-
	Mackenzie Community Hall						
-	1228925. Plant and Equipment	499	11,669	11,170	✓	1	20,000
-	1228940. Furniture & Fittings - Other	-	2,919	2,919	✓	2	5,000
-	Total Mackenzie Community Hall	499	14,588	14,089			25,000
	Tekapo Community Hall						
906	1248917. Aorangi Cres Upgrade	-	-	-	✓		-
20,444	1248940. Furniture & Fittings - Other	10,207	-	(10,207)	✗	3	-
15,076	1248978. Resurfacing Tennis Court	-	-	-	✓		-
(45,173)	1248999. Transfer to Assets	-	-	-	✓		-
(8,747)	Total Tekapo Community Hall	10,207	-	(10,207)			-
	Twizel Reserves						
2,125	1068192. Other Projects	18,418	-	(18,418)	✗	4	-
-	1068925. Plant and Equipment	22,462	-	(22,462)	✗	5	-
2,125	Total Twizel Reserves	40,880	-	(40,880)			-
(6,622)	Total Capital Expenditure	51,666	14,588	(37,078)			25,000

Variance Analysis:

1. Budgeted spend not yet occurred
2. Budgeted spend not yet occurred
3. Carry over from completion of Capex from 2014 year. Budgeted last year.
4. Work budgeted in the 2014 year. Completed in this financial year.
5. Work budgeted in the 2014 year. Completed in this financial year.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	COMMUNITY FACILITIES	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Income						
164,190	General Rates	191,450	191,450	-	✓		328,208
435	Subsidies and Grants	757	441	316	✓		757
69,419	Other Income	73,234	68,775	4,459	✓		117,893
1,353	Internal Interest Income	1,626	2,188	(562)	✗		3,833
235,397	Total Income	267,067	262,854	4,213			450,691
	Expenses						
22,754	Administration Expenses	23,507	16,562	(6,945)	✗	1	21,741
201,458	Operational and Maintenance	208,047	214,494	6,447	✓	2	367,751
380	Internal interest Expense	8,000	19,813	11,813	✓	3	28,366
29,270	Depreciation	28,714	28,714	-	✓		49,236
253,861	Total Expenses	268,268	279,583	11,315			467,094
(18,464)	Operating Surplus/(Deficit)	(1,201)	(16,729)	15,528			(16,403)

Variance Analysis:

1. Fairlie Pensioner housing costs exceed current budget year to date.
2. Internal Interest Expense is under budget due to capital expenditure not being spent at the beginning of the year which has resulted in capital reserve balances being charged a lower interest expense.
3. Cemeteries - repairs and maintenance costs less than budgeted year to date.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	COMMUNITY FACILITIES	YTD Actual January 2015	YTD Budget January 2015	Variance	Full year Budget June 2015
	Operating and Capital Reserves				
(18,464)	Operating Surplus/(Deficit)	(1,201)	(16,729)		(16,403)
(18,464)	Total Operating Reserves	(1,201)	(16,729)		(16,403)
	Equity				
102,491	Opening Balance	8,745	(187,000)		(187,000)
9,748	Transfer Funded Depreciation from Operating Reserves	28,714	18,739		32,122
(30,613)	Transfer Capital Expenditure from Operating Reserve	(297,250)	-		(317,652)
81,625	Total Capital Reserves	(259,791)	(168,261)		(472,530)
	Capital Expenditure				
	Public Toilets				
26,552	1518916. Buildings	343,265	-	(343,265)	317,652
26,552	Total Public Toilets	343,265	-	(343,265)	317,652
26,552	Total Capital Expenditure	343,265	-	(343,265)	317,652

Variance Analysis:

- Public Toilets - Buildings - variance to budget due to timing. Full year budget sitting in June 2015.

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	COMMERCIAL ACTIVITIES	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Income						
95,486	General Rates	(624,596)	(624,596)	-	✓		(1,070,778)
51,270	Targeted Rates	130,270	130,452	(182)	✗		223,630
420,026	Investment Income	443,390	520,593	(77,203)	✗	1	1,016,620
277,619	Other Income	87,147	92,815	(5,668)	✗		194,616
(45,537)	Other Gains and Losses	(22,439)	(21,996)	(443)	✗	2	1,897,666
85,069	Internal Interest Income	85,435	136,409	(50,974)	✗	3	266,828
883,932	Total Income	99,207	233,677	(134,470)			2,528,582
	Expenses						
37,697	Employment Expenses	50,567	-	(50,567)	✗	4	-
11,539	Members Expenses	12,616	11,669	(947)	✗		20,000
52,867	Consultancy Expenses	129,311	51,037	(78,274)	✗	5	87,491
64,074	Administration Expenses	68,725	61,158	(7,567)	✗		78,140
226,508	Operational and Maintenance	188,940	271,050	82,110	✓	6	463,481
69,775	Internal interest Expense	75,466	47,530	(27,936)	✗	7	81,207
-	Asset Impairment	-	-	-	✓		30,000
28,863	Depreciation	45,885	45,885	-	✓		78,669
491,321	Total Expenses	571,510	488,329	(83,181)			838,988
392,611	Operating Surplus/(Deficit)	(472,303)	(254,652)	(217,650)			1,689,594

**MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015**

LYTD Actual January 2014	COMMERCIAL ACTIVITIES	YTD Actual January 2015	YTD Budget January 2015	Variance	Full year Budget June 2015
<p><i>Variance Analysis:</i></p> <ol style="list-style-type: none"> Investment Income is below budgeted due to interest income less than forecast. Other Gains and Losses (\$22,439) are costs relating to Market Place subdivision. Revenue will come when the subdivision is complete and the sale is made. Internal Interest Income is below budget due to capital expenditure spent at the beginning of the year which has resulted in capital reserve balances earning the commercial activity lower interest income and increased interest expense. Employment Expenses - costs associated with the Information Centre. Budget is held in Administration activity. Consultancy Expenses - ahead of budget due to legal fees associated with Tekapo land sales over budget to date. Operational and Maintenance - Forestry costs are lower than budget due to budget timing. Costs for A20 are \$12,498 lower than budget due to timing. Tourism service contributions are lower than budget as CCT have not billed us as per budget. Internal Interest Expense is over budget due to lower capital expenditure spent at the beginning of the year which has resulted in capital reserve balances costing the commercial activity higher interest expense. 					

MACKENZIE DISTRICT COUNCIL
FINANCE REPORT
For The Period Ended January 2015

LYTD Actual January 2014	COMMERCIAL ACTIVITIES	YTD Actual January 2015	YTD Budget January 2015	Variance			Full year Budget June 2015
	Operating and Capital Reserves						
392,611	Operating Surplus/(Deficit)	(472,303)	(254,652)				1,689,594
392,611	Total Operating Reserves	(472,303)	(254,652)				1,689,594
	Equity						
52,557	Opening Balance	(431,554)	716,000				716,000
-	Transfer from Operating reserves	-	-				80,000
52,557	Total Capital Reserves	(431,554)	716,000				796,000
	Capital Expenditure						
	Old Library Café						
-	0668920. Building - Renewal	624,590	-	(624,590)	✗		-
-	Total Library Café	624,590	-	(624,590)			-
	Real Estate						
173,764	0818906. Twizel Industrial Subdivision	456,628	3,700,000	3,243,372	✓		3,700,000
173,764	Total Real Estate	456,628	3,700,000	3,243,372			3,700,000
173,764	Total Capital Expenditure	1,081,218	3,700,000	2,618,782			3,700,000

Variance Analysis:

1. Old Library Café costs are unbudgeted as Council was unsure whether building was to be repaired or rebuilt. Costs are covered by insurance monies.
2. Tekapo lake front development expected to be further progressed at this time. Delayed due to resource consent issues around stormwater.

