

Mackenzie District Council

Staff Submission to the 2018-28 Long Term Plan

1. *Water Supply - Correction of Ostler Road and Hooker Crescent Misstatements*

Submission

Staff seek that a correction is made to the proposed budget for capital expenditure for the Ostler Road and Hooker Crescent AC pipe replacement works to be undertaken in year 1 (2018/19). This is required to reflect the capital cost of \$230,000 rather than the included \$82,000.

Reasons

The budget for the capital works programme for the Ostler Road and Hooker Crescent AC pipe replacement programme should be \$230,000 rather than the stated \$82,000. This was omitted in error.

This proposed \$148,000 increase in capital spend would increase depreciation by \$1,850/year, increase finance costs for borrowing by \$6,000, and increase the principal repayment by \$6,000. The cost of this increase will be borne by all water ratepayers. However it is considered minor over the term of the LTP relative to total capital budgets and accounts more accurately for the cost of the replacement programme.

Decision Sought

Staff seek that the 2018-28 Long Term Plan budget is corrected to \$230,000 for the Ostler Road and Hooker Crescent AC pipe replacement programme to be undertaken in year 1.

2. *Commercial Activities – Forestry Wilding Control*

Submission

Further to discussion at the Forestry Committee meeting of 27 February 2018, staff seek that budget is introduced to control wilding trees and other pests associated with Council's commercial forestry activity.

Reasons

At present, no budget has been provided for the control of wilding or other pest control associated with forestry activities. The Canterbury Regional Pest Management Strategy 2011 and Canterbury Regional Pest Management Plan 2017 classify wilding conifers as pest species. As managers of the forestry and land, Council has responsibility for the control of wilding conifers and other pest species originating from plantations, to ensure adverse effects on neighbouring properties and the surrounding environment are mitigated.

Decision Sought

In accordance with the recommendation of the Forestry Committee, staff seek that Council include a budget in the 2018-28 Long Term Plan for the management of wilding pines and other pest originating from Council forestry. A budget of \$50,000 is requested for each of Years 1 and 2, consisting of \$30,000 for wilding control on RES4038 at Twizel and \$20,000 for general pest control, with a budget of \$30,000 annually thereafter.

3. Commercial Activities – Pukaki Airport Taxiway Reseal

Submission

The resealing of the Pukaki Airport taxiway is required to be completed in year 1 of the 2018-28 Long Term Plan. This work consists of a second coat seal on the parallel and lateral taxiways.

Reasons

The proposed works were programmed to be completed during the sealing season of 2017/18. However due to delays, this work has not yet been completed and the works programme has been proposed to be moved to year 1 of the 2018-28 Long Term Plan. This change to this schedule of works will result in an increase in depreciation of \$21,300. This is outlined in the recent Chairman's report to Council and will be funded from airport budgets.

Decision Sought

Staff seek that the Pukaki Airport Taxiway seal at a cost of \$384,500 be provided in Year 1 of the 2018-28 Long Term Plan, recognising that this work was not completed in 2017/18 as planned.

4. Commercial Activities – Pukaki Airport Financials

Submission

Due to recent updating of information regarding the financial status and projections of the Pukaki Airport Board, staff seek that the 2018-28 Long Term Plan financial information be amended.

Reasons

At the time of staff preparing the 2018-28 Long Term Plan financials, updated information on Pukaki Airport was not available. The financial information developed was therefore based on the information provided to Council in the Pukaki Airport Board's previous Business Plan, being a three year period, with the remaining term extrapolated. Since Council adopted the Financial Information as a supporting document for consultation, the Board has provided its Four Year Business Plan to 30 June 2022. These figures can now be used to inform the Long Term Plan financials.

Decision Sought

Council staff seek that Council agree to amend the 2018-28 Long Term Plan financial information to reflect the updated financials as detailed below:

	2017/18	2018/19	2019/20	2020/21	2021/22
Opening Balance	\$217,000	\$395,000	\$295,000	\$434,000	\$794,000
Revenue Statement					
Revenue					
Capital Revenue – land sales (stage 1-4)	\$27,000				
Other capital land sales	\$309,000	\$406,000	\$217,000	\$396,000	\$253,500
Lot 7 Land and Hangar					\$535,000

Aviation & rental income	\$45,000	\$62,000	\$82,000	\$82,000	\$82,000
Interest	\$2,000	\$1,000	\$5,000	\$8,000	\$14,000
Total Land Sales & Revenue	\$383,000	\$469,000	\$304,000	\$486,000	\$884,500
Less Expenses					
Running Expenses	\$45,000	\$45,000	\$45,000	\$50,000	\$50,000
Sales Promotion	\$20,000	\$60,000	\$40,000		
Taxi-way seal		\$384,500			
Rates	\$10,000	\$8,000	\$6,000	\$6,000	\$6,000
New Hangar	\$22,000				
Directors Fees	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Water	\$10,000				
Legal Fees – sale contracts	\$7,000	\$5,000	\$2,000		
Repairs & Maintenance	\$8,500	\$10,000	\$10,000	\$10,000	\$12,000
Incidentals	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Professional Advice – Structure	\$10,000				
Planning Professional Advice – DP	\$15,000				
Safety Report	\$5,000	\$5,000			
Strategic Plan Review			\$10,000		
Total Expenses	(\$204,500)	(\$569,500)	(\$165,000)	(\$118,000)	(\$120,000)
Net Surplus/(Deficit)	\$178,500	(\$100,500)	\$139,000	\$368,000	\$764,500
Airport Reserve Balances	\$395,500	\$295,000	\$434,000	\$794,000	\$1,566,500