Waitaki District Council Memorandum

From General Manager, Tourism Waitaki

Date 22 January 2014

A2O Quarterly Report: 1 October 2014 – 31 December 2014

Recommendation

The report be received.

Executive Summary

Track construction continues. The included summary outlines works as at 29 October 2014, and includes projected work. Land access negotiations are proceeding for moving the trail off-road between Sailor's Cutting and Duntroon, and tentative plans are currently being drafted and finalized. Operational developments include expansions of the partner program and the continued development of the booking engine, though progress has been much slower on all fronts that we had projected. We are also finalizing the app, which again has taken much longer than expected. Agreements are being developed with key trail operators, and promotional activity has increased through trade and consumer shows and a proposed major event is planned for January 2016. A review of current performance against the business plan indicates a review of forecasts and timing is appropriate.

That review will cover both the scale of ongoing operational commitments, as well as a consideration of the financial model and forecast. The result will be a modified (if required) business plan with recommendations for ongoing promotional activity, expanded revenue streams, updated revenue forecasts, and overall projected maintenance requirements. A draft of this review will be released the first week of March.

Construction Overview

Alps 2 Ocean status report to 29 October 2014

		Total	On Road		New Trail				Project tasks	Construction	
From	To	kms	Ready to Ride	Ready with Signs	Plan	Under Construction	Ready to Ride	Ready with Signs		To Spend	Finish
7	Mt Cook village	Braemar Station	32.7	15.7				17.0	Trail complete. Still to formalise official start of trail. Review signs. Fix abutment		Complete
	• Mt Cook	• Mt Cook Airport						5.3			Complete
	• Tasman Point	• Braemar Station		15.7				11.7			Complete
8	Braemar Station	Twizel	41.6	22.5				19.1	Off-road route to investigate. More vehicle barriers if required. Parts of Pukaki Flats still to gravel		Complete
	• Braemar Station	• Lake Pukaki		21.6				8.9			Complete
	• Lake Pukaki	• Pukaki Info Centre		0.7				10.2			Complete
	• Pukaki Info Centre	• Twizel									Complete
9	Twizel	Lake Ohau Lodge	37.5	26.6				10.9	Large warning signs at siphon. Signpost alternate route for when in flood. Barriers near toilet & lake if required. Replace kissing gates with cattle stops		Complete
	• Twizel	• Lake Ohau Siphon		18.4				1.7			Complete
	• Lake Ohau Siphon	• Lake Ohau Rd		8.2				8.9			Complete
	• Lake Ohau Rd	• Lake Ohau Lodge						0.3			Complete
10	Lake Ohau Lodge	Omarama	40.4	17.4				23.0	Gravel soft spots after winter. Possibly build 700m new track to Quailburn Rd ford		Complete
	• Lake Ohau Lodge	• Quailburn Rd						18.3			Complete
	• Quailburn Rd	• SH8		17.3				4.7			Complete
	• SH8	• Omarama		0.1							Complete
11	Omarama	Otematata	24.0	11.3				12.7	Install barriers at road crossing. Trail complete. Signs and 3 safety barriers to install \$147k, \$90k from Trust Aoraki. Proceed with route through Bog Roy / Rostreiver		Complete
	• Omarama	• Chain Hills		0.1				4.6			Complete
	• Chain Hills	• Sailors Cutting						8.1			Complete
	• Sailors Cutting	• Otematata		11.2							-
12	Otematata	Kurow	42.3	39.7				3.1	Upgrade Loch Laird Rd section (3.1km). Apply Canty Com Trust \$60k + Meridian \$80k		Complete
	• Otematata	• Aviemore Dam		24.7				3.1			?
	• Aviemore Dam	• Kurow		15.0							
13	Kurow	Duntroon	22.5	22.5					Work on off-road route via Waitaki River and road		-
	• Kurow	• Duntroon		22.5							
14	Duntroon	Friendly Bay	57.3	28.9			2.8	26.1	Fencing through part of Elliotts Fix cement through tunnel. Tunnel warning sign. Funding for Flower, Holcim, Ludeman In discussions with Craigmore re trail through North Otago Farm.		Complete
	• Duntroon	• Elephant Rocks		4.4				2.4			Complete
	• Elephant Rocks	• Prydes Gully						5.4			Complete
	• Prydes Gully	• Tunnel car park		8.8				5.1			Complete
	• Tunnel car park	• Windsor		3.2			2.8	2.8			Complete
	• Windsor	• Weston		11.6				5.5			Complete
	• Weston	• Oamaru		0.9				4.9			Complete
Total		299.3	0.0	184.7			2.8	111.9			
		100%	0%	62%			1%	37%			

		On Road		of Trail
Sub-Totals		184.7	62%	
Planned				
Under Construction				
Ready to Ride	0.0	0%		of On Road
Ready to Ride & Signed	184.7	100%		of On Road

		New Trail		of Trail
		114.7	38%	
		0.0	0%	of New Trail
		0.0	0%	of New Trail
		2.8	2%	of New Trail
		111.9	98%	of New Trail

		Entire Trail	
		299.3	
		0.0	0%
		0.0	0%
		2.8	1%
		296.5	99%

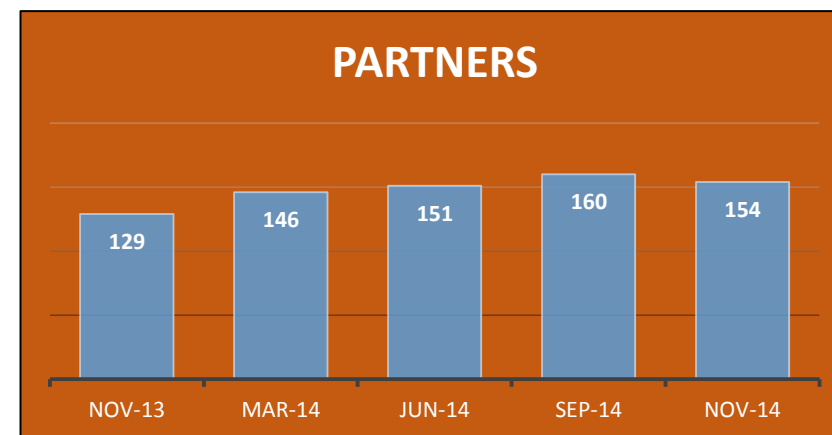
Operations

The following table and graphs detail the current operational positions of A2O. The table reflects only the key organizational indicators of track users, booking engine performance, and total partners. Further breakdown illustrating current versus historical positions of both trail users and official partners then follows in the tables below. There is also a variance analysis table on the state of operations relative to the business plan.

Objective	Measurement Tool	KPI Goal	Current Position
Booking Engine	Volume of bookings through the engine	<ol style="list-style-type: none"> 1. Engine established 2. \$22,087 in net revenue 3. 50% of trail users using booking engine 	We have begun taking bookings through the engine, and have established the online payment processing gateway. We have also held training on the booking engine for staff, and are now working with operators. Revenue is slower than expected, though bookings are constant.
Partner Program	Total number of partners	200 paid partners by 30 June 2015.	Currently 160 partners with the next round to be initiated in January. It is expected we will reach approximately 180 partners by 30 June 2015.
Events	Coordinate opening and special events	<ol style="list-style-type: none"> 1. Events take place 2. High attendance by local and national dignitaries 3. Consistent track usage as shown by track counts 4. Total patronage 	We sponsored the Oamaru Rainbow Run, and are currently working on a major event to be held in January 2016. Track counters show 1985 users from 1 July to 31 August 2014.

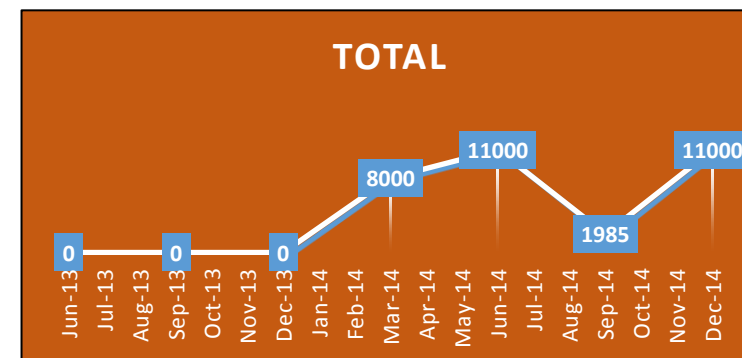
Partners

There has been no change to our Partner program over the last quarter. We have initiated some changes to the program, requiring an update to contracts. While this work is being completed we held off signing new partners. We are now beginning work on resigning all official partners under the new program which allows for increased benefits and a tiered structure allowing partners to have more or less involvement with the trail depending on the nature and size of their business.



Users by Month¹

We are still getting a clear picture of user volumes and timings. The graph illustrates the steep rise in usage through the summer months, and the rapid decline in winter. We are not yet sure how the past season reflects what could or should be expected, but usage numbers for the spring are positive. The number indicated here reflects a total counter recording of just under 22,000 users. Taking into account double users (those entering and exiting at the same point), those riding multiple sections of the trail and being counted more than once, and that there are a number of sections that do not yet, or did not at the time or recording have counters, we estimate the quarterly usage figure to be approximately 11,000. We have placed more counters along the trail to give a broader overview of total usage and will be undertaking physical surveys over the summer to gain a better picture of the relationship between the counter figures and individual usage.



¹ Figures are gross figures based on track counters and may include double-ups.

Variation to Business Plan²

The current business plan indicates a number of potential revenue streams. From the table below it is clear the primary stream of the partner program will exceed forecasts. The booking engine is online, but all indications from volumes coming through are that it will provide a stable source of ongoing revenue over time. The early stages could prove, however, to fall under forecasts. Retail is underperforming, but this may reflect a difference in how the revenue was expected to be realized versus how it is currently being realized. That said, it may not prove to be a stable revenue stream. Apps, Events, and Sponsorship are still in final development. We have stayed true to the original business plan, and given current activities and delays in the realization of full returns, we are now evaluating the timing of some forecasts.

Key Revenue Streams	2013 Budget ³	2013 Actual ⁴	2014 Budget	2014 Actual ⁵	Comment
Trail Utilities	0	0	0	0	
Events	0	0	5,000	0	We are currently sponsoring and receiving revenue for the Oamaru Rainbow Run. We are also working on raising sponsorship money for the 2016 multi-sport race. This revenue will be realized in the October financial statements.
Sponsorship	0	0	10,000	0	We are working on sponsors for various aspects of the trail. Though none have come in, we expect sponsors to begin to contribute in the latter half of this financial year.
Official Partners	12,000	27,996	35,800	23,276	Renewal is currently underway. With the realization of the full value of the partner fees, the projected revenue will surpass forecasts.
Apps	0	0	2,504	0	The app has yet to go on sale, but is now undergoing full optimization for release through the various app stores and should be available to generate revenue by the end of the financial year.
Booking Engine	0	0	22,087 ⁶	410	Revenue will be realized when services are paid out. This has begun as of October.
Merchandise	0	1,770	30,000	35	There is still some consideration being given to how to recognize retail revenue. The figures reported in the business plan are gross sale figures; those reported are the profit on sales after the cost of sales has been removed.
TOTAL	12,000	29,766	105,391	23,721	With the realization of Event and Booking Engine money, as well as the projected over-performance in partner fees, the commercial model is on track. Consideration must be given to the recognition of retail revenue; this may not be the revenue generating stream originally envisioned. Also, the app has been slow to come online and we are yet to appreciate how it will perform.

² Table taken from A2O business Plan document, produced in 2012. The figures do not include Council contributions, and indicates gross revenue for each stream.

³ Years are reported as Tourism Waitaki financial years running from 1 July of the year indicated to 30 June the following year. The figures represent full year projections.

⁴ Figures as at 30 June 2014.

⁵ Figures as at 31 December 2014.

⁶ Represents net commission gain for A2O on bookings, and does not include any operator fees to be paid out.

Statement on Financial Position

The following outlines the financial activity through December 2014. The capital costs relate to ongoing booking engine development:

Revenue	\$137463
Operational Expenses:	(\$131757)
<u>Capital Expenses:</u>	<u>(\$ 37,557)</u>
Surplus/(loss):	(\$ 31,851)

The shortfall is being met from existing reserves.

Upcoming Activity

1. Continued expansion of the booking engine;
2. Attendance at TRENZ;
3. Tiered partner program will be launched in January 2015;
4. A series of feedback meetings along the trail for communities and operators is being planned;
5. New signage along the Tekepo route;
6. The app should be live for launch by TRENZ 2015.

Summary

We continue the original business course and will initiate a review to highlight any areas for further considerations. We remain focused on continued development of the booking engine, the expansion of the partner program, national and international media coverage, and development of the events and sponsorship revenue streams. We are also assisting with decisions around the expansion of the off-road sections of trail. The current financial position remains stable, and by the end of December 2014 we will have a better appreciation of both the volume of users on the trail and the level of revenue the booking engine will generate from them.

Jason Gaskill

General Manager

Tourism Waitaki

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE

SUBJECT: BANCORP QUARTERLY REPORT – DECEMBER 2014

MEETING DATE: 17 MARCH 2015

REF: FIN 9/1/9

FROM: MANAGER – FINANCE AND ADMINISTRATION

PURPOSE OF REPORT:

The report has been written to inform Councillors of the performance of the Council's investment portfolio, which is managed by Bancorp Treasury Services Limited.

STAFF RECOMMENDATIONS:

1. That the report be received.

PAUL MORRIS
MANAGER – FINANCE & ADMINISTRATION

ATTACHMENTS:

Appendix 1: Quarterly report from Bancorp Treasury Services to 31 December, 2014.

PARTICULAR POINTS TO NOTE:

Comparison with the Benchmark

The council's portfolio increased in value by 2.05%, whereas the benchmark portfolio increased in value by 2.08% over the quarter, therefore the council's portfolio underperformed compared to the benchmark.

Movements in the Portfolio

The portfolio stands at \$2.70 million.

At the end of December the weighted average running yield of councils bond portfolio was 6.26%.