5. Transportation – Removal of Budget for Lighting Subsidy

Submission

Council is asked to consider whether to amend its proposed provisions in the draft Long Term Plan budgets regarding streetlighting. This is because an opportunity has arisen to take up a subsidy from NZTA for the replacement of streetlights in the current financial year (year 0). If this subsidy is taken up then streetlights may be replaced earlier than programmed in the LTP. Council considered this subsidy and approved unbudgeted expenditure for this purpose at its recent meeting of 13 February 2018. Council has since considered whether it needs further information on the programme and the impacts on the Dark Sky Reserve in the Mackenzie Basin.

Reasons

Assuming timeframes can be met, Council can replace the streetlights in Fairlie, Albury, Kimbell and Burkes Pass at a total cost of \$104,000 (assuming the advised rate of 85% subsidy) in year 0. Council's

share of this would be \$15,600. This would be funded through rates collected for the normal maintenance programme over Years 1-10 of the 2018-28 Long Term Plan. This means that the NZTA subsidy in Years 1 – 10 will reduce, but this reduction is considered minor. These replacements are outside the Dark Sky Reserve.

The balance of the replacement programme is \$690,000 in Twizel and Tekapo, both of which are within the Dark Sky Reserve. This programme is unlikely to be progressed by the 1 July cut-off for NZTA subsidy as Council is still working through the implications of different streetlight fittings in terms of the impacts on the Dark Sky Reserve. Because the 85% subsidy will not be available in Year 1, the estimated cost of this capital expenditure would be \$390,000 at the lower subsidy.

Staff also consider it is unlikely that Council will be able to purchase the number of lights required, as this number may be less than the minimum supplied per order for non-standard fittings. For these reasons, the total cost for the full minimum number is expected to be \$1,000,000. Our share of this is likely to be \$490,000, being 49% local share. If the present subsidy of 85% were to apply, our share would be \$150,000.

The \$490,000 would be rated over the life of the asset of 15 years, equating to \$33,000 per annum. Current local share as per the proposed LTP budgets is \$31,000 per annum.

The options for Council are:

- To leave budgets unadjusted, and approve unbudgeted expenditure for replacements in Year 1 once fittings have been finalised; or
- Amend the budgets to provide for the \$1,000,000 capital expenditure, \$490,000 being Council's maximum exposure. While this will not affect the rates requirement significantly, it would require the adjustment of the budgets to remove the programmed \$63,000 annual maintenance spend (for the replacements) which includes the \$32,000 per annum NZTA subsidy. This is because the programme will have occurred in Year 1 rather than across the ten years of the LTP.

Decision Sought

That the Council consider whether it is appropriate to amend the proposed LTP budgets to provide for this programme.

6. Corporate Services: Administration - IT Costs

Submission

Due to operational requirements, improvements to existing IT systems are necessary. Such improvements require additional budget to be provide for installation and running costs.

Reasons

Due to technical issues arising in connecting to and running business from the Twizel office, improved IT services are required. Cloud and connectivity solutions have been explored by staff and Hurunui IT staff. The preferred option is to proceed with exploring cloud connectivity which will provide faster more stable internet, provide IT hardware in-house and align us with Hurunui and Kaikoura Councils. It will also will offer improved security and remove the need for additional hardware systems. There will be a reduction in third party costs for maintaining servers which Council currently pays.

Details regarding the proposal to move to the cloud will be provided to Council at its next meeting for consideration. Staff propose that the installation be undertaken in the current financial year at a cost of \$19,000, but that the LTP is amended to provide for ongoing annual costs of \$27,000 per annum.

The required replacement costs for the current system are presently budgeted at \$81,000 in year 6 of the 2018-28 Long Term Plan, with depreciation costs of \$16,000 per annum.

When combined with the reduction in third party support costs, it is expected that the cloud option will be cost neutral over the ten year term of the LTP but will offer improved functionality and security.

Decision Sought

Staff seek that budget be amended to reduce depreciation costs of \$16,000 per annum and increase operating costs by \$16,000 per annum for the proposed move to cloud services.

Staff do wish to be heard in support of this submission. Our preference is to speak at the hearing on Friday 4 May 2018 at Twizel.



Suzette van Aswegen

Chief Executive Officer

23 April 2018