Policy Adherence

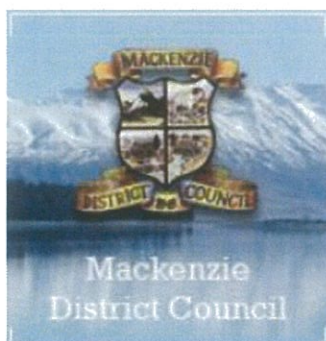
- All financial market investments comply with the counterparty exposure limits as outlined in the Treasury Policy.
- All investments are readily tradable (liquid) on the secondary market.
- The duration of MDC's portfolio at 2.54 years is within the 25% allowable fluctuation band of the benchmark portfolio's duration of 2.29 years.
- Assets category percentages are as follows (excluding the call deposit):
 - Registered Banks 80.21%
 - Local Authorities 19.79%

Financial Market Movements

The official cash rate did not change and remained at 3.50%.

QUARTERLY PORTFOLIO REPORT

PREPARED FOR



For the quarter ended 31 December 2014

PREPARED BY BANCORP TREASURY SERVICES LIMITED



BANCORP

BANCORP TREASURY SERVICES LIMITED

AUCKLAND • WELLINGTON • CHRISTCHURCH

PORTFOLIO REPORT

Below is a summary of the performance of Mackenzie District Council's ("MDC") Long Term Funds Portfolio ("LTFP") and the benchmark portfolio for the quarter ended 31 December 2014.

MDC's LTFP, on an open to close valuation basis with coupons received during the quarter included, increased in value by 2.05%.

MDC portfolio value at 30 June 2014	\$ 2,646,972
MDC portfolio value at 30 September 2014	\$ 2,650,213
Add coupon payments	\$ 50,948
Net purchases/sales/maturities	\$ Nil
Total	<u>\$ 2,701,161</u>
Percentage change in effective cash value	+ 2.05%

The benchmark portfolio, on an open to close valuation basis with coupons received during the quarter included, increased in value by 2.08%.

Benchmark portfolio value at 30 September 2014	\$ 10,547,804
Benchmark portfolio value at 31 December 2014	\$ 10,609,274
Add coupon payments	\$ 157,925
Total	<u>\$ 10,767,199</u>
Percentage change in effective cash value	+ 2.08%

OVERVIEW

A summary of the performance of MDC's LTFP during the December 2014 quarter is as follows:

- The LTFP marginally underperformed the benchmark index, increasing in value by 2.05% compared to the benchmark portfolio's increase of 2.08%.
- The running yield of the portfolio as at 31 December 2014 was 6.36%.
- The nominal value of the portfolio remained constant at \$2.527 million. However, \$7.5 million has been invested in term deposits.

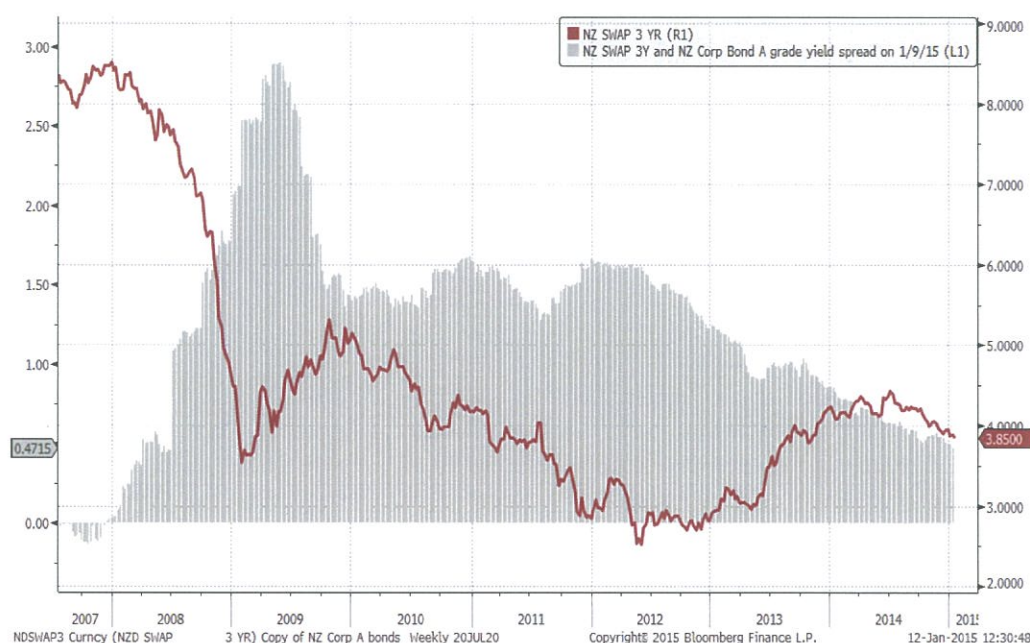
	OCR	90 day	1 year swap	2 year swap	3 year swap	5 year swap	10 year swap
30 Sep 14	3.50%	3.70%	3.86%	4.08%	4.22%	4.37%	4.57%
31 Dec 14	3.50%	3.67%	3.74%	3.80%	3.87%	3.96%	4.11%
Change	Nil	-0.03%	-0.12%	-0.28%	-0.35%	-0.41%	-0.46%

During the December 2014 quarter, interest rates fell, with the falls more pronounced at the medium to longer end of the yield curve, as lower global growth and inflation outlooks and falling commodity prices drove investors to seek the safe haven status of the bond markets. Against this backdrop, the Reserve Bank of New Zealand ("RBNZ") held the Official Cash Rate ("OCR") at 3.50% and, at the same time, lowered its projected track for the 90 day bank bill rate. Dairy prices continued the fall that started at the beginning of the year, as a build-up in inventory in China, the Russian ban on imports from many Western countries and increased global production maintained the downward pressure on prices.

The yield curve continued to flatten over the quarter with the benchmark spread between the 2 year and 10 year swap rates declining from an opening level of 49 basis points to close at 31 basis points. This spread is at a level not seen since 2008 and indicates a belief that inflation will be very moderate over forthcoming years. With commodity prices falling sharply and central bank stimulus still required in a number of countries, these expectations appear realistic.

Credit spreads were reasonably stable during the quarter, closing December at an average margin of 50 basis points over the 3 year swap for the ANZ Corporate A Grade Bond index. This compares with a margin of 52 basis points at the end of September.

The chart on the following page shows credit spreads for the Corporate A Grade Bond index (the grey shaded area) and the 3 year swap (red line) dating back to mid 2007 when credit spreads over swap were below zero. They reached a peak of 288 basis points in early to mid-2009.



PORTFOLIO ACTIVITY

The LTFP marginally underperformed the benchmark portfolio over the December quarter, increasing in value by 2.05% compared to the benchmark portfolio's increase of 2.08%. The reason that MDC underperformed slightly (by 3 basis points or 0.03%) can be attributed to the relatively small size of the LTFP and the fact that it only incorporates five bonds compared to the ten bonds that make up the benchmark index. Due to the relative lack of diversity in the LTFP, unusual price movements for just one bond compared to other bonds of a similar duration in the benchmark index will cause distortions in the relative performance of the two portfolios. In the December quarter, the ANZ Bank April 2018 hybrid bond, which is in the LTFP but not the benchmark, only declined by 17 basis points whereas the ASB July 2018 senior bond which is in the benchmark index declined by 42 basis points. Had the ANZ bond declined by a similar amount, the LTFP would have increased in value by 2.19% and thus would have outperformed the benchmark.

Looking at the longer term performance of the LTFP, the industry standard for assessing a fund manager's performance is to use the return over the previous three years, thus smoothing out any short term aberrations. The LTFP has returned 5.86% per annum over the past three years, while the benchmark index has returned 5.30%. The ANZ Corporate 'A' Grade Bond Index which most closely approximates these two portfolios has returned 5.19% over the last three years. The return on this index includes dividend reinvestment which is not factored into the SFP or the benchmark. If it was, both would produce higher returns.

Details of MDC's term deposits, which had a weighted average of 4.36% as at 31 December 2014, are listed below. The first two deposits listed are used for liquidity purposes, hence the short investment term. The third deposit, for \$6.0 million, is invested in a bank term deposit in preference to bonds, comment on this is contained below.

- \$1.0 million invested for 42 days to mature on 16 January 2015 at a rate of 3.69%.
- \$0.5 million invested for 70 days to mature on 13 February 2015 at a rate of 3.69%.
- \$6.0 million invested for 123 days to mature on 7 April 2015 at a rate of 4.46%.

The following table shows the yields on various corporate bonds as at 31 December 2014 in which MDC would be able to invest under the parameters of its Treasury Policy. This indicates that to achieve the interest rate in the bond market that MDC received for its 123 day term deposit it would have to invest for a term of around 4 years. Given the yield differential between term deposits and bonds, we continued with the strategy of investing in term deposits, which also has the added advantage of not exposing MDC to revaluation losses in the event that interest rates rise.

Security	Maturity	Coupon	Rating	Yield
Westpac	16-03-15	4.86%	AA-	3.86%
BNZ	27-05-15	8.67%	AA-	3.88%
ANZ	16-02-16	6.31%	AA-	4.04%
Tauranga CC	15-04-16	6.25%	A+	4.10%
Dunedin City Treasury	15-11-16	6.79%	A+	4.19%
ASB Bank	08-06-17	6.06%	AA-	4.26%
Transpower	30-11-18	5.14%	AA-	4.34%
BNZ	20-12-18	6.10%	AA-	4.52%
Rabobank	19-03-19	6.10%	AA-	4.70%
Fonterra	25-02-20	5.52%	A+	4.65%

As at 31 December 2014, MDC complied with the credit rating criteria contained in the Treasury Policy. Bancorp Treasury continues to classify the ANZ Bank April 2018 bond under the Moody's Investors Service ("Moody's") 'equivalent test' which is permissible under the Treasury Policy. Currently, its Moody's long term rating is 'A3'.

Overall, Bancorp Treasury is satisfied with the makeup and profile of MDC's portfolio. The running yield of 6.36% still delivers considerable benefits over the interest rates available for shorter term money market investments.

Global Markets Overview

The global themes of weak growth and falling inflation again dominated financial markets in the December quarter, although the spotlight was on the continued dramatic slide in commodity prices, led by oil prices whose fall in recent months is having a significant global impact. The benchmark WTI and Brent crude prices tumbled around 40% during the quarter, finishing December at five year lows amid concerns about oversupply and falling demand and are having a worrying effect on oil-based economies. Falling oil prices are also posing problems for central banks looking to battle low inflation that, in some countries, threatens deflation and to correct what is seen as unjustifiably strong domestic currencies.

In contrast, the US economy remains on track for a continued recovery and the Federal Reserve ("Fed") has indicated that it expects to raise the Fed Funds rate in 2015, which caused the US dollar to strengthen further. US data in December confirmed the US' recovery. The US added 321,000 jobs in November, further solidifying the continued improvement in the labour market. US employers have now added at least 200,000 jobs monthly for the past 10 months. The jobless rate stayed at 5.8%, a six year low. Adding to US positivity, US GDP for the September quarter was revised up to an annualised rise of 5.0%.

Global developments saw the Fed add a more cautious tone at its December meeting, with officials lowering their interest rate forecast and stating *"it can be patient in beginning to normalize the stance of monetary policy"*. The Fed's shift in emphasis from *"considerable time"* to *"patient"* was seen as consistent with the first interest rate rise in mid 2015 although the timing of such a move is dependent on *"incoming information"*.

In the press conference following the Fed meeting, Fed Chair Janet Yellen repeated that the Fed will be *"patient"* about when it starts raising interest rates, a decision that *"is completely data-dependent."* But Yellen added that *"the committee considers it unlikely to begin the normalisation process for at least the next couple of meetings"* which hinted at the April meeting at the earliest but most likely the June meeting which is consistent with the Fed's interest rate projections.

US Treasuries yields have had a volatile three months. The yield on the 10 year Treasury bond ended December at 2.17%, having fallen from 2.49% at the start of October, pushed lower on concerns about global growth, low inflation, falling commodity prices and geopolitical tensions. On one day in October the 10 year yield fell from 2.22% to a low of 1.90% as the effects of weak (but normally innocuous) economic data pushed bond yields lower and forced traders, who for some time had been positioned for yields to rise, to close out their positions. However, once the closeouts had been completed, yields climbed sharply and closed the day at 2.13%.

Eurozone data was patchy over December but there was an underlying theme of falling inflation. Headline and core CPI fell in November, pulling down the respective annual rises to 0.2% and 0.7%. The drop in oil prices in December threatens to soften Eurozone inflation further with many predicting that the headline annual inflation measure could fall below zero early next year.

At its December meeting, the European Central Bank ("ECB") stopped short of announcing sovereign debt purchases, despite announcing growth projections that *"have been revised substantially downwards"* and warning that *"the risks surrounding the economic outlook for the euro area are on the downside"* because of *"high geopolitical risks"* and *"insufficient progress on structural reforms in euro area countries"*.

Significantly, the ECB also said that it intends to increase its balance sheet to its 2012 level (around EUR3 trillion from around EUR2 trillion today). The shift to *"intended"* from *"expected"* gave markets confidence that the ECB will deliver more than rhetoric. In the post-meeting press conference, ECB President Mario Draghi said that the ECB has *"stepped up the technical preparations for further measures, which could, if needed, be implemented in a timely manner"* which is seen as his strongest indication yet that he is wearing down German opposition to buying Eurozone sovereign debt. Worryingly, Draghi also said that the ECB will be *"particularly vigilant"* on the effects of oil prices.

Adding to the Eurozone's woes and pressure on the euro was political uncertainty in Greece. A failure to elect a new Greek President in December caused the government to call an early election for 22 January 2015. Opinion polls at the end of December gave the incumbent coalition's main party (New Democracy) 42% of the seats, increasing to 55% after adding its coalition partners. However, the anti-austerity and anti-Eurozone SYRIZA party polled 24%, raising the prospect of a Greek exit from the Eurozone.

With so many negatives, it was no surprise that the euro and Eurozone sovereign bond yields fell substantially during the quarter. The German 10 government bund yield finished December at 0.53% having started the quarter at 0.86% with many commentators expecting further stimulus measures to be announced in the New Year. Yields on French and Italian 10 year government bonds also fell and recorded fresh lows in December.

Falling inflation in China and its major trading partners is likely to spur more Chinese central bank easing action with a cut in banks' reserve asset ratios the most likely next act. Another interest rate cut or another round of fiscal stimulus (government funded infrastructure spending) is also possible if the Chinese economy does not improve.

NEW ZEALAND MARKET OVERVIEW

	OCR	90 day	1 year swap	2 year swap	3 year swap	5 year swap	10 year swap
30 Sep 14	3.50%	3.70%	3.86%	4.08%	4.22%	4.37%	4.57%
31 Dec 14	3.50%	3.67%	3.74%	3.80%	3.87%	3.96%	4.11%
Change	Nil	-0.03%	-0.12%	-0.28%	-0.35%	-0.41%	-0.46%

New Zealand's economic performance remains robust and the outlook positive, despite falls in commodity prices, notably dairy, and a lower Fonterra payout forecast for the 2014/15 year. New Zealand recorded a GDP rise of 1.0% over the September quarter and a 2.9% rise for the year. The quarter's rise was higher than forecasts, but was close to the Reserve Bank of New Zealand's ("RBNZ") forecast of 0.9% and higher than the rate in the previous quarter.

Immigration remains very strong, recording a net gain of 5,010 for November the month and a staggering 49,836 for the year. Rising immigration is one factor fuelling rising house prices. The Real Estate Institute's median national house price measure rose 6.0% in November and 7.2% over the year, to reach a record high. Auckland still leads the charge with an 8.1% annual rise in median house prices and accounting for 64% of the national price rise, with Canterbury second at 7.0%.

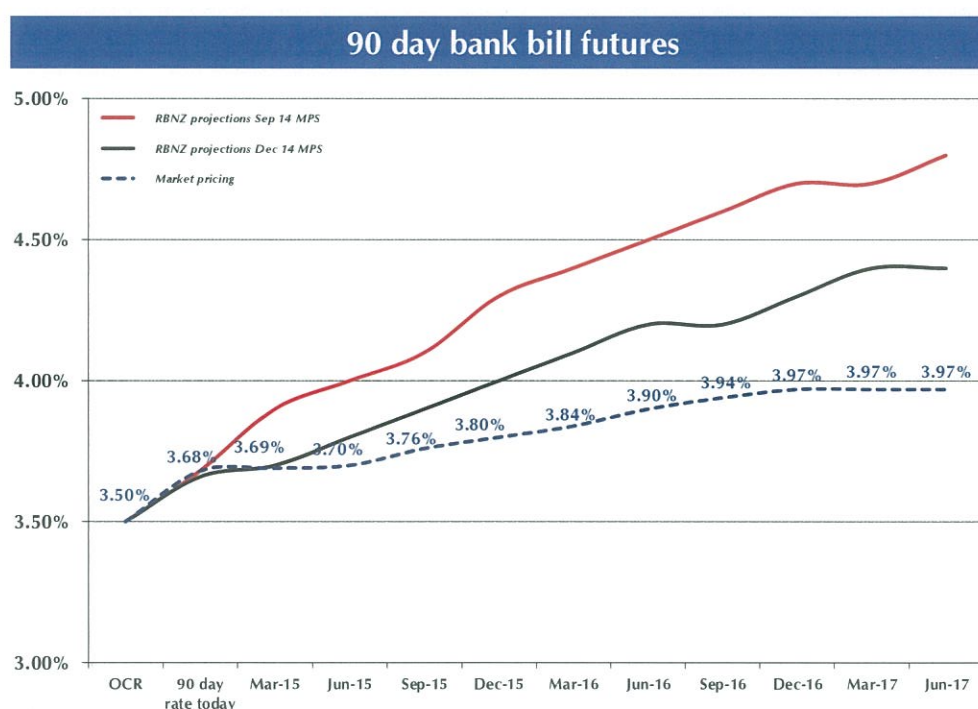
In December Fonterra lowered its forecast payout for the current season from \$5.30 per kgMS to \$4.70, which is considered below breakeven for the average farmer. In its detailed release to the NZX, Fonterra indicated that a \$4.70 payout depends on GlobalDairyTrade ("GDT") Whole Milk Powder prices (USD2,270 per tonne at the last GDT auction for the year) rising above USD3,000 by March. With global supply still exceeding demand, that is an optimistic assumption.

RBNZ Governor Graeme Wheeler surprised markets in December with a *Monetary Policy Statement* ("MPS") in which he ignored falling global and domestic inflation and re-asserted that the RBNZ is in a tightening cycle and that the next Official Cash Rate ("OCR") move will be a rise. Despite these assertions, the RBNZ lowered its projected path for the 90 day rate by around 30 basis points to an end point of 4.50% in the second half of 2017.

The timing of the next OCR rise will be dependent on data, or more precisely how the economy has responded to the 100 basis points of OCR rises in 2014, how house price inflation develops and how a lower Fonterra payout will affect the wider economy. However, markets have accepted the RBNZ's position and ended December pricing the next OCR rise in the first half of 2016.

At the longer end of the curve, global disinflation led by falling oil prices weighed on local interest rates. New Zealand swap rates followed global moves lower over the quarter, causing another flattening of the yield curve. The benchmark yield curve measure, the spread between 2 year and 10 year swap rates, fell from 0.49% at the start of October to 0.31%, with the month end closing rate for the 10 year swap of 4.11% representing a one and a half year low.

The chart below on the following page shows the 90 day bank bill futures pricing as at 31 December and the RBNZ's projections from the last two MPSs. The black line shows the RBNZ's most recent projection in the December MPS and the dotted blue line the 90 day bank bill futures pricing.



LOCAL AUTHORITY SECTOR

The Local Government Funding Agency ("LGFA") held its last tender for the quarter on 10 December 2014. In total, \$135 million of fixed rate bonds and Floating Rate Notes ("FRN") were issued, with \$584 million of bids received, representing a bid to cover ratio of 4.3 times. Results of the tender are as follows:

- 15 December 2017 maturity - \$15 million issued at a margin of 37 basis points over swap for an unrated borrower equating to an all up fixed rate for an unrated borrower of 4.27%.
- 15 March 2019 maturity - \$20 million issued at a margin of 46 basis points over swap for an unrated borrower equating to an all up fixed rate for an unrated borrower of 4.46%.

- 15 April 2020 maturity - \$25 million issued at a margin of 57 basis points over swap for an unrated borrower equating to an all up fixed rate for an unrated borrower of 4.62%.
- 15 April 2023 maturity - \$75 million issued at a margin of 72 basis points over swap for an unrated borrower equating to an all up fixed rate for an unrated borrower of 4.95%.

Investor demand for local authority paper continued during the December quarter which helped to lower the issue margins. Examples of local authority issuance during the quarter are as follows:

- Grey DC 3 year issue at a margin of 50 basis points.
- Ashburton DC unrated 4 year issue at a margin of 42 basis points.
- Whakatane DC unrated 6 year issue at a margin of 55 basis points.
- Nelson CC rated 'AA-' 6 year issue at a margin of 37 basis points.

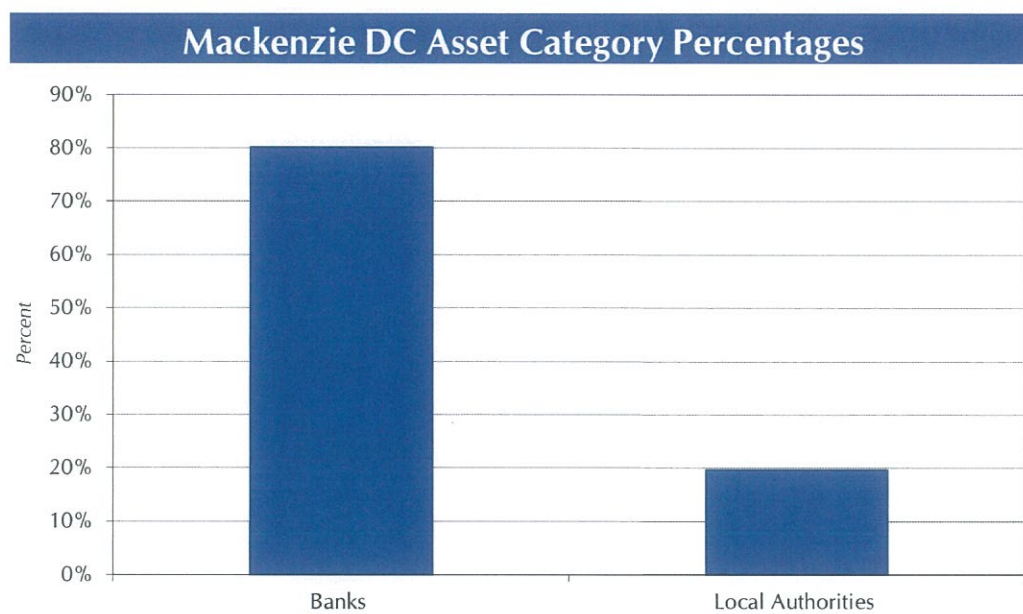
In addition to the margin, brokerage of either 2 or 3 basis points normally applies to each transaction.

Pricing for bank sourced debt also continued to fall with 3 year facilities being provided at all up margins of less than 100 basis points. However, given the cheaper funding available from the capital markets, bank facilities continue to be regarded more as standby facilities rather than as a primary funding source.

POLICY ADHERENCE

- As at 31 December 2014, MDC was compliant with the investment parameters contained in its Treasury Policy.
- The duration of the LTFP at 2.54 years is within the 25% allowable fluctuation band of the benchmark portfolio's duration of 2.29 years.
- As far as liquidity is concerned, all of the bonds in the portfolio have been traded regularly on the secondary market during the December quarter. We are confident that the portfolio would be able to be sold at short notice if required.
- As at 31 December 2014, the asset category percentages complied with the Treasury Policy. These are as listed below and are illustrated in the chart: on the following page.

- Banks	80.21%
- Local Authorities	19.79%

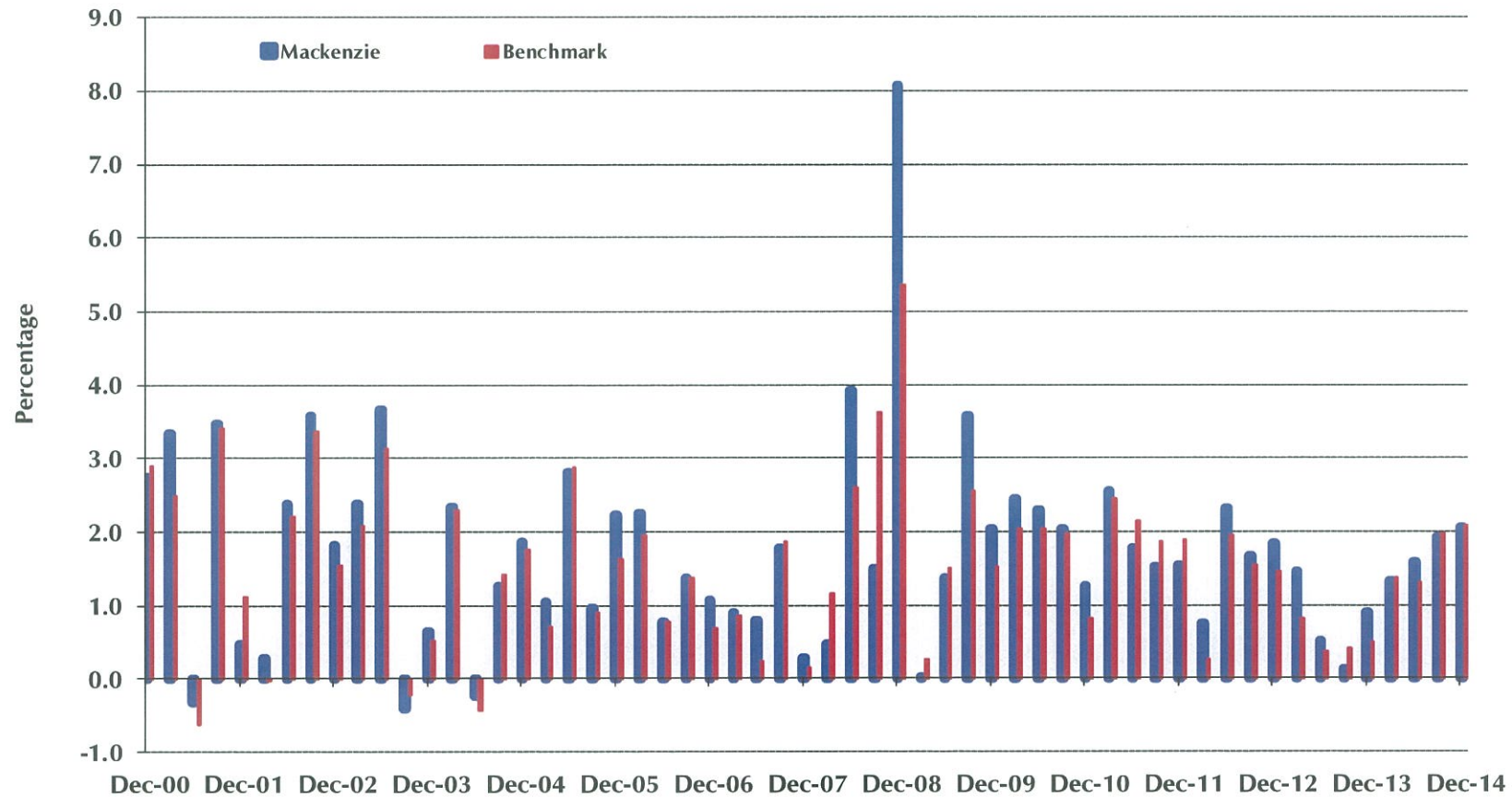


Benchmark											
Security	Issue Date	Maturity Date	Coupon	<u>30-Sep-14</u> Nominal \$	Yield	Value \$	<u>31-Dec-14</u> Nominal \$	Coupons 01/10 to 31/12 \$	Yield	Value \$	Effective cash 31/12/2014 \$
Fonterra*	15-Mar-09	15-Mar-15	7.75	1,000,000	4.00	1,020,702	1,000,000	\$19,375	3.86	1,011,990	1,031,365
BNZ	21-Apr-04	27-May-15	8.67	1,000,000	3.99	1,059,673	1,000,000	\$43,350	3.88	1,027,195	1,070,545
Chch City Holdings	27-Jun-10	27-Jun-16	6.87	1,000,000	4.69	1,053,763	1,000,000	\$34,350	4.43	1,035,535	1,069,885
NZ Post	15-Nov-11	15-Nov-16	5.22	1,000,000	4.64	1,031,128	1,000,000	\$26,100	4.34	1,022,247	1,048,347
Telstra	15-Jul-12	11-Jul-17	7.51	1,000,000	5.00	1,080,812	1,000,000		4.53	1,105,762	1,105,762
Auckland Council	20-Apr-04	29-Sep-17	6.52	1,000,000	4.46	1,057,378	1,000,000		4.10	1,078,853	1,078,853
ANZ/National Bank	16-Feb-11	16-Feb-18	6.85	1,000,000	4.81	1,071,207	1,000,000		4.40	1,096,296	1,109,111
ASB	19-Jul-12	18-Jul-18	5.06	1,000,000	4.87	1,016,620	1,000,000		4.45	1,042,623	1,109,112
Rabobank NZ	19-Mar-12	19-Mar-19	6.10	1,000,000	5.05	1,043,378	1,000,000		4.70	1,070,247	1,070,247
Transpower	10-Jun-12	10-Jun-20	6.95	1,000,000	5.07	1,113,144	1,000,000	\$34,750	4.55	1,118,525	1,153,275
				<u>\$10,000,000</u>		<u>\$10,547,804</u>	<u>\$10,000,000</u>	<u>\$157,925</u>		<u>\$10,609,274</u>	<u>\$10,846,502</u>
Value as at 30/09/2014						\$10,547,804			31/12/2014		10,609,274
									Coupons		157,925
									Net Purchases/Sales		Nil
											10,767,199
*Quarterly coupon									Effective change in cash		\$219,394
									% change		2.08%
									Duration-years		2.29

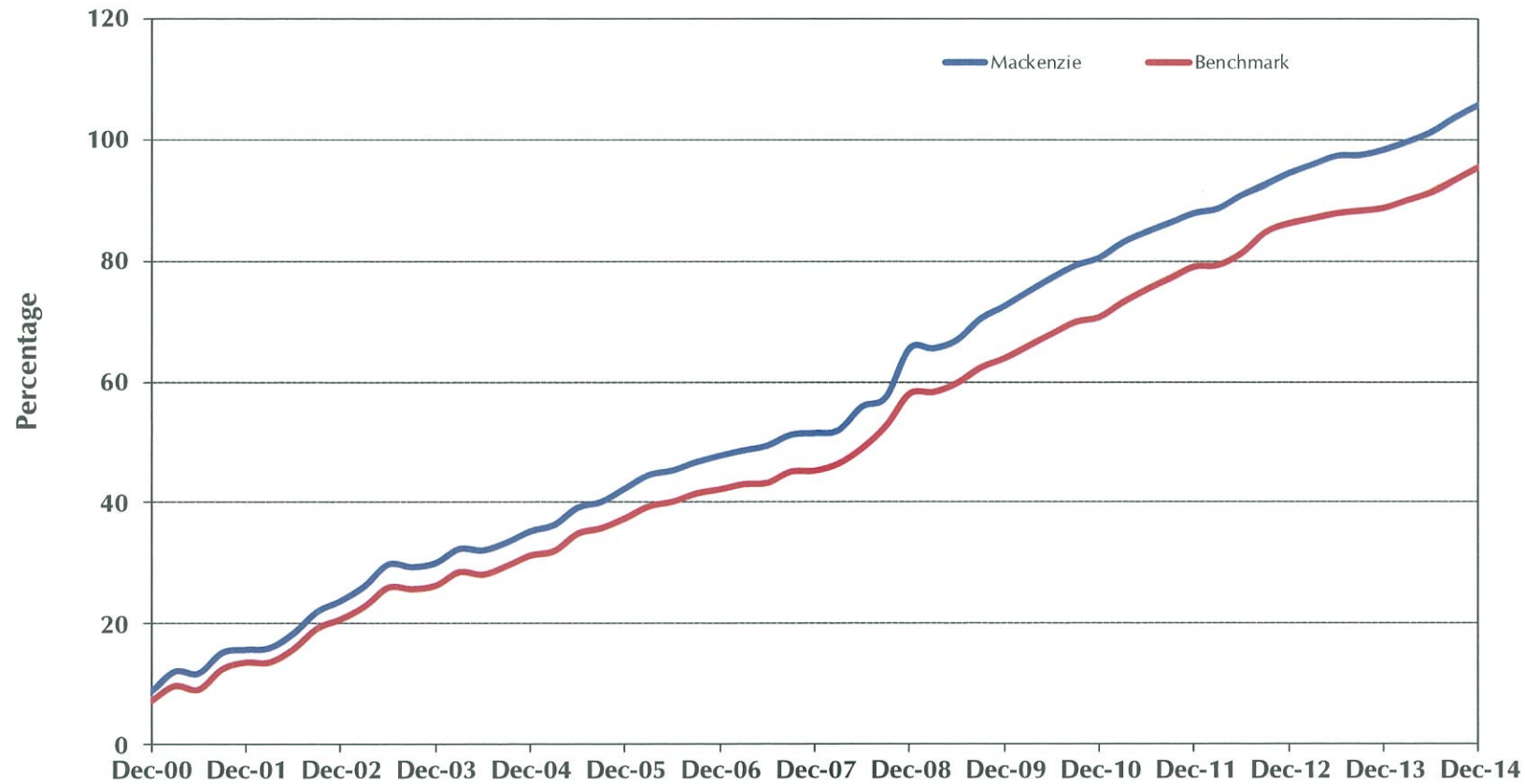
Mackenzie District Council											
Security	Issue Date	Maturity Date	Coupon	<u>30-Sep-14</u> Nominal \$	Yield	Value \$	<u>31-Dec-14</u> Nominal \$	Coupons 01/10 to 31/12	Yield	Value \$	Effective Cash 31/12/2014
BNZ	27-May-08	27-May-15	8.67	500,000	3.99	529,837	500,000	21,675	3.88	513,597	535,272
AUCKLAND COUNCIL	27-Sep-10	27-Sep-17	6.52	500,000	4.46	528,818	500,000		4.10	539,548	539,548
ANZNATIONAL	18-Apr-08	18-Apr-18	5.28	500,000	5.56	507,432	500,000	13,200	5.39	503,684	516,884
ANZNATIONAL	20-Sep-11	20-Sep-18	6.08	500,000	4.92	521,529	500,000		4.49	535,472	535,472
BNZ	20-Dec-11	20-Dec-18	6.10	527,000	4.92	559,356	527,000	16,073	4.52	557,912	573,985
				\$2,527,000		\$2,646,972	\$2,527,000	\$50,948		\$2,650,213	\$2,701,161
Value 30/09/2013						<u>\$2,646,972</u>	Value 31/12/2014				2,650,213
							Coupons				50,948
							Net maturities and adjustments				<u>2,701,161</u>
							Effective change in cash				\$54,189
							% change				2.05%
							Duration-Years				2.54



Mackenzie DC vs Benchmark - Quarterly



Mackenzie DC vs Benchmark - Cumulative



Councillor Request from Noel Jackson

To investigate a community facilities rate across the whole district instead of it being levied across the town works and services rates as people from other areas in the district also use the facilities and many are not subsidising the cost or provision of the service.

Facilities such as

Halls

Pools

Libraries

Are available and used by ratepayers outside the towns and many of these facilities are needing updating (wi fi etc to encourage more public usage of these facilities) to make them more attractive to the user and also to be up with the current needs of the community.

For example

Pools are needing to be a more attractive venue to encourage people to bring their children to the pool.

All Halls needing capital works done can be funded by all ratepayers and not just their local communities.

Libraries also need to keep up to date for IT requirements and electronic books

This should not be funded by towns works and services rates because there is always pressure to keep rates down.